November 7, 2016

Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2017 (Six Months Ended September 30, 2016)

[Japanese GAAP]

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

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2016 (April 1, 2016 – September 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	%
Six months ended Sep. 30, 2016	94,345	(6.8)	1,797	(17.9)	2,069	(10.6)	1,666	(3.1)
Six months ended Sep. 30, 2015	101,185	4.3	2,190	(8.9)	2,314	(25.5)	1,719	(24.9)

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2016: (795) (-%)
Six months ended Sep. 30, 2015: 1,502 (down 21.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2016	129.41	129.36
Six months ended Sep. 30, 2015	133.92	133.53

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2016	101,011	30,213	28.4
As of Mar. 31, 2016	111,570	31,323	26.7

Reference: Shareholders' equity (million yen) As of Sep. 30, 2016: 28,659 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	-	22.00			
Fiscal year ending Mar. 31, 2017 (forecast)			-	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
Full year	190,000	(5.8)	3,600	(5.1)	3,900	(8.9)	3,000	(39.7)	232.80

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 Sep. 30, 2016:	12,886,800 shares	As of Mar. 31, 2016:	12,875,600 shares

2) Number of treasury shares at the end of period

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

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2016:	12,880,603 shares	Six months ended Sep. 30, 2015:	12,842,103 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 half of the current fiscal year, although the U.S. economy, supported by strong consumer spending, continued to recover gradually, industrial production remained weak. The European economy also stayed on a gradual recovery path. In China, production and exports slowed, weighed down by issues of excess production capacity and excessive debt.

In Japan, the economy was on a track to recovery against a backdrop of firm employment and income but exports were sluggish due to a stronger yen and industrial production remained weak.

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

The Group’s domestic and overseas manufacturing subsidiaries and equity-method affiliates contributed to the consolidated results of operations. However, in the Trading segment, market prices of non-ferrous resources, minor metals and rare earths declined, and transaction volumes decreased due to stronger yen and weak domestic demand. As a result, consolidated sales and earnings were lower than a year earlier.

In the first half, ALCONIX reported consolidated net sales of 94,345 million yen (down 6.8% year on year), operating income of 1,797 million yen (down 17.9%), ordinary income of 2,069 million yen (down 10.6%) and profit attributable to owners of parent of 1,666 million yen (down 3.1%).

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 overall due to a decline in demand. However, there was a strong growth in materials used in highly-functional passive components in order to further improve communication capabilities. Demand for secondary battery materials for smartphones and tablets, 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 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 25,474 million yen (down18.3% year on year) and segment profit of 544 million yen (down 34.3%).

・Trading—Aluminum and Copper Products

Sales declined as overall demand remained sluggish since the correction phase in the Chinese economy continued and the non-ferrous resources market stabilized at lower levels. Sales of materials used in air conditioning systems for commercial facilities and automobiles were strong, but for the motorcycle, building and housing construction, semiconductor and LCD production equipment sectors were somewhat sluggish. HEIWA KINZOKU CO., LTD., a domestic subsidiary which joined the Group in the previous fiscal year, contributed to earnings from the current fiscal year. However, other subsidiaries posted weak results due to lower copper prices and sluggish demand.

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 57,765 million yen (down 6.3% year on year) and segment profit of 277 million yen (down 14.6%).

・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. Although sales were lower than the same period of the previous fiscal year due to sluggish prices for its key raw materials copper and nickel, earnings were higher after amortization of goodwill as the market for these materials bottomed out. 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. Shipments of flaw detectors and detection materials for the domestic steel and automotive industries were steady but performance of overseas consolidated subsidiaries, subsidiaries in China in particular, was weak.

As a result, the segment recorded sales of 8,338 million yen (up 27.7% year on year) and segment profit of 31 million yen (up 1,212.6% year on year).

・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 report a high level of orders, mainly in precision machining processing parts for semiconductor manufacturing equipment and organic El manufacturing equipment. However, earnings came under pressure due to measures to respond to small lot production and 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 4,652 million yen (up 2.0% year on year) and segment profit of 1,219 million yen (up 5.1%).

(2) Explanation of Financial Position

1) Financial position

a. Current assets

At the end of the second quarter of the current fiscal year, current assets totaled 71,819 million yen, a decrease of 8,762 million yen from the end of the previous fiscal year. The main factors were a 4,298 million yen decrease in notes and accounts receivable-trade, a 152 million yen increase in inventories, and a 4,716 million yen decrease in cash and deposits.

b. Non-current assets

Non-current assets totaled 29,192 million yen, a decrease of 1,796 million yen. The main factors include a 277 million yen decrease in property, plant and equipment due mainly to depreciation, a 1,357 million yen decrease in intangible assets due mainly to amortization of goodwill, and a 162 million yen decrease in investments and other assets.

c. Current liabilities

Current liabilities totaled 52,133 million yen, a decrease of 16,449 million yen. The main factors include a 3,085 million yen decrease in notes and accounts payable-trade, a 12,362 million yen decrease in short-term loans payable, a 146 million yen increase in current portion of long-term loans payable, and a 278 million yen decrease in income taxes payable.

d. Non-current liabilities

Non-current liabilities totaled 18,664 million yen, an increase of 7,000 million yen. The main factors include a 6,442 million yen increase in long-term loans payable and an 800 million yen increase in bonds payable.

e. Net assets

Net assets totaled 30,213 million yen, a decrease of 1,110 million yen. The main factors include a 9 million yen increase each in capital stock and capital surplus due to the exercise of subscription rights to shares, a 1,383 million yen increase in retained earnings, and a 2,710 million yen decrease in foreign currency translation adjustment.

2) Results of operations

a. Net sales

Main sources of sales growth were higher transaction volumes of copper products 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 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 6.8% year on year to 94,345 million yen in the first half of the current fiscal year.

b. Gross profit

Earnings declined in the Trading segment but were benefited from higher sales and earnings at existing manufacturing subsidiaries in Japan, and three subsidiaries which joined the Group in the previous fiscal year. As a result, gross profit increased 14.3% year on year to 7,001 million yen.

c. Selling, general and administrative expenses

Selling, general and administrative expenses increased 32.2% to 5,203 million yen due to the inclusion of three consolidated subsidiaries in Japan.

d. Operating income

Based on the above results, operating income decreased 17.9% to 1,797 million yen.

e. Non-operating income, non-operating expenses

As a result of 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 271 million yen compared with 123 million yen one year earlier.

f. Ordinary income

Based on the above results, ordinary income fell 10.6% to 2,069 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 43 million yen.

h. Profit attributable to owners of parent

ALCONIX recorded profit before income taxes of 2,112 million yen. From this amount, 168 million yen was adjusted for refund of income taxes for prior periods, and 567 million yen and 47 million yen were deducted respectively for income taxes and profit attributable to non-controlling interests of ten consolidated subsidiaries. As a result, profit attributable to owners of parent decreased 3.1% to 1,666 million yen.

3) Cash flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year decreased 4,745 million yen from the end of the previous fiscal year to 15,027 million yen (compared with 12,018 million yen in the same period of the previous fiscal year).

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

a. Cash flows from operating activities

Net cash provided by operating activities was 2,328 million yen (compared with 4,259 million yen provided in the same period of the previous fiscal year). Main positive factors include profit before income taxes of 2,112 million yen, a 2,896 million yen decrease in notes and accounts receivable-trade, and depreciation including goodwill of 1,046 million yen. Meanwhile, major negative factors include a 495 million yen increase in inventories, a 2,190 million yen decrease in notes and accounts payable-trade, income taxes paid of 1,010 million yen, and share of profit of entities accounted for using equity method of 245 million yen.

b. Cash flows from investing activities

Net cash used in investing activities was 1,101 million yen (compared with 1,421 million yen used in the same period of the previous fiscal year). Main negative factors include payments of 1,186 million yen for the purchase of property, plant and equipment mainly associated with capital expenditures, and the payments of 110 million yen for the purchase of investment securities.

c. Cash flows from financing activities

Net cash used in financing activities was 4,562 million yen (compared with 3,518 million yen used in the same period of the previous fiscal year). Main positive factors include a net increase in long-term loans payable of 6,603 million yen, proceeds of 900 million yen from the issuance of bonds, and proceeds of 15 million yen from the issuance of new common shares due to the exercise of subscription rights to shares. Meanwhile, major negative factors include repayments of short-term loans payable of 11,517 million yen, redemption of bonds of 200 million yen, and cash dividends paid to owners of parent of 283 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 “Revisions to Forecast for the Fiscal Year Ending March 31, 2017” on October 25, 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 depreciation method for 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 half 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.

Reclassifications

Quarterly Consolidated Statement of Income

“Loss on retirement of non-current assets” which was included in “Other” under “Extraordinary losses” in the first half of the previous fiscal year, is reclassified and presented as a separate item in the same period of the current fiscal year since the amount is more than 20/100 of total extraordinary losses. To conform to this change, the financial statements for the previous first half are reclassified.

As a result, “Other” (0 million yen) under “Extraordinary losses” shown in the previous first half’s quarterly consolidated statement of income is reclassified and divided into “Loss on retirement of non-current assets” (0 million yen) and “Other” (- million yen).

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	Second quarter of FY3/17 (As of Sep. 30, 2016)
Assets		
Current assets		
Cash and deposits	19,935	15,219
Notes and accounts receivable-trade	41,307	37,009
Merchandise and finished goods	14,462	14,539
Work in process	1,621	1,561
Raw materials and supplies	492	628
Other	2,977	3,023
Allowance for doubtful accounts	(216)	(162)
Total current assets	80,581	71,819
Non-current assets		
Property, plant and equipment	10,561	10,284
Intangible assets		
Goodwill	4,262	3,664
Other	5,384	4,625
Total intangible assets	9,647	8,289
Investments and other assets	10,780	10,617
Total non-current assets	30,988	29,192
Total assets	111,570	101,011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	32,543	29,458
Short-term loans payable	28,226	15,863
Current portion of long-term loans payable	2,826	2,972
Current portion of bonds	400	300
Income taxes payable	977	698
Provision for bonuses	628	662
Other	2,981	2,178
Total current liabilities	68,582	52,133
Non-current liabilities		
Bonds payable	200	1,000
Long-term loans payable	6,959	13,401
Provision for directors' retirement benefits	390	409
Net defined benefit liability	473	504
Long-term accounts payable-other	49	49
Other	3,592	3,299
Total non-current liabilities	11,664	18,664
Total liabilities	80,246	70,797

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	Second quarter of FY3/17 (As of Sep. 30, 2016)
Net assets		
Shareholders' equity		
Capital stock	2,910	2,919
Capital surplus	1,932	1,941
Retained earnings	20,417	21,801
Treasury shares	(0)	(0)
Total shareholders' equity	25,260	26,662
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	325	425
Deferred gains or losses on hedges	(118)	(8)
Foreign currency translation adjustment	4,291	1,580
Total accumulated other comprehensive income	4,498	1,997
Subscription rights to shares	28	22
Non-controlling interests	1,536	1,531
Total net assets	31,323	30,213
Total liabilities and net assets	111,570	101,011

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

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

(Millions of yen)

	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)
Net sales	101,185	94,345
Cost of sales	95,058	87,343
Gross profit	6,127	7,001
Selling, general and administrative expenses	3,936	5,203
Operating income	2,190	1,797
Non-operating income		
Interest income	38	20
Purchase discounts	6	6
Dividend income	47	130
Foreign exchange gains	10	-
Rent income of real estate	37	40
Share of profit of entities accounted for using equity method	168	245
Other	81	67
Total non-operating income	390	510
Non-operating expenses		
Interest expenses	183	163
Sales discounts	6	3
Foreign exchange losses	-	5
Loss on sales of notes receivable-trade	17	11
Rent cost of real estate	5	7
Other	54	48
Total non-operating expenses	267	239
Ordinary income	2,314	2,069
Extraordinary income		
Gain on sales of non-current assets	8	9
Gain on reversal of subscription rights to shares	-	3
Gain on sales of investment securities	-	28
Subsidy income	3	3
Total extraordinary income	11	43
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on liquidation of subsidiaries and associates	34	-
Other	-	0
Total extraordinary losses	34	0
Profit before income taxes	2,291	2,112
Income taxes	737	567
Refund of income taxes for prior periods	(198)	(168)
Profit	1,752	1,714
Profit attributable to non-controlling interests	32	47
Profit attributable to owners of parent	1,719	1,666

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

(Millions of yen)

	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)
Profit	1,752	1,714
Other comprehensive income		
Valuation difference on available-for-sale securities	(356)	120
Deferred gains or losses on hedges	(163)	109
Foreign currency translation adjustment	211	(2,256)
Share of other comprehensive income of entities accounted for using equity method	58	(482)
Total other comprehensive income	(249)	(2,509)
Comprehensive income	1,502	(795)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,469	(834)
Comprehensive income attributable to non-controlling interests	32	38

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)
Cash flows from operating activities		
Profit before income taxes	2,291	2,112
Depreciation	574	793
Amortization of goodwill	186	252
Increase (decrease) in allowance for doubtful accounts	(38)	(63)
Increase (decrease) in provision for bonuses	19	36
Increase (decrease) in net defined benefit liability	24	31
Increase (decrease) in provision for directors' retirement benefits	18	20
Interest and dividend income	(86)	(150)
Interest expenses	183	163
Loss (gain) on liquidation of subsidiaries and associates	34	-
Share of (profit) loss of entities accounted for using equity method	(168)	(245)
Decrease (increase) in notes and accounts receivable-trade	707	2,896
Decrease (increase) in inventories	2,150	(495)
Increase (decrease) in notes and accounts payable-trade	(774)	(2,190)
Decrease (increase) in consumption taxes refund receivable	375	93
Increase (decrease) in income taxes payable-factor based tax	8	20
Decrease (increase) in advance payments	270	(388)
Decrease (increase) in accounts receivable-other	(27)	(48)
Increase (decrease) in accounts payable-other	(56)	137
Increase (decrease) in advances received	(177)	38
Other, net	(14)	79
Subtotal	5,502	3,094
Interest and dividend income received	133	239
Interest expenses paid	(188)	(167)
Income taxes paid	(1,229)	(1,010)
Income taxes refund	40	172
Net cash provided by (used in) operating activities	4,259	2,328
Cash flows from investing activities		
Payments into time deposits	(71)	(117)
Proceeds from withdrawal of time deposits	10	176
Purchase of property, plant and equipment	(695)	(1,186)
Purchase of intangible assets	(66)	(25)
Purchase of investment securities	(2)	(110)
Proceeds from sales of investment securities	-	32
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(537)	-
Payments of loans receivable	(2,250)	-
Collection of loans receivable	2,000	0
Purchase of insurance funds	(5)	(11)
Other, net	197	139
Net cash provided by (used in) investing activities	(1,421)	(1,101)

(Millions of yen)

	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,548)	(11,517)
Proceeds from long-term loans payable	300	8,296
Repayments of long-term loans payable	(1,633)	(1,693)
Proceeds from issuance of bonds	-	900
Redemption of bonds	(300)	(200)
Proceeds from issuance of common shares	66	15
Cash dividends paid	(281)	(283)
Dividends paid to non-controlling interests	(17)	(62)
Repayments of finance lease obligations	(103)	(18)
Net cash provided by (used in) financing activities	(3,518)	(4,562)
Effect of exchange rate change on cash and cash equivalents	183	(1,410)
Net increase (decrease) in cash and cash equivalents	(496)	(4,745)
Cash and cash equivalents at beginning of period	12,514	19,773
Cash and cash equivalents at end of period	12,018	15,027

(4) 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 six months of FY3/16 (Apr. 1, 2015 – Sep. 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	29,190	60,958	6,525	4,511	101,185
Inter-segment sales and transfers	1,980	705	3	49	2,739
Total	31,171	61,663	6,529	4,560	103,925
Segment profit	829	325	2	1,159	2,316

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

(Millions of yen)

Profit	Amount
Total for reportable segments	2,316
Eliminations for inter-segment transactions	(1)
Ordinary income on the quarterly consolidated statement of income	2,314

II. First six months of FY3/17 (Apr. 1, 2016 – Sep. 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	24,057	57,354	8,328	4,603	94,345
Inter-segment sales and transfers	1,417	410	9	49	1,885
Total	25,474	57,765	8,338	4,652	96,230
Segment profit	544	277	31	1,219	2,072

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

(Millions of yen)

Profit	Amount
Total for reportable segments	2,072
Eliminations for inter-segment transactions	(3)
Ordinary income on the quarterly consolidated statement of income	2,069

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 six 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 six 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.