May 15, 2017

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 [Japanese GAAP]

Company name: ALCONIX CORPORATION
Listing: Tokyo Stock Exchange, First Section
Stock code: 3036
URL: http://www.alconix.com
Representative: Eiitsu Masaki, President and CEO
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Scheduled date of Annual General Meeting of Shareholders: June 22, 2017
Scheduled date of filing of Annual Securities Report: June 26, 2017
Scheduled date of payment of dividend: June 23, 2017
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 15, 2017 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, 2017 (April 1, 2016 – March 31, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2017	201,948	0.1	4,168	9.9	4,352	1.7	3,083	(38.1)
Fiscal year ended Mar. 31, 2016	201,755	0.1	3,792	(17.3)	4,281	(17.8)	4,977	42.0

Note: Comprehensive income (million yen):
Fiscal year ended Mar. 31, 2017: 3,366 (down 17.9 %) Fiscal year ended Mar. 31, 2016: 4,103 (down 31.0%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2017	239.31	239.16	9.9	3.9	2.1
Fiscal year ended Mar. 31, 2016	387.09	386.43	17.8	4.3	1.9

Reference: Share of profit (loss) of entities accounted for using equity method (million yen):
Fiscal year ended Mar. 31, 2017: 377 Fiscal year ended Mar. 31, 2016: 344

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	113,647	34,119	28.5	2,511.23
As of Mar. 31, 2016	111,570	31,323	26.7	2,311.32

Reference: Shareholders' equity (million yen) As of Mar. 31, 2017: 32,378 As of Mar. 31, 2016: 29,758

(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, 2017	140	(1,524)	(1,019)	16,813
Fiscal year ended Mar. 31, 2016	10,630	(5,188)	2,112	19,773

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, 2016	-	22.00	-	22.00	44.00	566	11.4	2.0
Fiscal year ended Mar. 31, 2017	-	22.00	-	22.00	44.00	567	18.4	1.8
Fiscal year ending Mar. 31, 2018 (forecast)	-	22.00	-	22.00	44.00		16.4	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	109,000	15.5	2,200	22.4	2,400	16.0	1,700	2.0	131.85
Full year	220,000	8.9	4,600	10.4	4,900	12.6	3,450	11.9	267.57

*** Notes**

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

Newly added: - Excluded: -

(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 "4. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies" on page 20 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, 2017:	12,894,000 shares	As of Mar. 31, 2016:	12,875,600 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2017:	413 shares	As of Mar. 31, 2016:	413 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2017:	12,884,635 shares	Fiscal year ended Mar. 31, 2016:	12,858,337 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2017	106,903	(8.5)	702	(11.2)	1,429	(7.5)	1,224	6.4
Fiscal year ended Mar. 31, 2016	116,894	(4.8)	791	(43.6)	1,544	(1.1)	1,150	5.9

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2017	95.02	94.96
Fiscal year ended Mar. 31, 2016	89.50	89.36

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	54,419	10,951	20.1	847.67
As of Mar. 31, 2016	53,192	9,842	18.5	762.25

Reference: Shareholders' equity (million yen): As of Mar. 31, 2017: 10,929 As of Mar. 31, 2016: 9,814

* The current financial report is not subject to audit procedures.

* 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.

Contents of Attachments

1. Overview of Results of Operations, etc.

(1) Analysis of Results of Operations

In the fiscal year ended March 31, 2017, the global economy recovered slowly overall as economic growth continued in the U.S. and Europe and the Chinese economy rebounded due to government economic measures.

In Japan, the economy continued to recover at a moderate pace against a backdrop of firm employment and personal income as exports increased along with a recovery of the global economy.

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 current fiscal year. However, the fiscal year ended with sluggish demand for non-ferrous metals because of lower prices of these metals, the end of growth in demand for non-ferrous metals used in smartphones and tablets, and slowing economic growth in China.

Consolidated sales and ordinary profit were higher than one year earlier. One reason was the contributions to sales and earnings from manufacturing subsidiaries and equity-method affiliates in Japan and overseas. Another reason was a recovery in the Trading segment, especially in the volume of aluminum and copper products, starting around the middle of the first nine months as prices of non-ferrous metals started to recover. Meanwhile, 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.

ALCONIX reported consolidated net sales of 201,948 million yen (up 0.1% year on year), operating profit of 4,168 million yen (up 9.9%), ordinary profit of 4,352 million yen (up 1.7%) and profit attributable to owners of parent of 3,083 million yen (down 38.1%).

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

The growth in demand for materials used in smartphones and tablets was generally slower due to a dull market growth rate. Overall demand was strong for materials used in secondary batteries. In addition, there was a big increase in sales of materials used in highly functional electronic components because of continuing advances in communication capabilities. Meanwhile, sales of solar cell materials and environment-related materials were weak. Exports of titanium and nickel products were sluggish because there was weak growth in demand and movements in exchange rates were unfavorable.

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 58,978 million yen (down 1.6% year on year) and segment profit of 1,161 million yen (down 29.5%).

・Trading—Aluminum and Copper Products

In the fiscal year’s first half, sales and earnings were weak as growth in demand in Japan and overseas slowed due to a continuation of declining Chinese economic growth, falling prices of resources and the yen’s appreciation from the previous fiscal year. In the third quarter, non-ferrous metals prices started climbing and the yen began to weaken. Demand for aluminum and copper products recovered quickly in the semiconductor and homebuilding materials sectors and there was an increase in the local transactions at overseas subsidiaries. In addition, firm demand throughout the fiscal year in the automobile and commercial air conditioning system sectors supported this segment’s performance. But sales of materials used in motorcycles and aircraft were slower. HEIWA KINZOKU CO., LTD., a company in Japan that became a subsidiary in the previous fiscal year, contributed to the growth in segment sales throughout the fiscal year.

In the non-ferrous resources category, there was an increase in prices of aluminum, copper and other non-ferrous metals and the depreciation of the yen from the middle of 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 120,294 million yen (down 2.9% year on year) and segment profit of 888 million yen (up 45.7%).

・Manufacturing—Equipment and Materials

UNIVERTICAL HOLDINGS INC. is achieving consistent growth in shipments of chemicals used in plating processes, due to the expansion of manufacturing lines for chemical products 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. At TOKAI YOGYO CO., LTD., which joined the ALCONIX Group in the previous fiscal year, there was growth in shipments of welding materials, primarily in the automobile sector, and higher orders for thermal spraying. MARKTEC CORPORATION, which was newly consolidated in the current fiscal year, contributed to segment sales growth because of higher shipments of non-destructive testing equipment in the domestic steel and automobile sector and of detection materials. However, sales and earnings were lower than planned at overseas subsidiaries. The main cause was weak sales and earnings during the fiscal year's first nine months at subsidiaries in China and Korea.

As a result, the segment recorded sales of 16,692 million yen (up 27.8% year on year) and segment profit of 216 million yen, compared with segment loss of 101 million yen in the previous fiscal year.

・Manufacturing—Metal Processing

At OHBA SEIKEN CO., LTD., shipments of its core grinding processing parts for chip mounters remained at a consistently high level, and orders for prototype items for automotive applications were also strong throughout the fiscal year. 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 declined because they came under pressure from measures for small lot production and short lead times demanded by customers. The share of profit of 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 9,222 million yen (up 4.3% year on year) and segment profit of 2,096 million yen (up 1.5%).

Forecasts for the new fiscal year

In the fiscal year ending on March 31, 2018, the outlook is for economic growth in the U.S. and Europe but slower growth of the Chinese economy. Overall, the overseas economy is expected to recover slowly. In Japan, the economy is expected to recover as a weaker yen and rebound in exports boost corporate earnings and the job market continues to improve.

The ALCONIX Group anticipates more growth in the sales and earnings of manufacturing subsidiaries in Japan and overseas that joined the group through acquisitions, a recovery in prices of non-ferrous metals, mainly aluminum and copper, and growth in the volume of minor metals and rare earths as prices of these materials start to recover. Newly consolidated subsidiary FUJI PRESS Corporation is also expected to contribute to growth in sales and earnings from the beginning of fiscal year ending March 31, 2018. This company became a subsidiary on April 5, 2017 through stock acquisition and belongs to the Manufacturing-Metal Processing segment.

The ALCONIX Group forecasts consolidated net sales of 220,000 million yen (up 8.9% year on year), operating profit of 4,600 million yen (up 10.4%), ordinary profit of 4,900 million yen (up 12.6%), and profit attributable to owners of parent of 3,450 million yen (up 11.9%) for the fiscal year ending March 31, 2018.

(2) Analysis of Financial Position

1) Financial position

Changes in financial position in the fiscal year ended March 31, 2017 are described as below.

In the assets category, the main factors of increase were a 1,513 million yen increase in notes and accounts receivable-trade, a 2,867 million yen increase in inventories, and a 1,551 million yen increase in investments and other assets due mainly to the evaluation at market value. The main factors of decrease were a 3,049 million yen decrease in cash and deposits and a 1,255 million yen decrease in intangible assets, including amortization of goodwill. The result was a 2,077 million yen increase in assets over the end of the previous fiscal year to 113,647 million yen.

In the liabilities category, the main factors of increase were a 3,924 million yen increase in long-term loans payable and a 1,440 million yen increase in current portion of long-term loans payable, and a 625 million yen increase in bonds payable. The main factors of decrease were a 6,384 million yen decrease in short-term loans payable, a 277 million yen decrease in income taxes payable, a 184 million yen increase in notes and accounts payable-trade. The net result was a 718 million yen decrease in liabilities over the end of the previous fiscal year to 79,528 million yen.

In the net assets category, the main factors of increase were a 14 million yen increase in capital stock due to the exercise of subscription rights to shares, a 2,531 million yen increase in retained earnings, a 902 million yen increase in valuation difference on available-for-sale securities due to the market value evaluation of listed stock. The main factor of decrease was a 992 million yen decrease in foreign currency translation adjustment. As a result, net assets increased 2,795 million yen over the end of the previous fiscal year to 34,119 million yen.

2) Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the fiscal year ended on March 31, 2017 decreased 2,960 million yen from the end of the previous fiscal year to 16,813 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 140 million yen. Main positive factors include profit before income taxes of 4,446 million yen, depreciation including amortization of goodwill of 2,123 million yen, and a 514 million yen increase in notes and accounts payable-trade. Meanwhile, major negative factors include a 1,951 million yen increase in notes and accounts payable-trade, a 2,900 million yen increase in inventories, and income taxes paid of 1,628 million yen.
Cash flows from investing activities	Net cash used in investing activities was 1,524 million yen. Main positive factors include payments for the purchase of property, plant and equipment and intangible assets of 1,813 million yen for capital expenditures mainly at manufacturing subsidiaries and the purchase of investment securities of 315 million yen.
Cash flows from financing activities	Net cash used in financing activities was 1,019 million yen. Main positive factors include net increase in long-term loans payable of 5,374 million yen, proceeds from issuance of bonds of 900 million yen, and proceeds from issuance of common shares of 24 million yen due to the exercise of subscription rights to shares. Meanwhile, major negative factors include a net decrease in short-term loans payable of 6,254 million yen, redemption of bonds of 400 million yen and cash dividends paid of 567 million yen.

Reference: Cash flow indicators

	FY3/16	FY3/17
Shareholders' equity ratio (%)	26.7	28.5
Shareholders' equity ratio based on market value (%)	18.2	20.9
Ratio of interest-bearing debt to cash flows (%)	3.6	271.1
Interest coverage ratio (times)	28.9	0.4

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market value: Market capitalization based on closing share price at the end of the period/ Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

* All indicators are calculated based on consolidated figures.
* Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period, excluding treasury shares.
* Operating cash flow and interest payments are taken from "Net cash provided by (used in) operating activities" and "Interest expenses paid" on the consolidated statement of cash flows, respectively.
* Interest-bearing debt includes all debt on the consolidated balance sheet that incur interest.

(3) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

ALCONIX's basic policy regarding dividends is to continuously provide stable dividends while securing adequate internal reserves for future business development and the bolstering of the management structure.

Regarding internal reserves, ALCONIX will strengthen its business structure to meet the needs of the market as the business environment changes, will pursue M&A and business investment, and will invest in the development of its overseas strategy.

ALCONIX plans to pay a year-end dividend of 22 yen per share for the fiscal year that ended on March 31, 2017. 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"), 33 consolidated subsidiaries, and six 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).

16 of the ALCONIX Group's 33 consolidated subsidiaries, including subsidiaries of these companies, have manufacturing operations. Due to the increasing share of earnings from manufacturing, business segments were revised in the fiscal year that ended in March 2017. Due to this revision, the group's operations are divided into the two major categories of Trading and Manufacturing. There are two Trading segments, Electronic and Advanced Materials and Aluminum and Copper Products, and two Manufacturing segments, Equipment and Materials and Metal Processing. The structure of these segments is shown in the following diagram.

Reportable segments		Major products	Main group companies
Trading	Electronic and Advanced Materials	- Semiconductors and electronics-related materials such as compound semiconductors - Printed wire boards, electronic materials for batteries - Titanium and nickel products used in power generation equipment and chemical industrial equipment - Nickel products for secondary batteries - Minor metals such as titanium, tungsten, molybdenum, gallium, indium, and rare earths	ADVANCED MATERIAL JAPAN CORPORATION ALCONIX USA., INC. ALCONIX HONGKONG CORP., LTD. ALCONIX EUROPE GMBH ALCONIX (TAIWAN) CORPORATION ADVANCED MATERIAL BEIJING CORPORATION ADVANCED MATERIAL TRADING PTE. LTD.
	Aluminum and Copper Products	- Aluminum products (rolling products, extruded materials, forged and cast products, beverage cans, foil, etc.) - Copper products (sheets, strips, rods, and other fabricated products and parts, etc.) - Secondary aluminum alloy ingots, non-ferrous metal scraps (aluminum, copper, special metal, used home electronics, etc.) - Metal silicon, zinc alloy ingots and magnesium ingots - Various piping equipment and forge/foundry materials - Aluminum die cast products, metal molds and cast metals - Metal fitting works and renovation of commercial and residential buildings	ALCONIX SANSHIN CORPORATION HAYASHI METAL CORP. ALCONIX• MITAKA CORPORATION HEIWA KINZOKU CO., LTD. ALUMINUM & COPPER RECYCLING CENTER CORPORATION ALCONIX (SHANGHAI) CORP. ALCONIX (MALAYSIA) SDN. BHD. ALCONIX VIETNAM CO., LTD. ALCONIX (THAILAND) LTD. ALCONIX LOGISTICS (THAILAND) LTD.
Manufacturing	Equipment and Materials	- Copper, nickel, plating materials and related chemicals - Non-destructive testing equipment, marking devices and related consumables - Metal mold building-up welding rods and thermal spraying work	UNIVERTICAL HOLDINGS INC. (Note 1) TOKAI YOGYO CO., LTD. ALCONIX MT CORPORATION (Note 2) MARKTEC CORPORATION (Note 2)
	Metal Processing	- Precision mechanical parts, made of aluminum, titanium and other light alloys, for use in telecommunications equipment and other devices - Semiconductor surface mounting machines (chip mounters), and precision grinding processing parts for manufacturing equipment in the automobile and industrial machinery industries - Precision stamping dies and stamping parts for the automobile industry	OHKAWA CORPORATION OHBA SEIKEN CO., LTD. ALCONIX FUJI CORPORATION (Note 3) FUJI PRESS Corporation (Note 3)

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 its 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. ALCONIX FUJI CORPORATION was established on February 24, 2017 as an intermediate holding company wholly owned by ALCONIX, in association with the decision on December 20, 2016 to acquire and consolidate FUJI PRESS Corporation. On April 5, 2017, ALCONIX FUJI purchased all of the shares of FUJI PRESS stock and made this company a consolidated subsidiary.

4. 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. are equity-method affiliates of the ALCONIX Group. These four equity-method affiliates are included in the Manufacturing—Metal Processing segment.

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

Customers
(Manufacturers and users within Japan and overseas)

↑ Sales of products

ALCONIX Group

ALCONIX CORPORATION

< Domestic subsidiaries >

* ADVANCED MATERIAL JAPAN CORPORATION
* ALCONIX SANSHIN CORPORATION
* HAYASHI METAL CORP.
* OHKAWA CORP.
* ALCONIX • MITAKA CORPORATION
* OHBA SEIKEN CO., LTD.
* ALUMINUM & COPPER RECYCLING CENTER CORPORATION
* TOKAI YOGYO CO., LTD.
* HEIWA KINZOKU CO., LTD.
* ALCONIX MT CORPORATION
* MARKTEC CORPORATION (Note 3)
* ALCONIX FUJI CORPORATION (Note 4)
* FUJI PRESS Corporation

< Domestic affiliate >

** K’MAC Co., Ltd.

< Overseas subsidiaries >

* ALCONIX (THAILAND) LTD.
* ALCONIX LOGISTICS (THAILAND) LTD.
* ALCONIX HONGKONG CORP., LTD.
* ALCONIX USA., INC.
* ALCONIX (SHANGHAI) CORP.
* ALCONIX EUROPE GMBH
* ALCONIX (MALAYSIA) SDN. BHD.
* ALCONIX (TAIWAN) CORPORATION
* ALCONIX VIETNAM CO., LTD.
* UNIVERTICAL HOLDINGS INC. (Note 2)
* ADVANCED MATERIAL BEIJING CORPORATION
* ADVANCED MATERIAL TRADING PTE. LTD.

< Overseas affiliates >

** Shanghai Longyang Precise Compound Copper Tube Co., Ltd.
** Shanghai Longyang Copper Tube Trading Co., Ltd.
** Guandon Chuangfu Metal Product Co.,Ltd.
TOKUDEN TOPAL CO., LTD.
Winton International Industries Ltd.

↑ Procurement of products and materials

Suppliers
(Manufacturers within Japan and overseas)

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. Five consolidated subsidiaries of MARKTEC CORPORATION, a sub-subsidiary of ALCONIX, are also included as consolidated subsidiaries of the ALCONIX Group.
4. ALCONIX FUJI CORPORATION, established as an intermediate holding company wholly owned by ALCONIX, purchased all of the shares of FUJI PRESS Corporation and made this company a consolidated subsidiary on April 5, 2017.

3. 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.

4. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	19,935	16,885
Notes and accounts receivable-trade	41,307	42,821
Merchandise and finished goods	14,462	17,075
Work in process	1,621	1,612
Raw materials and supplies	492	756
Deferred tax assets	674	506
Other	2,302	2,826
Allowance for doubtful accounts	(216)	(160)
Total current assets	80,581	82,323
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,064	7,111
Accumulated depreciation	(2,810)	(3,016)
Buildings and structures, net	3,254	4,095
Machinery, equipment and vehicles	6,981	8,065
Accumulated depreciation	(5,194)	(5,798)
Machinery, equipment and vehicles, net	1,787	2,266
Tools, furniture and fixtures	1,257	1,369
Accumulated depreciation	(995)	(1,092)
Tools, furniture and fixtures, net	261	276
Land	3,431	3,422
Leased assets	1,948	1,733
Accumulated depreciation	(1,555)	(1,443)
Leased assets, net	392	289
Construction in progress	1,433	251
Total property, plant and equipment	10,561	10,601
Intangible assets		
Goodwill	4,262	3,660
Software	281	224
Other	5,103	4,506
Total intangible assets	9,647	8,391
Investments and other assets		
Investment securities	9,450	11,311
Long-term loans receivable	6	6
Deferred tax assets	121	55
Other	1,263	989
Allowance for doubtful accounts	(61)	(31)
Total investments and other assets	10,780	12,331
Total non-current assets	30,988	31,324
Total assets	111,570	113,647

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	32,543	32,728
Short-term loans payable	28,226	21,841
Current portion of long-term loans payable	2,826	4,266
Current portion of bonds	400	274
Income taxes payable	977	699
Provision for bonuses	628	518
Deferred tax liabilities	27	5
Other	2,953	2,685
Total current liabilities	68,582	63,020
Non-current liabilities		
Bonds payable	200	825
Long-term loans payable	6,959	10,883
Deferred tax liabilities	3,256	3,515
Provision for directors' retirement benefits	390	438
Net defined benefit liability	473	527
Long-term accounts payable-other	49	49
Other	335	269
Total non-current liabilities	11,664	16,508
Total liabilities	80,246	79,528
Net assets		
Shareholders' equity		
Capital stock	2,910	2,924
Capital surplus	1,932	1,979
Retained earnings	20,417	22,949
Treasury shares	(0)	(0)
Total shareholders' equity	25,260	27,853
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	325	1,227
Deferred gains or losses on hedges	(118)	(0)
Foreign currency translation adjustment	4,291	3,298
Total accumulated other comprehensive income	4,498	4,525
Subscription rights to shares	28	21
Non-controlling interests	1,536	1,718
Total net assets	31,323	34,119
Total liabilities and net assets	111,570	113,647

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	201,755	201,948
Cost of sales	189,574	187,472
Gross profit	12,181	14,476
Selling, general and administrative expenses	8,388	10,307
Operating profit	3,792	4,168
Non-operating income		
Interest income	65	34
Purchase discounts	12	14
Dividend income	213	199
Fiduciary obligation fee	40	23
Share of profit of entities accounted for using equity method	344	377
Rent income of real estate	78	81
Foreign exchange gains	81	-
Other	201	133
Total non-operating income	1,038	864
Non-operating expenses		
Interest expenses	362	344
Sales discounts	12	8
Foreign exchange losses	-	194
Loss on sales of notes receivable-trade	33	23
Rent cost of real estate	12	14
Other	128	95
Total non-operating expenses	549	680
Ordinary profit	4,281	4,352
Extraordinary income		
Gain on sales of non-current assets	21	10
Gain on sales of investment securities	-	118
Gain on reversal of subscription rights to shares	-	3
Subsidy income	3	3
Gain on bargain purchase	1,975	-
Other	0	-
Total extraordinary income	2,000	134
Extraordinary losses		
Loss on retirement of non-current assets	-	4
Loss on valuation of investment securities	-	28
Impairment loss	-	7
Golf club membership	8	-
Loss on liquidation of subsidiaries and associates	34	-
Loss on step acquisitions	4	-
Other	4	0
Total extraordinary losses	51	40
Profit before income taxes	6,229	4,446
Income taxes - current	1,612	1,430
Income taxes - deferred	(288)	(14)
Refund of income taxes for prior periods	(198)	(168)
Total income taxes	1,125	1,246
Profit	5,103	3,199
Profit attributable to non-controlling interests	126	116
Profit attributable to owners of parent	4,977	3,083

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Profit	5,103	3,199
Other comprehensive income		
Valuation difference on available-for-sale securities	(370)	1,032
Deferred gains or losses on hedges	(250)	119
Foreign currency translation adjustment	(218)	(758)
Share of other comprehensive income of entities accounted for using equity method	(161)	(226)
Total other comprehensive income	(1,000)	167
Comprehensive income	4,103	3,366
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,954	3,110
Comprehensive income attributable to non-controlling interests	148	256

(3) Consolidated Statement of Changes in Equity

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
Increase by merger					-
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
Increase by merger				-			-
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	(93)
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

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,910	1,932	20,417	(0)	25,260
Changes of items during period					
Issuance of new shares	14	14	-	-	28
Dividends of surplus	-	-	(566)	-	(566)
Profit attributable to owners of parent	-	-	3,083	-	3,083
Increase by merger	-	32	14	-	47
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during period	14	47	2,531	-	2,592
Balance at end of current period	2,924	1,979	22,949	(0)	27,853

	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	325	(118)	4,291	4,498	28	1,536	31,323
Changes of items during period							
Issuance of new shares	-	-	-	-	-	-	28
Dividends of surplus	-	-	-	-	-	-	(566)
Profit attributable to owners of parent	-	-	-	-	-	-	3,083
Increase by merger	-	-	-	-	-	-	47
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	-	-	-	-	-	-
Net changes of items other than shareholders' equity	902	117	(992)	27	(6)	182	202
Total changes of items during period	902	117	(992)	27	(6)	182	2,795
Balance at end of current period	1,227	(0)	3,298	4,525	21	1,718	34,119

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	6,229	4,446
Depreciation	1,228	1,626
Impairment loss	-	7
Amortization of goodwill	362	496
Gain on bargain purchase	(1,975)	-
Increase (decrease) in allowance for doubtful accounts	(71)	(100)
Increase (decrease) in provision for bonuses	(43)	(109)
Increase (decrease) in provision for directors’ retirement benefits	38	47
Increase (decrease) in net defined benefit liability	42	54
Interest and dividend income	(279)	(234)
Interest expenses	362	344
Share of (profit) loss of entities accounted for using equity method	(344)	(377)
Loss on valuation of investment securities	-	28
Loss (gain) on liquidation of subsidiaries and associates	34	-
Decrease (increase) in notes and accounts receivable-trade	3,320	(1,951)
Decrease (increase) in inventories	5,153	(2,900)
Increase (decrease) in notes and accounts payable-trade	(1,917)	514
Decrease (increase) in consumption taxes refund receivable	299	(281)
Increase (decrease) in income taxes payable-factor based tax	(10)	1
Decrease (increase) in advance payments	312	(548)
Decrease (increase) in accounts receivable-other	19	28
Increase (decrease) in accounts payable-other	169	88
Increase (decrease) in advances received	(145)	206
Other, net	(101)	210
Subtotal	12,684	1,599
Interest and dividend income received	354	341
Interest expenses paid	(367)	(347)
Income taxes paid	(2,080)	(1,628)
Income taxes refund	40	174
Net cash provided by (used in) operating activities	10,630	140
Cash flows from investing activities		
Payments into time deposits	(387)	(197)
Proceeds from withdrawal of time deposits	295	381
Purchase of property, plant and equipment	(1,846)	(1,739)
Purchase of intangible assets	(123)	(74)
Purchase of investment securities	(9)	(315)
Proceeds from sales of investment securities	-	194
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 of loans receivable	(2,250)	(1)
Collection of loans receivable	2,008	0
Purchase of insurance funds	(24)	(24)
Proceeds from cancellation of insurance funds	399	124
Other, net	278	127
Net cash provided by (used in) investing activities	(5,188)	(1,524)

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016))	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	6,316	(6,254)
Proceeds from long-term loans payable	400	8,523
Repayments of long-term loans payable	(3,374)	(3,149)
Proceeds from issuance of bonds	-	900
Redemption of bonds	(600)	(400)
Proceeds from issuance of common shares	67	24
Proceeds from share issuance to non-controlling shareholders	11	-
Cash dividends paid	(565)	(567)
Dividends paid to non-controlling interests	(17)	(62)
Repayments of finance lease obligations	(125)	(34)
Net cash provided by (used in) financing activities	2,112	(1,019)
Effect of exchange rate change on cash and cash equivalents	(294)	(585)
Net increase (decrease) in cash and cash equivalents	7,259	(2,989)
Cash and cash equivalents at beginning of period	12,514	19,773
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	28
Cash and cash equivalents at end of period	19,773	16,813

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 33

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.

ALCONIX FUJI CORPORATION was included in the scope of consolidation because it was newly established in the current fiscal year.
Heiwa Kinzoku (Vietnam) Co., Ltd was absorbed into ALCONIX VIETNAM CO.,LTD, the surviving entity.

(2) Number of non-consolidated subsidiaries: 5

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 total assets, net sales and profit/loss (equity in earnings) and retained earnings (equity in earnings) and are relatively insignificant in the context of the consolidated financial statements.

2. Application of equity method

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

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

3. Fiscal year of consolidated subsidiaries

The fiscal year end of the 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 facilities) and facilities attached to the buildings and structures acquired on or after April 1, 2016 on which depreciation is calculated by the straight-line method.

Overseas consolidated subsidiaries mainly apply the straight-line method.

Useful life of principle assets is as follows:

Buildings and structures:	2-50 years
Machinery, equipment and vehicles:	1-20 years
Tools, furniture and fixtures:	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 adjustment 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 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 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 profit, ordinary profit, and profit before income taxes in the current fiscal year is insignificant.

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 current fiscal year.

Business Combinations

1. Finalization of provisional accounting treatment of business combinations

A provisional accounting treatment was used in the fiscal year that ended on March 31, 2016 for the February 12, 2016 acquisition of MARKTEC CORPORATION. This treatment was finalized in the fiscal year that ended on March 31, 2017.

As a result, the comparative information in the consolidated financial statements for the current fiscal year reflects significant revisions to the initial allocation of the cost of this acquisition. Revisions to the provisionally determined amount of goodwill are shown below.

(Revised item)	(Revised amount of goodwill)
Goodwill (before the revision)	2,879 million yen
Intangible assets	(1,436) million yen
Deferred tax liabilities	429 million yen
Other acquisition cost adjustments	(47) million yen
Total revised amount	(1,054) million yen
Goodwill (after the revision)	1,825 million yen

Due to these revisions, goodwill has decreased 1,054 million yen from the provisional amount of 2,879 million yen to 1,825 million yen. In addition, there were increases of 76 million yen in merchandise and finished goods, 40 million yen in property, plant and equipment, 1,436 million yen in other intangible assets, 69 million yen in income taxes payable, 23 million yen in deferred tax liabilities included in other current liabilities, and 406 million yen in deferred tax liabilities included in other non-current liabilities.

2. Details of acquisition-related costs

Due diligence cost, etc. 56 million yen

3. Goodwill resulting from the acquisition

(1) Value of goodwill

1,825 million yen

(2) Source of goodwill

The source is the expectation for acquired companies to generate even higher earnings from upcoming business activities.

(3) Amortization method and period

Goodwill will be amortized over 10 years by the straight-line method.

4. Amounts allocated to intangible assets other than goodwill, their breakdown by major categories, and weighted average amortization period for the total amount and major categories

(1) Amounts allocated to intangible assets other than goodwill and major categories

Customer relationships	1,394 million yen
Technology assets	42 million yen

(2) Weighted average amortization period for the total amount and major categories

Amortization is 12 years for customer relationships, 15 years for technology assets and 12 years for the total of the amount allocated to intangible assets other than goodwill.

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

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

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

The Equipment and Materials segment trades cooper, nickel, plating materials and related chemicals, non-destructive testing equipment, marking devices and related consumables, metal mold building-up welding rods, and oversees thermal spraying works.

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

The results of operations of the ALXONIX Group's manufacturing subsidiaries have increased the impact of the profitability in the context of consolidated financial statements. To clarify the Group's business activities and earnings structure, ALCONIX has revised reportable segments in the current fiscal year. The previous segments were broadly reorganized as Trading and Manufacturing. The Trading segment includes Electronic and Advanced Materials and Aluminum and Copper Products, while the Manufacturing segment includes, Equipment and Materials, and Metal Processing.

Segment information for the previous fiscal year has been retrospectively revised based on the revised composition of reportable segments.

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

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

Profits for reportable segments are generally ordinary profit figures.

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

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 fiscal year ended March 31, 2017, 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 the segment profits for Aluminum and Copper Products and Metal Processing is insignificant in the current fiscal year.

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

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

Figures for FY3/16 are based on the revised method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment for business combinations.

(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	57,244	122,716	13,048	8,746	201,755
Inter-segment sales and transfers	2,683	1,182	14	92	3,972
Total	59,928	123,898	13,062	8,838	205,728
Segment profit	1,646	609	(101)	2,065	4,219
Segment assets	36,326	53,700	24,123	10,863	125,015
Other items					
Depreciation	32	106	543	545	1,228
Amortization of goodwill	-	0	362	-	362
Interest income	18	25	20	0	65
Interest expenses	89	248	13	11	362
Equity in earnings of affiliates	-	-	-	344	344
Investment in equity-method affiliates	-	3,994	-	-	3,994
Increase in property, plant and equipment and intangible assets	46	141	826	1,363	2,378

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) (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	56,510	119,699	16,655	9,082	201,948
Inter-segment sales and transfers	2,467	595	36	140	3,239
Total	58,978	120,294	16,692	9,222	205,188
Segment profit	1,161	888	216	2,096	4,362
Segment assets	24,354	54,490	30,443	13,197	122,485
Other items					
Depreciation	35	121	810	658	1,626
Amortization of goodwill	-	0	496	-	496
Interest income	11	13	10	0	34
Interest expenses	94	224	14	12	344
Equity in earnings of affiliates	-	-	-	377	377
Investment in equity-method affiliates	-	4,126	-	-	4,126
Increase in property, plant and equipment and intangible assets	5	182	452	798	1,438

Note: Figures for the FY3/16 segment information are based on the revised method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment for business combinations, which is stated in "(5) Notes to Consolidated Financial Statements, Business Combinations."

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

(Millions of yen)

Net sales	FY3/16	FY3/17
Total for reportable segments	205,728	205,188
Eliminations for inter-segment transactions	(3,972)	(3,239)
Net sales on the consolidated financial statements	201,755	201,948

(Millions of yen)

Profit	FY3/16	FY3/17
Total for reportable segments	4,219	4,362
Eliminations for inter-segment transactions	61	(9)
Ordinary profit on the consolidated financial statements	4,281	4,352

(Millions of yen)

Assets	FY3/16	FY3/17
Total for reportable segments	125,015	122,485
Corporate assets (Note)	367	135
Eliminations for inter-segment transactions	(13,811)	(8,973)
Total assets on the consolidated financial statements	111,570	113,647

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

[Related information]

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	USA	Europe	Total
7,772	486	1,441	820	0	10,520

Note: Asia does not include China.

3. Information by major client

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

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

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
119,042	29,304	21,483	15,093	16,337	687	201,948

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	USA	Europe	Total
7,910	423	1,400	867	0	10,601

Note: Asia does not include China.

3. Information by major client

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

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

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

Not applicable.

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

Not applicable.

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

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

	Reportable segment					Elimination or corporate	Total
	Trading		Manufacturing		Subtotal		
	Electronic and Advanced Materials	Aluminum and Copper Products	Equipment and Materials	Metal Processing			
Balance at end of period	-	1	4,260	-	4,262	-	4,262

Notes: 1. Goodwill amortization is omitted because the same information is presented in segment information.
2. In the “Equipment and Materials” segment, goodwill of 2,879 million yen, which was provisionally determined in association with stock acquisition of MARKTEC Corporation, was recorded in FY3/16. The goodwill decreased by 1,054 million yen with the completion of acquisition cost allocation in FY3/17. The revised amount of goodwill due to allocation of the acquisition cost is described in “4. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, Business Combinations.”

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) (Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Trading		Manufacturing		Subtotal		
	Electronic and Advanced Materials	Aluminum and Copper Products	Equipment and Materials	Metal Processing			
Balance at end of period	-	1	3,659	-	3,660	-	3,660

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]

FY3/16 (Apr. 1, 2015－Mar. 31, 2016)

In the “Aluminum 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.

FY3/17 (Apr. 1, 2016－Mar. 31, 2017)

Not applicable.

Per Share Information

(Yen)

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)		FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	
Net assets per share	2,311.32	Net assets per share	2,511.23
Net income per share	387.09	Net income per share	239.31
Diluted net income per share	386.43	Diluted net income per share	239.16

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

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net income per share		
Profit attributable to owners of parent	4,977	3,083
Amounts not available to common stock shareholders	-	-
Profit attributable to owners of parent available to common stock	4,977	3,083
Average number of shares outstanding during the period (Thousand shares)	12,858	12,884
Diluted net income per share		
Adjusted profit attributable to owners of parent	0	-
[of which, adjusted profit attributable to owners of parent related to the potential stock of consolidated subsidiaries]	[0]	[-]
Increase in the number of shares of common stock (Thousand shares)	20	7
[of which, stock acquisition rights]	[20]	[7]
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: 548)	Stock acquisition rights No.5 (Number of stock acquisition rights: 548)

Subsequent Events

Acquisition of FUJI PRESS Corporation Stock

Following the resolution approved by the Board of Directors meeting held on December 20, 2016, ALCONIX purchased all outstanding shares of FUJI PRESS Corporation through a wholly owned intermediate holding company and made FUJI PRESS a consolidated subsidiary on April 5, 2017.

(1) Objectives of acquisition

FUJI PRESS is a manufacturer of precision stamping dies and stamping parts for the automobile industry. The company's factory is in the city of Obu in Aichi prefecture. Major products are automotive electromagnetic valve parts and small and midsize brackets. FUJI PRESS handles every step from the design and fabrication of dies to the production, processing and final inspection of parts. The company's manufacturing oversight framework is capable of meeting the strict delivery requirements of automakers. Other core strengths are cold forging expertise and the ability to fabricate products with high degrees of accuracy and complexity by using precision squeeze processing technology. Due to these capabilities, FUJI PRESS has a solid reputation among major Japanese automotive component manufacturers, which are major customers, as a company with innovative ideas and advanced technologies. As a result, FUJI PRESS's orders received, sales and earnings are consistently strong. Acquiring FUJI PRESS will add this company's outstanding manufacturing expertise associated with the automobile industry and its experienced workforce to the ALCONIX Group. FUJI PRESS also has a large variety of manufacturing equipment that includes machinery used to fabricate metal dies, a task that requires highly skilled workers. Relationships with many prominent companies are another valuable asset of FUJI PRESS. ALCONIX believes there are excellent prospects for capturing synergies with the other manufacturing subsidiaries of the ALCONIX Group. For these reasons, ALCONIX believes that this acquisition will increase consolidated corporate value as the ALCONIX Group continues its transformation by expanding manufacturing operations.

(2) Name of sellers

Masatoshi Ando (Representative Director of FUJI PRESS), Sanna Kogyo Co., Ltd., and relatives of Mr. Ando

(3) Name, business and size of the company to be acquired as of March 31, 2017

1) Company name	FUJI PRESS Corporation
2) Representative	Masatoshi Ando, Representative Director
3) Location	118, Ida Kitasakimachi, Obu, Aichi
4) Establishment	September 1959
5) Business	・ Stamping dies and stamping processes; manufacture and sales of mechanical parts ・ All businesses related to the above activities
6) Fiscal year end	March 31
7) Employees	247
8) Main offices	Obu, Aichi (Headquarters and three plants) Kitakyusyu, Fukuoka (Plant)
9) Capital	52 million yen
10) Total number of shares to be issued	5,200 shares
11) Major shareholders	Masatoshi Ando: 37.8% Sanna Kogyo Co., Ltd.: 25.5% Relatives of Mr. Ando, and others: 36.7%

(4) Name, business and size of the intermediate holding company to be established

1) Company name	ALCONIX FUJI CORPORATION
2) Representative	Hideo Yamashita, Representative Director
3) Location	2-11-1, Nagata-cho, Chiyoda-ku, Tokyo
4) Establishment	February 24, 2017
5) Business	・ Processing and sales of metal stamped products ・ Processing of metal and synthetic parts ・ Sales of stamping machines and dies manufacturing machines ・ Manufacture and sales of various machines, fixtures and parts ・ All businesses related to the above activities
6) Fiscal year end	March 31
7) Capital	52 million yen
8) Total number of shares to be issued	5,200 shares (no stock certificates)
9) Major shareholders	ALCONIX CORPORATION 100%

(5) Date of acquisition

April 5, 2017

(6) Number of shares of FUJI PRESS stock to be acquired by the intermediate holding company, acquisition cost and share ownership after acquisition

1) Share ownership before acquisition	0 share	(Ownership ratio: 0%)
2) Number of shares acquired	5,200 shares	(Acquisition cost: 2,927 million yen)
3) Share ownership after acquisition	5,200 shares	(Ownership ratio: 100%)

Note: In association with the acquisition of FUJI PRESS stock, Sanna Kogyo Co., Ltd. will also become a consolidated subsidiary. Sanna Kogyo is owned by Masatoshi Ando, the Representative Director of FUJI PRESS, and his relatives.

(7) Methods for procuring funds and of payments in association with the stock acquisition

Cash on hand and bank loans

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.

5. Non-consolidated Financial Statements and Notes

(1) Balance Sheet

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	3,384	3,698
Notes receivable-trade	1,517	1,491
Accounts receivable-trade	18,576	18,422
Merchandise and finished goods	7,185	8,163
Advance payments-trade	37	9
Prepaid expenses	80	78
Deferred tax assets	320	135
Short-term loans receivable	8,678	8,147
Accounts receivable-other	229	278
Income taxes receivable	-	83
Consumption taxes receivable	538	663
Other	65	142
Allowance for doubtful accounts	(124)	(148)
Total current assets	40,489	41,165
Non-current assets		
Property, plant and equipment		
Buildings	11	10
Vehicles	3	2
Tools, furniture and fixtures	30	21
Construction in progress	-	73
Total property, plant and equipment	46	107
Intangible assets		
Software	87	68
Telephone subscription right	5	5
Software in progress	-	3
Total intangible assets	92	76
Investments and other assets		
Investment securities	1,679	2,213
Shares of subsidiaries and associates	10,527	10,555
Investments in capital of subsidiaries and associates	173	173
Long-term prepaid expenses	1	0
Deferred tax assets	46	-
Insurance funds	15	18
Long-term guarantee deposits	99	89
Other	19	19
Total investments and other assets	12,563	13,070
Total non-current assets	12,703	13,254
Total assets	53,192	54,419

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Liabilities		
Current liabilities		
Notes payable-trade	5,639	6,627
Accounts payable-trade	13,281	13,183
Short-term loans payable	15,081	4,396
Current portion of long-term loans payable	1,586	3,231
Current portion of bonds	200	274
Accounts payable-other	387	1,136
Accrued expenses	117	106
Income taxes payable	125	19
Advances received	48	71
Deposits received	660	3,615
Provision for bonuses	187	155
Other	360	251
Total current liabilities	37,677	33,070
Non-current liabilities		
Bonds payable	200	825
Long-term loans payable	5,030	8,999
Long-term accounts payable-other	49	49
Provision for retirement benefits	218	241
Provision for directors' retirement benefits	174	197
Deferred tax liabilities	-	87
Total non-current liabilities	5,672	10,398
Total liabilities	43,350	43,468
Net assets		
Shareholders' equity		
Capital stock	2,910	2,924
Capital surplus		
Legal capital surplus	1,952	1,967
Total capital surpluses	1,952	1,967
Retained earnings		
Legal retained earnings	10	10
Other retained earnings		
General reserve	400	400
Retained earnings brought forward	4,465	5,123
Total retained earnings	4,876	5,534
Treasury shares	(0)	(0)
Total shareholders' equity	9,739	10,425
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	176	501
Deferred gains or losses on hedges	(102)	1
Total valuation and translation adjustments	74	503
Subscription rights to shares	28	21
Total net assets	9,842	10,951
Total liabilities and net assets	53,192	54,419

(2) Statement of Income

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	116,894	106,903
Cost of sales	113,574	103,478
Gross profit	3,319	3,425
Selling, general and administrative expenses	2,528	2,722
Operating profit	791	702
Non-operating income		
Interest income	36	78
Purchase discounts	11	13
Foreign exchange gains	115	-
Dividend income	691	757
Fiduciary obligation fee	143	167
Other	35	45
Total non-operating income	1,032	1,061
Non-operating expenses		
Interest expenses	163	169
Sales discounts	4	1
Interest on bonds	3	3
Foreign exchange losses	-	75
Loss on sales of notes receivable-trade	25	19
Provision of allowance for doubtful accounts	22	13
Other	59	52
Total non-operating expenses	278	334
Ordinary profit	1,544	1,429
Extraordinary income		
Gain on sales of non-current assets	-	0
Gain on sales of investment securities	-	118
Gain on reversal of subscription rights to shares	0	3
Total extraordinary income	0	121
Extraordinary losses		
Loss on valuation of investment securities	-	28
Loss on liquidation of subsidiaries and associates	34	-
Other	0	0
Total extraordinary losses	34	29
Income before income taxes	1,511	1,522
Income taxes-current	375	166
Income taxes-deferred	(15)	131
Total income taxes	360	297
Profit	1,150	1,224

(3) Statement of Changes in Equity

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of 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)
Profit	-	-	-	-	-	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)
Profit	-	-	-	-	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

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Millions of yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Capital stock	Legal capital surplus	Total capital surpluses	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,910	1,952	1,952	10	400	4,465	4,876	(0)	9,739
Changes of items during period									
Issuance of new shares	14	14	14						28
Dividends of surplus						(566)	(566)		(566)
Profit						1,224	1,224		1,224
Purchase of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during period	14	14	14			657	657		686
Balance at end of current period	2,924	1,967	1,967	10	400	5,123	5,534	(0)	10,425

(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	176	(102)	74	28	9,842
Changes of items during period					
Issuance of new shares					28
Dividends of surplus					(566)
Profit					1,224
Purchase of treasury shares					
Net changes of items other than shareholders' equity	325	104	429	(6)	422
Total changes of items during period	325	104	429	(6)	1,108
Balance at end of current period	501	1	503	21	10,951

6. 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.