August 6, 2019

Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2020 (Three Months Ended June 30, 2019)

[Japanese GAAP]

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Listing: Tokyo Stock Exchange, First Section
Stock code: 3036
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Scheduled date of filing of Quarterly Report: August 8, 2019
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 August 6, 2019 at 12:30 (GMT +9).

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

1. Consolidated Financial Results for the First Quarter Ended June 30, 2019 (April 1, 2019 – June 30, 2019)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2019	60,181	(9.7)	1,232	(38.9)	1,547	(25.3)	901	(44.9)
Three months ended Jun. 30, 2018	66,671	13.8	2,018	18.9	2,071	6.3	1,635	13.9

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2019: 998 (up 38.4%)
Three months ended Jun. 30, 2018: 721 (down 38.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2019	35.67	-
Three months ended Jun. 30, 2018	63.25	-

Note: Diluted net income per share for the three months ended June 30, 2019 is not stated because dilutive shares do not exist. Diluted net income per share for the three months ended June 30, 2018 is not stated because dilutive shares do not exist due to termination of the exercise period of share acquisition rights.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2019	145,079	39,873	26.3
As of Mar. 31, 2019	143,851	39,673	26.3

Reference: Shareholders' equity (million yen) As of Jun. 30, 2019: 38,090 As of Mar. 31, 2019: 37,901

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	19.00	-	20.00	39.00
Fiscal year ending Mar. 31, 2020	-				
Fiscal year ending Mar. 31, 2020 (forecast)		21.0	-	21.0	42.0

Note: Revisions to the most recently announced dividend forecast: Yes
Regarding revisions to the dividend forecast, please refer to the press release that was announced today (English translation of this release to be announced shortly).

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentages represent year-on-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
First half	137,000	5.6	3,100	(19.1)	3,200	(14.6)	2,100	(24.1)	83.27
Full year	266,000	3.3	6,800	8.7	7,000	11.9	4,700	17.2	186.36

Note: Revisions to the most recently announced consolidated earnings forecasts: None
Regarding consolidated earnings forecasts for the fiscal year ending March 31, 2020, please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements" on page 5 of the attachments.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)” on page 10 of the attachments for further information.

(3) Changes in accounting policies and accounting-based 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-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

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

As of Jun. 30, 2019:	25,882,200 shares	As of Mar. 31, 2019:	25,882,200 shares

2) Number of treasury shares at the end of period

As of Jun. 30, 2019:	661,769 shares	As of Mar. 31, 2019:	437,635 shares

3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2019:	25,277,286 shares	Three months ended Jun. 30, 2018:	25,866,934 shares

* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to ALCONIX’s management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements” on page 5 of the attachments for assumptions for forecasts and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, the outlook for the global economy has become increasingly unclear due to U.S.-China trade friction, slowing economic growth in China and no resolution in sight regarding Brexit negotiations.

In Japan, the economy remained generally stable. Improvements in the job market and personal income continued but there are signs of weakness in corporate earnings and exports due to slowing economic growth in China and other reasons.

In the business sectors where the ALCONIX Group operates, demand declined in the automobile industry because of slowing economic growth in China. One positive trend in this industry is the diversification of demand as automakers increase the use of electronic components, reduce the weight of vehicles and begin using automated driving technologies. In the semiconductor and electronic components industries, broad-based growth is continuing as the IoT, AI and other technologies raise the volume of data that must be processed and automakers use more electronic parts. However, there was a downturn in demand for smartphones and semiconductor manufacturing equipment.

The performance of ALCONIX Group's manufacturing subsidiaries was firm for products for semiconductor chip mounting equipment and automobiles. First quarter performance also benefited from the inclusion of the earnings of Tohoku Chemical Industries, Ltd., a manufacturer of cashew resin products for brake friction materials that became a consolidated subsidiary in January 2019. On the other hand, earnings were lower than one year earlier in the minor metals sector, at trading subsidiaries in Japan, and in the Equipment and Materials segment. The performance of consolidated subsidiary Fuji Carbon Manufacturing Co., a manufacturer of carbon brushes for small motors, was below the plan for the first quarter because of lower demand in the automobile industry in Japan and other countries. This company was included in the consolidated financial statements beginning with the first quarter of the current fiscal year. Earnings were negatively affected by the decrease in sales as well as a valuation loss of some inventories of minor metals. As a result, operating profit, ordinary profit and profit attributable to owners of parent were all lower than one year earlier.

ALCONIX reported consolidated net sales of 60,181 million yen (down 9.7% year on year), operating profit of 1,232 million yen (down 38.9%), ordinary profit of 1,547 million yen (down 25.3%) and profit attributable to owners of parent of 901 million yen (down 44.9%).

Results by business segment were as follows, with sales in each segment including inter-segment sales.

・Trading—Electronic and Advanced Materials

The transaction volume of materials used in smartphones and tablets was slightly higher than one year earlier as demand remained sluggish. Demand for secondary battery and environmental applications remained firm and the transaction volume of titanium and nickel products was higher, mainly in Europe.. There was a sharp drop in the transaction volume of minor metals and rare earths because of stagnant demand caused by slowing economic growth in China and a decline in the prices of these metals. Due to the posting of a valuation loss on some minor metal inventories, this segment had a loss in the first quarter.

As a result, the segment recorded sales of 18,929 million yen (down 16.1% year on year) and segment loss of 14 million yen (segment profit of 301 million yen one year earlier).

・Trading—Aluminum and Copper Products

Demand for non-ferrous metals continues to climb as automakers increase the use of electronic components and reduce the weight of vehicles. However, automobile and semiconductor production has slowed down due to the impact of U.S.-China trade friction on the Chinese economy. In addition, demand for aluminum and copper products used in air conditioning equipment in the first quarter, the peak season for these products, was lower than one year earlier because of unfavorable weather. In the non-ferrous resources category, the transaction volume of recycled aluminum ingots and brass copper rods, major components of this category, decreased

because of lower prices of aluminum, copper and other non-ferrous metals and a downturn in prices. Lower demand and the continuing downward correction of non-ferrous metal prices had a negative impact on sales and earnings in this segment.

As a result, the segment recorded sales of 31,696 million yen (down 8.8% year on year) and segment profit of 306 million yen (down 23.8%).

・Manufacturing—Equipment and Materials

Shipments of plating materials were lower than one year earlier at operations in both North America and China because of a decrease in demand linked to slower economic growth in China and to declining prices of these materials. Sales of cashew resin products for brake friction materials were as planned. However, sales and earnings at Fuji Carbon, which was included in the consolidated financial statements beginning with the first quarter of the current fiscal year, were lower than planned. Sales of this company's carbon brushes for small motors declined in Japan and overseas because of a downturn in demand in the automobile industry in Japan and other countries. Shipments of non-destructive testing equipment and marking devices were firm in Japan but shipments of detection materials and other replacement supplies to major clients at overseas subsidiaries were down from one year earlier.

As a result, the segment recorded sales of 6,073 million yen (up 9.9% year on year) and segment profit of 25 million yen (down 92.2%).

・Manufacturing—Metal Processing

Shipments of grinding processing parts for semiconductor chip mounting equipment were higher than one year earlier because of strong demand for this equipment. But lower demand for semiconductor manufacturing equipment caused shipments of precision machining processing parts to be less than in the previous fiscal year's first quarter. Shipments of metal precision stamped parts for automotive applications were higher than one year earlier mainly because of new orders and orders for prototypes. Segment profit increased because of share of profit of affiliates accounted for using the equity method.

As a result, the segment recorded sales of 5,276 million yen (up 1.1% year on year) and segment profit of 1,214 million yen (up 16.9%).

(2) Explanation of Financial Position

1) Financial position

a. Current assets

At the end of the first quarter of the current fiscal year, current assets totaled 104,904 million yen, an increase of 674 million yen from the end of the previous fiscal year. The main factors were a 1,839 million yen increase in cash and deposits, a 69 million yen decrease in notes and accounts receivable-trade, and a 531 million yen decrease in inventories.

b. Non-current assets

Non-current assets totaled 40,174 million yen, an increase of 552 million yen. The main factors include a 449 million yen decrease in property, plant and equipment and intangible assets including goodwill due to depreciation and amortization, and a 1,001 million yen increase in investments and other assets.

c. Current liabilities

Current liabilities totaled 76,175 million yen, an increase of 1,253 million yen. The main factors include a 280 million yen decrease in notes and accounts payable-trade, a 451 million yen increase in short-term loans payable, and an 80 million yen decrease in current portion of long-term loans payable.

d. Non-current liabilities

Non-current liabilities totaled 29,030 million yen, a decrease of 225 million yen. The main factors include a 155 million yen decrease in long-term loans payable.

e. Net assets

Net assets totaled 39,873 million yen, an increase of 199 million yen. The main factors include a 392 million yen increase in retained earnings, a 104 million yen decrease in valuation difference on available-for-sale securities, and a 166 million yen increase in foreign currency translation adjustment.

2) Results of operations

a. Net sales

Sales increased in the Manufacturing segment but were lower in the Trading segment. The result was a decrease in consolidated sales. In the Trading segment, there were increases in the transaction volume of copper scrap, lead ingots for batteries, battery and electronic materials for automotive applications, smartphones and tablets, and exports of titanium products. However, the transaction volume of aluminum rolled products, copper products, recycled aluminum ingots and other non-ferrous materials was lower than one year earlier.

In the Manufacturing segment, sales of grinding processing parts for semiconductor chip mounting equipment and metal precision stamped parts increased. In addition, there were contributions to sales from Fuji Carbon, a manufacturer of carbon brushes for small motors that was consolidated in the first quarter of the current fiscal year, and from Tohoku Chemical Industries, a manufacturer of cashew resin products for brake friction materials that has been included in the consolidated financial statements since January 2019. On the other hand, shipments of plating materials, precision machining processing parts for semiconductor manufacturing equipment, non-destructive testing equipment and marking device decreased.

As a result, net sales decreased 9.7% year on year to 60,181 million yen in the first quarter of the current fiscal year.

b. Gross profit

Gross profit decreased 12.1% to 4,568 million yen. The main reasons were a decrease in profit resulting from lower sales of the Trading segment and equipment and materials in the Manufacturing segment, and the posting of a valuation loss on some minor metal inventories.

c. Selling, general and administrative expenses

Selling, general and administrative expenses increased 4.9% to 3,336 million yen because of the consolidation of two manufacturing subsidiaries.

d. Operating profit

Due to these changes, operating profit decreased 38.9% to 1,232 million yen.

e. Non-operating income, non-operating expenses

Major changes were an increase in dividend income, an increase in the share of profit of entities accounted for using the equity method, and foreign exchange gains. As a result, there was a net non-operating income (non-operating income – non-operating expenses) of 314 million yen compared with net non-operating income of 53 million yen one year earlier.

f. Ordinary profit

Ordinary profit decreased 25.3% to 1,547 million yen.

g. Extraordinary income, extraordinary losses

There was an extraordinary income of 11 million yen mainly for subsidy income, and an extraordinary loss of 3 million yen mainly for a loss on the retirement of non-current assets.

h. Profit attributable to owners of parent

ALCONIX recorded profit before income taxes of 1,555 million yen. From this amount, 633 million yen and 20 million yen were deducted for income taxes and profit attributable to non-controlling interests of 10 consolidated subsidiaries, respectively. As a result, profit attributable to owners of parent decreased 44.9% to 901 million yen.

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

ALCONIX currently maintains the full-year consolidated earnings forecasts that we disclosed in the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 [Japanese GAAP]” on May 17, 2019.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY3/19 (As of Mar. 31, 2019)	First quarter of FY3/20 (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	23,600	25,440
Notes and accounts receivable-trade	47,055	46,986
Merchandise and finished goods	25,212	23,897
Work in process	2,866	3,532
Raw materials and supplies	1,595	1,712
Other	4,599	4,057
Allowance for doubtful accounts	(700)	(722)
Total current assets	104,230	104,904
Non-current assets		
Property, plant and equipment	18,804	18,634
Intangible assets		
Goodwill	3,714	3,557
Other	4,036	3,913
Total intangible assets	7,750	7,471
Investments and other assets	13,066	14,068
Total non-current assets	39,621	40,174
Total assets	143,851	145,079
Liabilities		
Current liabilities		
Notes and accounts payable-trade	34,727	34,446
Short-term loans payable	28,921	29,373
Current portion of long-term loans payable	5,240	5,160
Current portion of bonds	149	149
Income taxes payable	931	701
Provision for bonuses	1,058	957
Other	3,894	5,387
Total current liabilities	74,922	76,175
Non-current liabilities		
Bonds payable	525	450
Long-term loans payable	23,571	23,415
Deferred tax liabilities	2,401	2,369
Provision for directors' retirement benefits	932	747
Net defined benefit liability	851	784
Long-term accounts payable-other	30	340
Other	941	922
Total non-current liabilities	29,255	29,030
Total liabilities	104,177	105,206

(Millions of yen)

	FY3/19 (As of Mar. 31, 2019)	First quarter of FY3/20 (As of Jun. 30, 2019)
Net assets		
Shareholders' equity		
Capital stock	2,968	2,968
Capital surplus	1,990	1,990
Retained earnings	30,725	31,118
Treasury shares	(516)	(800)
Total shareholders' equity	35,166	35,275
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	513	409
Deferred gains or losses on hedges	(23)	(6)
Foreign currency translation adjustment	2,244	2,411
Total accumulated other comprehensive income	2,734	2,814
Share acquisition rights	10	14
Non-controlling interests	1,761	1,768
Total net assets	39,673	39,873
Total liabilities and net assets	143,851	145,079

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

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

(Millions of yen)

	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Net sales	66,671	60,181
Cost of sales	61,471	55,613
Gross profit	5,199	4,568
Selling, general and administrative expenses	3,181	3,336
Operating profit	2,018	1,232
Non-operating income		
Interest income	58	42
Purchase discounts	4	4
Dividend income	195	235
Foreign exchange gains	-	17
Rent income of real estate	20	20
Share of profit of entities accounted for using equity method	46	62
Gain on sales of scraps	63	60
Other	59	115
Total non-operating income	447	559
Non-operating expenses		
Interest expenses	157	181
Sales discounts	2	2
Foreign exchange losses	190	-
Loss on sales of notes receivable-trade	7	6
Rent cost of real estate	4	4
Other	32	50
Total non-operating expenses	394	244
Ordinary profit	2,071	1,547
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on reversal of share acquisition rights	1	-
Gain on sales of investment securities	36	0
Subsidy income	3	3
Subsidy income	154	8
Other	-	0
Total extraordinary income	196	11
Extraordinary losses		
Loss on sales of non-current assets	0	-
Loss on retirement of non-current assets	0	3
Loss on sales of investment securities	1	-
Total extraordinary losses	2	3
Profit before income taxes	2,265	1,555
Income taxes	570	633
Profit	1,695	922
Profit attributable to non-controlling interests	59	20
Profit attributable to owners of parent	1,635	901

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

(Millions of yen)

	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Profit	1,695	922
Other comprehensive income		
Valuation difference on available-for-sale securities	(277)	(106)
Deferred gains or losses on hedges	65	16
Foreign currency translation adjustment	(719)	156
Share of other comprehensive income of entities accounted for using equity method	(42)	9
Total other comprehensive income	(974)	76
Comprehensive income	721	998
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	700	981
Comprehensive income attributable to non-controlling interests	20	17

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Calculation of tax expense

The tax expenses were calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year, and multiplying that rate by the quarterly profit before income taxes.

Income taxes-deferred were included in and displayed with income taxes.

Segment and Other Information

Segment information

I. First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)

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

(Millions of yen)

	Reportable segment				Total
	Trading		Manufacturing		
	Electronic and advanced materials	Aluminum and copper products	Equipment and materials	Metal processing	
Net sales					
External sales	21,436	34,605	5,488	5,141	66,671
Inter-segment sales and transfers	1,111	146	36	77	1,371
Total	22,548	34,751	5,524	5,219	68,043
Segment profit	301	401	332	1,038	2,075

2. Reconciliation of quarterly consolidated statement of income with total profit or loss for reportable segments

(Millions of yen)

Profit	Amount
Total for reportable segments	2,075
Eliminations for inter-segment transactions	(3)
Ordinary profit on the quarterly consolidated statement of income	2,071

II. First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)

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

(Millions of yen)

	Reportable segment				Total
	Trading		Manufacturing		
	Electronic and advanced materials	Aluminum and copper products	Equipment and materials	Metal processing	
Net sales					
External sales	18,247	30,651	6,050	5,232	60,181
Inter-segment sales and transfers	681	1,044	23	44	1,793
Total	18,929	31,696	6,073	5,276	61,975
Segment profit (loss)	(14)	306	25	1,214	1,532

2. Reconciliation of quarterly consolidated statement of income with total profit or loss for reportable segments

(Millions of yen)

Profit	Amount
Total for reportable segments	1,532
Eliminations for inter-segment transactions	14
Ordinary profit on the quarterly consolidated statement of income	1,547

Subsequent Events

Not applicable.

This financial report is solely a translation of the Company's Kessan Tanshin (including attachments) in Japanese, 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.