May 13, 2016

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 [Japanese GAAP]

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Listing: Tokyo Stock Exchange, First Section
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Scheduled date of Annual General Meeting of Shareholders: June 23, 2016
Scheduled date of filing of Annual Securities Report: June 24, 2016
Scheduled date of payment of dividend: June 24, 2016
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on May 13, 2016 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, 2016 (April 1, 2015 – March 31, 2016)

(1) Consolidated results of operations (Percentages shown for net sales and incomes represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2016	201,755	0.1	3,792	(17.3)	4,281	(17.8)	4,977	42.0
Fiscal year ended Mar. 31, 2015	201,543	9.7	4,584	31.6	5,205	44.6	3,505	11.5

Note: Comprehensive income (million yen):
Fiscal year ended Mar. 31, 2016: 4,103 (down 31.0%) Fiscal year ended Mar. 31, 2015: 5,945 (down 4.5%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2016	387.09	386.43	17.8	4.3	1.9
Fiscal year ended Mar. 31, 2015	274.76	273.45	14.9	5.9	2.3

Reference: Share of profit (loss) of entities accounted for using equity method (million yen):
Fiscal year ended Mar. 31, 2016: 344 Fiscal year ended Mar. 31, 2015: 973

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2016	111,072	31,323	26.8	2,311.32
As of Mar. 31, 2015	89,848	26,951	29.3	2,053.83

Reference: Shareholders' equity (million yen) As of Mar. 31, 2016: 29,758 As of Mar. 31, 2015: 26,315

(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, 2016	10,630	(5,188)	2,112	19,773
Fiscal year ended Mar. 31, 2015	550	(105)	(1,445)	12,514

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, 2015	-	18.00	-	22.00	40.00	511	14.6	2.2
Fiscal year ended Mar. 31, 2016	-	22.00	-	22.00	44.00	566	11.4	2.0
Fiscal year ending Mar. 31, 2017 (forecast)	-	22.00	-	22.00	44.00		18.3	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	110,000	8.7	2,150	(1.9)	2,200	(4.9)	1,550	(9.9)	120.39
Full year	220,000	9.0	4,250	12.1	4,400	2.8	3,100	(37.7)	240.77

*** Notes**

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

Newly added: 1 (HEIWA KINZOKU CO., LTD.) Excluded: -

Note: Please refer to "5. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements, Significant Accounting Policies in the Preparation of Consolidated Financial Statements" on page 19 of the attachments for further information.

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to "5. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies" on page 22 of the attachments for further information.

(3) Number of outstanding shares (common stock)

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

As of Mar. 31, 2016: 12,875,600 shares As of Mar. 31, 2015: 12,813,200 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2016: 413 shares As of Mar. 31, 2015: 413 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2016: 12,858,337 shares Fiscal year ended Mar. 31, 2015: 12,758,624 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2016	116,894	(4.8)	791	(43.6)	1,544	(1.1)	1,150	5.9
Fiscal year ended Mar. 31, 2015	122,724	8.3	1,403	27.2	1,561	26.7	1,086	27.9

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2016	89.50	89.36
Fiscal year ended Mar. 31, 2015	85.15	84.77

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2016	53,192	9,842	18.5	762.25
As of Mar. 31, 2015	47,411	9,898	20.8	769.69

Reference: Shareholders' equity (million yen): As of Mar. 31, 2016: 9,814 As of Mar. 31, 2015: 9,861

* Indication of audit procedure implementation status

At the time when this summary report was released, the audit procedures for the consolidated financial statements based on the Financial Instruments and Exchange Act have not been completed.

* 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 the Company'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. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

In the fiscal year ended March 31, 2016, the strong recovery of the U.S. economy continued as steady consumer spending offset weakness in industrial output caused by the global decline in crude oil prices and slowing growth in emerging countries. In Europe, the economy continued to recover slowly but in China, the economy slowed mainly because of surplus capacity problems.

In Japan, persistently sluggish consumer spending and slow export growth prevented the economy from staging a full-scale recovery.

In the non-ferrous metals industry, where the ALCONIX Group operates, growth in demand for these metals remained weak because of slowing economic growth in China. Demand was still strong in a few categories, notably for metals associated with smartphones and tablets as the performance and level of these products continue to advance.

Sales were higher for titanium products for export, materials for parts used in smartphones and tablets, and aircraft parts. HEIWA KINZOKU CO., LTD., which was consolidated in the current fiscal year, also contributed to sales growth. Sales of non-ferrous resources, minor metals and rare earths were lower than one year earlier as prices of these materials continued to fall mainly due to weak demand in China.

As for profits, an increase in selling, general and administrative expenses caused operating income to decline. In addition, earnings in the previous fiscal year included the share of profit of entities accounted for using equity method including gain on bargain purchase recorded in association with the conversion of K' MAC Co., Ltd. to an equity-method affiliate. Due to this one-time gain in the previous fiscal year, ordinary income was lower than one year earlier. Profit attributable to owners of parent increased since a gain on bargain purchase of 1,975 million yen was posted as an extraordinary income in association with the acquisition of shares of HEIWA KINZOKU CO., LTD. This company became a consolidated subsidiary in the current fiscal year.

ALCONIX reported consolidated net sales of 201,755 million yen (up 0.1% year on year), operating income of 3,792 million yen (down 17.3%), ordinary income of 4,281 million yen (down 17.8%) and profit attributable to owners of parent of 4,977 million yen (up 42.0%).

Results by business segment were as follows.

- Light metals and copper products

Demand for products in this segment remained stagnant in Japan and overseas as Chinese economy has entered a correction phase. However, demand was solid throughout the fiscal year for light metals and copper products used in building air conditioning systems, automobiles, motorcycles and aircraft, but there was a weakness at manufacturers of housing construction, materials for semiconductors and liquid crystal displays, and for residential air conditioners. On the other hand, manufacturing subsidiaries in Japan significantly contributed to the consolidated performance because of strong demand for manufacturing equipment used to make smartphone components and for aircraft parts. Segment earnings were down because non-operating income in the previous fiscal year included gain on bargain purchase of 628 million yen, which was associated with the conversion of K' MAC Co., Ltd. to an equity-method affiliate.

As a result, the segment recorded sales of 88,031 million yen (up 14.8% year on year) and segment profit of 2,573 million yen (down 14.3%).

- Electronic and advanced materials

Demand for materials used in highly-functional passive components for smartphones and tablets increased significantly due to further improved communication capabilities, despite slowing growth rate in the volume of products sold. Demand for secondary battery materials for smartphones and tablets remained firm. Exports of titanium and nickel products to Europe and China steadily increased because of favorable foreign exchange rates and a resurgence of the power plant projects in China. On the other hand, sales of solar cell materials decreased due to

the revision in the Japanese government's subsidy measures. Demand for environment-related materials were also down due to a delay in inventory reduction at customers.

Sales of rare earths decreased from one year earlier because of falling prices of these metals mainly caused by weak demand in China.

As a result, the segment recorded sales of 72,419 million yen (down 6.9% year on year) and segment profit of 1,498 million yen (down 13.6%).

- Non-ferrous materials

Prices of materials in this segment fell sharply as commodity prices plunged in response to slowing economic growth in China. Prices were lower for copper scrap, recycled aluminum ingots, zinc and lead ingots, metal silicon, magnesium ingots used in light metal rolls, and other materials. Lower prices along with inventory reductions by customers resulted in lower selling prices and sales volumes, causing segment sales to fall below the previous fiscal year's sales. Segment earnings were much lower mainly because of a drop in earnings associated with the falling prices at consolidated subsidiary ALUMINUM & COPPER RECYCLING CENTER CORPORATION, which sells products by using its own inventories.

As a result, the segment recorded sales of 32,824 million yen (down 10.4% year on year) and segment profit of 49 million yen (down 81.7%).

- Construction and industrial materials

Despite the higher housing starts in the current fiscal year, demand in Japan's construction market have been sluggish following delays in construction schedules due to a shortage of construction workers and the higher cost of materials due to the weaker yen. Although there are signs of a slow rebound in private-sector capital expenditures, demand in Japan for materials used to make pipes was still weak. Furthermore, the rising cost of imported materials caused by the continuing depreciation of the yen has brought down the volume of imported bulk tanks and die cast products significantly. On the other hand, exports of materials for pipes and overseas transactions were strong in part because of the weak yen. TOKAI YOGYO CO., LTD., which was consolidated in the current fiscal year, also contributed to earnings. However, these positive factors could not offset the overall decline in segment sales and earnings.

As a result, the segment recorded sales of 12,822 million yen (down 10.5% year on year) and segment profit of 166 million yen (down 19.7%).

Forecasts for the new fiscal year

In the fiscal year ending on March 31, 2017, only a gradual recovery is expected for the global economy as economic growth in China continues to slow due to the country's prolonged surplus of production capacity. As a result, a rapid recovery in non-ferrous metal demand and prices is unlikely to occur for the time being.

The ALCONIX Group anticipates growth in exports of electronic materials used in market sectors associated with the rapid growth in the number of parts used in smartphones and tablets as the performance of these devices advances. In addition, a subsidiary in Japan that manufactures parts for semiconductor chip mounting equipment is expected to continue to perform well. However, demand and prices for minor metals and rare earths are expected to remain low because of slowing growth of the market for these materials in China. Nevertheless, sales and earnings are expected to increase in the fiscal year ending on March 31, 2017 due to the contributions of two new additions to the ALCONIX Group. Acquired in February 2016, consolidated subsidiary MARKTEC CORPORATION develops and manufactures non-destructive testing equipment and marking devices. The other new group member is HEIWA KINZOKU CO., LTD., which became a consolidated subsidiary in October 2015. Meanwhile, profit attributable to owners of parent is expected to decrease due to one-time gain in the fiscal year ended on March 31, 2016 with recording of a gain on bargain purchase of 1,975 million yen as an extraordinary income in association with the acquisition of HEIWA KINZOKU.

The ALCONIX Group forecasts consolidated net sales of 220,000 million yen (up 9.0% year on year), operating income of 4,250 million yen (up 12.1%), ordinary income of 4,400 million yen (up 2.8%), and profit attributable to owners of parent of 3,100 million yen (down 37.7%) for the fiscal year ending March 31, 2017.

(2) Analysis of Financial Position

1) Financial position

Changes in financial position in the fiscal year ended March 31, 2016 are described as below.

In the assets category, the main factors of increase were a 7,246 million yen increase in cash and deposits, a 7,199 million yen increase in notes and accounts receivable-trade, a 3,987 million yen increase in property, plant and equipment mainly due to capital expenditures and an increase in consolidated subsidiaries, a 2,532 million yen increase in goodwill due to the consolidation of MARKTEC CORPORATION and a 3,447 million yen increase in investments and other assets. The main factor of decrease was a 3,364 million yen decrease in inventories. The result was a 21,223 million yen increase in assets over the end of the previous fiscal year to 111,072 million yen.

In the liabilities category, the main factors of increase were a 10,341 million yen increase in short-term loans payable and a 6,219 million yen increase in notes and accounts payable-trade. The main factors of decrease were a 1,260 million yen decrease in long-term loans payable, a 600 million yen decrease in bonds payable. The net result was the 16,851 million yen increase in liabilities over the end of the previous fiscal year to 79,748 million yen.

In the net assets category, the main factors of increase were a 37 million yen increase in capital stock due to the exercise of subscription rights to shares, a 4,412 million yen increase in retained earnings, a 414 million yen decrease in valuation difference on available-for-sale securities due to the market value evaluation of listed stock, a 360 million yen decrease in foreign currency translation adjustment, and a 248 million yen decrease in deferred gains or losses on hedges. As a result, net assets increased 4,372 million yen over the end of the previous fiscal year to 31,323 million yen.

2) Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the fiscal year ended on March 31, 2016 increased 7,259 million yen from the end of the previous fiscal year to 19,773 million yen.

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

	Description
Cash flows from operating activities	Net cash provided by operating activities was 10,630 million yen. Main positive factors include profit before income taxes of 6,229 million yen, depreciation including amortization of goodwill of 1,591 million yen, a 3,320 million yen decrease in notes and accounts receivable-trade, and a 5,153 million yen decrease in inventories. Meanwhile, major negative factors include a 1,917 million yen decrease in notes and accounts payable-trade, income taxes paid of 2,040 million yen, and gain on bargain purchase of 1,975 million yen due to acquisition of shares of HEIWA KINZOKU CO., LTD.
Cash flows from investing activities	Net cash used in investing activities was 5,188 million yen. Main positive factor was proceeds from the consolidation of HEIWA KINZOKU CO., LTD. of 2,192 million yen. Meanwhile, main negative factors include payments for the purchase of property, plant and equipment of 1,846 million yen and the consolidation of TOKAI YOGYO CO., LTD. and MARKTEC CORPORATION of 5,721 million yen.
Cash flows from financing activities	Net cash provided by financing activities was 2,112 million yen. Main positive factors include net increase in short-term loans payable of 6,316 million yen and proceeds from issuance of common shares of 67 million yen due to the exercise of subscription rights to shares. Meanwhile, major negative factors include a net decrease in long-term loans payable of 2,974 million yen, redemption of bonds of 600 million yen and cash dividends paid of 565 million yen.

Reference: Cash flow indicators

	FY3/15	FY3/16
Shareholders' equity ratio (%)	29.3	26.8
Shareholders' equity ratio based on market value (%)	25.3	18.2
Ratio of interest-bearing debt to cash flows (%)	54.7	3.6
Interest coverage ratio (times)	1.7	28.9

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market value: Market capitalization based on closing share price at period end/ 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.

ALCONIX plans to pay a year-end dividend of 22 yen per share for the fiscal year that ended on March 31, 2016. With the interim dividend of 22 yen per share, this will result in an annual dividend of 44 yen per share.

2. Corporate Group

The ALCONIX Group comprises of ALCONIX CORPORATION (the “Company” or “ALCONIX”), 32 consolidated subsidiaries, and five affiliates (including four equity-method affiliates). We are a trading group that specializes in non-ferrous metals, and our mainstay operations are the export, import, and domestic sale of products and raw materials of aluminum, copper, nickel, and minor metals (such as titanium, tungsten, molybdenum, and rare earths).

The following table shows the Group’s business content, mainstay items, and the positioning of the Company and its subsidiaries and affiliates in each business segment.

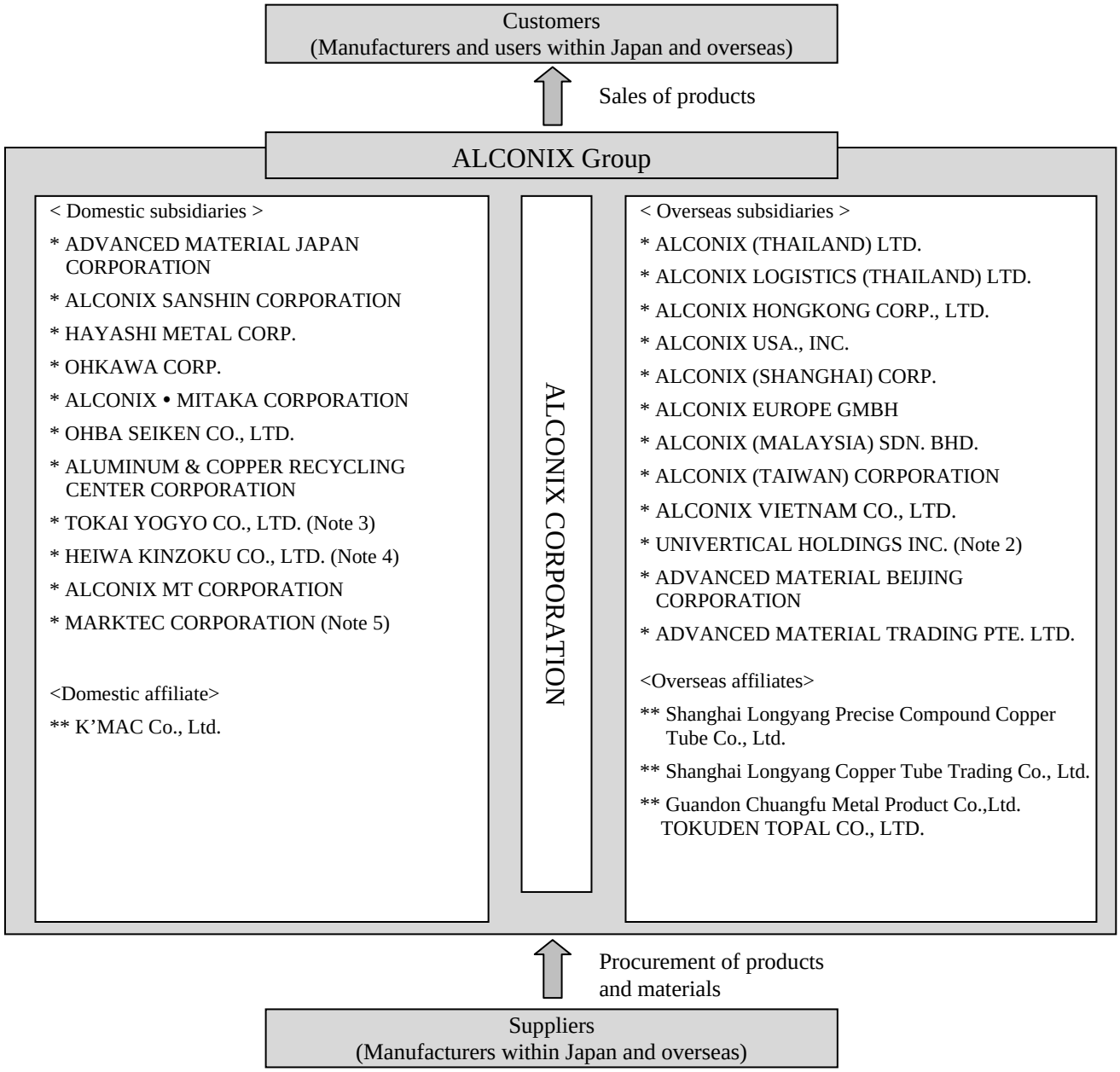
Business segments	Major products	Main group companies
Light metals and copper products	- Aluminum products for consumer electronics, aircraft, and autos (rolling products, extruded materials, forged and cast products, and other fabricated products and parts) - Aluminum plate materials for beverage cans, foil, and printing plates - Copper products (sheets, strips, rods, and other fabricated products and parts) - Precision machining processing parts - Precision grinding processing parts	ALCONIX (SHANGHAI) CORP. ALCONIX (MALAYSIA) SDN. BHD. ALCONIX VIETNAM CO., LTD. ALCONIX SANSHIN CORPORATION HAYASHI METAL CORP. OHKAWA CORPORATION ALCONIX• MITAKA CORPORATION OHBA SEIKEN CO., LTD. HEIWA KINZOKU CO., LTD.
Electronic and advanced materials	- Semiconductors and electronics-related materials such as compound semiconductors - Printed wire boards, electronic materials for batteries - Titanium products used in power generation equipment and chemical industrial equipment - Steel additives, nickel products for secondary batteries - Minor metals such as titanium, tungsten, molybdenum, gallium, indium, and rare earths - Plating materials and chemicals used in plating processes - Non-destructive testing equipment, marking devices and related consumables	ALCONIX USA., INC. ALCONIX EUROPE GMBH ADVANCED MATERIAL JAPAN CORPORATION ALCONIX (TAIWAN) CORPORATION ALCONIX HONGKONG CORP., LTD. UNIVERTICAL HOLDINGS INC. (Note 1) ADVANCED MATERIAL BEIJING CORPORATION ADVANCED MATERIAL TRADING PTE. LTD. ALCONIX MT CORPORATION (Note 2) MARKTEC CORPORATION (Note 2)
Non-ferrous materials	- Secondary aluminum alloy ingots - Non-ferrous metal scrap, special metal scrap, used home electronics scrap - Metal silicon, zinc alloy ingots and magnesium ingots	ALUMINUM & COPPER RECYCLING CENTER CORPORATION
Construction and industrial materials	- Various piping equipment and parts such as joint valves and flange gauges - Copper alloy materials - Aluminum die cast products, metal molds and cast metals - Metal fitting works, renovation of commercial and residential building - Metal mold building-up welding rods for auto manufacturing, and thermal spraying	TOKAI YOGYO CO., LTD. ALCONIX (THAILAND) LTD. ALCONIX LOGISTICS (THAILAND) LTD.

Notes: 1: UNIVERTICAL HOLDINGS INC. was established as a wholly owned consolidated subsidiary of ALCONIX. This company was established as a holding company to have overall control and management function of following companies and to acquire all the outstanding shares in these companies: UNIVERTICAL LLC and UNIVERTICAL LLC’s subsidiary UNIVERTICAL INTERNATIONAL (MAURITIUS) INC., and this company’s subsidiaries UNIVERTICAL INTERNATIONAL (SUZHOU) CO.,LTD. and UNIVERTICAL INTERNATIONAL (HONGKONG) CO.,LTD.

2. ALCONIX MT CORPORATION is an intermediate holding company wholly owned by ALCONIX, and holds all the shares of MARKTEC CORPORATION, which became a consolidated subsidiary on February 12, 2016. In addition, the following consolidated subsidiaries of MARKTEC CORPORATION became consolidated subsidiaries of ALCONIX: Marktec China Corporation, Marktec Korea Corporation, Marktec Asia Holdings Co., Ltd., Marktec Corporation (Thailand) Co., Ltd. and Marktec Asia Co., Ltd.

3. In addition to the above, K’ MAC Co., Ltd., Shanghai Longyang Precise Compound Copper Tube Co., Ltd., Shanghai Longyang Copper Tube Trading Co., Ltd. and Guandon Chuangfu Metal Product Co.,Ltd. became equity-method affiliates of the ALCONIX Group.

The discussion above can be illustrated by the following business diagram.



Notes:

1. * Consolidated subsidiaries ** Equity-method affiliates
2. Four consolidated subsidiaries of UNIVERTICAL HOLDINGS INC., a consolidated subsidiary of ALCONIX, are also included as consolidated subsidiaries of the ALCONIX Group.
3. TOKAI YOGYO CO., LTD. became a consolidated subsidiary of ALCONIX TOKAI CORPORATION, an intermediate holding company wholly owned by ALCONIX, through the purchase of all the outstanding shares of TOKAI YOGYO on July 21, 2015. ALCONIX TOKAI was extinguished on September 30, 2015 as a result of the absorption-type merger with its consolidated subsidiary TOKAI YOGYO, the surviving entity in this transaction which became a consolidated subsidiary of ALCONIX.
4. On October 9 and 13, 2015, ALCONIX additionally purchased 77.35% of all the outstanding shares of HEIWA KINZOKU CO., LTD. and made it a consolidated subsidiary.
5. On February 12, 2016, ALCONIX MT CORPORATION, an intermediate holding company wholly owned by ALCONIX, purchased all the outstanding shares of MARKTEC CORPORATION and made it a consolidated subsidiary.

3. Management Policies

(1) Basic Management Policy

The ALCONIX Group's corporate policy is "to contribute to society by creating new value through non-ferrous metal trading," and its slogan is to challenge "new materials," "new markets," "new services," and "new business fields." The Group conducts honest, fair, and transparent operations in compliance with laws, regulations, and business ethics, and maintains favorable relationships with shareholders, customers, employees, and the local community. The Group aims to be trusted by not just local communities but the whole world.

(2) Performance Targets (Medium-term business plan covering three year period from the fiscal year ending March 31, 2017)

1) Profit targets

Consolidated ordinary income:	Over 6,500 million yen (Fiscal year ending March 31, 2019)
Consolidated net income:	Over 4,600 million yen (Fiscal year ending March 31, 2019)

2) Management benchmarks

Return on equity (ROE):	Around 13 – 15%
Net debt equity (DE) ratio:	Around 1.0 – 1.3x

3) Investment plans

20 billion yen over three years. (Investment targets: M&As, business investments, capital expenditures, etc.)

(3) Medium- and Long-term Business Plan

The ALCONIX Group adopts a "rolling-style" business plan that it updates once a year to quickly respond to changes in the business environment surrounding the Group.

This fiscal year the Group formulated a new medium-term business plan covering the three year period (fiscal years ending March 31, 2017 to 2019) as detailed in "(4) Challenges" below.

(4) Challenges

The ALCONIX Group positions as its overall strategy the following management policies in its medium-term business plan and aims for greater corporate value and sustainable growth on a consolidated basis. To achieve these goals, it has established concrete numerical management targets as described in "(2) Performance Targets" and will aggressively and boldly implement the five-point action plan discussed below.

(Management policies)

ALCONIX has established the following goals for purpose of increasing our corporate value and are aiming to become an integrated non-ferrous metals company that combines trading and manufacturing capabilities.

1) Promote upstream to midstream and downstream M&A to expand the business, and seek and capitalize on new business investment opportunities. In particular, we will place priority on M&A and business investments involving manufacturing in order to make manufacturing a larger share of our total earnings.
2) Further expand the scale of our operations, including the volume of minor metals that we supply as the raw materials used in the fields of electronic and advanced materials, where Japanese companies are among the leaders worldwide.
3) Expand trading in aluminum and copper - the core business of the ALCONIX Group.
4) Bolster the recycling business for environmental protection.
5) Maximize trading firm capabilities to further expand the network of overseas offices to meet client needs, and increase local and trilateral transactions.

(Action plan)

1) Strengthen operating revenue

- ALCONIX aims to move beyond the traditional framework of trading firms by using M&A and business investments to expand manufacturing operations and to dramatically increase operating revenue by utilizing synergies with trading company functions.
- ALCONIX will strengthen its efforts in the fields of crystal materials, metallic powder, LCD and battery materials, semiconductor-related materials, and advanced materials and other electronic materials. Also, it will work together with its consolidated subsidiary ADVANCED MATERIALS JAPAN CORPORATION (AMJ) to strengthen its trading foundation for minor metals including titanium sponges, tungsten, and molybdenum, and rare earths for mostly magnetic materials applications, in order to become a major force in the industry offering raw materials (minor metals and rare earths) through products (electronic and advanced materials).
- ALCONIX will strengthen businesses and investment in fields related to environmental problems. It will expand its trading of various materials for solar cells, fuel cells, electric vehicles, hybrid vehicles, and eco-diesel engines, as well as LED materials for energy-saving applications. There will also be measures to expand aluminum and copper scrap yard operations in Japan and enlarge recycling operations on a global scale, particularly for minor metals and rare earths.
- ALCONIX will aim for greater consolidated earnings globally by expanding local transactions with Japanese companies overseas and foreign companies through its overseas subsidiaries and joint ventures and by expanding trilateral business transactions. It will also aim to establish overseas bases in Indonesia, India, Central and South America, and other regions to bolster its overseas network.
- ALCONIX plans to strengthen downstream operations through the promotion of coordination among ALCONIX SANSHIN CORPORATION, HAYASHI METAL CORP. and ALCONIX・MITAKA CORPORATION to achieve synergies.

2) Promote investment activities

ALCONIX will promote, as an important policy in Japan and other countries, M&A which is effective for short-term business expansion, investment in and loans to metals fabrication and sales to develop new trade channels, and investment in and loans to recycling and other projects to secure natural resources.

(To be implemented in the fiscal year ending March 31, 2017)

- Invest in manufacturers, promote M&As
- Invest in facility expansion at manufacturing subsidiaries (OHKAWA CORP., OHBA SEIKEN CO., LTD., UNIVERTICAL.LLC)
- Promote other M&As (midstream: trading firms; downstream: wholesalers and retailers)
- Invest in and loan to minor metal recycling business overseas

(To be implemented in the fiscal years ending March 31, 2017 and 2018)

- Promote M&As (upstream: manufacturers and recycle centers; midstream: trading firms; downstream: wholesalers and retailers)
- Invest in and loan to minor metal, rare earth mines or smelting business

(Plan for capital expenditures)

Manufacturing companies in the ALCONIX Group will take measures centered on constructing a plant for processing aircraft parts, purchase production equipment in China and take other measures to meet demand for metal plating materials in emerging countries.

3) Reinforce the financial backbone

- Aim to improve the shareholders' equity ratio and other financial ratios by bolstering profitability
- Further diversify fundraising channels while securing sufficient liquidity and reduce funding costs
- Strive to optimize working capital and move free cash flow into the black

4) Train human resources

- As a listed company, pro-actively work to hire talented human resources, both new graduates and experienced professionals, and improve labor productivity by appropriately positioning employees and bolstering internal training
- Aim to train "professional," "challenging," and "cooperative" human resources in line with the Company's personnel policy

5) Strengthen corporate infrastructure and internal governance

- Aim for more speedy management and a stronger internal governance system through more effective use of the new mission-critical system introduced in the fiscal year ended March 31, 2009
- Upgrade and improve the Group's accounting system in preparation for the introduction of International Financial Reporting Standards (IFRS)
- Strengthen administrative framework to prepare for increase and diversification of subsidiaries and affiliates
- Promote internal training more broadly to enhance timely disclosure

(5) Other Important Management Items

Not applicable.

4. 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.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	12,689	19,935
Notes and accounts receivable-trade	34,108	41,307
Merchandise and finished goods	17,838	14,386
Work in process	1,506	1,621
Raw materials and supplies	519	492
Deferred tax assets	490	674
Other	2,253	2,302
Allowance for doubtful accounts	(204)	(216)
Total current assets	69,202	80,505
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,225	6,046
Accumulated depreciation	(1,660)	(2,810)
Buildings and structures, net	1,564	3,236
Machinery, equipment and vehicles	5,748	6,981
Accumulated depreciation	(4,338)	(5,194)
Machinery, equipment and vehicles, net	1,410	1,787
Tools, furniture and fixtures	678	1,257
Accumulated depreciation	(537)	(995)
Tools, furniture and fixtures, net	141	261
Land	2,805	3,408
Leased assets	1,933	1,948
Accumulated depreciation	(1,458)	(1,555)
Leased assets, net	475	392
Construction in progress	135	1,433
Total property, plant and equipment	6,533	10,520
Intangible assets		
Goodwill	2,784	5,316
Software	172	281
Other	3,822	3,667
Total intangible assets	6,779	9,265
Investments and other assets		
Investment securities	6,674	9,450
Long-term loans receivable	8	6
Deferred tax assets	76	121
Other	624	1,263
Allowance for doubtful accounts	(52)	(61)
Total investments and other assets	7,332	10,780
Total non-current assets	20,645	30,566
Total assets	89,848	111,072

(Millions of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	26,323	32,543
Short-term loans payable	17,884	28,226
Current portion of long-term loans payable	3,204	2,826
Current portion of bonds	600	400
Income taxes payable	1,050	908
Provision for bonuses	532	628
Deferred tax liabilities	0	3
Other	1,855	2,953
Total current liabilities	51,450	68,490
Non-current liabilities		
Bonds payable	600	200
Long-term loans payable	7,842	6,959
Deferred tax liabilities	2,220	2,850
Provision for directors' retirement benefits	234	390
Net defined benefit liability	322	473
Long-term accounts payable-other	68	49
Other	159	335
Total non-current liabilities	11,446	11,258
Total liabilities	62,897	79,748
Net assets		
Shareholders' equity		
Capital stock	2,873	2,910
Capital surplus	1,915	1,932
Retained earnings	16,005	20,417
Treasury shares	(0)	(0)
Total shareholders' equity	20,794	25,260
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	740	325
Deferred gains or losses on hedges	129	(118)
Foreign currency translation adjustment	4,651	4,291
Total accumulated other comprehensive income	5,521	4,498
Subscription rights to shares	36	28
Non-controlling interests	599	1,536
Total net assets	26,951	31,323
Total liabilities and net assets	89,848	111,072

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net sales	201,543	201,755
Cost of sales	189,452	189,574
Gross profit	12,091	12,181
Selling, general and administrative expenses	7,506	8,388
Operating income	4,584	3,792
Non-operating income		
Interest income	69	65
Purchase discounts	13	12
Dividend income	102	213
Fiduciary obligation fee	23	40
Share of profit of entities accounted for using equity method	973	344
Rent income of real estate	77	78
Foreign exchange gains	-	81
Other	202	201
Total non-operating income	1,463	1,038
Non-operating expenses		
Interest expenses	334	362
Sales discounts	13	12
Foreign exchange losses	370	-
Loss on sales of notes receivable-trade	37	33
Rent cost of real estate	10	12
Other	75	128
Total non-operating expenses	841	549
Ordinary income	5,205	4,281
Extraordinary income		
Gain on sales of non-current assets	25	21
Subsidy income	27	-
Subsidy income	-	3
Gain on bargain purchase	7	1,975
Gain on liquidation of investment securities	1	-
Other	8	0
Total extraordinary income	71	2,000
Extraordinary losses		
Loss on valuation of investment securities	17	-
Loss on liquidation of investment securities	24	-
Golf club membership	-	8
Loss on change in equity	19	-
Loss on liquidation of subsidiaries and associates	-	34
Loss on step acquisitions	-	4
Other	1	4
Total extraordinary losses	63	51
Profit before income taxes	5,213	6,229
Income taxes - current	1,928	1,612
Income taxes - deferred	(286)	(288)
Refund of income taxes for prior periods	-	(198)
Total income taxes	1,642	1,125
Profit	3,571	5,103
Profit attributable to non-controlling interests	65	126
Profit attributable to owners of parent	3,505	4,977

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Profit	3,571	5,103
Other comprehensive income		
Valuation difference on available-for-sale securities	422	(370)
Deferred gains or losses on hedges	103	(250)
Foreign currency translation adjustment	1,508	(218)
Share of other comprehensive income of entities accounted for using equity method	339	(161)
Total other comprehensive income	2,373	(1,000)
Comprehensive income	5,945	4,103
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,858	3,954
Comprehensive income attributable to non-controlling interests	87	148

(3) Consolidated Statement of Changes in Equity

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,835	1,877	12,952	(0)	17,664
Changes of items during period					
Issuance of new shares	38	38			76
Dividends of surplus			(452)		(452)
Profit attributable to owners of parent			3,505		3,505
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	38	38	3,053	(0)	3,129
Balance at end of current period	2,873	1,915	16,005	(0)	20,794

	Accumulated other comprehensive income				Subscription rights to shares	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 current period	304	26	2,837	3,168	38	495	21,368
Changes of items during period							
Issuance of new shares							76
Dividends of surplus							(452)
Profit attributable to owners of parent							3,505
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	436	103	1,813	2,352	(2)	103	2,453
Total changes of items during period	436	103	1,813	2,352	(2)	103	5,582
Balance at end of current period	740	129	4,651	5,521	36	599	26,951

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,873	1,915	16,005	(0)	20,794
Changes of items during period					
Issuance of new shares	37	37			74
Dividends of surplus			(565)		(565)
Profit attributable to owners of parent			4,977		4,977
Purchase of treasury shares				-	
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(20)			(20)
Net changes of items other than shareholders' equity					
Total changes of items during period	37	16	4,412	-	4,466
Balance at end of current period	2,910	1,932	20,417	(0)	25,260

	Accumulated other comprehensive income				Subscription rights to shares	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 current period	740	129	4,651	5,521	36	599	26,951
Changes of items during period							
Issuance of new shares				-			74
Dividends of surplus				-			(565)
Profit attributable to owners of parent				-			4,977
Purchase of treasury shares				-			-
Change in treasury shares of parent arising from transactions with non-controlling shareholders				-			(20)
Net changes of items other than shareholders' equity	(414)	(248)	(360)	(1,022)	(7)	937	(262)
Total changes of items during period	(414)	(248)	(360)	(1,022)	(7)	937	4,372
Balance at end of current period	325	(118)	4,291	4,498	28	1,536	31,323

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Cash flows from operating activities		
Profit before income taxes	5,213	6,229
Depreciation	1,086	1,228
Amortization of goodwill	305	362
Gain on bargain purchase	(7)	(1,975)
Increase (decrease) in allowance for doubtful accounts	(243)	(71)
Increase (decrease) in provision for bonuses	80	(43)
Increase (decrease) in provision for directors' retirement benefits	29	38
Increase (decrease) in net defined benefit liability	10	42
Interest and dividend income	(171)	(279)
Interest expenses	334	362
Share of (profit) loss of entities accounted for using equity method	(973)	(344)
Loss on valuation of investment securities	17	-
Loss on liquidation of investment securities	24	-
Loss (gain) on liquidation of subsidiaries and associates	-	34
Decrease (increase) in notes and accounts receivable-trade	2,656	3,320
Decrease (increase) in inventories	(3,299)	5,153
Increase (decrease) in notes and accounts payable-trade	(2,380)	(1,917)
Decrease (increase) in consumption taxes refund receivable	(303)	299
Increase (decrease) in income taxes payable-factor based tax	10	(10)
Decrease (increase) in advance payments	(17)	312
Decrease (increase) in accounts receivable-other	92	19
Increase (decrease) in accounts payable-other	5	169
Increase (decrease) in advances received	(260)	(145)
Other, net	91	(101)
Subtotal	2,300	12,684
Interest and dividend income received	320	354
Interest expenses paid	(328)	(367)
Income taxes paid	(1,742)	(2,080)
Income taxes refund	-	40
Net cash provided by (used in) operating activities	550	10,630
Cash flows from investing activities		
Payments into time deposits	(150)	(387)
Proceeds from withdrawal of time deposits	150	295
Purchase of property, plant and equipment	(801)	(1,846)
Purchase of intangible assets	(47)	(123)
Purchase of investment securities	(140)	(9)
Proceeds from sales of investment securities	95	-
Proceeds from redemption of investment securities	900	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(5,721)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	2,192
Payments for transfer of business	(360)	-
Payments of loans receivable	-	(2,250)
Collection of loans receivable	6	2,008
Purchase of insurance funds	(11)	(24)
Proceeds from cancellation of insurance funds	1	399
Other, net	253	278
Net cash provided by (used in) investing activities	(105)	(5,188)

(Millions of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,936	6,316
Proceeds from long-term loans payable	1,325	400
Repayments of long-term loans payable	(3,484)	(3,374)
Redemption of bonds	(600)	(600)
Proceeds from issuance of common shares	76	67
Proceeds from share issuance to non-controlling shareholders	12	11
Cash dividends paid	(452)	(565)
Dividends paid to non-controlling interests	(15)	(17)
Repayments of finance lease obligations	(282)	(125)
Other, net	40	-
Net cash provided by (used in) financing activities	(1,445)	2,112
Effect of exchange rate change on cash and cash equivalents	749	(294)
Net increase (decrease) in cash and cash equivalents	(250)	7,259
Cash and cash equivalents at beginning of period	12,765	12,514
Cash and cash equivalents at end of period	12,514	19,773

(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

Number of consolidated subsidiaries: 32

(1) 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.

TOKAI YOGYO CO., LTD. and MARKTEC CORPORATION (including five subsidiaries) were included in the scope of consolidation in the current fiscal year following the acquisition of shares by ALCONIX. HEIWA KINZOKU CO., LTD. was included in the scope of consolidation following the acquisition of additional shares by ALCONIX. ALCONIX MT CORPORATION was included in the scope of consolidation because it was newly established in the current fiscal year.

Number of non-consolidated subsidiaries: 5

(1) Names of major non-consolidated subsidiaries

Heiwa Thai Corporation

Non-consolidated subsidiaries are excluded from the scope of consolidation since they have a very minor effect on net income/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: 4

Names of major affiliates:

Shanghai Longyang Precise Compound Copper Tube Co., Ltd.
K'MAC Co., Ltd.

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

Names of major affiliates:

Winton International Industries Ltd.

Kizan Chuangfu (Foshan) Precision Co., Ltd. was excluded from the scope of affiliates from the current fiscal year due to the decline in the ratio of investment.

Non-equity method affiliates are not accounted for under the equity method, since they have a very minor effect on net income/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 two consolidated subsidiaries in Japan and 21 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. (Unrealized gain or loss is 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 the Company and its domestic consolidated subsidiaries is calculated by the declining-balance method, except for buildings acquired on or after April 1, 1998 (excluding attached structures) 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:	2-20 years
Tools, furniture and fixtures:	2-20 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 fixed assets held by the Company 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 the Company 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 directors' retirement benefits

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

(4) The accounting treatment methods for retirement benefits

The Company and its consolidated subsidiaries calculate net defined 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 income 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 adjustments and non-controlling interests in net assets.

(6) Accounting for hedges

1) Hedging method

The Company 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

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

3) Hedging policy

The Company's policy is to limit derivative transactions to within the scope of real demand. The Company 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.

Changes in Accounting Policies

Application of the Accounting Standard for Business Combinations, etc.

The Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) from the current fiscal year. Under these accounting standards, the Company has revised the method to record gains or losses arising from a change in the Company’s equity in subsidiaries in cases where control is retained to that recognizing such gains or losses as capital surplus and the acquisition costs in connection with business combinations as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the current fiscal year, the Company has revised the method to reflect changes in the allocation of the acquisition costs arising from confirmation of the provisional accounting treatment on the consolidated financial statements that includes the acquisition date. In addition, the presentation of net income and other items has been revised and the minority interests item has been renamed non-controlling interests. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

The Company has adopted these accounting standards, etc. from the beginning of the current fiscal year, in accordance with the transitional accounting treatments set forth in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

As a result, operating income and ordinary income decreased 72 million yen each and profit before income taxes decreased 77 million yen in the current fiscal year. Capital surplus also decreased 20 million yen at the end of the current fiscal year.

Capital surplus in the consolidated statement of changes in equity decreased 20 million yen at the end of the current fiscal year.

Net assets per share increased 1.06 yen, and net income per share and diluted net income per share decreased 6.01 yen and 6.00 yen respectively.

Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

The Company has applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issues Task Force (PITF) No. 18, March 26, 2015) from the current fiscal year. In accordance with the transitional accounting treatments set forth in this PITF, goodwill that are subject to be amortized at subsidiaries in the United States are amortized based on the remaining useful lives in the consolidated financial statements. This change was based on the revision of Topic 350 “Intangibles—Goodwill and Other” of the Accounting Standards Codification of the Financial Accounting Standards Board (FASB) in January 2014.

This change has no effect on the consolidated financial statements.

Segment and Other Information

[Segment information]

1. Overview of reportable segment

Segments used for financial reporting are the Company'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.

The four reportable segments that ALCONIX uses are based on the products and merchandise traded by these business divisions. They include: light metals and copper products, electronic and advanced materials, non-ferrous materials, and construction and industrial materials.

The light metals and copper products segment trades aluminum products (rolling products, extruded materials, forged and cast products, and other fabricated products and parts), aluminum plate materials, copper products (sheets, strips, rods, and other fabricated products and parts), precision machining processing parts, and precision grinding processing parts. The electronic and advanced materials segment trades compound materials for semiconductors, electronic materials, titanium products, nickel products, minor metals, plating materials and chemicals used in plating processes, non-destructive testing equipment, marking devices and related consumables. The non-ferrous materials segment trades secondary aluminum alloy ingots, non-ferrous metal scrap, metal silicon, zinc alloy ingots, and magnesium ingots. The construction and industrial materials segment trades piping equipment and materials, copper alloy materials, aluminum die cast products, cast metals, and metal mold building-up welding rods for auto manufacturing. It also oversees renovation of commercial and residential buildings.

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 income 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

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015) (Millions of yen)

	Reportable segment				Total
	Light metals and copper products	Electronic and advanced materials	Non-ferrous materials	Construction and industrial materials	
Net sales					
External sales	75,831	75,276	36,400	14,035	201,543
Inter-segment sales and transfers	856	2,474	220	284	3,836
Total	76,687	77,750	36,621	14,320	205,380
Segment profit	3,003	1,734	268	207	5,213
Segment assets	39,416	36,744	10,293	4,144	90,599
Other items					
Depreciation	587	469	26	2	1,086
Amortization of goodwill	-	305	0	-	305
Interest income	14	52	1	0	69
Interest expenses	171	119	28	14	334
Equity in earnings (losses) of affiliates	973	-	-	-	973
Investment in equity-method affiliates	3,919	-	-	-	3,919
Increase in property, plant and equipment and intangible assets	684	168	83	0	936

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016) (Millions of yen)

	Reportable segment				Total
	Light metals and copper products	Electronic and advanced materials	Non-ferrous materials	Construction and industrial materials	
Net sales					
External sales	87,020	69,777	32,532	12,426	201,755
Inter-segment sales and transfers	1,011	2,642	292	396	4,342
Total	88,031	72,419	32,824	12,822	206,098
Segment profit	2,573	1,498	49	166	4,287
Segment assets	55,064	44,945	6,782	4,831	111,622
Other items					
Depreciation	611	554	36	26	1,228
Amortization of goodwill	-	349	0	13	362
Interest income	21	39	2	0	65
Interest expenses	210	102	31	17	362
Equity in earnings (losses) of affiliates	344	-	-	-	344
Investment in equity-method affiliates	3,994	-	-	-	3,994
Increase in property, plant and equipment and intangible assets	1,473	823	18	64	2,378

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

(Millions of yen)

Net sales	FY3/15	FY3/16
Total for reportable segments	205,380	206,098
Eliminations for inter-segment transactions	(3,836)	(4,342)
Net sales on the consolidated financial statements	201,543	201,755

(Millions of yen)

Profit	FY3/15	FY3/16
Total for reportable segments	5,213	4,287
Eliminations for inter-segment transactions	(7)	(5)
Ordinary income on the consolidated financial statements	5,205	4,281

(Millions of yen)

Assets	FY3/15	FY3/16
Total for reportable segments	90,599	111,622
Corporate assets (Note)	198	367
Eliminations for inter-segment transactions	(949)	(917)
Total assets on the consolidated financial statements	89,848	111,072

Note: Corporate assets are deferred tax assets at the Company.

[Related information]

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

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
119,316	28,367	24,614	17,914	8,896	2,435	201,543

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
5,385	13	355	778	0	6,533

Note: 1. 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.

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

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
121,300	28,994	24,087	16,051	10,107	1,214	201,755

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
7,772	486	1,441	820	0	10,520

Note: 1. 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]

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Not applicable.

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Not applicable.

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

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015) (Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Light metals and copper products	Electronic and advanced materials	Non-ferrous materials	Construction and industrial materials	Subtotal		
Balance at end of period	-	2,782	1	-	2,784	-	2,784

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

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016) (Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Light metals and copper products	Electronic and advanced materials	Non-ferrous materials	Construction and industrial materials	Subtotal		
Balance at end of period	-	5,315	1	-	5,316	-	5,316

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]

FY3/15 (Apr. 1, 2014－Mar. 31, 2015)

In the “Non-ferrous materials” segment, ALUMINUM & COPPER RECYCLING CENTER CORPORATION acquired the operations of Daiko Shokai. Accordingly, gain on bargain purchase of 7 million yen was recorded in FY3/15.

FY3/16 (Apr. 1, 2015－Mar. 31, 2016)

In the “Light metals and copper products” segment, HEIWA KINZOKU CO., LTD. was included in the scope of consolidation because 77.35 % of the shares of its stock were additionally acquired by ALCONIX. Accordingly, gain on bargain purchase of 1,975 million yen was recorded in FY3/16.

Per Share Information

(Yen)

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)		FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	
Net assets per share	2,053.83	Net assets per share	2,311.32
Net income per share	274.76	Net income per share	387.09
Diluted net income per share	273.45	Diluted net income per share	386.43

Notes: 1. The Company conducted a 2-for-1 stock split on August 1, 2014. The net assets per share, net income per share and diluted net income per share are calculated as if this stock split had taken place at the beginning of FY3/14.

2. The following is a reconciliation of net income per share and diluted net income per share.

(Millions of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net income per share		
Profit attributable to owners of parent	3,505	4,977
Amounts not available to common stock shareholders	-	-
Profit attributable to owners of parent available to common stock	3,505	4,977
Average number of shares outstanding during the period (Thousand shares)	12,758	12,858
Diluted net income per share		
Adjusted profit attributable to owners of parent	1	0
[of which, adjusted profit attributable to owners of parent related to the potential stock of consolidated subsidiaries]	[1]	[0]
Increase in the number of shares of common stock (Thousand shares)	56	20
[of which, stock acquisition rights]	[56]	[20]
Summary of potential stock not included in the calculation of “Diluted net income per share” since there was no dilutive effect	Stock acquisition rights No.5 (Number of stock acquisition rights: 588)	Stock acquisition rights No.5 (Number of stock acquisition rights: 548)

Subsequent Events

Revisions to reportable segments

English translation of this section is currently not available. For details, please refer to the press release “Notice of Revisions to Reportable Segments” that will be announced shortly.

Omission of Disclosure

Disclosure of the notes on consolidated financial statements, leases, financial instruments, marketable securities, derivatives, retirement benefits, stock options, deferred tax accounting, business combinations, asset retirement obligations, rental and other properties, and related party transactions was omitted in this report due to the minor necessity of disclosure.

6. Non-consolidated Financial Statements

(1) Balance Sheet

(Millions of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	2,545	3,384
Notes receivable-trade	1,818	1,517
Accounts receivable-trade	18,448	18,576
Merchandise and finished goods	9,825	7,185
Advance payments-trade	54	37
Prepaid expenses	110	80
Deferred tax assets	198	320
Short-term loans receivable	487	8,678
Accounts receivable-other	174	229
Consumption taxes receivable	675	538
Other	288	65
Allowance for doubtful accounts	(123)	(124)
Total current assets	34,504	40,489
Non-current assets		
Property, plant and equipment		
Buildings	14	11
Vehicles	2	3
Tools, furniture and fixtures	18	30
Total property, plant and equipment	35	46
Intangible assets		
Software	15	87
Telephone subscription right	5	5
Total intangible assets	21	92
Investments and other assets		
Investment securities	2,347	1,679
Shares of subsidiaries and associates	10,184	10,527
Investments in capital of subsidiaries and associates	173	173
Long-term prepaid expenses	1	1
Deferred tax assets	-	46
Insurance funds	11	15
Long-term guarantee deposits	111	99
Other	19	19
Total investments and other assets	12,849	12,563
Total non-current assets	12,906	12,703
Total assets	47,411	53,192

(Millions of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Liabilities		
Current liabilities		
Notes payable-trade	7,633	5,639
Accounts payable-trade	12,907	13,281
Short-term loans payable	5,328	15,081
Current portion of long-term loans payable	2,006	1,586
Current portion of bonds	400	200
Accounts payable-other	384	387
Accrued expenses	94	117
Income taxes payable	259	125
Advances received	124	48
Deposits received	370	660
Provision for bonuses	234	187
Other	234	360
Total current liabilities	29,978	37,677
Non-current liabilities		
Bonds payable	400	200
Long-term loans payable	6,616	5,030
Long-term accounts payable-other	68	49
Provision for retirement benefits	190	218
Provision for directors' retirement benefits	153	174
Deferred tax liabilities	105	-
Total non-current liabilities	7,534	5,672
Total liabilities	37,513	43,350
Net assets		
Shareholders' equity		
Capital stock	2,873	2,910
Capital surplus		
Legal capital surplus	1,915	1,952
Total capital surpluses	1,915	1,952
Retained earnings		
Legal retained earnings	10	10
Other retained earnings		
General reserve	400	400
Retained earnings brought forward	3,880	4,465
Total retained earnings	4,291	4,876
Treasury shares	(0)	(0)
Total shareholders' equity	9,079	9,739
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	652	176
Deferred gains or losses on hedges	130	(102)
Total valuation and translation adjustments	782	74
Subscription rights to shares	36	28
Total net assets	9,898	9,842
Total liabilities and net assets	47,411	53,192

(2) Statement of Income

(Millions of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net sales	122,724	116,894
Cost of sales	119,028	113,574
Gross profit	3,695	3,319
Selling, general and administrative expenses	2,292	2,528
Operating income	1,403	791
Non-operating income		
Interest income	15	36
Purchase discounts	12	11
Foreign exchange gains	-	115
Interest on securities	1	-
Dividend income	657	691
Fiduciary obligation fee	118	143
Other	26	35
Total non-operating income	831	1,032
Non-operating expenses		
Interest expenses	185	163
Sales discounts	4	4
Interest on bonds	5	3
Foreign exchange losses	336	-
Loss on sales of notes receivable-trade	31	25
Provision of allowance for doubtful accounts	53	22
Other	55	59
Total non-operating expenses	673	278
Ordinary income	1,561	1,544
Extraordinary income		
Gain on liquidation of investment securities	1	-
Gain on reversal of subscription rights to shares	2	0
Other	0	-
Total extraordinary income	3	0
Extraordinary losses		
Loss on valuation of investment securities	17	-
Loss on valuation of shares of subsidiaries and associates	5	-
Loss on liquidation of investment securities	24	-
Loss on liquidation of subsidiaries and associates	-	34
Other	0	0
Total extraordinary losses	47	34
Income before income taxes	1,517	1,511
Income taxes-current	445	375
Income taxes-deferred	(15)	(15)
Total income taxes	430	360
Net income	1,086	1,150

(3) Statement of Changes in Equity

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings			Total retained earnings	Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings				
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	2,835	1,877	1,877	10	400	3,246	3,657	(0)	8,369
Changes of items during period									
Issuance of new shares	38	38	38						76
Dividends of surplus						(452)	(452)		(452)
Net income						1,086	1,086		1,086
Purchase of treasury shares								(0)	(0)
Net changes of items other than shareholders' equity									
Total changes of items during period	38	38	38	-	-	633	633	(0)	710
Balance at end of current period	2,873	1,915	1,915	10	400	3,880	4,291	(0)	9,079

(Millions of yen)

	Valuation and translation adjustments			Subscription rights to shares	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 current period	274	31	305	38	8,713
Changes of items during period					
Issuance of new shares					76
Dividends of surplus					(452)
Net income					1,086
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	377	99	476	(2)	474
Total changes of items during period	377	99	476	(2)	1,184
Balance at end of current period	652	130	782	36	9,898

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings			Total retained earnings	Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings				
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	2,873	1,915	1,915	10	400	3,880	4,291	(0)	9,079
Changes of items during period									
Issuance of new shares	37	37	37						74
Dividends of surplus						(565)	(565)		(565)
Net income						1,150	1,150		1,150
Purchase of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during period	37	37	37	-	-	585	585	-	660
Balance at end of current period	2,910	1,952	1,952	10	400	4,465	4,876	(0)	9,739

(Millions of yen)

	Valuation and translation adjustments			Subscription rights to shares	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 current period	652	130	782	36	9,898
Changes of items during period					
Issuance of new shares					74
Dividends of surplus					(565)
Net income					1,150
Purchase of treasury shares					
Net changes of items other than shareholders' equity	(475)	(232)	(708)	(7)	(716)
Total changes of items during period	(475)	(232)	(708)	(7)	(55)
Balance at end of current period	176	(102)	74	28	9,842

7. Others

(1) Changes in Directors

1) Changes in representative

Not applicable.

2) Changes in other directors

Not applicable.

(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.