August 4, 2016

Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2017 (Three Months Ended June 30, 2016)

[Japanese GAAP]

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Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on August 4, 2016 at 12:30 (GMT +9).

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

1. Consolidated Financial Results for the First Quarter Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

(1) Consolidated results of operations (Percentages 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	%
Three months ended Jun. 30, 2016	47,793	(9.7)	893	(27.5)	1,083	(14.8)	830	5.1
Three months ended Jun. 30, 2015	52,930	9.3	1,232	28.2	1,271	(25.8)	790	(39.5)

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2016: (334) (-%)
Three months ended Jun. 30, 2015: 700 (down 28.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2016	64.52	64.48
Three months ended Jun. 30, 2015	61.61	61.36

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2016	105,232	30,677	27.7
As of Mar. 31, 2016	111,570	31,323	26.7

Reference: Shareholders' equity (million yen) As of Jun. 30, 2016: 29,148 As of Mar. 31, 2016: 29,758

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2016	-	22.00	-	22.00	44.00
Fiscal year ending Mar. 31, 2017	-				
Fiscal year ending Mar. 31, 2017 (forecast)		22.00	-	22.00	44.00

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

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)	120.33
Full year	220,000	9.0	4,250	12.1	4,400	2.8	3,100	(37.7)	240.67

Note: Revisions to the most recently announced consolidated earnings forecasts: None

*** Notes**

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

Newly added: - Excluded: -

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

Note: Please refer to “2. Matters Related to Summary Information (Notes), (2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” on page 5 of the attachments for further information.

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

1) Changes in accounting policies due to revisions in accounting standards, others: 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 “2. Matters Related to Summary Information (Notes), (3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements” on page 5 of the attachments for further information.

(4) Number of outstanding shares (common stock)

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

As of Jun. 30, 2016:	12,881,200 shares	As of Mar. 31, 2016:	12,875,600 shares

2) Number of treasury shares at the end of period

As of Jun. 30, 2016:	413 shares	As of Mar. 31, 2016:	413 shares

3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2016:	12,877,772 shares	Three months ended Jun. 30, 2015:	12,826,501 shares

* Information regarding the implementation of quarterly review procedures

The current quarterly summary report is exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the review procedures for the quarterly financial statements 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. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements” on page 5 of the attachments for assumptions for forecasts and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, the strong recovery of the U.S. economy continued supported by steady consumer spending. However, the pace of the recovery in the global economy remained sluggish due to the emergence of uncertainty in Europe about the prospects for the economy caused by the departure of the UK from the EU. In China, the economy continued to decelerate mainly because of the burden of the problems of excess capacity and excess debt.

In Japan, despite a moderate recovery in the economy against a backdrop of firm employment and income, exports and production remained weak.

In the non-ferrous metals industry, where the ALCONIX Group operates, growth in demand for these metals stagnated because of weak demand for metals associated with smartphones and tablets and slowing economic growth in China.

The domestic and overseas manufacturing subsidiaries contributed to the consolidated results of operations. However, market prices and transaction volumes of non-ferrous resources, minor metals such as titanium and nickel, and rare earths declined. As a result, consolidated sales and earnings were lower than a year earlier. Profit attributable to owners of parent in the first quarter, however, increased due to a decrease in tax expenses.

In the first quarter, ALCONIX reported consolidated net sales of 47,793 million yen (down 9.7% year on year), operating income of 893 million yen (down 27.5%), ordinary income of 1,083 million yen (down 14.8%) and profit attributable to owners of parent of 830 million yen (up 5.1%).

Results by business segment were as follows, with sales in each segment including inter-segment sales. In the first quarter, reportable segments are reclassified. Following the changes, the revised figures for the year-on-year comparisons have been incorporated into each segment.

・Trading—Electronic and Advanced Materials

Growth in materials used in smartphones and tablets slowed due to a decline in demand. However, there was a strong growth in materials used in highly-functional passive components due to further improved communication capabilities. Demand for secondary battery materials, solar cell materials, and environment-related materials were all affected by the impact of slowing demand. Exports of titanium and nickel products were sluggish due to the continuing stronger yen. Sales and earnings of minor metals and rare earths declined because of the sustained deceleration and oversupply in the Chinese economy which also caused prices to slump.

As a result, the segment recorded sales of 12,414 million yen (down 22.6% year on year) and segment profit of 296 million yen (down 25.9%).

・Trading—Aluminum and Copper Products

Sales and earnings in this segment were weak except for some categories such as aluminum sheets used in automobiles, as the correction phase in the Chinese economy, the trend towards lower raw materials prices, and the accelerated appreciation of the yen resulted in sluggish demands both in Japan and overseas. HEIWA KINZOKU CO., LTD., a domestic subsidiary which joined the Group in the previous fiscal year, contributed to results of operations from the current fiscal year. However, sales and earnings declined as other domestic subsidiaries performed weak due to sluggish movement of materials used in building and housing construction and semiconductors. In the non-ferrous resources category, sales of our core recycled aluminum ingots and copper scrap declined sharply, compared to the same period of the previous fiscal year, because of the appreciation of the yen and delay in recovery of commodity prices. Sales of metal silicon, rolling magnesium ingots, and other materials were also lower.

As a result, the segment recorded sales of 29,755 million yen (down 9.5% year on year) and segment profit of 180 million yen (down 33.4%).

・Manufacturing—Equipment and Materials

UNIVERTICAL HOLDINGS INC., which manufactures and sells chemicals used in plating processes, reported steady shipments both in the U.S. and China but sales, compared to the same period of the previous fiscal year, were lower due to sluggish prices for its key raw materials copper and nickel. However, as the market bottomed out, we managed to return to profitability after amortization of goodwill. Moreover, results of operations of TOKAI YOGYO CO., LTD., which joined the Group in the previous fiscal year and is engaged in the manufacture of welding rods, welding work and thermal spraying, were firm, particularly in the automobile sector. MARKTEC CORPORATION, which manufactures and sells non-destructive testing equipment, detection materials, and marking equipment and paints, and was included in consolidation from the first quarter of the current fiscal year, recorded an ordinary loss after the amortization of goodwill as sales and earnings were below the forecast due to postponement of capital investment in the steel industry, which is our major source of demand, and weak performance in China.

As a result, the segment recorded sales of 3,949 million yen (up 29.7% year on year) and segment loss of 36 million yen compared with a loss of 17 million yen one year earlier.

・Manufacturing—Metal Processing

Shipments at OHBA SEIKEN CO., LTD., which specializes in grinding processing parts for chip mounters, remained at a consistently high level, and orders for prototype items for automotive applications also grew strongly. Furthermore, OHKAWA CORP. continued to achieve a high level of shipments, mainly in precision machining processing parts for semiconductor manufacturing equipment, but earnings came under pressure as it took measures to respond to short lead times to delivery demanded by customers. The share of profit of the three domestic and overseas equity-method affiliates engaged in the manufacture of copper tubes and metal processing parts also contributed to growth in earnings.

As a result, the segment recorded sales of 2,432 million yen (up 0.6% year on year) and segment profit of 653 million yen (up 5.3%).

(2) Explanation of Financial Position

1) Financial position

a. Current assets

At the end of the first quarter of the current fiscal year, current assets totaled 75,214 million yen, a decrease of 5,367 million yen from the end of the previous fiscal year. The main factors were a 613 million yen decrease in notes and accounts receivable-trade, a 535 million yen decrease in inventories, and a 4,542 million yen decrease in cash and deposits.

b. Non-current assets

Non-current assets totaled 30,017 million yen, a decrease of 970 million yen. The main factors include an 81 million yen decrease in property, plant and equipment due mainly to depreciation, a 631 million yen decrease in intangible assets due mainly to amortization of goodwill, and a 258 million yen decrease in investments and other assets.

c. Current liabilities

Current liabilities totaled 54,955 million yen, a decrease of 13,626 million yen. The main factors include a 1,239 million yen decrease in notes and accounts payable-trade, an 11,940 million yen decrease in short-term loans payable, a 328 million yen increase in current portion of long-term loans payable, and a 300 million yen decrease in income taxes payable.

d. Non-current liabilities

Non-current liabilities totaled 19,598 million yen, an increase of 7,934 million yen. The main factors include a 7,234 million yen increase in long-term loans payable and a 900 million yen increase in bonds payable.

e. Net assets

Net assets totaled 30,677 million yen, a decrease of 645 million yen. The main factors include a 4 million yen increase each in capital stock and capital surplus due to the exercise of subscription rights to shares, a 547 million yen increase in retained earnings, and a 1,026 million yen decrease in foreign currency translation adjustment.

2) Results of operations

a. Net sales

Main sources of sales growth were sales of copper tubes and can materials at HEIWA KINZOKU CO., LTD., which joined the Group in the previous fiscal year, welding rods and thermal spraying at TOKAI YOGYO CO., LTD., and non-destructive testing equipment and detection materials at MARKTEC CORPORATION, as well as sales of electronic materials used in smartphones and tablets, and precision machining processing parts for semiconductor manufacturing equipment. On the other hand, sales were negatively affected by lower transaction volumes of non-ferrous resources including recycled aluminum ingots and copper scrap, and a drop in export transactions of titanium and nickel products for industrial plants and shipbuilding. Transaction volumes of metal silicon, minor metals and rare earths also decreased.

As a result, net sales decreased 9.7% year on year to 47,793 million yen in the first quarter of the current fiscal year.

b. Gross profit

Earnings declined in the Trading segment but were benefited from manufacturing and other subsidiaries in Japan, which joined the Group in the previous fiscal year. As a result, gross profit increased 10.6% year on year to 3,531 million yen.

c. Selling, general and administrative expenses

Selling, general and administrative expenses increased 34.6% to 2,638 million yen due to the inclusion of three consolidated subsidiaries in Japan.

d. Operating income

Based on the above results, operating income decreased 27.5% to 893 million yen.

e. Non-operating income, non-operating expenses

As a result of foreign exchange gains from reversal gains on foreign currency-denominated debt reflecting the further appreciation in the yen, growth in dividend income, and an increase in the share of profit of entities accounted for using equity method, net non-operating income (non-operating income – non-operating expenses) was 190 million yen compared with 39 million yen one year earlier.

f. Ordinary income

Based on the above results, ordinary income fell 14.8% to 1,083 million yen.

g. Extraordinary income, extraordinary loss

ALCONIX booked a gain on sales of investment securities, a subsidy income at a subsidiary in Japan, a gain on reversal of subscription rights to shares and other extraordinary income of 40 million yen.

h. Profit attributable to owners of parent

ALCONIX recorded profit before income taxes of 1,123 million yen. From this amount, 274 million yen and 18 million yen was deducted respectively for income taxes-current and profit attributable to non-controlling interests of six consolidated subsidiaries. As a result, profit attributable to owners of parent increased 5.1% to 830 million yen.

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

ALCONIX currently maintains the full-year consolidated earnings forecasts that we disclosed in the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 [Japanese GAAP]” on May 13, 2016.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Calculation of tax expense

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

(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

Changes in Accounting Policies

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revised Corporation Tax Law, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on operating income, ordinary income, and profit before income taxes in the first quarter of the current fiscal year is insignificant.

(4) Additional Information

Application of Guidance on Recoverability of Deferred Tax Assets

The Company has applied the “Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the first quarter of the current fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	First quarter of FY3/17 (As of Jun. 30, 2016)
Assets		
Current assets		
Cash and deposits	19,935	15,393
Notes and accounts receivable-trade	41,307	40,694
Merchandise and finished goods	14,462	13,820
Work in process	1,621	1,633
Raw materials and supplies	492	586
Other	2,977	3,266
Allowance for doubtful accounts	(216)	(181)
Total current assets	80,581	75,214
Non-current assets		
Property, plant and equipment	10,561	10,480
Intangible assets		
Goodwill	4,262	3,975
Other	5,384	5,040
Total intangible assets	9,647	9,015
Investments and other assets	10,780	10,521
Total non-current assets	30,988	30,017
Total assets	111,570	105,232
Liabilities		
Current liabilities		
Notes and accounts payable-trade	32,543	31,303
Short-term loans payable	28,226	16,286
Current portion of long-term loans payable	2,826	3,154
Current portion of bonds	400	400
Income taxes payable	977	676
Provision for bonuses	628	804
Other	2,981	2,329
Total current liabilities	68,582	54,955
Non-current liabilities		
Bonds payable	200	1,100
Long-term loans payable	6,959	14,193
Provision for directors' retirement benefits	390	395
Net defined benefit liability	473	488
Long-term accounts payable-other	49	49
Other	3,592	3,371
Total non-current liabilities	11,664	19,598
Total liabilities	80,246	74,554

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	First quarter of FY3/17 (As of Jun. 30, 2016)
Net assets		
Shareholders' equity		
Capital stock	2,910	2,915
Capital surplus	1,932	1,937
Retained earnings	20,417	20,965
Treasury shares	(0)	(0)
Total shareholders' equity	25,260	25,818
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	325	132
Deferred gains or losses on hedges	(118)	(67)
Foreign currency translation adjustment	4,291	3,265
Total accumulated other comprehensive income	4,498	3,330
Subscription rights to shares	28	23
Non-controlling interests	1,536	1,505
Total net assets	31,323	30,677
Total liabilities and net assets	111,570	105,232

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

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

(Millions of yen)

	First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)
Net sales	52,930	47,793
Cost of sales	49,738	44,262
Gross profit	3,191	3,531
Selling, general and administrative expenses	1,959	2,638
Operating income	1,232	893
Non-operating income		
Interest income	18	9
Purchase discounts	3	3
Dividend income	46	120
Foreign exchange gains	-	38
Rent income of real estate	18	20
Share of profit of entities accounted for using equity method	52	90
Other	63	43
Total non-operating income	202	327
Non-operating expenses		
Interest expenses	93	81
Sales discounts	3	2
Foreign exchange losses	31	-
Loss on sales of notes receivable-trade	9	6
Rent cost of real estate	2	3
Other	21	41
Total non-operating expenses	163	136
Ordinary income	1,271	1,083
Extraordinary income		
Gain on sales of non-current assets	6	5
Gain on reversal of subscription rights to shares	-	3
Gain on sales of investment securities	-	28
Subsidy income	3	3
Total extraordinary income	9	40
Extraordinary losses		
Loss on sales of non-current assets	-	0
Loss on retirement of non-current assets	-	0
Loss on liquidation of subsidiaries and associates	34	-
Total extraordinary losses	34	0
Profit before income taxes	1,246	1,123
Income taxes	435	274
Profit	811	849
Profit attributable to non-controlling interests	21	18
Profit attributable to owners of parent	790	830

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

(Millions of yen)

	First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)
Profit	811	849
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(191)
Deferred gains or losses on hedges	(92)	50
Foreign currency translation adjustment	(29)	(875)
Share of other comprehensive income of entities accounted for using equity method	10	(167)
Total other comprehensive income	(111)	(1,183)
Comprehensive income	700	(334)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	675	(337)
Comprehensive income attributable to non-controlling interests	24	2

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

I. First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)

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

(Millions of yen)

	Reportable segment				Total
	Trading		Manufacturing		
	Electronic and advanced materials	Aluminum and copper products	Equipment and materials	Metal processing	
Net sales					
External sales	15,025	32,479	3,044	2,382	52,930
Inter-segment sales and transfers	1,004	390	0	37	1,432
Total	16,029	32,869	3,045	2,419	54,363
Segment profit	399	270	(17)	621	1,273

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

(Millions of yen)

Profit	Amount
Total for reportable segments	1,273
Eliminations for inter-segment transactions	(1)
Ordinary income on the quarterly consolidated statement of income	1,271

II. First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)

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

(Millions of yen)

	Reportable segment				Total
	Trading		Manufacturing		
	Electronic and advanced materials	Aluminum and copper products	Equipment and materials	Metal processing	
Net sales					
External sales	11,857	29,584	3,946	2,404	47,793
Inter-segment sales and transfers	556	171	3	28	758
Total	12,414	29,755	3,949	2,432	48,552
Segment profit	296	180	(36)	653	1,093

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

(Millions of yen)

Profit	Amount
Total for reportable segments	1,093
Eliminations for inter-segment transactions	(9)
Ordinary income on the quarterly consolidated statement of income	1,083

3. Information related to revisions for reportable segments

The results of operations of manufacturing subsidiaries, which were included in the Light Metals and Copper Products, Electronic and Advanced Materials, and Construction and Industrial Materials segments in prior years, have increased the impact of the profitability in the context of consolidated financial statements. To clarify the Group's business segments and earnings structure, ALCONIX has revised reportable segments in the first quarter of FY3/17. The previous segments were broadly reorganized as Trading and Manufacturing. The Trading segment includes Electronics and Advanced Materials and Aluminum and Copper Products, while the Manufacturing segment includes, Equipment and Materials, and Metal Processing.

Segment information for the first three months of FY3/16 has been retrospectively revised based on the revised composition of reportable segments.

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

As we mentioned in "Changes in Accounting Policies," ALCONIX has applied the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" from the first quarter of FY3/17, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the segment profits for Aluminum and Copper Products and Metal Processing is insignificant in the first three months of FY3/17.

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.