

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

Company name: ALCONIX CORPORATION

Listing: Tokyo Stock Exchange, First Section

Stock code: 3036

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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.

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

	(Millions of yen)	
	FY3/19	FY3/20
	(As of Mar. 31, 2019)	(As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	23,600	22,754
Notes and accounts receivable-trade	47,055	44,162
Merchandise and finished goods	25,212	20,810
Work in process	2,866	3,353
Raw materials and supplies	1,595	1,936
Other	4,599	3,031
Allowance for doubtful accounts	(700)	(622)
Total current assets	104,230	95,426
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,704	14,023
Accumulated depreciation	(7,209)	(7,651)
Buildings and structures, net	6,495	6,371
Machinery, equipment and vehicles	19,395	22,410
Accumulated depreciation	(14,741)	(16,113)
Machinery, equipment and vehicles, net	4,653	6,296
Tools, furniture and fixtures	6,638	7,496
Accumulated depreciation	(5,404)	(5,918)
Tools, furniture and fixtures, net	1,234	1,578
Land	5,428	5,794
Leased assets	1,828	1,463
Accumulated depreciation	(1,195)	(977)
Leased assets, net	633	486
Construction in progress	359	378
Total property, plant and equipment	18,804	20,905
Intangible assets		
Goodwill	3,714	3,120
Software	303	362
Other	3,732	3,214
Total intangible assets	7,750	6,697
Investments and other assets		
Investment securities	9,992	9,586
Long-term loans receivable	1,468	223
Deferred tax assets	683	585
Other	1,098	1,177
Allowance for doubtful accounts	(177)	(138)
Total investments and other assets	13,066	11,433
Total non-current assets	39,621	39,036
Total assets	143,851	134,463

	(Millions of yen)	
	FY3/19	FY3/20
	(As of Mar. 31, 2019)	(As of Mar. 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	34,727	30,920
Short-term borrowings	28,921	24,782
Current portion of long-term borrowings	5,240	4,027
Current portion of bonds	149	149
Income taxes payable	931	1,056
Provision for bonuses	1,058	968
Other	3,894	3,627
Total current liabilities	74,922	65,533
Non-current liabilities		
Bonds payable	525	375
Long-term borrowings	23,571	22,313
Deferred tax liabilities	2,401	2,211
Provision for retirement benefits for directors (and other officers)	932	780
Retirement benefit liability	851	821
Long-term accounts payable-other	30	338
Other	941	811
Total non-current liabilities	29,255	27,652
Total liabilities	104,177	93,185
Net assets		
Shareholders' equity		
Share capital	2,968	2,989
Capital surplus	1,990	2,401
Retained earnings	30,725	33,258
Treasury shares	(516)	(329)
Total shareholders' equity	35,166	38,320
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	513	191
Deferred gains or losses on hedges	(23)	103
Foreign currency translation adjustment	2,244	1,865
Total accumulated other comprehensive income	2,734	2,161
Share acquisition rights	10	34
Non-controlling interests	1,761	761
Total net assets	39,673	41,277
Total liabilities and net assets	143,851	134,463

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Millions of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net sales	257,437	232,242
Cost of sales	238,230	213,620
Gross profit	19,207	18,622
Selling, general and administrative expenses	12,949	13,445
Operating profit	6,257	5,176
Non-operating income		
Interest income	137	105
Purchase discounts	17	18
Dividend income	313	344
Outsourcing service income	37	33
Real estate rental income	80	80
Share of profit of entities accounted for using equity method	202	270
Gain on sales of scraps	251	200
Other	148	168
Total non-operating income	1,188	1,223
Non-operating expenses		
Interest expenses	676	713
Sales discounts	7	6
Foreign exchange losses	261	151
Loss on sales of notes receivable-trade	27	23
Rental cost on real estate	17	17
Other	200	71
Total non-operating expenses	1,191	983
Ordinary profit	6,254	5,416
Extraordinary income		
Gain on sales of non-current assets	34	4
Gain on sales of investment securities	51	16
Gain on sales of shares of subsidiaries and associates	-	421
Gain on liquidation of subsidiaries and associates	-	36
Subsidy income	154	104
Other	7	4
Total extraordinary income	248	588
Extraordinary losses		
Loss on sales of non-current assets	0	3
Loss on retirement of non-current assets	8	17
Loss on sales of investment securities	33	-
Loss on valuation of investment securities	-	29
Loss on valuation of shares of subsidiaries and associates	-	27
Compensation for damage	-	104
Other	0	9
Total extraordinary losses	42	191
Profit before income taxes	6,460	5,813
Income taxes-current	2,355	2,261
Income taxes-deferred	6	2
Refund of income taxes for prior periods	-	(40)
Total income taxes	2,361	2,223
Profit	4,098	3,590
Profit attributable to non-controlling interests	89	(27)
Profit attributable to owners of parent	4,009	3,617

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Profit	4,098	3,590
Other comprehensive income		
Valuation difference on available-for-sale securities	(896)	(387)
Deferred gains or losses on hedges	10	128
Foreign currency translation adjustment	(566)	(347)
Share of other comprehensive income of entities accounted for using equity method	(75)	(46)
Total other comprehensive income	(1,528)	(653)
Comprehensive income	2,570	2,936
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,551	3,044
Comprehensive income attributable to non-controlling interests	18	(107)

(3) Consolidated Statement of Changes in Equity

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,956	1,978	27,698	(0)	32,633
Changes during period					
Issuance of new shares	11	11			22
Dividends of surplus			(983)		(983)
Profit attributable to owners of parent			4,009		4,009
Change in scope of consolidation					-
Purchase of treasury shares				(516)	(516)
Disposal of treasury shares					-
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity					-
Total changes during period	11	11	3,026	(516)	2,533
Balance at end of period	2,968	1,990	30,725	(516)	35,166

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	1,366	(31)	2,858	4,193	1	1,797	38,626
Changes during period							
Issuance of new shares				-			22
Dividends of surplus				-			(983)
Profit attributable to owners of parent				-			4,009
Change in scope of consolidation				-			-
Purchase of treasury shares				-			(516)
Disposal of treasury shares				-			-
Change in ownership interest of parent due to transactions with non-controlling interests				-			-
Net changes in items other than shareholders' equity	(852)	8	(614)	(1,458)	9	(36)	(1,485)
Total changes during period	(852)	8	(614)	(1,458)	9	(36)	1,047
Balance at end of period	513	(23)	2,244	2,734	10	1,761	39,673

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,968	1,990	30,725	(516)	35,166
Changes during period					
Issuance of new shares	21	21			42
Dividends of surplus			(1,039)		(1,039)
Profit attributable to owners of parent			3,617		3,617
Change in scope of consolidation			(45)		(45)
Purchase of treasury shares				(283)	(283)
Disposal of treasury shares		(51)		471	420
Change in ownership interest of parent due to transactions with non-controlling interests		441			441
Net changes in items other than shareholders' equity					-
Total changes during period	21	411	2,532	187	3,153
Balance at end of period	2,989	2,401	33,258	(329)	38,320

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	513	(23)	2,244	2,734	10	1,761	39,673
Changes during period							
Issuance of new shares				-			42
Dividends of surplus				-			(1,039)
Profit attributable to owners of parent				-			3,617
Change in scope of consolidation				-			(45)
Purchase of treasury shares				-			(283)
Disposal of treasury shares				-			420
Change in ownership interest of parent due to transactions with non-controlling interests				-			441
Net changes in items other than shareholders' equity	(322)	126	(378)	(573)	23	(1,000)	(1,550)
Total changes during period	(322)	126	(378)	(573)	23	(1,000)	1,603
Balance at end of period	191	103	1,865	2,161	34	761	41,277

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	6,460	5,813
Depreciation	2,503	3,048
Amortization of goodwill	567	625
Increase (decrease) in allowance for doubtful accounts	534	(110)
Increase (decrease) in provision for bonuses	(16)	(87)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	26	(151)
Increase (decrease) in retirement benefit liability	41	(32)
Interest and dividend income	(450)	(450)
Interest expenses	676	713
Share of loss (profit) of entities accounted for using equity method	(202)	(270)
Loss on valuation of investment securities	-	29
Loss (gain) on liquidation of subsidiaries and associates	-	(36)
Loss (gain) on sales of shares of subsidiaries and associates	-	(421)
Loss on valuation of shares of subsidiaries and associates	-	27
Decrease (increase) in trade receivables	2,119	2,666
Decrease (increase) in inventories	(3,799)	3,504
Increase (decrease) in trade payables	128	(3,743)
Decrease (increase) in consumption taxes refund receivable	(64)	(450)
Increase (decrease) in income taxes payable-factor based tax	(31)	2
Decrease (increase) in advance payments-trade	609	(86)
Decrease (increase) in accounts receivable-other	127	99
Increase (decrease) in accounts payable-other	(82)	330
Increase (decrease) in advances received	281	(133)
Other, net	(106)	238
Subtotal	9,323	11,124
Interest and dividend received	431	608
Interest paid	(678)	(668)
Income taxes paid	(3,827)	(2,242)
Income taxes refund	30	269
Net cash provided by (used in) operating activities	5,279	9,091
Cash flows from investing activities		
Payments into time deposits	(117)	(607)
Proceeds from withdrawal of time deposits	192	541
Purchase of property, plant and equipment	(2,463)	(3,131)
Purchase of intangible assets	(137)	(185)
Purchase of investment securities	(466)	(1,014)
Proceeds from sales of investment securities	142	1,803
Proceeds from redemption of investment securities	-	87
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(7,982)	-
Payments for acquisition of businesses	-	(477)
Loan advances	(123)	(449)
Collection of loans receivable	7	290
Purchase of insurance funds	(21)	(24)
Proceeds from cancellation of insurance funds	6	1
Other, net	192	(5)
Net cash provided by (used in) investing activities	(10,770)	(3,171)

	(Millions of yen)	
	FY3/19	FY3/20
	(Apr. 1, 2018 – Mar. 31, 2019)	(Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,115	(3,927)
Proceeds from long-term borrowings	14,850	1,046
Repayments of long-term borrowings	(4,626)	(3,509)
Redemption of bonds	(149)	(149)
Proceeds from issuance of shares	22	-
Purchase of treasury shares	(516)	(283)
Dividends paid	(990)	(1,037)
Dividends paid to non-controlling interests	(45)	(25)
Repayments of finance lease obligations	(34)	(106)
Net cash provided by (used in) financing activities	9,625	(7,993)
Effect of exchange rate change on cash and cash equivalents	(299)	(14)
Net increase (decrease) in cash and cash equivalents	3,835	(2,088)
Cash and cash equivalents at beginning of period	18,569	22,404
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	1,279
Cash and cash equivalents at end of period	22,404	21,595

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 46

Names of major consolidated subsidiaries

ADVANCED MATERIAL JAPAN CORPORATION
OHKAWA CORPORATION
OHBA SEIKEN CO., LTD.
HEIWA KINZOKU CO., LTD.
MARKTEC CORPORATION
ALCONIX (SHANGHAI) CORP.
UNIVERTICAL HOLDINGS INC.

From the current fiscal year, FUJI ALCONIX Mexico S.A.de C.V. was included in the scope of consolidation due to its establishment following the business acquisition.

(2) Number of non-consolidated subsidiaries: 6

Names of major non-consolidated subsidiaries

Heiwa Thai Corporation

Reason for exclusion from the scope of consolidation

Non-consolidated subsidiaries are excluded from the scope of consolidation since they have a very minor effect on total assets, net sales and profit/loss (equity in earnings) and retained earnings (equity in earnings) and are relatively insignificant in the context of the consolidated financial statements.

2. Application of equity method

(1) Number of affiliates accounted for under the equity method: 2

Names of major affiliates:

K'MAC Co., Ltd.

From the current fiscal year, FNA Mechatronics Mexico S.A.de C.V. is not accounted for under the equity method since the joint venture has been dissolved.

(2) Number of affiliates not accounted for under the equity method: 3

Names of major affiliates:

Winton International Industries Ltd.

Non-equity method affiliates are not accounted for under the equity method, since they have a very minor effect on profit/loss (equity in earnings) and retained earnings (equity in earnings) and are relatively insignificant in the context of the consolidated financial statements.

3. Fiscal year of consolidated subsidiaries

The fiscal year end of the five consolidated subsidiaries in Japan and 28 overseas consolidated subsidiaries is December 31.

The consolidated financial statements include the financial statements of these consolidated subsidiaries as of December 31, and necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the consolidated balance sheet date.

4. Accounting standards

(1) Valuation standards and methods for principal assets

1) Marketable securities

Available-for-sale securities

a. Securities with market quotations

Stated at fair value at the end of the fiscal year. (Valuation differences are included in net assets. Cost of securities sold is determined by the moving-average method.)

b. Securities without market quotations

Stated at cost determined by the moving-average method.

2) Derivatives

Stated at fair value.

3) Inventories

Merchandise, finished goods and work in process

Copper tubes, etc. for small-lot sales:

Stated at cost determined by the first-in first-out method and by the moving-average method. (The carrying value on the balance sheet is written down to reflect the effect of lower profit margins.)

Other inventories:

Mainly stated at cost determined by the specific identification method. (The carrying value on the balance sheet is written down to reflect the effect of lower profit margins.)

Raw materials and supplies:

Stated at cost determined by the moving-average method. (The carrying value on the balance sheet is written down to reflect the effect of lower profit margins.)

(2) Depreciation and amortization of significant depreciable assets

1) Property, plant and equipment (excluding lease assets)

Depreciation of property, plant and equipment at ALCONIX and its domestic consolidated subsidiaries is calculated by the declining-balance method, except for buildings acquired on or after April 1, 1998 (excluding attached facilities) and facilities attached to the buildings and structures acquired on or after April 1, 2016 on which depreciation is calculated by the straight-line method.

Overseas consolidated subsidiaries mainly apply the straight-line method.

Useful life of principle assets is as follows:

Buildings and structures:	2-50 years
Machinery, equipment and vehicles:	1-20 years
Tools, furniture and fixtures:	1-20 years

2) Intangible assets

Amortization of intangible assets is calculated by the straight-line method. Software for internal use is amortized over an expected useful life of five years by the straight-line method.

3) Lease assets

Lease assets associated with finance leases where there is transfer of ownership:

The same method as amortization method used for non-current assets held by ALCONIX is applied.

(3) Recognition of significant allowances

1) Allowance for doubtful accounts

To prepare for credit losses on accounts receivable, allowances equal to the estimated amount of uncollectible receivables are booked for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectability.

2) Provision for bonuses

To provide for employee bonus obligation at ALCONIX and certain consolidated subsidiaries, an amount accrued for the current fiscal year among the estimated future obligations is designated in the reserve account.

3) Provision for retirement benefits for directors (and other officers)

To provide for directors' retirement benefits, ALCONIX and certain domestic consolidated subsidiaries provide an allowance for the aggregate amount payable at the end of the current fiscal year pursuant to ALCONIX's rules on directors' retirement benefits.

(4) The accounting treatment methods for retirement benefits

ALCONIX and its consolidated subsidiaries calculate retirement benefit liability and retirement benefit expenses by using a simplified method in which retirement benefit obligations are equal to the amount that would be paid if all employees voluntarily requested benefits at the end of the fiscal year.

(5) Translation of significant foreign currency-denominated assets and liabilities

Foreign currency-denominated monetary assets and liabilities are translated into yen at the spot exchange rate in effect on the balance sheet date. Exchange gain or loss is accounted as profit or loss. The balance sheet accounts of overseas consolidated subsidiaries are also translated into yen at the spot exchange rate in effect on their balance sheet dates. The income statement accounts of overseas consolidated subsidiaries are translated into yen at the average exchange rate for their accounting periods. Translation adjustments are included in the foreign currency translation adjustment and non-controlling interests in net assets.

(6) Accounting for hedges

1) Hedging method

ALCONIX applies deferred hedge accounting. However, the short-cut method is applied for forward exchange rate contracts that meet hedge accounting criteria.

2) Hedging instruments and risks hedged

ALCONIX uses forward exchange rate contracts to hedge the risk of foreign exchange rate volatility for foreign currency-denominated transactions. ALCONIX uses commodity futures to hedge the risk of future price volatility of commodities handled (non-ferrous metals).

3) Hedging policy

ALCONIX's policy is to limit derivative transactions to within the scope of real demand. ALCONIX hedges in order to minimize risks from foreign exchange rate volatility and commodity market volatility in line with its internal guidelines (risk management policy).

4) Evaluation method for the effectiveness of hedges

Hedges are applied only after confirming beforehand that important criteria related to hedging instruments and risks hedged are generally met. The effectiveness of the hedge is confirmed afterward based on reports from the division that executes derivatives. However, the effectiveness of forward exchange rate contracts based on the short-cut method is not assessed.

(7) Amortization of goodwill

Goodwill is amortized over 5 years or 10 years by the straight-line method.

(8) Scope of cash and cash equivalents on the consolidated statement of cash flows

Cash and cash equivalents consist of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.

(9) Other significant accounting policies in the preparation of the consolidated financial statements

Accounting for consumption taxes

All amounts stated are exclusive of consumption taxes.

Reclassification

Quarterly Consolidated Statement of Income

“Gain on reversal of share acquisition rights” and “Subsidy income” under “Extraordinary income” presented as separate items in the previous fiscal year, are included in “Other,” in the current fiscal year to improve clarity. To conform to this change, the financial statements for the previous fiscal year are reclassified.

As a result, “Gain on reversal of share acquisition rights” (1 million yen), “Subsidy income” (3 million yen) and “Other” (3 million yen) under “Extraordinary income” shown in the previous fiscal year’s consolidated statements of income are reclassified “Other” (7 million yen).

Segment and Other Information

[Segment information]

1. Overview of reportable segment

Segments used for financial reporting are ALCONIX’s constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

ALCONIX has individual business divisions at its headquarters that oversee specific products and merchandise categories. As part of their activities, each division conducts business in line with the comprehensive strategies they have devised for products and merchandise in both domestic and overseas markets.

ALCONIX’s businesses are broadly divided as Trading and Manufacturing in order to clarify its business activities and earnings structure of each business division. Furthermore, the four reportable segments are used based on the products and merchandise. They include: Electronic and Advanced Materials, Aluminum and Copper Products, Equipment and Materials, and Metal Processing.

The Electronic and Advanced Materials segment trades compound semiconductors, electronic materials, titanium products, nickel products, minor metals and other materials.

The Aluminum and Copper Products segment trades aluminum products (rolling products, extruded materials, forged and cast products, beverage cans, foil, etc.), copper products (sheets, strips, rods, and other fabricated products and parts, etc.), secondary aluminum alloy ingots, non-ferrous metal scraps (aluminum, copper, special metal, used home electronics, etc.), metal silicon, zinc alloy ingots, magnesium ingots, various piping equipment, forge/foundry materials, aluminum die cast products, metal molds and cast metals. It also oversees metal fitting works and renovation of commercial and residential buildings.

The Equipment and Materials segment trades cooper, nickel, plating materials and related chemicals, non-destructive testing equipment, marking devices and related consumables, metal mold building-up welding rods, cashew resin (brake friction materials and other products), products using cashew-based materials, carbon brushes for small motors used for automobiles and general industrial applications, and oversees thermal spraying works.

The Metal Processing segment trades precision mechanical parts, made of aluminum, titanium and other light alloys, for use in telecommunications equipment and other devices, semiconductor surface mounting machines (chip mounters), precision grinding processing parts for manufacturing equipment in the automobile and industrial machinery industries, and precision stamping dies and stamping parts for the automobile industry.

2. Calculation methods for net sales, profits/losses, assets, and other items for each reportable segment

The accounting methods for reportable segments are the same as those listed in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements.”

Profits for reportable segments are generally ordinary profit figures.

Inter-segment sales and transfers are based on market prices.

3. Information related to net sales, profits/losses, assets, and other items for each reportable segment

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(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	83,952	131,341	21,439	20,703	257,437
Inter-segment sales and transfers	3,668	2,408	147	248	6,472
Total	87,620	133,750	21,586	20,951	263,909
Segment profit	721	1,024	607	3,916	6,270
Segment assets	33,016	52,664	43,054	23,271	152,006
Other items					
Depreciation	23	115	878	1,486	2,503
Amortization of goodwill	-	0	517	49	567
Interest income	67	10	13	46	137
Interest expenses	287	302	32	53	676
Equity in earnings of affiliates	-	-	-	202	202
Investment in equity-method affiliates	-	2,450	-	-	2,450
Increase in property, plant and equipment and intangible assets	51	143	397	1,685	2,277

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(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	68,950	115,283	25,728	22,279	232,242
Inter-segment sales and transfers	2,759	3,303	126	149	6,338
Total	71,710	118,586	25,855	22,428	238,581
Segment profit	80	694	403	4,220	5,398
Segment assets	26,796	47,880	41,188	25,777	141,642
Other items					
Depreciation	52	109	1,260	1,626	3,048
Amortization of goodwill	-	0	579	45	625
Interest income	33	12	47	12	105
Interest expenses	280	320	49	63	713
Equity in earnings of affiliates	-	-	-	270	270
Investment in equity-method affiliates	-	2,648	-	-	2,648
Increase in property, plant and equipment and intangible assets	345	277	418	2,487	3,528

4. Reconciliation of amounts on consolidated financial statements with totals for reportable segments

(Millions of yen)

Net sales	FY3/19	FY3/20
Total for reportable segments	263,909	238,581
Eliminations for inter-segment transactions	(6,472)	(6,338)
Net sales on the consolidated financial statements	257,437	232,242

(Millions of yen)

Profit	FY3/19	FY3/20
Total for reportable segments	6,270	5,398
Eliminations for inter-segment transactions	(16)	18
Ordinary profit on the consolidated financial statements	6,254	5,416

(Millions of yen)

Assets	FY3/19	FY3/20
Total for reportable segments	152,006	141,642
Corporate assets (Note)	242	161
Eliminations for inter-segment transactions	(8,396)	(7,341)
Total assets on the consolidated financial statements	143,851	134,463

Note: Corporate assets are deferred tax assets at ALCONIX.

[Related information]

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Asia	China	North America	Europe	Other regions	Total
159,739	32,828	28,483	19,656	16,000	728	257,437

Notes: 1. Classification of net sales is based on the location of the client and categorized by country or region.

2. Asia does not include China.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	China	North America	Europe	Total
14,607	1,186	2,218	791	0	18,804

Note: Asia does not include China.

3. Information by major client

This information is omitted because no specific external client accounts for 10% or more of consolidated net sales on the consolidated statement of income.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Asia	China	North America	Europe	Other regions	Total
142,590	23,464	35,487	18,345	11,891	463	232,242

Notes: 1. Classification of net sales is based on the location of the client and categorized by country or region.

2. Asia does not include China.

(2) Property, plant and equipment (Millions of yen)

Japan	Asia	China	North America	Europe	Total
15,317	1,194	1,979	2,412	1	20,905

Note: Asia does not include China.

3. Information by major client

This information is omitted because no specific external client accounts for 10% or more of consolidated net sales on the consolidated statement of income.

[Information related to impairment of non-current assets for each reportable segment]

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Not applicable.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Not applicable.

[Information related to goodwill amortization and the unamortized balance for each reportable segment]

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019) (Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Trading		Manufacturing		Subtotal		
	Electronic and Advanced Materials	Aluminum and Copper Products	Equipment and Materials	Metal Processing			
Balance at end of period	-	0	3,369	344	3,714	-	3,714

Notes: 1. Goodwill amortization is omitted because the same information is presented in segment information.

2. The unamortized balance of goodwill increased in “Equipment and Materials” because ALCONIX acquired all of the stock of Tohoku Chemical Industries, Ltd., Fuji Carbon Manufacturing Co. and HONDA DYNAMICS Corporation to make them consolidated subsidiaries.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020) (Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Trading		Manufacturing		Subtotal		
	Electronic and Advanced Materials	Aluminum and Copper Products	Equipment and Materials	Metal Processing			
Balance at end of period	-	0	2,771	348	3,120	-	3,120

Note: Goodwill amortization is omitted because the same information is presented in segment information.

[Information related to gain on bargain purchase for each reportable segment]

FY3/19 (Apr. 1, 2018 - Mar. 31, 2019)

Not applicable.

FY3/20 (Apr. 1, 2019 - Mar. 31, 2020)

Not applicable.

Per Share Information

(Yen)

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)		FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	
Net assets per share	1,489.59	Net assets per share	1,578.62
Net income per share	155.20	Net income per share	143.25

Note: The following is a reconciliation of net income per share.

(Millions of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net income per share		
Profit attributable to owners of parent	4,009	3,617
Amounts not available to common stock shareholders	-	-
Profit attributable to owners of parent available to common stock	4,009	3,617
Average number of shares outstanding during the period (Thousand shares)	25,836	25,257
Summary of potential stock not included in the calculation of “Diluted net income per share” since there was no dilutive effect	Share acquisition rights No.7 (Number of share acquisition rights: 777)	Share acquisition rights No.7 (Number of share acquisition rights: 754) Share acquisition rights No.8 (Number of share acquisition rights: 800)

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

Subsequent Events

On April 28, 2020, the ALCONIX Board of Directors signed a contract to establish a committed credit line that was arranged by Mizuho Bank, Ltd. The purposes are to facilitate the flexible and stable procurement of funds required for business activities and to further increase financial soundness.

Credit line summary

Amount	5,000 million yen
Date of contract	April 30, 2020
Term	April 30, 2020 to April 28, 2023
Arranger	Mizuho Bank, Ltd.
Co-arrangers	MUFG Bank, Ltd., The Sumitomo Trust & Banking Co., Ltd.
Agent	Mizuho Bank, Ltd.
Participating banks	Mizuho Bank, Ltd., MUFG Bank, Ltd., The Sumitomo Trust & Banking Co., Ltd.
Collateral/Guarantee	No collateral or guarantee

4. Non-consolidated Financial Statements and Notes**(1) Balance Sheet**

	(Millions of yen)	
	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	3,978	4,285
Notes receivable-trade	814	635
Electronically recorded monetary claims- operating	923	889
Accounts receivable-trade	19,755	17,566
Merchandise and finished goods	9,000	8,810
Advance payments-trade	34	5
Prepaid expenses	89	114
Short-term loans receivable	20,740	20,140
Accounts receivable-other	2,219	484
Consumption taxes receivable	546	701
Other	150	249
Allowance for doubtful accounts	(223)	(205)
Total current assets	58,029	53,677
Non-current assets		
Property, plant and equipment		
Buildings	45	51
Vehicles	1	0
Tools, furniture and fixtures	28	38
Assets for lease	-	95
Construction in progress	96	-
Total property, plant and equipment	172	185
Intangible assets		
Software	64	52
Telephone subscription right	5	5
Total intangible assets	70	58
Investments and other assets		
Investment securities	1,816	1,899
Shares of subsidiaries and associates	9,744	10,590
Investments in capital of subsidiaries and associates	173	173
Long-term prepaid expenses	2	1
Insurance funds	20	21
Long-term guarantee deposits	137	135
Deferred tax assets	242	161
Other	30	30
Total investments and other assets	12,167	13,015
Total non-current assets	12,410	13,259
Total assets	70,440	66,936

	(Millions of yen)	
	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Liabilities		
Current liabilities		
Notes payable-trade	6,533	5,517
Accounts payable-trade	13,107	11,591
Short-term borrowings	6,418	6,784
Current portion of long-term borrowings	3,802	3,260
Current portion of bonds	149	149
Accounts payable-other	1,133	1,028
Accrued expenses	178	72
Income taxes payable	29	106
Advances received	397	263
Deposits received	2,090	1,472
Provision for bonuses	331	293
Other	268	237
Total current liabilities	34,440	30,777
Non-current liabilities		
Bonds payable	525	375
Long-term borrowings	21,515	20,255
Long-term accounts payable-other	30	338
Provision for retirement benefits	228	163
Provision for retirement benefits for directors (and other officers)	192	-
Total non-current liabilities	22,492	21,132
Total liabilities	56,932	51,909
Net assets		
Shareholders' equity		
Share capital	2,968	2,989
Capital surplus		
Legal capital surplus	2,010	2,031
Total capital surpluses	2,010	2,031
Retained earnings		
Legal retained earnings	10	10
Other retained earnings		
General reserve	400	400
Retained earnings brought forward	8,456	9,652
Total retained earnings	8,867	10,062
Treasury shares	(516)	(329)
Total shareholders' equity	13,329	14,755
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	185	144
Deferred gains or losses on hedges	(17)	93
Total valuation and translation adjustments	167	237
Share acquisition rights	10	34
Total net assets	13,507	15,027
Total liabilities and net assets	70,440	66,936

(2) Statement of Income

(Millions of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net sales	123,312	110,595
Cost of sales	119,317	106,590
Gross profit	3,994	4,004
Selling, general and administrative expenses	3,212	3,207
Operating profit	782	797
Non-operating income		
Interest income	106	175
Purchase discounts	15	15
Dividend income	2,538	1,735
Outsourcing service income	191	325
Other	57	47
Total non-operating income	2,908	2,299
Non-operating expenses		
Interest expenses	173	214
Sales discounts	1	1
Interest on bonds	2	2
Foreign exchange losses	118	125
Loss on sales of notes receivable-trade	27	23
Provision of allowance for doubtful accounts	15	2
Other	74	59
Total non-operating expenses	413	429
Ordinary profit	3,277	2,667
Extraordinary income		
Gain on sales of investment securities	38	15
Gain on reversal of share acquisition rights	1	0
Total extraordinary income	39	16
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on sales of investment securities	3	-
Loss on valuation of investment securities	-	0
Total extraordinary losses	4	0
Income before income taxes	3,312	2,683
Income taxes-current	332	397
Income taxes-deferred	5	1
Total income taxes	338	398
Profit	2,973	2,285

(3) Statement of Changes in Equity

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus		Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of period	2,956	1,998	1,998	10	400	6,465	6,876	(0)	11,831
Changes during period									
Issuance of new shares	11	11	11						22
Dividends of surplus						(983)	(983)		(983)
Profit						2,973	2,973		2,973
Purchase of treasury shares								(516)	(516)
Disposal of treasury shares									-
Net changes in items other than shareholders' equity									-
Total changes during period	11	11	11	-	-	1,990	1,990	(516)	1,497
Balance at end of period	2,968	2,010	2,010	10	400	8,456	8,867	(516)	13,329

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	618	(10)	608	1	12,442
Changes during period					
Issuance of new shares					22
Dividends of surplus					(983)
Profit					2,973
Purchase of treasury shares					(516)
Disposal of treasury shares					-
Net changes in items other than shareholders' equity	(433)	(7)	(441)	9	(431)
Total changes during period	(433)	(7)	(441)	9	1,065
Balance at end of period	185	(17)	167	10	13,507

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus		Retained earnings			Treasury shares	Total shareholders' equity	
		Legal capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings				Total retained earnings
					General reserve	Retained earnings brought forward			
Balance at beginning of period	2,968	2,010	2,010	10	400	8,456	8,867	(516)	13,329
Changes during period									
Issuance of new shares	21	21	21						42
Dividends of surplus						(1,039)	(1,039)		(1,039)
Profit						2,285	2,285		2,285
Purchase of treasury shares								(283)	(283)
Disposal of treasury shares						(51)	(51)	471	420
Net changes in items other than shareholders' equity									-
Total changes during period	21	21	21	-	-	1,195	1,195	187	1,426
Balance at end of period	2,989	2,031	2,031	10	400	9,652	10,062	(329)	14,755

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	185	(17)	167	10	13,507
Changes during period					
Issuance of new shares					42
Dividends of surplus					(1,039)
Profit					2,285
Purchase of treasury shares					(283)
Disposal of treasury shares					420
Net changes in items other than shareholders' equity	(41)	111	70	23	93
Total changes during period	(41)	111	70	23	1,519
Balance at end of period	144	93	237	34	15,027

5. Others

(1) Changes in Directors

The appointment and resignation will be decided at the Annual General Meeting of Shareholders to be held on June 24, 2020.

1) Change in representative

-Retiring Representative

Eiitsu Masaki (Current Chairman)

2) Changes in other directors

-Candidate for Director

Outside Director: Yukino Kikuma

-Candidate for Audit & Supervisory Board members

Outside Audit & Supervisory Board member: Shigeo Ogi

Outside Audit & Supervisory Board member: Kimiko Oga

Outside Audit & Supervisory Board member: Ryoko Takeda

-Retiring Audit & Supervisory Board members

Full-time Audit & Supervisory Board member: Shiro Hattori

Outside Audit & Supervisory Board member: Akira Teranishi

Outside Audit & Supervisory Board member: Shuji Ota

Note: As was announced on May 5, 2020 in the press release titled “Notice of Resignation of Audit & Supervisory Board member and Appointment of Substitute Audit & Supervisory Board member (Japanese version only),” Mr. Shuji Ota was appointed as an Outside Audit & Supervisory Board member from a substitute Audit & Supervisory Board member to succeed the term of office of Mr. Kyo Komita, who passed away on April 29, 2020 and resigned as an Outside Audit & Supervisory Board member on the same day.

(2) Others

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.