May 26, 2020

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 [Japanese GAAP]

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Scheduled date of Annual General Meeting of Shareholders: June 24, 2020
Scheduled date of filing of Annual Securities Report: June 25, 2020
Scheduled date of payment of dividend: June 25, 2020
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: None

Note: The original disclosure in Japanese was released on May 26, 2020 at 12:30 (GMT +9).

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	%
Fiscal year ended Mar. 31, 2020	232,242	(9.8)	5,176	(17.3)	5,416	(13.4)	3,617	(9.8)
Fiscal year ended Mar. 31, 2019	257,437	3.8	6,257	(14.6)	6,254	(21.2)	4,009	(24.9)

Note: Comprehensive income (million yen)
Fiscal year ended Mar. 31, 2020: 2,936 (up 14.3%) Fiscal year ended Mar. 31, 2019: 2,570 (down 49.7%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2020	143.25	-	9.2	3.9	2.2
Fiscal year ended Mar. 31, 2019	155.20	-	10.7	4.6	2.4

Reference: Share of profit (loss) of entities accounted for using equity method (million yen)
Fiscal year ended Mar. 31, 2020: 270 Fiscal year ended Mar. 31, 2019: 202
Note: Diluted net income per share is not stated because dilutive shares do not exist.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	134,463	41,277	30.1	1,578.62
As of Mar. 31, 2019	143,851	39,673	26.3	1,489.59

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 40,481 As of Mar. 31, 2019: 37,901

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2020	9,091	(3,171)	(7,993)	21,595
Fiscal year ended Mar. 31, 2019	5,279	(10,770)	9,625	22,404

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2019	-	19.00	-	20.00	39.00	1,000	25.1	2.7
Fiscal year ended Mar. 31, 2020	-	21.00	-	21.00	42.00	1,068	29.3	2.7
Fiscal year ending Mar. 31, 2021 (forecast)	-	21.00	-	21.00	42.00			

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

(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	90,500	(23.6)	1,110	(58.9)	1,190	(59.9)	550	(71.2)	21.45
Full year	210,000	(9.6)	3,900	(24.7)	4,000	(26.2)	2,400	(33.7)	93.59

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation):

Newly added: FUJI ALCONIX Mexico S.A. de C.V. Excluded: -

(2) 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

(3) Number of outstanding shares (common stock)

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

As of Mar. 31, 2020: 25,915,700 shares As of Mar. 31, 2019: 25,882,200 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2020: 272,071 shares As of Mar. 31, 2019: 437,635 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2020: 25,257,233 shares Fiscal year ended Mar. 31, 2019: 25,836,878 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2020	110,595	(10.3)	797	2.0	2,667	(18.6)	2,285	(23.1)
Fiscal year ended Mar. 31, 2019	123,312	(1.8)	782	(16.8)	3,277	59.3	2,973	51.5

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2020	90.49	-
Fiscal year ended Mar. 31, 2019	115.10	-

Note: Diluted net income per share is not stated because dilutive shares do not exist.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	66,936	15,027	22.4	584.66
As of Mar. 31, 2019	70,440	13,507	19.2	530.43

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 14,992 As of Mar. 31, 2019: 13,496

* The current financial report is not subject to audit 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.

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1. Overview of Results of Operations, etc.

(1) Analysis of Results of Operations

In the fiscal year ended March 31, 2020, there were negative effects on the global economy from U.S.-China trade friction, slowing economic growth in China and Britain's departure from the EU. In the final months of the fiscal year, the COVID-19 pandemic caused a rapid slowdown of economies worldwide.

In Japan, the job market and personal income remained firm. However, in the second half of the fiscal year, the consumption tax hike impacted consumer sentiment and there were signs of weakness in corporate earnings and exports. Furthermore, the COVID-19 pandemic brought business activities to a halt and caused demand to plunge. As a result, the outlook for the Japanese economy has become increasingly uncertain.

In the automobile industry, where the ALCONIX Group operates, demand declined overall due to a slowdown in overseas economies caused by prolonged trade friction between the United States and China. One positive trend in the automobile industry is diversification as automakers expand into electric vehicles, increase the use of electronic components, and reduce the weight of vehicles. However, demand for metal fell sharply near the end of the fiscal year because of the COVID-19 pandemic. 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. Although demand was relatively strong for smartphones and semiconductor manufacturing equipment categories, overall demand in these industries was weak during the fiscal year.

The performance of ALCONIX Group's manufacturing subsidiaries in the metal processing sector made contributions to consolidated results of operations. However, sales were lower than one year earlier in the Trading segment due mainly to declines in transaction volumes of electronic materials and automotive parts. In addition, shipments were sluggish in the Equipment and Materials segment. ALCONIX recorded a gain on sales of shares of subsidiaries and associates under extraordinary income resulting from the dissolution of a local joint venture as part of the reorganization of the Mexico operations of our group companies. However, earnings were negatively affected by the decrease in sales as well as a valuation loss on some inventories of minor metals and other materials. 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 232,242 million yen (down 9.8% year on year), operating profit of 5,176 million yen (down 17.3%), ordinary profit of 5,416 million yen (down 13.4%) and profit attributable to owners of parent of 3,617 million yen (down 9.8%).

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 higher than one year earlier mainly because companies finished measures to lower their inventories. Demand for secondary battery and environmental applications remained firm, but exports of titanium and nickel products to Europe increased only slightly. The transaction volume of minor metals and rare earths decreased because the prices of these materials declined throughout the fiscal year, demand was stagnant, and the COVID-19 pandemic sparked a steep drop in economic activity. Due to a valuation loss on some minor metal inventories, segment profit declined sharply in the fiscal year.

As a result, the segment recorded sales of 71,710 million yen (down 18.2% year on year) and segment profit of 80 million yen (down 88.8%).

・Trading—Aluminum and Copper Products

The trend of increasing demand for non-ferrous metals remains unchanged due to the increasing use of AI and the IoT as automakers expand the use of electronic components and reduce the weight of vehicles. However, shipments of semiconductor-related components remained weak as the Chinese economy slowed due to the impact of protracted U.S.-China trade friction. In addition, the transaction volume of materials used in air conditioning equipment was lower than one year earlier because of unfavorable weather. Late in the fiscal year, there was a rapid downturn in shipments of automobile-related components and other negative effects of the COVID-19 pandemic.

In the non-ferrous resources category, the transaction volume of recycled aluminum ingots and brass copper rods, the major components of this category, decreased because of lower prices of aluminum, copper and other non-ferrous metals due to the COVID-19 pandemic.

As a result, the segment recorded sales of 118,586 million yen (down 11.3% year on year) and segment profit of 694 million yen (down 32.3%).

・Manufacturing—Equipment and Materials

Shipments of plating materials were weak 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. But sales and earnings increased because of higher shipments of materials used in 5G telecommunications equipment. Sales and earnings of cashew resin products for brake friction materials were lower than planned due to a weaker demand in the automobile industry. Moreover, sales and earnings at Fuji Carbon, which was included in the consolidated financial statements beginning with the fiscal year that ended on March 31, 2020, were lower than planned due to a downturn in demand for carbon brushes for small motors in the automobile industry in Japan and China. Demand for non-destructive testing equipment and marking devices was 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 25,855 million yen (up 19.8% year on year) and segment profit of 403 million yen (down 33.7%).

・Manufacturing—Metal Processing

Shipments of grinding processing parts for semiconductor chip mounting equipment were higher than one year earlier because of firm demand for this equipment throughout the fiscal year. Shipments of metal precision stamped parts for automotive applications were about the same as one year earlier mainly because of new orders and orders for prototypes. However, lower demand for semiconductor manufacturing equipment and other devices caused shipments of precision machining processing parts to be less than one year earlier. Segment profit increased because of higher sales and share of profit of affiliates accounted for using the equity method.

As a result, the segment recorded sales of 22,428 million yen (up 7.1% year on year) and segment profit of 4,220 million yen (up 7.7%).

Forecasts for the fiscal year ending March 31, 2021

There is a significant risk of a further economic downturn because of the absence of any indications at this time of an end to the COVID-19 pandemic. This crisis has disrupted supply chains, caused demand to plummet, triggered volatility in exchange rates and resource prices, and created many other problems. As a result, the economic environment will remain extremely difficult in Japan and other countries. In Japan, the government’s measures to restrict business activity, encourage people to stay home and respond in other ways to COVID-19 may cause a brief recession. Under these circumstances, medium to long-term growth is expected in the Manufacturing segment and the Trading segment, mainly for electronic materials. One reason is the increasing need for infrastructure required for the launch of 5G telecommunication services. Another is rising demand for semiconductors and electronic components because of growing sales of personal computers, communication equipment and other products as COVID-19 increases teleworking and other changes in working styles take place. However, the COVID-19 pandemic may continue for a long time, resulting in prolonged lockdowns and restrictions on business and consumer activities. If this happens, there may be significant effects on exchange rates and resource prices as well as on the demand for automobiles and other motor vehicles. We will continue to monitor upcoming events closely.

The ALCONIX Group forecasts consolidated net sales of 210,000 million yen (down 9.6% year on year), operating profit of 3,900 million yen (down 24.7%), ordinary profit of 4,000 million yen (down 26.2%), and profit attributable to owners of parent of 2,400 million yen (down 33.7%) for the fiscal year ending March 31, 2021.

(2) Analysis of Financial Position

1) Financial position

Changes in financial position in the fiscal year ended March 31, 2020 are described as below.

The major changes in the assets category were a 3,574 million yen decrease in inventories, a 2,893 million yen decrease in notes and accounts receivable-trade, an 846 million yen decrease in cash and deposits, a 1,632 million yen decrease in investments and other assets, a 2,100 million yen increase in property, plant and equipment due to capital expenditures and an increase in consolidated subsidiaries, and a 1,053 million yen decrease in intangible assets due to amortization. The result was a 9,388 million yen decrease in assets over the end of the previous fiscal year to 134,463 million yen.

The major changes in the liabilities category were a 4,139 million yen decrease in short-term borrowings, a 3,806 million yen decrease in notes and accounts payable-trade, a 1,213 million yen decrease in current portion of long-term borrowings, a 125 million yen increase in income taxes payable, and a 1,257 million yen decrease in long-term borrowings. The net result was a 10,992 million yen decrease in liabilities over the end of the previous fiscal year to 93,185 million yen.

The major changes in the net assets category were a 21 million yen increase in share capital due to the issuance of new shares as restricted stock compensation, a 2,532 million yen increase in retained earnings, a 322 million yen decrease in valuation difference on available-for-sale securities due to the market value evaluation of listed stock, and a 378 million yen decrease in foreign currency translation adjustment. As a result, net assets increased 1,603 million yen over the end of the previous fiscal year to 41,277 million yen.

2) Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the fiscal year ended on March 31, 2020 decreased 808 million yen from the end of the previous fiscal year to 21,595 million yen.

The main changes in cash flows from operating, investing, and financing activities are described as below.

	Description
Cash flows from operating activities	Net cash provided by operating activities was 9,091 million yen. Main positive factors include profit before income taxes of 5,813 million yen, depreciation including amortization of goodwill of 3,674 million yen, a 3,504 million yen decrease in inventories, and a 2,666 million yen decrease in trade receivables. Meanwhile, major negative factors include a 3,743 million yen decrease in trade payables, and income taxes paid of 2,242 million yen.
Cash flows from investing activities	Net cash used in investing activities was 3,171 million yen. Main negative factors include payments for the purchase of property, plant and equipment and intangible assets of 3,316 million yen for capital expenditures mainly at manufacturing subsidiaries, proceeds from sales of investment securities of 1,803 million yen due to the sales of shares of subsidiaries and associates, and the purchase of investment securities of 1,014 million yen.
Cash flows from financing activities	Net cash used in financing activities was 7,993 million yen. Main negative factors include net decrease in long-term borrowings of 2,462 million yen, net decrease in short-term borrowings of 3,927 million yen, cash dividends paid of 1,037 million yen, payments of 283 million yen for the purchase of treasury shares, and redemption of bonds of 149 million yen.

Reference: Cash flow indicators

	FY3/19	FY3/20
Shareholders' equity ratio (%)	26.3	30.1
Shareholders' equity ratio based on market value (%)	20.2	20.8
Ratio of interest-bearing debt to cash flows (%)	11.1	5.7
Interest coverage ratio (times)	7.8	13.6

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market value: Market capitalization based on closing share price at the end of the period/ Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

* All indicators are calculated based on consolidated figures.
* Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period, excluding treasury shares.
* Operating cash flow and interest payments are taken from "Net cash provided by (used in) operating activities" and "Interest expenses paid" on the consolidated statement of cash flows, respectively.
* Interest-bearing debt includes all debt on the consolidated balance sheet that incur interest.

(3) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

ALCONIX's basic policy regarding dividends is to continuously provide stable dividends while securing adequate internal reserves for future business development and the bolstering of the management structure.

Regarding internal reserves, ALCONIX will strengthen its business structure to meet the needs of the market as the business environment changes, will pursue M&A and business investment, and will invest in the development of its overseas strategy.

As was announced in the news release titled "Notice of Dividends of Surplus (Interim dividend)" dated October 29, 2019, ALCONIX plans to pay a year-end dividend of 21 yen per share for the fiscal year that ended on March 31, 2020. With the interim dividend of 21 yen per share, this will result in an annual dividend of 42 yen per share.

2. Basic Approach to the Selection of Accounting Standards

The ALCONIX Group currently applies Japanese accounting standards for its consolidated financial statements to facilitate comparisons with prior-year performance and the performance of other companies in Japan.

The ALCONIX Group will consider adopting IFRS taking into consideration active discussion regarding IFRS and the upcoming use of IFRS by other companies in the same line of business.