



February 7, 2017

**Summary of Consolidated Financial Results for the Third Quarter
of Fiscal Year Ending March 31, 2017
(Nine Months Ended December 31, 2016)**

[Japanese GAAP]

Company name: ALCONIX CORPORATION

Listing: Tokyo Stock Exchange, First Section

Stock code: 3036

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Scheduled date of filing of Quarterly Report: February 10, 2017

Scheduled date of payment of dividend: -

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 February 7, 2017 at 12:30 (GMT +9).

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

1. Consolidated Financial Results for the Third Quarter Ended December 31, 2016

(April 1, 2016 – December 31, 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	%
Nine months ended Dec. 31, 2016	146,252	(4.8)	2,944	(5.3)	2,961	(11.5)	2,369	(47.4)
Nine months ended Dec. 31, 2015	153,614	1.3	3,107	(18.4)	3,348	(24.1)	4,506	39.9

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2016: 333 (down 92.0%)

Nine months ended Dec. 31, 2015: 4,166 (up 4.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2016	183.91	183.82
Nine months ended Dec. 31, 2015	350.62	349.86

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2016	106,796	31,030	27.5
As of Mar. 31, 2016	111,570	31,323	26.7

Reference: Shareholders' equity (million yen) As of Dec. 31, 2016: 29,410 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)	232.78

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 Dec. 31, 2016:	12,888,000 shares	As of Mar. 31, 2016:	12,875,600 shares
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2) Number of treasury shares at the end of period

As of Dec. 31, 2016:	413 shares	As of Mar. 31, 2016:	413 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2016:	12,882,730 shares	Nine months ended Dec. 31, 2015:	12,852,903 shares
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* 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 nine months of the current fiscal year, the U.S. and European economies continued to recover slowly and the Chinese economy rebounded due to government economic measures. However, manufacturing in China weakened overall because of slowing exports.

In Japan, the economy continued to gradually recover against a backdrop of firm employment and income but exports and industrial production were sluggish due to the weakening of the Chinese economy and other reasons.

In the non-ferrous metals industry, where the ALCONIX Group operates, there was an improvement in market conditions as prices of non-ferrous metals increased and the yen depreciated late in the first nine months. However, demand for non-ferrous metals was lower throughout the period. The main causes were the downturn in non-ferrous metal prices, the end of growth in demand for non-ferrous metals used in smartphones and tablets, and slowing economic growth in China.

The Group's domestic and overseas manufacturing subsidiaries and equity-method affiliates contributed to consolidated sales and earnings. However, in the Trading segment, sales and earnings were lower than a year earlier because they were significantly affected by decreases particularly in market prices of and demand for minor metals and rare earths. There was a big decrease in profit attributable to owners of parent because of a gain on bargain purchase that was recorded as extraordinary income in the previous fiscal year in association with the consolidation of HEIWA KINZOKU CO., LTD.

For the first nine months, ALCONIX reported consolidated net sales of 146,252 million yen (down 4.8% year on year), operating income of 2,944 million yen (down 5.3%), ordinary income of 2,961 million yen (down 11.5%) and profit attributable to owners of parent of 2,369 million yen (down 47.4%).

Results by business segment were as follows, with sales in each segment including inter-segment sales. Reportable segments were reclassified in the first quarter of the fiscal year. Segment information in the previous fiscal year has been revised to facilitate direct comparisons.

• Trading—Electronic and Advanced Materials

Growth in materials used in smartphones and tablets slowed due to a dull market growth rate. However, a strong growth in materials used in highly-functional passive components continued because of a stronger trend towards further improved communication capabilities. Sales of solar cell materials and environment-related materials were weak due to a decrease in demand. Exports of titanium and nickel products were also sluggish because the effect of the stronger yen remained.

Sales and earnings of minor metals and rare earths declined due to the effect of sluggish prices, while there was an increase in the transaction volume in some categories such as magnetic materials for auto equipment.

As a result, the segment recorded sales of 42,087 million yen (down 9.4% year on year) and segment profit of 682 million yen (down 42.9%).

• Trading—Aluminum and Copper Products

There were signs of an improvement in this segment late in the third quarter as prices of non-ferrous metals started climbing and the yen weakened. But overall demand for these products was somewhat sluggish throughout the third quarter as growth of the Chinese economy remained low. Sales of materials used in air conditioning systems for commercial facilities and automobiles were steadily increased. HEIWA KINZOKU CO., LTD., a company in Japan that became a subsidiary in the previous fiscal year, contributed to sales and earnings starting with the current fiscal year. However, other subsidiaries posted weak results due to lower copper prices and sluggish demand.

In the non-ferrous resources category, there was a recovery in prices of aluminum, copper and other non-ferrous metals accompanied by the depreciation of the yen late in the first nine months. The primary benefit was a recovery in the transaction volume of mainstay recycled aluminum ingots and copper scrap, which contributed to earnings.

As a result, the segment recorded sales of 87,658 million yen (down 6.5% year on year) and segment profit of 582 million yen (up 12.8%).

· Manufacturing—Equipment and Materials

UNIVERTICAL HOLDINGS INC., which manufactures and sells chemicals used in plating processes, is achieving consistent growth in shipments due to the expansion of its operations in China. Performance also benefited from the end of decline in the prices of the key raw materials copper and nickel. The result was an improvement in profitability that ended losses, resulting in a profit after amortization of goodwill. Moreover, results of operations of TOKAI YOGYO CO., LTD., which joined the Group in the previous fiscal year and manufactures welding rods and perform 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 has been included in consolidation since the first quarter of the current fiscal year, recorded sales and earnings 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 and Korea in particular, was weak.

As a result, the segment recorded sales of 12,321 million yen (up 23.2% year on year) and segment profit of 106 million yen, compared with segment loss of 15 million yen in the same period of the previous fiscal 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 EI manufacturing equipment. However, earnings declined because they came under pressure from measures for small lot production and short lead times demanded by customers. The share of profit of the domestic and overseas equity-method affiliates engaged in the manufacture of copper tubes and metal processing parts also contributed to earnings.

As a result, the segment recorded sales of 6,822 million yen (up 2.7% year on year) and segment profit of 1,594 million yen (down 3.4%).

(2) Explanation of Financial Position

1) Financial position

a. Current assets

At the end of the third quarter of the current fiscal year, current assets totaled 76,831 million yen, a decrease of 3,750 million yen from the end of the previous fiscal year. The main factors were a 138 million yen decrease in notes and accounts receivable-trade, a 1,045 million yen increase in inventories, and a 5,286 million yen decrease in cash and deposits.

b. Non-current assets

Non-current assets totaled 29,965 million yen, a decrease of 1,023 million yen. The main factors include a 227 million yen decrease in property, plant and equipment due mainly to depreciation, a 1,684 million yen decrease in intangible assets due mainly to amortization of goodwill, and an 887 million yen increase in investments and other assets.

c. Current liabilities

Current liabilities totaled 58,788 million yen, a decrease of 9,794 million yen. The main factors include a 1,767 million yen decrease in notes and accounts payable-trade, an 8,623 million yen decrease in short-term loans payable, a 1,502 million yen increase in current portion of long-term loans payable, and a 414 million yen decrease in income taxes payable.

d. Non-current liabilities

Non-current liabilities totaled 16,978 million yen, an increase of 5,314 million yen. The main factors include a 4,602 million yen increase in long-term loans payable and a 725 million yen increase in bonds payable.

e. Net assets

Net assets totaled 31,030 million yen, a decrease of 293 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 1,802 million yen increase in retained earnings, and a 2,917 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 and grinding processing parts in the Metal processing segment. 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 4.8% year on year to 146,252 million yen in the first nine months 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 16.2% year on year to 10,710 million yen.

c. Selling, general and administrative expenses

Selling, general and administrative expenses increased 27.1% to 7,766 million yen due to the inclusion of three consolidated subsidiaries in Japan.

d. Operating income

Based on the above results, operating income decreased 5.3% to 2,944 million yen.

e. Non-operating income, non-operating expenses

Although 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 held to 17 million yen compared with 240 million yen one year earlier due to an increase in foreign exchange losses accompanying the yen's depreciation.

f. Ordinary income

Based on the above results, ordinary income fell 11.5% to 2,961 million yen.

g. Extraordinary income, extraordinary losses

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 134 million yen.

h. Profit attributable to owners of parent

ALCONIX recorded profit before income taxes of 3,095 million yen. From this amount, 168 million yen was

adjusted for refund of income taxes for prior periods, and 819 million yen and 76 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 47.4% to 2,369 million yen.

There was a big decrease in profit because of a gain on bargain purchase that was recorded as extraordinary income in the previous fiscal year in association with the consolidation of HEIWA KINZOKU CO., LTD.

(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 Act, ALCONIX 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 nine months of the current fiscal year is insignificant.

(4) Additional Information

Application of Guidance on Recoverability of Deferred Tax Assets

ALCONIX 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)	Third quarter of FY3/17 (As of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	19,935	14,649
Notes and accounts receivable-trade	41,307	41,169
Merchandise and finished goods	14,462	15,472
Work in process	1,621	1,566
Raw materials and supplies	492	582
Other	2,977	3,540
Allowance for doubtful accounts	(216)	(149)
Total current assets	80,581	76,831
Non-current assets		
Property, plant and equipment	10,561	10,334
Intangible assets		
Goodwill	4,262	3,512
Other	5,384	4,450
Total intangible assets	9,647	7,962
Investments and other assets	10,780	11,668
Total non-current assets	30,988	29,965
Total assets	111,570	106,796
Liabilities		
Current liabilities		
Notes and accounts payable-trade	32,543	30,776
Short-term loans payable	28,226	19,603
Current portion of long-term loans payable	2,826	4,328
Current portion of bonds	400	374
Income taxes payable	977	562
Provision for bonuses	628	403
Other	2,981	2,739
Total current liabilities	68,582	58,788
Non-current liabilities		
Bonds payable	200	925
Long-term loans payable	6,959	11,561
Provision for directors' retirement benefits	390	421
Net defined benefit liability	473	524
Long-term accounts payable-other	49	49
Other	3,592	3,496
Total non-current liabilities	11,664	16,978
Total liabilities	80,246	75,766

	(Millions of yen)	
	FY3/16 (As of Mar. 31, 2016)	Third quarter of FY3/17 (As of Dec. 31, 2016)
Net assets		
Shareholders' equity		
Capital stock	2,910	2,920
Capital surplus	1,932	1,942
Retained earnings	20,417	22,220
Treasury shares	(0)	(0)
Total shareholders' equity	25,260	27,082
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	325	1,006
Deferred gains or losses on hedges	(118)	(51)
Foreign currency translation adjustment	4,291	1,373
Total accumulated other comprehensive income	4,498	2,327
Subscription rights to shares	28	22
Non-controlling interests	1,536	1,597
Total net assets	31,323	31,030
Total liabilities and net assets	111,570	106,796

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
(For the Nine-month Period)**

(Millions of yen)

	First nine months of FY3/16 (Apr. 1, 2015 – Dec. 31, 2015)	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)
Net sales	153,614	146,252
Cost of sales	144,397	135,541
Gross profit	9,216	10,710
Selling, general and administrative expenses	6,108	7,766
Operating income	3,107	2,944
Non-operating income		
Interest income	51	26
Purchase discounts	9	10
Dividend income	212	196
Rent income of real estate	57	61
Share of profit of entities accounted for using equity method	249	308
Other	94	91
Total non-operating income	674	695
Non-operating expenses		
Interest expenses	277	246
Sales discounts	10	5
Foreign exchange losses	30	324
Loss on sales of notes receivable-trade	25	17
Rent cost of real estate	9	10
Other	80	72
Total non-operating expenses	433	678
Ordinary income	3,348	2,961
Extraordinary income		
Gain on sales of non-current assets	11	9
Gain on reversal of subscription rights to shares	-	3
Gain on sales of investment securities	-	118
Gain on bargain purchase	1,975	-
Subsidy income	3	3
Total extraordinary income	1,990	134
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on liquidation of subsidiaries and associates	34	-
Loss on step acquisitions	4	-
Other	1	0
Total extraordinary losses	40	0
Profit before income taxes	5,297	3,095
Income taxes	886	819
Refund of income taxes for prior periods	(198)	(168)
Profit	4,609	2,445
Profit attributable to non-controlling interests	102	76
Profit attributable to owners of parent	4,506	2,369

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

(Millions of yen)

	First nine months of FY3/16 (Apr. 1, 2015 – Dec. 31, 2015)	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)
Profit	4,609	2,445
Other comprehensive income		
Valuation difference on available-for-sale securities	(75)	756
Deferred gains or losses on hedges	(157)	68
Foreign currency translation adjustment	(150)	(2,416)
Share of other comprehensive income of entities accounted for using equity method	(58)	(520)
Total other comprehensive income	(442)	(2,111)
Comprehensive income	4,166	333
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,031	198
Comprehensive income attributable to non-controlling interests	135	135

(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 nine months of FY3/16 (Apr. 1, 2015 – Dec. 31, 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	44,220	92,822	9,991	6,579	153,614
Inter-segment sales and transfers	2,247	923	12	62	3,246
Total	46,468	93,746	10,004	6,641	156,860
Segment profit (loss)	1,196	516	(15)	1,650	3,348

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	3,348
Eliminations for inter-segment transactions	0
Ordinary income on the quarterly consolidated statement of income	3,348

II. First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 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	40,078	87,125	12,304	6,744	146,252
Inter-segment sales and transfers	2,009	532	16	78	2,636
Total	42,087	87,658	12,321	6,822	148,889
Segment profit	682	582	106	1,594	2,966

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	2,966
Eliminations for inter-segment transactions	(4)
Ordinary income on the quarterly consolidated statement of income	2,961

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 nine 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 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 nine 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.