



August 8, 2017

**Summary of Consolidated Financial Results for the First Quarter
of Fiscal Year Ending March 31, 2018
(Three Months Ended June 30, 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 filing of Quarterly Report: August 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 August 8, 2017 at 12:30 (GMT +9).

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

1. Consolidated Financial Results for the First Quarter Ended June 30, 2017 (April 1, 2017 – June 30, 2017)

(1) Consolidated results of operations (Percentages 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	%
Three months ended Jun. 30, 2017	58,601	22.6	1,697	90.0	1,948	79.8	1,436	72.8
Three months ended Jun. 30, 2016	47,793	(9.7)	893	(27.5)	1,083	(14.8)	830	5.1

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2017: 1,176 (-%)

Three months ended Jun. 30, 2016: (334) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2017	111.31	111.18
Three months ended Jun. 30, 2016	64.52	64.48

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2017	121,250	35,026	27.4
As of Mar. 31, 2017	113,647	34,119	28.5

Reference: Shareholders' equity (million yen) As of Jun. 30, 2017: 33,253 As of Mar. 31, 2017: 32,378

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2017	-	22.00	-	22.00	44.00
Fiscal year ending Mar. 31, 2018	-				
Fiscal year ending Mar. 31, 2018 (forecast)		13.00	-	13.00	26.00

Note: Revisions to the most recently announced dividend forecast: Yes

Regarding revisions to the dividend forecast, please refer to the press release "Notice of Stock Split, Partial Revision to the Articles of Incorporation Following the Stock Split, and Revision to Dividend Forecast" that was announced today (August 8, 2017, English translation of this release to be announced shortly).

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	65.84
Full year	220,000	8.9	4,600	10.4	4,900	12.6	3,450	11.9	133.61

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

Regarding consolidated earnings forecasts for the fiscal year ending March 31, 2018, 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. The net income per share forecast is based on the number of shares after the stock split.

*** 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. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)” on page 10 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: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

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

As of Jun. 30, 2017:	12,910,800 shares	As of Mar. 31, 2017:	12,894,000 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2017:	413 shares	As of Mar. 31, 2017:	413 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2017:	12,901,525 shares	Three months ended Jun. 30, 2016:	12,877,772 shares
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* The current quarterly financial report is not subject to quarterly review 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. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements” on page 5 of the attachments for assumptions for forecasts and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, U.S. consumer spending and capital expenditures were firm as the job market improved. The economy continued to recover slowly in Europe, too. The Chinese economy is staging a recovery with the support of government spending.

In Japan, the economy continued its slow recovery due to improvements in corporate earnings and employment as well as to strong capital expenditures and growth in exports.

In the non-ferrous metals industry, where the ALCONIX Group operates, market conditions continued to improve. The main reasons were higher prices of these metals, the yen's depreciation, and rising demand for non-ferrous metals used by manufacturers of automobiles and smartphones and tablets.

The Group's manufacturing subsidiaries in Japan and overseas made a big contribution to consolidated performance in the first quarter. Furthermore, there was growth from one year earlier in the volume of products in the Trading segment, especially for copper, aluminum, copper products, aluminum rolled products, and electronic materials used in smartphones and tablets. First quarter performance of the ALCONIX Group also benefited from the consolidation of FUJI PRESS Corporation, which is in the Manufacturing—Metal Processing segment, starting with this fiscal year.

In the first quarter, ALCONIX reported consolidated net sales of 58,601 million yen (up 22.6% year on year), operating profit of 1,697 million yen (up 90.0%), ordinary profit of 1,948 million yen (up 79.8%) and profit attributable to owners of parent of 1,436 million yen (up 72.8%).

Results by business segment were as follows, with sales in each segment including inter-segment sales.

· Trading—Electronic and Advanced Materials

Sales of materials used in smartphones and tablets were firm as demand for these materials recovered. However, there was a decline from one year earlier in the volume of materials used in secondary batteries, solar cell materials and environment-related materials. Export transactions for titanium and nickel products increased in part because of the yen's depreciation.

Earnings of minor metals and rare earths declined. Demand for automotive magnetic materials and electronic materials for some applications increased but low prices for minor metals and rare earths reduced earnings.

As a result, the segment recorded sales of 16,814 million yen (up 35.4% year on year) and segment profit of 283 million yen (down 4.3%).

· Trading—Aluminum and Copper Products

Automakers are increasing number of electrical components in vehicles and continuing to raise the share of parts that are made of aluminum. As a result, the volume of copper products and aluminum rolled products supplied to the automobile industry increased. Subsidiaries in Japan contributed to this segment's performance as sales were strong, mainly for copper products and aluminum rolled products used in air conditioners. In the construction and homebuilding materials sector, there were signs of a recovery compared with the first quarter of the previous fiscal year.

In the non-ferrous resources category, there was an increase in prices of aluminum, copper and other non-ferrous metals in the first quarter. As a result, there was growth in the transaction volume of recycled aluminum ingots and copper scrap, the primary products in this category, which contributed to earnings.

As a result, the segment recorded sales of 33,005 million yen (up 10.9% year on year) and segment profit of 406 million yen (up 125.7%).

· Manufacturing—Equipment and Materials

Shipments of plating materials were firm at operations in North America and China. Performance was particularly strong in China, where the full-scale operation of a chemical products production line completed in May 2016 has started. Segment performance also benefited from growth in shipments in Japan of non-destructive testing equipment and product identification marking devices as well as replacement supplies for this equipment to companies in the automobile and steel industries. In addition, shipments of detection materials and other products recovered at subsidiaries in South Korea and China where performance was weak one year earlier. Overall, this performance enabled this segment to become profitable after goodwill amortization.

As a result, the segment recorded sales of 4,641 million yen (up 17.5% year on year) and segment profit of 155 million yen, compared with segment loss of 36 million yen in the previous fiscal year.

· Manufacturing—Metal Processing

Shipments of grinding processing parts for chip mounters remained strong and there was steady growth in orders for prototypes for automotive applications. Orders for precision machining processing parts were high, mainly for parts used in semiconductor manufacturing equipment and organic EL manufacturing equipment. In the previous fiscal year, measures for small-lot production and short lead times caused the cost of manufacturing to increase. In the first quarter, earnings were significantly higher because of actions for increasing manufacturing efficiency and making other improvements. FUJI PRESS, which was consolidated in the first quarter of the fiscal year, made a contribution to consolidated performance as this company's shipments of automotive precision stamped parts, its main product category, were in line with the first quarter outlook.

As a result, the segment recorded sales of 5,039 million yen (up 107.1% year on year) and segment profit of 1,099 million yen (up 68.2%).

(2) Explanation of Financial Position

1) Financial position

a. Current assets

At the end of the first quarter of the current fiscal year, current assets totaled 84,961 million yen, an increase of 2,638 million yen from the end of the previous fiscal year. The main factors were a 1,145 million yen increase in notes and accounts receivable-trade, a 525 million yen increase in inventories, and a 626 million yen increase in cash and deposits.

b. Non-current assets

Non-current assets totaled 36,289 million yen, an increase of 4,964 million yen. The main factors include a 3,284 million yen increase in property, plant and equipment in association with the consolidation of FUJI PRESS, and a 1,687 million yen increase in investments and other assets.

c. Current liabilities

Current liabilities totaled 65,802 million yen, an increase of 2,782 million yen. The main factors include a 291 million yen increase in notes and accounts payable-trade, a 730 million yen increase in short-term loans payable, an 863 million yen increase in current portion of long-term loans payable.

d. Non-current liabilities

Non-current liabilities totaled 20,421 million yen, an increase of 3,913 million yen. The main factors include a 3,566 million yen increase in long-term loans payable.

e. Net assets

Net assets totaled 35,026 million yen, an increase of 907 million yen. The main factors include a 16 million yen increase each in capital stock and capital surplus due to the exercise of subscription rights to shares, a 1,152 million yen increase in retained earnings, and a 507 million yen decrease in foreign currency translation adjustment.

2) Results of operations

a. Net sales

Sales increased primarily because of higher sales at ALCONIX and almost all of its group companies. In the Trading segment, there was growth in sales of non-ferrous materials including copper and aluminum scrap, electronic materials used in smartphones and tablets, tungsten, and rare earths used in magnetic materials. In manufacturing operations, there was growth in sales of plating materials, precision machining processing parts and grinding processing parts. In addition, FUJI PRESS, which was consolidated in the first quarter of the fiscal year, contributed to sales growth due to its sales of automotive precision stamped parts.

As a result, net sales increased 22.6% year on year to 58,601 million yen in the first quarter of the current fiscal year.

b. Gross profit

Gross profit increased 28.3% year-on-year to 4,530 million yen because of higher sales in the Trading segment and growth in earnings at manufacturing subsidiaries in Japan, including FUJI PRESS which joined the Group in the first quarter of the fiscal year.

c. Selling, general and administrative expenses

Selling, general and administrative expenses increased 7.4% to 2,833 million yen due to the inclusion of consolidated subsidiary FUJI PRESS.

d. Operating profit

Due to these changes in sales, gross profit and expenses, operating profit increased 90.0% to 1,697 million yen.

e. Non-operating income, non-operating expenses

As a result of growth in dividend income, net non-operating income (non-operating income - non-operating expenses) was 251 million yen compared with 190 million yen one year earlier.

f. Ordinary profit

Ordinary profit increased 79.8% to 1,948 million yen.

g. Extraordinary income, extraordinary losses

There was extraordinary income of 3 million yen for the receipt of a subsidy and an extraordinary loss of 10 million yen mainly for losses on the sale of non-current assets.

h. Profit attributable to owners of parent

ALCONIX recorded profit before income taxes of 1,941 million yen. From this amount, 454 million yen and 50 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 increased 72.8% to 1,436 million yen.

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

Although first quarter sales and earnings significantly exceeded the forecast, ALCONIX has not revised the consolidated earnings forecasts that we disclosed in the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 [Japanese GAAP]” on May 15, 2017. First-half and full-year forecasts for the fiscal year ending March 31, 2018 is currently being reviewed. An announcement will be made promptly if a revision to these forecasts is required.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

	(Millions of yen)	
	FY3/17 (As of Mar. 31, 2017)	First quarter of FY3/18 (As of Jun. 30, 2017)
Assets		
Current assets		
Cash and deposits	16,885	17,512
Notes and accounts receivable-trade	42,821	43,966
Merchandise and finished goods	17,075	17,213
Work in process	1,612	1,881
Raw materials and supplies	756	874
Other	3,332	3,661
Allowance for doubtful accounts	(160)	(149)
Total current assets	82,323	84,961
Non-current assets		
Property, plant and equipment	10,601	13,886
Intangible assets		
Goodwill	3,660	3,879
Other	4,731	4,504
Total intangible assets	8,391	8,383
Investments and other assets	12,331	14,019
Total non-current assets	31,324	36,289
Total assets	113,647	121,250
Liabilities		
Current liabilities		
Notes and accounts payable-trade	32,728	33,019
Short-term loans payable	21,841	22,572
Current portion of long-term loans payable	4,266	5,130
Current portion of bonds	274	349
Income taxes payable	699	657
Provision for bonuses	518	766
Other	2,690	3,305
Total current liabilities	63,020	65,802
Non-current liabilities		
Bonds payable	825	750
Long-term loans payable	10,883	14,449
Provision for directors' retirement benefits	438	817
Net defined benefit liability	527	547
Long-term accounts payable-other	49	49
Other	3,785	3,808
Total non-current liabilities	16,508	20,421
Total liabilities	79,528	86,224

	(Millions of yen)	
	FY3/17 (As of Mar. 31, 2017)	First quarter of FY3/18 (As of Jun. 30, 2017)
Net assets		
Shareholders' equity		
Capital stock	2,924	2,941
Capital surplus	1,946	1,963
Retained earnings	22,981	24,134
Treasury shares	(0)	(0)
Total shareholders' equity	27,853	29,037
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,227	1,428
Deferred gains or losses on hedges	(0)	(4)
Foreign currency translation adjustment	3,298	2,791
Total accumulated other comprehensive income	4,525	4,215
Subscription rights to shares	21	17
Non-controlling interests	1,718	1,756
Total net assets	34,119	35,026
Total liabilities and net assets	113,647	121,250

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

	(Millions of yen)	
	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Net sales	47,793	58,601
Cost of sales	44,262	54,071
Gross profit	3,531	4,530
Selling, general and administrative expenses	2,638	2,833
Operating profit	893	1,697
Non-operating income		
Interest income	9	7
Purchase discounts	3	3
Dividend income	120	178
Foreign exchange gains	38	14
Rent income of real estate	20	22
Share of profit of entities accounted for using equity method	90	102
Other	43	86
Total non-operating income	327	415
Non-operating expenses		
Interest expenses	81	117
Sales discounts	2	2
Loss on sales of notes receivable-trade	6	6
Rent cost of real estate	3	4
Other	41	33
Total non-operating expenses	136	164
Ordinary profit	1,083	1,948
Extraordinary income		
Gain on sales of non-current assets	5	0
Gain on reversal of subscription rights to shares	3	-
Gain on sales of investment securities	28	-
Subsidy income	3	3
Total extraordinary income	40	3
Extraordinary losses		
Loss on sales of non-current assets	0	3
Loss on retirement of non-current assets	0	0
Loss on sales of membership	-	6
Total extraordinary losses	0	10
Profit before income taxes	1,123	1,941
Income taxes	274	454
Profit	849	1,486
Profit attributable to non-controlling interests	18	50
Profit attributable to owners of parent	830	1,436

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

(Millions of yen)

	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Profit	849	1,486
Other comprehensive income		
Valuation difference on available-for-sale securities	(191)	200
Deferred gains or losses on hedges	50	(3)
Foreign currency translation adjustment	(875)	(426)
Share of other comprehensive income of entities accounted for using equity method	(167)	(81)
Total other comprehensive income	(1,183)	(310)
Comprehensive income	(334)	1,176
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(337)	1,125
Comprehensive income attributable to non-controlling interests	2	50

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

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.

Segment and Other Information

Segment information

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

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

(Millions of yen)

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

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

(Millions of yen)

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

II. First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)

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	16,299	32,732	4,626	4,942	58,601
Inter-segment sales and transfers	515	272	15	97	900
Total	16,814	33,005	4,641	5,039	59,501
Segment profit	283	406	155	1,099	1,945

2. Information related to assets for each reportable segment

In the first quarter of FY3/18, FUJI PRESS Corporation and Sanna Kogyo Co., Ltd. were included in the scope of consolidation because the shares of their stock were acquired by ALCONIX.

Accordingly, the effect of this change was to increase segment assets in the “Metal Processing” segment by 8,118 million yen at the end of the first quarter of FY3/18, compared with the end of FY3/17.

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

(Millions of yen)

Profit	Amount
Total for reportable segments	1,945
Eliminations for inter-segment transactions	3
Ordinary profit on the quarterly consolidated statement of income	1,948

Subsequent Events

Stock split

The Board of Directors of ALCONIX approved a resolution on August 8, 2017 concerning the following proposed stock split.

1. Purpose of the stock split

The stock split will reduce the amount of investment required per share, and enhance the liquidity of ALCONIX shares thus making it easier to invest in its shares and expand the shareholder base.

2. Summary of the stock split

(1) Method of the stock split

Shareholders listed in the final shareholder register on the record date of August 31, 2017 (Thursday) will receive two shares of common shares for each share held on the same day.

(2) Increase in the number of shares due to the stock split

Number of shares outstanding before the stock split:	12,910,800 shares
Increase in the number of shares due to the stock split:	12,910,800 shares
Number of shares outstanding after the stock split:	25,821,600 shares
Total number of authorized shares after the stock split:	64,000,000 shares

The number of common shares outstanding after the stock split is calculated based on the number of shares outstanding as of June 30, 2017. Potential increases in the number of shares outstanding following any exercise of stock options has not been taken into account.

(3) Schedule

Announcement of record date (Electronic notification starts):	August 14, 2017 (Monday)
Record date:	August 31, 2017 (Thursday)
Effective date:	September 1, 2017 (Friday)

3. Partial revision to the Articles of Incorporation following the stock split

(1) Reasons for the revision

In association with this stock split, pursuant to Article 184, Paragraph 2 of the Companies Act and Articles 6 of ALCONIX Articles of Incorporation will be amended on August 8, 2017. The amendment shall be executed by a written resolution in lieu of a resolution by the Board of Directors in accordance with the provisions of Article 370 of the Companies Act and Article 23 of ALCONIX Articles of Incorporation. The total number of shares authorized to be issued by the Company shall be increased by 32 million shares to 64 million shares.

(2) Amendment details

(Underlined parts are amended.)

Current	After revision
(Total number of authorized shares)	(Total number of authorized shares)
Article 6 The total number of shares authorized to be issued by the Company shall be <u>32 million</u> shares.	Article 6 The total number of shares authorized to be issued by the Company shall be <u>64 million</u> shares.

4. Adjustment to the exercise price of stock options

As a result of the above stock split, the exercise price of stock options issued by ALCONIX shall be adjusted as follows on or after September 1, 2017.

(Yen)

Adjustment to the exercise price of stock options		
	Previous exercise price	Adjusted exercise price
Stock option No. 6 (Resolved at the Annual General Meeting of Shareholders held on June 24, 2008)	1,294	647

5. The effect of these changes on per share information

Per share data assuming stock split at the beginning of previous fiscal year is as follows:

(Yen)

	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Net income per share	32.26	55.65
Diluted net income per share	32.24	55.59

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.