



February 3, 2021

**Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2021
(Nine Months Ended December 31, 2020)**

[Japanese GAAP]

Company name: JCU CORPORATION

Listing: Tokyo Stock Exchange, First Section

Stock code: 4975

URL: <https://www.jcu-i.com/>

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Scheduled date of filing of Quarterly Report: February 8, 2021

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on February 3, 2021 at 15:00. (GMT +9).

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Nine Months Ended December 31, 2020
(April 1, 2020 – December 31, 2020)**

(1) Consolidated results of operations (Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2020	15,424	(3.7)	4,951	5.3	4,992	6.8	3,403	2.4
Nine months ended Dec. 31, 2019	16,021	(18.0)	4,701	(13.9)	4,675	(15.3)	3,324	(16.3)

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2020: 2,888 (up 14.5%)
 Nine months ended Dec. 31, 2019: 2,522 (down 20.5%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended Dec. 31, 2020	128.66		-	
Nine months ended Dec. 31, 2019	122.96		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of Dec. 31, 2020	31,549		25,900		82.1	
As of Mar. 31, 2020	33,039		25,327		76.6	

Reference: Shareholders' equity (million yen) As of Dec. 31, 2020: 25,900 As of Mar. 31, 2020: 25,314

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/20	-	23.50	-	25.00	48.50
FY3/21	-	25.00	-		
FY3/21 (forecasts)				25.00	50.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	22,000	(1.4)	6,400	1.6	6,500	4.2	4,450	0.8	168.54

Note: Revisions to the most recently announced consolidated forecast: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): Yes

Newly added: -

Excluded: 1 (JCU Technology (Shenzhen) Co., Ltd.)

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Dec. 31, 2020:	27,865,318 shares	As of Mar. 31, 2020:	27,856,115 shares
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2) Number of treasury shares at the end of the period

As of Dec. 31, 2020:	1,608,286 shares	As of Mar. 31, 2020:	1,317,653 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2020:	26,451,760 shares	Nine months ended Dec. 31, 2019:	27,032,893 shares
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Note 1: The quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

Note 2: Cautionary statement with respect to forward-looking statements and other special items

Forecasts of future performance in this report are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ substantially from these forecasts for a number of reasons.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first nine months of the fiscal year ending March 31, 2021 (hereafter, “the period under review”), the domestic economy was back on a recovery track for some time after the state of emergency declaration was lifted amid the continued contraction of the economy caused by the spread of the COVID-19 infection. However, consumption became sluggish again owing to the subsequent rebound of the infection. Exports to China and some other countries turned into a recovery trend as overseas demand picked up due to the resumption of economic activities in such countries. Amid concern over the prolonged spread of the COVID-19 infection, companies took a more cautious stance on their capital investment.

In overseas countries, demand for consumption drastically slowed down affected strongly by the restrictions on economic activities worldwide due to the spread of COVID-19 infections, in addition to the economic stagnation caused by the prolonged US-China trade friction. In China, manufacturers resumed production and the economy is on a recovery trend thanks to the support from the government’s economic policies. However, the situation still does not allow any optimism due to uncertainty over the timing of containment of the infection at home and abroad and the emerging concern over the rebound.

As for the business environment surrounding the JCU Group, the progress toward the commercialization of the 5G mobile communication system contributed to an increase in demand for PWBs used for its infrastructures such as base stations and data centers, high-performance electronic devices and semiconductor package substrates. However, demand from the automotive industry and smartphone market remained sluggish due to the US-China trade friction and stagnant economic activities in overseas countries.

The results of operations of the JCU Group were as follows.

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2019 – Dec. 31, 2019)	Current period (Apr. 1, 2020 – Dec. 31, 2020)	Year-over-year % change
Net sales	16,021	15,424	Down 3.7%
Operating profit	4,701	4,951	Up 5.3%
Ordinary profit	4,675	4,992	Up 6.8%
Profit attributable to owners of parent	3,324	3,403	Up 2.4%

The results of operations by segment were as follows.

Chemicals Business

Chemicals for electronics industry

- China: Business remained almost flat with the increased demand for PWBs for antennas used in the base stations for the 5G mobile communication system and PWBs for surveillance cameras compliant with 5G, which was nearly offset by a decline in the number of smartphones sold.
- Taiwan: Business remained strong with the increased demand for PWBs for high-performance electronic devices and semiconductor package substrates for servers, along with the start of mass production for the launch of new smartphone models.
- Korea: Although the demand for semiconductor package substrates has been increasing, it was not strong enough to offset the decline up to the second quarter driven by the withdrawal of some PWB manufacturers from the HDI (high density interconnect) substrate business.

Chemicals for decoration

- Japan: Although there was a sign of recovery in the automotive industry, it was not strong enough to offset the decline up to the second quarter.
- China: Although production in automotive component manufacturers was on a recovery track after being hit by COVID-19, business remained stagnant due to adjustment to automotive component inventory.

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2019 – Dec. 31, 2019)	Current period (Apr. 1, 2020 – Dec. 31, 2020)	Year-over-year % change
Net sales	14,304	13,752	Down 3.9%
Segment profit	5,548	5,678	Up 2.3%

Machine Business

The amount of orders received decreased substantially due to lower demand for capital investment by automotive component manufacturers as a result of the impact of the COVID-19 infection.

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2019 – Dec. 31, 2019)	Current period (Apr. 1, 2020 – Dec. 31, 2020)	Year-over-year % change
Net sales	1,696	1,663	Down 2.0%
Segment loss	(62)	(54)	-
Orders received	1,893	733	Down 61.3%
Order backlog	1,495	319	Down 78.6%

Other businesses

The Other businesses posted sales of 9 million yen (down 54.9% year over year) with a segment loss of 51 million yen (as compared with a segment loss of 62 million yen a year earlier).

(2) Explanation of Financial Position**1) Assets, liabilities and net assets****Assets**

Total assets at the end of the period under review decreased 1,490 million yen (down 4.5%) from the end of the previous fiscal year to 31,549 million yen.

Current assets decreased 590 million yen (down 2.4%) to 23,658 million yen mainly due to a decrease in notes and accounts receivable-trade, which was partially offset by an increase in cash and deposits.

Non-current assets decreased 899 million yen (down 10.2%) to 7,891 million yen mainly due to decreases in investment securities and deferred tax assets.

Liabilities

Total liabilities at the end of the period under review decreased 2,063 million yen (down 26.8%) from the end of the previous fiscal year to 5,648 million yen.

Current liabilities decreased 1,658 million yen (down 28.7%) to 4,115 million yen mainly due to decreases in notes and accounts payable-trade, electronically recorded obligations-operating and income taxes payable as a result of the payment of income taxes.

Non-current liabilities decreased 405 million yen (down 20.9%) to 1,533 million yen mainly due to a decrease in long-term accounts payable-other included in “other” as a result of payment for transition to a defined contribution plan.

Net assets

Net assets at the end of the period under review increased 573 million yen (up 2.3%) from the end of the previous fiscal year to 25,900 million yen. This was due to an increase in retained earnings from profit attributable to owners of parent, which were partially offset by a decrease in retained earnings as a result of payment of cash dividends, an increase in treasury shares attributable to share buyback, and a decrease in foreign currency translation adjustment.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

Mainly in overseas markets in the medium term, we expect the 5G mobile communication system to be in full swing, demand for IoT-related communications equipment to increase, sales of chemicals for PWBs to be on the rise, and sales of chemicals for automotive sector to remain solid. On the other hand, sales of chemicals are expected to increase only slightly in the domestic market.

Under this business environment, we will maintain and increase our existing market share by strengthening technical support and accelerating the launch of new products that meet our customers' needs such as the development of highly functional chemicals compatible with next generation technologies.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY3/20 (As of Mar. 31, 2020)	Third quarter of FY3/21 (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	12,929,727	14,400,220
Notes and accounts receivable-trade	8,282,863	6,995,349
Merchandise and finished goods	1,563,924	1,426,210
Work in process	58,190	50,657
Raw materials and supplies	454,653	438,348
Other	1,138,508	497,820
Allowance for doubtful accounts	(178,584)	(150,319)
Total current assets	24,249,283	23,658,286
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,410,259	3,318,339
Machinery, equipment and vehicles, net	590,305	786,547
Tools, furniture and fixtures, net	475,603	445,884
Land	522,824	522,824
Leased assets, net	65,927	59,272
Construction in progress	571,003	176,447
Total property, plant and equipment	5,635,922	5,309,315
Intangible assets		
Other	40,537	65,628
Total intangible assets	40,537	65,628
Investments and other assets		
Investment securities	1,916,422	1,808,692
Deferred tax assets	782,095	317,880
Other	415,410	389,673
Total investments and other assets	3,113,928	2,516,247
Total non-current assets	8,790,389	7,891,190
Total assets	33,039,673	31,549,477

(Thousands of yen)

	FY3/20 (As of Mar. 31, 2020)	Third quarter of FY3/21 (As of Dec. 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,196,470	538,261
Electronically recorded obligations-operating	976,582	769,044
Short-term borrowings	98,738	249,182
Current portion of long-term borrowings	441,528	433,864
Lease obligations	11,716	12,101
Income taxes payable	807,338	364,167
Provision for bonuses	419,314	308,503
Provision for loss on construction contracts	-	4,843
Advances received	108,266	98,240
Other	1,713,992	1,337,027
Total current liabilities	5,773,947	4,115,237
Non-current liabilities		
Long-term borrowings	706,678	695,493
Lease obligations	87,922	78,798
Retirement benefit liability	67,233	68,140
Deferred tax liabilities	28,038	24,640
Asset retirement obligations	242,321	244,318
Other	806,249	422,025
Total non-current liabilities	1,938,443	1,533,417
Total liabilities	7,712,391	5,648,655
Net assets		
Shareholders' equity		
Share capital	1,220,259	1,235,517
Capital surplus	1,172,720	1,176,972
Retained earnings	25,851,911	27,931,244
Treasury shares	(2,999,938)	(3,999,934)
Total shareholders' equity	25,244,952	26,343,800
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	83,987	130,769
Foreign currency translation adjustment	(14,229)	(573,747)
Total accumulated other comprehensive income	69,758	(442,978)
Non-controlling interests	12,570	-
Total net assets	25,327,281	25,900,821
Total liabilities and net assets	33,039,673	31,549,477

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
(For the Nine-month Period)**

(Thousands of yen)

	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)
Net sales	16,021,398	15,424,709
Cost of sales	6,081,898	5,654,591
Gross profit	9,939,500	9,770,118
Selling, general and administrative expenses		
Salaries and allowances	1,738,191	1,681,178
Bonuses	507,946	502,539
Retirement benefit expenses	96,046	99,918
Depreciation	301,038	324,460
Provision of allowance for doubtful accounts	4,574	-
Other	2,590,556	2,210,516
Total selling, general and administrative expenses	5,238,353	4,818,614
Operating profit	4,701,147	4,951,503
Non-operating income		
Interest income	63,501	45,540
Dividend income	27,745	27,170
Reversal of allowance for doubtful accounts	-	25,333
Other	78,700	63,663
Total non-operating income	169,947	161,706
Non-operating expenses		
Interest expenses	10,363	7,723
Foreign exchange losses	82,226	40,023
Share of loss of entities accounted for using equity method	60,233	52,353
Other	43,185	20,896
Total non-operating expenses	196,009	120,997
Ordinary profit	4,675,085	4,992,213
Extraordinary income		
Gain on sales of non-current assets	759	2,113
Gain on sales of investment securities	29,209	-
Gain on liquidation of subsidiaries	-	60,617
Total extraordinary income	29,969	62,730
Extraordinary losses		
Loss on sales of non-current assets	306	1,272
Loss on retirement of non-current assets	11,857	969
Impairment loss	16,231	77,424
Total extraordinary losses	28,394	79,666
Profit before income taxes	4,676,660	4,975,277
Income taxes-current	1,097,581	1,135,516
Income taxes-deferred	254,885	435,585
Total income taxes	1,352,467	1,571,102
Profit	3,324,193	3,404,175
Profit attributable to non-controlling interests	184	854
Profit attributable to owners of parent	3,324,008	3,403,320

Quarterly Consolidated Statement of Comprehensive Income
(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)
Profit	3,324,193	3,404,175
Other comprehensive income		
Valuation difference on available-for-sale securities	(33,026)	46,781
Foreign currency translation adjustment	(750,508)	(442,003)
Share of other comprehensive income of entities accounted for using equity method	(18,317)	(120,369)
Total other comprehensive income	(801,852)	(515,591)
Comprehensive income	2,522,340	2,888,583
Comprehensive income attributable to:		
Owners of parent	2,522,507	2,890,584
Non-controlling interests	(166)	(2,000)

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

The Company repurchased 290,200 treasury shares based on resolutions at Board of Directors' meetings held on August 4, 2020. As a result, treasury shares increased by 999,762 thousand yen during the period under review. The acquisition of these treasury shares and other transactions resulted in the balance of treasury shares of 3,999,934 thousand yen at the end of the period under review.

Segment and Other Information

I. First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)

1. Information related to sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Chemicals Business	Machine Business	Subtotal				
Sales							
Sales to outside customers	14,304,322	1,696,473	16,000,795	20,603	16,021,398	-	16,021,398
Inter-segment sales and transfers	457	-	457	-	457	(457)	-
Total	14,304,780	1,696,473	16,001,253	20,603	16,021,856	(457)	16,021,398
Segment profit (loss)	5,548,305	(62,153)	5,486,151	(62,720)	5,423,431	(722,284)	4,701,147

Notes: 1. The "Other" businesses segment represents business activities that are not included in either of the two reportable segments, and includes businesses engaged in color processing with the sputtering technology, drinking water, and wine.

2. Details of the adjustments to segment profit (loss) are as follows.

To segment profit

(Thousands of yen)

	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Inter-segment transaction elimination	-
Corporate expenses*	(722,284)
Total	(722,284)

* Corporate expenses mainly include general and administrative expenses that cannot be attributed to any reportable segment.

3. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

As impairment loss on non-current assets of 16,231 thousand yen is mainly related to idle assets, it is not allocated to any reportable segment.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)

1. Information related to sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Chemicals Business	Machine Business	Subtotal				
Sales							
Sales to outside customers	13,752,094	1,663,321	15,415,415	9,293	15,424,709	-	15,424,709
Inter-segment sales and transfers	322	1,531	1,854	-	1,854	(1,854)	-
Total	13,752,417	1,664,852	15,417,269	9,293	15,426,563	(1,854)	15,424,709
Segment profit (loss)	5,678,267	(54,545)	5,623,721	(51,114)	5,572,607	(621,103)	4,951,503

Notes: 1. The “Other” businesses segment represents business activities that are not included in either of the two reportable segments, and includes businesses engaged in color processing with the sputtering technology, drinking water, and wine.

2. Details of the adjustments to segment profit (loss) are as follows.

To segment profit (Thousands of yen)

	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)
Inter-segment transaction elimination	2,019
Corporate expenses*	(623,123)
Total	(621,103)

* Corporate expenses mainly include general and administrative expenses that cannot be attributed to any reportable segment.

3. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

As impairment loss on non-current assets of 77,424 thousand yen is mainly related to assets for research and development activities and is not allocated to any reportable segment.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

* This summary report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.