



February 12, 2019

**Summary of Consolidated Financial Results for the Third Quarter
of Fiscal Year Ending March 31, 2019
(Nine Months Ended December 31, 2018)**

[Japanese GAAP]

Company name: ALCONIX CORPORATION

Listing: Tokyo Stock Exchange, First Section

Stock code: 3036

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Scheduled date of filing of Quarterly Report:

February 14, 2019

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on February 12, 2019 at 12:30 (GMT +9).

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

1. Consolidated Financial Results for the Third Quarter Ended December 31, 2018

(April 1, 2018 – December 31, 2018)

(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	%
Nine months ended Dec. 31, 2018	195,781	6.6	4,946	(9.8)	5,039	(14.8)	3,612	(15.0)
Nine months ended Dec. 31, 2017	183,706	25.6	5,482	86.2	5,915	99.7	4,250	79.4

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2018: 2,285 (down 50.9%)

Nine months ended Dec. 31, 2017: 4,655 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2018	139.61	-
Nine months ended Dec. 31, 2017	164.54	164.22

Note: Diluted net income per share for the nine months ended December 31, 2018 is not stated because dilutive shares do not exist.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2018	134,733	39,905	28.3
As of Mar. 31, 2018	130,197	38,626	28.3

Reference: Shareholders' equity (million yen) As of Dec. 31, 2018: 38,168 As of Mar. 31, 2018: 36,826

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	13.00	-	19.00	32.00
Fiscal year ending Mar. 31, 2019	-	19.00	-		
Fiscal year ending Mar. 31, 2019 (forecast)				19.00	38.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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
Full year	270,000	8.9	7,000	(4.4)	7,700	(3.0)	5,500	3.1	212.51

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

*** Notes**

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

Newly added: -

Excluded: -

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

Note: Please refer to “2. 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 Dec. 31, 2018:	25,882,200 shares	As of Mar. 31, 2018:	25,864,800 shares
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2) Number of treasury shares at the end of period

As of Dec. 31, 2018:	1,035 shares	As of Mar. 31, 2018:	961 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2018:	25,874,870 shares	Nine months ended Dec. 31, 2017:	25,829,877 shares
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* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* 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 ALCONIX's management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements” on page 5 of the attachments for assumptions for forecasts and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the current fiscal year, the U.S. economy continued to recover because of a favorable job market and strong personal income as well as the benefits of the recent tax reduction. In Europe, the outlook for the economy is becoming increasingly unclear as exports weaken and no resolution is in sight regarding Brexit negotiations. In China, the economy is slowing down due to the trade friction with the United States.

In Japan, the economy continued to recover gradually. Exports are slowly recovering, consumer spending is rebounding and capital expenditures continue to climb.

In the non-ferrous metals industry, where the ALCONIX Group operates, prices of non-ferrous metals were high as the fiscal year started but have subsequently declined because of U.S.-China trade friction and rising U.S. interest rates. But non-ferrous metal demand for automotive applications increased as automakers rapidly increase the use of electronic components and reduce the weight of vehicles. In the semiconductor industry, demand was heavily dependent on specific products like smartphones in the past few years. But now, data volume for 5G communications networks, IoT, AI and other applications is increasing. At the same time, as result of increasing use of electronics in cars, demand for semiconductors themselves is showing signs of expanding across the board. Consequently, business is expected to return to the normal growth track and move into a stable growth phase.

The performance of ALCONIX Group's manufacturing subsidiaries in Japan and overseas was strong, especially for products for semiconductor manufacturing and mounting equipment, automobiles, and plating materials. In the Trading segment, there was growth in the volume of aluminum, minor metals and other materials. Operating profit, ordinary profit and profit attributable to owners of parent were all lower than in the first nine months of the previous fiscal year. The main reasons were expenses associated with purchasing the stock of two manufacturing subsidiaries, and an addition to the allowance for doubtful accounts in association with overdue receivables involving minor metals transactions.

In the first nine months, ALCONIX reported consolidated net sales of 195,781 million yen (up 6.6% year on year), operating profit of 4,946 million yen (down 9.8%), ordinary profit of 5,039 million yen (down 14.8%) and profit attributable to owners of parent of 3,612 million yen (down 15.0%).

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

· Trading—Electronic and Advanced Materials

Demand for materials used in smartphones and tablets was generally steady, although there were inventory reductions for some materials. Demand for materials used in secondary batteries and in environmental applications was solid, too. Sales of titanium and nickel products remained steady for exports to Europe. The transaction volume of minor metals and rare earths was higher than one year earlier because of growth in demand for these materials used for electronic materials. There was a big decline in segment profit because of an addition to the allowance for doubtful accounts in association with overdue receivables involving minor metals transactions.

As a result, the segment recorded sales of 66,692 million yen (up 20.4% year on year) and segment profit of 634 million yen (down 46.3%).

· Trading—Aluminum and Copper Products

Although demand for non-ferrous metals remained firm as automakers increase the use of electronic components and reduce the weight of vehicles, there have been signs of weakness in the automobile and semiconductor industries because of the length of the U.S.-China trade friction. Most significant is the economic slowdown in China. In addition, this segment recorded an increase in the volume of aluminum and copper products used in air conditioning equipment along with the growth in shipments of this equipment. However, the shift of beverage containers from cans to PET bottles is reducing the transaction volume of aluminum. In the non-ferrous resources category, the transaction volume of aluminum used in automotive applications remained high. However, sales of copper scrap decreased because of a decline in the price of non-ferrous metals in the first nine months.

As a result, the segment recorded sales of 102,154 million yen (up 0.8% year on year) and segment profit of 883 million yen (down 1.4%).

· Manufacturing—Equipment and Materials

In the first nine months, shipments of plating materials were strong at operations in both North America and China and plating materials sales and earnings were higher than one year earlier. Shipments of welding rods and orders for thermal spraying were as steady as one year earlier with the automobile industry accounting for the majority of demand. In the non-destructive testing equipment and marketing device category, shipments to companies in the automobile industry in Japan and other countries were steady at all locations. But shipments of some equipment were carried over to the next quarter. In addition, a decrease in demand for replacement supplies in the steel industry brought down earnings in this sector. In this segment, there were expenses associated with the purchase of the stock of Tohoku Chemical Industries, Ltd. and Fuji Carbon Manufacturing Co. during the first nine months of the fiscal year.

As a result, the segment recorded sales of 15,802 million yen (up 10.2% year on year) and segment profit of 515 million yen (down 18.9%).

· Manufacturing—Metal Processing

Shipments of grinding processing parts for semiconductor chip mounting equipment remained firm because robust demand for mounting equipment continued. Orders for prototypes for automotive applications were higher than one year earlier. There was a small decline in earnings due to the start of depreciation at a factory completed in February 2018 and an increase in the cost of manufacturing, primarily the result of higher labor expenses and outsourcing expenses because of the large volume of work. Sales of precision machining processing parts were strong, mainly for parts used in aircraft and semiconductor manufacturing equipment. There was also growth in shipments of metal precision stamped parts as demand increased in Japan's automobile industry.

As a result, the segment recorded sales of 15,956 million yen (up 5.4% year on year) and segment profit of 3,040 million yen (down 5.1%).

(2) Explanation of Financial Position

1) Financial position

ALCONIX has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the current fiscal year. Prior-year figures have been adjusted retroactively to conform with this accounting standard in order to facilitate comparisons and analysis.

a. Current assets

At the end of the third quarter of the current fiscal year, current assets totaled 100,108 million yen, an increase of 5,079 million yen from the end of the previous fiscal year. The main factors were a 1,033 million yen increase in cash and deposits, a 148 million yen increase in notes and accounts receivable-trade, a 4,712 million yen increase in inventories, and a 717 million yen decrease in advance payments-trade.

b. Non-current assets

Non-current assets totaled 34,625 million yen, a decrease of 543 million yen. The main factors include an 836 million yen increase in property, plant and equipment, a 1 million yen increase in intangible assets including goodwill, and a 1,381 million yen decrease in investments and other assets.

c. Current liabilities

Current liabilities totaled 78,553 million yen, an increase of 6,160 million yen. The main factors include a 564 million yen decrease in notes and accounts payable-trade, an 8,000 million yen increase in short-term loans payable, and a 700 million yen increase in current portion of long-term loans payable.

d. Non-current liabilities

Non-current liabilities totaled 16,274 million yen, a decrease of 2,903 million yen. The main factors include a 2,738 million yen decrease in long-term loans payable.

e. Net assets

Net assets totaled 39,905 million yen, an increase of 1,279 million yen. The main factors include a 2,629 million yen increase in retained earnings, a 1,076 million yen decrease in valuation difference on available-for-sale securities, and a 245 million yen decrease in foreign currency translation adjustment.

2) Results of operations

a. Net sales

Net sales increase in the first nine months was mainly attributable to higher sales at manufacturing subsidiaries in Japan and other countries and higher sales of electronic and advanced materials in the Trading segment. In the Trading segment, there was growth in the transaction volume of minor metals and rare earths for electronic materials applications, nickel ingots, battery materials, recycled aluminum ingots and other non-ferrous materials. In the Manufacturing segment, there was growth in shipments of plating materials, precision machining processing parts, grinding processing parts and precision stamped parts.

As a result, net sales increased 6.6% year on year to 195,781 million yen in the first nine months of the current fiscal year.

b. Gross profit

Gross profit increased 5.2% to 14,750 million yen because of higher sales at manufacturing subsidiaries and higher sales of electronic and advanced materials in the Trading segment.

c. Selling, general and administrative expenses

Selling, general and administrative expenses increased 14.8% to 9,804 million yen. The main reasons were expenditures at ALCONIX and group companies for establishing a solid business foundation, expenses associated with the purchase of the stock of Tohoku Chemical Industries, Ltd. and Fuji Carbon Manufacturing Co., and expenses for an addition to the allowance for doubtful accounts in association with overdue receivables involving minor metals transactions.

d. Operating profit

Due to these changes, operating profit decreased 9.8% to 4,946 million yen.

e. Non-operating income, non-operating expenses

Major changes were an increase in dividend and interest income, a decrease in the share of profit of entities accounted for using the equity method because of the sale of stock of an equity-method affiliate, an increase in interest expenses and a foreign exchange loss resulting from the revaluation of foreign currency-denominated debt. As a result, there was a net non-operating income (non-operating income – non-operating expenses) of 92 million yen compared with net non-operating income of 432 million yen one year earlier.

f. Ordinary profit

Ordinary profit decreased 14.8% to 5,039 million yen.

g. Extraordinary income, extraordinary losses

There was an extraordinary income of 209 million yen mainly for subsidy income, and an extraordinary loss of 8 million yen mainly for a loss on sales of investment securities.

h. Profit attributable to owners of parent

ALCONIX recorded profit before income taxes of 5,240 million yen. From this amount, 1,551 million yen and 76 million yen were deducted for income taxes and profit attributable to non-controlling interests of ten consolidated subsidiaries, respectively. As a result, profit attributable to owners of parent decreased 15.0% to 3,612 million yen.

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

Giving consideration to results of operations in the first nine months and current market conditions for the ALCONIX Group, ALCONIX currently maintains the full-year consolidated earnings forecasts that we disclosed in the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 [Japanese GAAP]” on May 15, 2018. An announcement will be made promptly if the review of impact on the ALCONIX Group’s business performance requires a revision to these forecasts.

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

(Millions of yen)

	FY3/18 (As of Mar. 31, 2018)	Third quarter of FY3/19 (As of Dec. 31, 2018)
Assets		
Current assets		
Cash and deposits	18,698	19,732
Notes and accounts receivable-trade	47,495	47,643
Merchandise and finished goods	20,718	24,688
Work in process	2,222	2,496
Raw materials and supplies	1,128	1,599
Other	4,935	4,695
Allowance for doubtful accounts	(171)	(746)
Total current assets	95,028	100,108
Non-current assets		
Property, plant and equipment	14,811	15,648
Intangible assets		
Goodwill	3,478	3,727
Other	4,232	3,984
Total intangible assets	7,710	7,712
Investments and other assets	12,646	11,264
Total non-current assets	35,168	34,625
Total assets	130,197	134,733
Liabilities		
Current liabilities		
Notes and accounts payable-trade	33,922	33,357
Short-term loans payable	26,635	34,635
Current portion of long-term loans payable	4,442	5,143
Current portion of bonds	149	149
Income taxes payable	2,054	496
Provision for bonuses	947	687
Other	4,241	4,082
Total current liabilities	72,393	78,553
Non-current liabilities		
Bonds payable	675	525
Long-term loans payable	14,150	11,412
Provision for directors' retirement benefits	823	853
Net defined benefit liability	565	782
Long-term accounts payable-other	30	30
Other	2,932	2,670
Total non-current liabilities	19,178	16,274
Total liabilities	91,571	94,828

	(Millions of yen)	
	FY3/18 (As of Mar. 31, 2018)	Third quarter of FY3/19 (As of Dec. 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	2,956	2,968
Capital surplus	1,978	1,990
Retained earnings	27,698	30,328
Treasury shares	(0)	(0)
Total shareholders' equity	32,633	35,285
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,366	289
Deferred gains or losses on hedges	(31)	(19)
Foreign currency translation adjustment	2,858	2,612
Total accumulated other comprehensive income	4,193	2,882
Share acquisition rights	1	6
Non-controlling interests	1,797	1,730
Total net assets	38,626	39,905
Total liabilities and net assets	130,197	134,733

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

(Millions of yen)

	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)
Net sales	183,706	195,781
Cost of sales	169,680	181,030
Gross profit	14,025	14,750
Selling, general and administrative expenses	8,542	9,804
Operating profit	5,482	4,946
Non-operating income		
Interest income	50	107
Purchase discounts	10	13
Dividend income	255	288
Foreign exchange gains	8	-
Rent income of real estate	64	60
Share of profit of entities accounted for using equity method	298	152
Gain on sales of scraps	177	193
Other	96	138
Total non-operating income	962	953
Non-operating expenses		
Interest expenses	369	497
Sales discounts	7	7
Foreign exchange losses	-	226
Loss on sales of notes receivable-trade	16	21
Rent cost of real estate	14	12
Other	122	95
Total non-operating expenses	530	861
Ordinary profit	5,915	5,039
Extraordinary income		
Gain on sales of non-current assets	0	12
Gain on reversal of share acquisition rights	12	1
Gain on sales of investment securities	12	36
Subsidy income	3	3
Subsidy income	-	154
Other	1	1
Total extraordinary income	30	209
Extraordinary losses		
Loss on sales of non-current assets	4	0
Loss on retirement of non-current assets	7	2
Loss on sales of investment securities	-	5
Loss on valuation of investment securities	2	-
Loss on sales of membership	6	-
Other	0	-
Total extraordinary losses	20	8
Profit before income taxes	5,924	5,240
Income taxes	1,564	1,551
Profit	4,359	3,689
Profit attributable to non-controlling interests	109	76
Profit attributable to owners of parent	4,250	3,612

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

(Millions of yen)

	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)
Profit	4,359	3,689
Other comprehensive income		
Valuation difference on available-for-sale securities	483	(1,146)
Deferred gains or losses on hedges	(73)	13
Foreign currency translation adjustment	(164)	(212)
Share of other comprehensive income of entities accounted for using equity method	49	(58)
Total other comprehensive income	295	(1,403)
Comprehensive income	4,655	2,285
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,538	2,302
Comprehensive income attributable to non-controlling interests	117	(16)

(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.

Additional Information

ALCONIX has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the current fiscal year. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the investments and other assets section and the non-current liabilities section, respectively.

Segment and Other Information

Segment information

I. First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 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	53,538	100,982	14,251	14,933	183,706
Inter-segment sales and transfers	1,852	374	85	204	2,517
Total	55,390	101,357	14,337	15,138	186,223
Segment profit	1,181	896	635	3,203	5,916

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	5,916
Eliminations for inter-segment transactions	(1)
Ordinary profit on the quarterly consolidated statement of income	5,915

II. First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)

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	63,660	100,669	15,699	15,751	195,781
Inter-segment sales and transfers	3,031	1,484	103	205	4,824
Total	66,692	102,154	15,802	15,956	200,605
Segment profit	634	883	515	3,040	5,074

2. Information related to assets for each reportable segment

In the third quarter of FY3/19, newly established ALCONIX TOHOKU CHEMICAL INDUSTRIES CORPORATION acquired the stock of TOHOKU CHEMICAL INDUSTRIES, LTD. TOHOKU CHEMICAL INDUSTRIES and its subsidiary TOHOKU CHEMICAL INDUSTRIES (VIETNAM), LTD. were included in the scope of consolidation. Accordingly, segment assets in the “Equipment and materials” business increased by 3,168 million yen at the end of the third quarter of FY3/19, compared with the end of FY3/18.

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	5,074
Eliminations for inter-segment transactions	(35)
Ordinary profit on the quarterly consolidated statement of income	5,039

4. Information related to impairment of non-current assets or goodwill for each reportable segment

Significant change in goodwill

In the third quarter of FY3/19, newly established ALCONIX TOHOKU CHEMICAL INDUSTRIES CORPORATION acquired the stock of TOHOKU CHEMICAL INDUSTRIES, LTD. TOHOKU CHEMICAL INDUSTRIES and its subsidiary TOHOKU CHEMICAL INDUSTRIES (VIETNAM), LTD. were included in the scope of consolidation. Accordingly, goodwill in the “Equipment and materials” business increased by 542 million yen.

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.