

Become an integrated non-ferrous metals company
that combines trading and manufacturing capabilities

ALCONIX CORPORATION

(Listed on TSE First Section, Code 3036)

Financial Results Materials Fiscal Year Ended March 31, 2017

May 2017



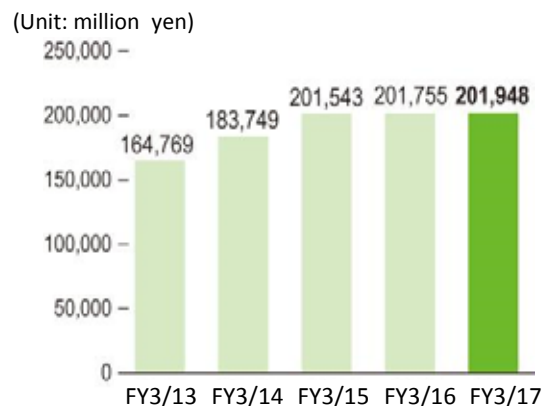


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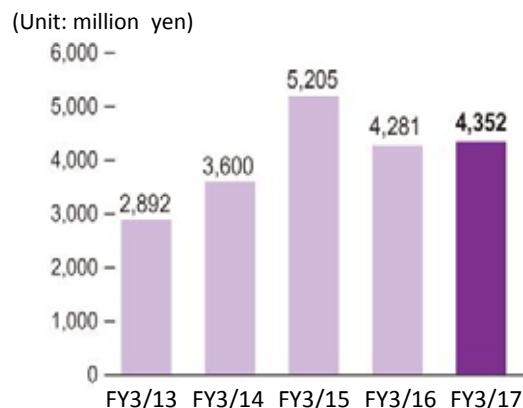
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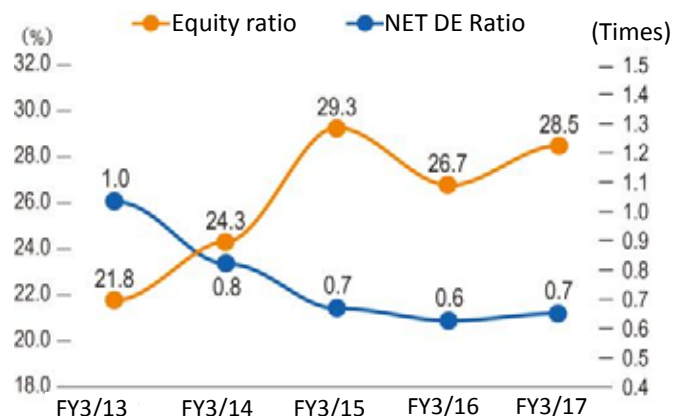
Consolidated Sales



Consolidated Ordinary Profit



Major Consolidated Financial Indicators



Operations: Sales **up**, operating profit **up**, ordinary profit **up**, profit attributable to owners of parent **down**

- The Group's domestic and overseas manufacturing subsidiaries and equity-method affiliates contributed to consolidated sales and earnings.
- Although there was an improvement in operating environment for the Trading segment due to a recovery in non-ferrous metal prices and the weaker yen, there was no recovery in the transaction volume of minor metals and rare earths.
- There were a gain on sales of investment securities and a reduction in tax expenses. Profit attributable to owners of parent declined sharply because of a gain on bargain purchase of ¥1,975 million recorded in FY3/16 in association with the acquisition of HEIWA KINZOKU (Trading –Aluminum and Copper Products). (Note: Earnings increased after excluding the prior year's gain on bargain purchase.)

Financial position: Equity ratio **28.5%**; Net debt equity ratio **0.7x**

- The equity ratio increased 1.8 point from the end of FY3/16 mainly due to repayments of loans and increase in net assets
- The net debt/equity ratio remained below 1.0x mainly because of a decrease in interest-bearing debt.

Topics (April 2016-March 2017)

1Q Revisions to reportable segments (from FY3/17)

Previous segments

- Light metals and copper products
- Electronic and advanced materials
- Non-ferrous materials
- Construction and industrial materials



New segments

Trading	Electronic and advanced materials Aluminum and copper products
Manufacturing	Equipment and materials Metal processing

2Q Revisions to the Consolidated Earnings Forecasts

(Announced on October 25, 2016)

(Unit: million yen)	Full-year forecasts (initial)	Full-year forecasts (revised)	Full-year results
Net sales	220,000	190,000	201,948
Operating profit	4,250	3,600	4,168
Ordinary profit	4,400	3,900	4,352
Profit attributable to owners of parent	3,100	3,000	3,083
EPS (yen)	240.67	232.80	239.31

Dividend forecasts (unchanged)

Annual dividend forecast: **44 yen per share**
(Interim 22 yen; Year-end 22 yen)

3Q Acquisition of FUJI PRESS Corporation Stock

Company name: FUJI PRESS Corporation

(<http://www.fuji-press.co.jp>)

Representative: Masatoshi Ando

Location: Obu, Aichi (headquarters and plants)
Kitakyushu, Fukuoka (plant)
Overseas (joint ventures in China and Mexico)

Business: Manufacture and sales of stamping parts and dies for the automobile

Capital: 52 million yen

Recent results: Net sales 7,423 million yen
Total assets 7,630 million yen
Net assets 3,794 million yen
*Figures as of March 2016

*Acquisition completed on April 5, 2017

*Because the acquisition closed in April 2017, FUJI PRESS sales and earnings are included in the consolidated financial statements starting with the fiscal year ending in March 2018



Head office



Oil pressure solenoids made by FUJI PRESS

Business Performance: FY3/17 Financial Results

- Sales were higher because of the effect of M&As, and contributions from manufacturing subsidiaries and equity-method affiliates in Japan and overseas. In addition, there was a recovery in the Trading segment, especially in the volume of aluminum and copper products due to a recovery of market prices.

Operating and ordinary profits increased due to the effect of higher sales in the second half. However, profit attributable to owners of parent declined sharply because of a gain on bargain purchase that was recorded in FY3/16.

	FY3/16	FY3/17		Change
			% to sales	
				(Unit: million yen)
Net sales	201,755	201,948		0.1%
Gross profit	12,181	14,476	7.2%	18.8%
SG&A expenses	8,388	10,307	5.1%	22.9%
Operating profit	3,792	4,168	2.1%	9.9%
Ordinary profit	4,281	4,352	2.2%	1.7%
Profit attributable to owners of parent	4,977	3,083	1.5%	-38.1%
Comprehensive income	4,103	3,366	-	-
				(Unit: yen)
Net income per share	387.09	239.31	-	-

Sales: Contributions from newly consolidated subsidiaries and manufacturing subsidiaries

[Net increase]

Non-destructive testing equipment at MARKTEC

[Increase]

Materials used in highly-functional electronic components for smartphones

Aluminum alloy sheets used in automobiles

Prototype items for automotive applications

Can materials

Welding rods and thermal spraying

[Decrease]

Minor metals and rare earths

Recycled aluminum ingot

Metal silicon

Copper products

Profits:

Contribution from sales growth but profit attributable to owners of parent down due to bargain purchase gain in prior year

[Gross profit and operating profit]

Newly consolidated subsidiaries and manufacturing subsidiaries raised gross profit.

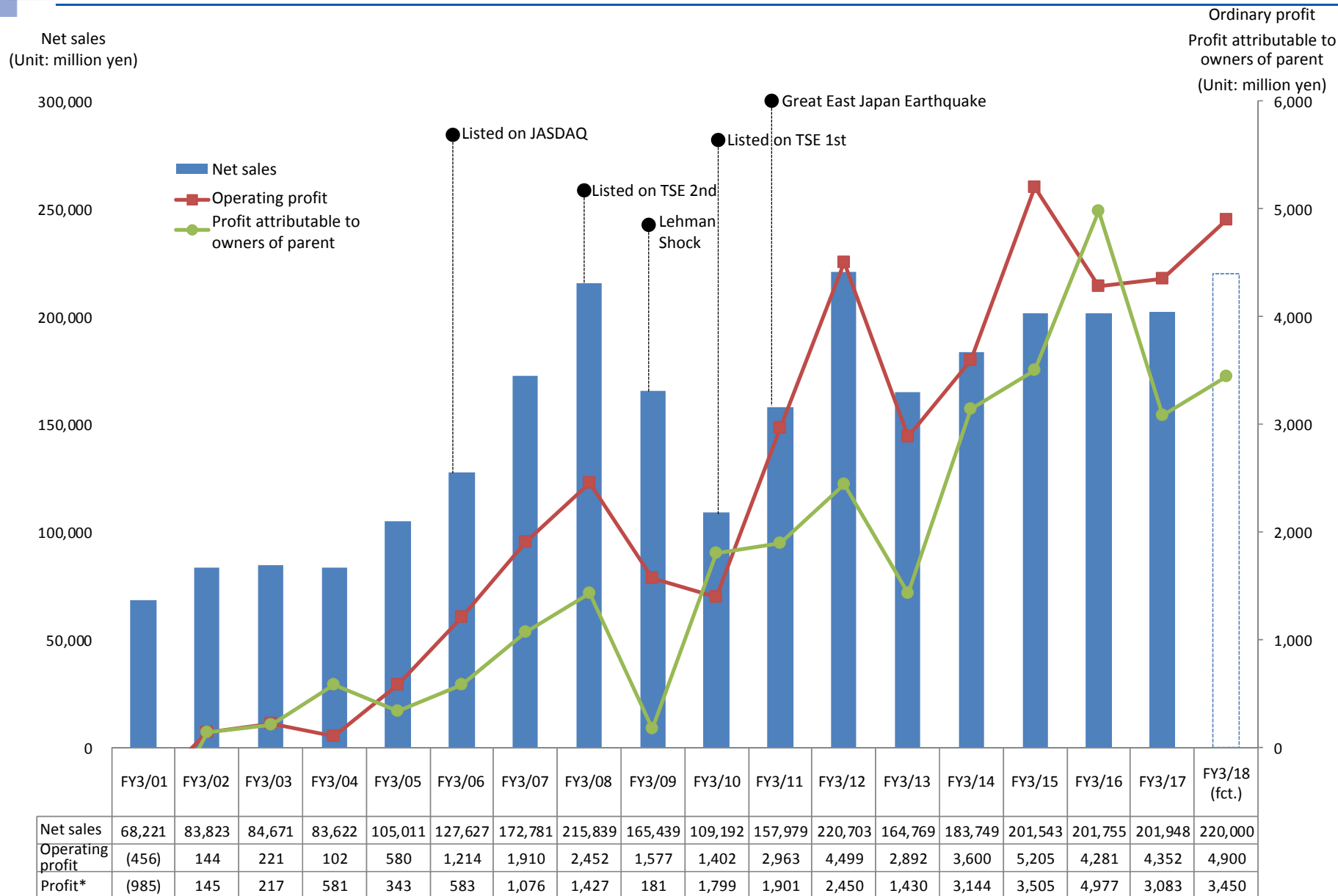
Operating profit also rose to offset the rise in SG&A expenses.

[Ordinary profit and profit attributable to owners of parent]

Ordinary profit increased due to higher sales and the share of profit of entities accounted for using equity method. Big drop in profit attributable to owners of parent due to inclusion of ¥1,975 million bargain purchase gain in prior year.

Performance trend (consolidated income statements)

Financial results



* Profit attributable to owners of parent

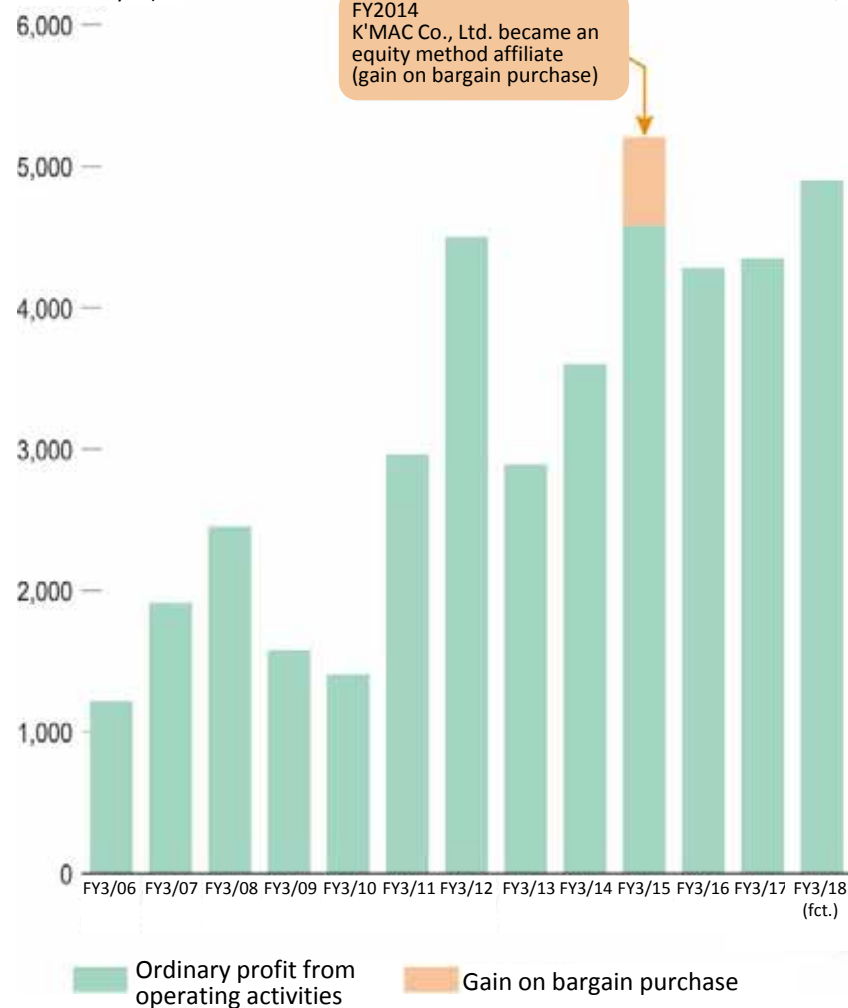
Consolidated earnings from operating activities

(Business earnings)

Financial results

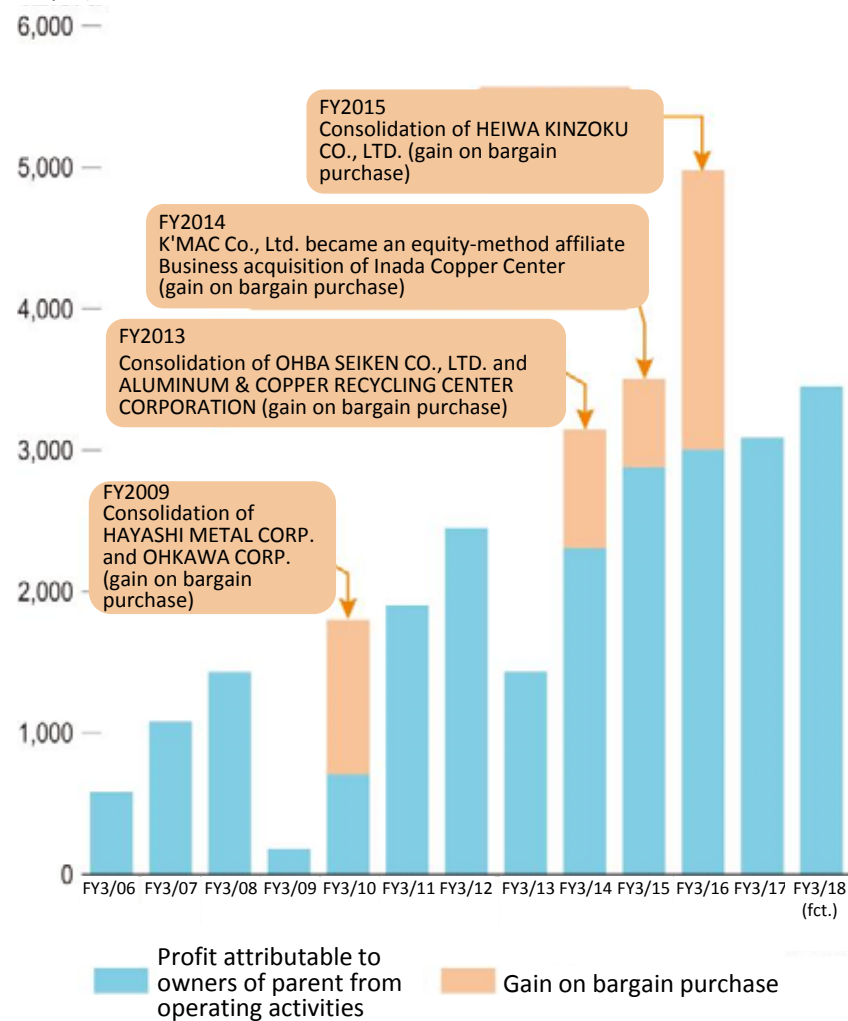
Ordinary Profit

(Unit: million yen)



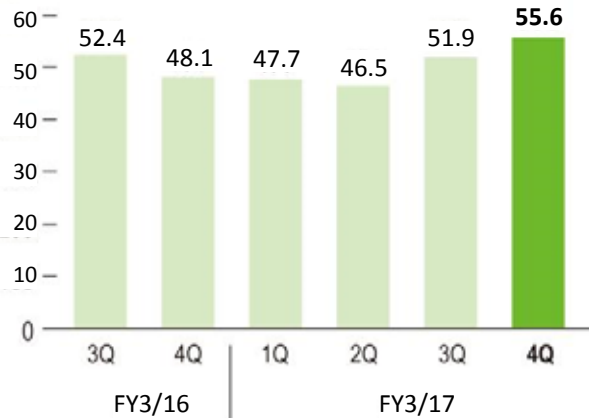
Profit Attributable to Owners of Parent

(Unit: million yen)



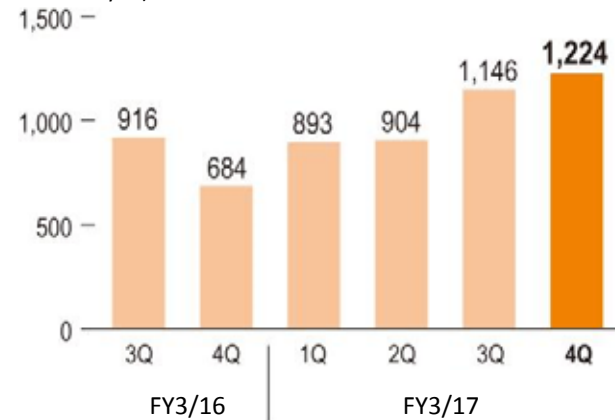
Net Sales

(Unit: billion yen)



Operating Profit

(Unit: million yen)

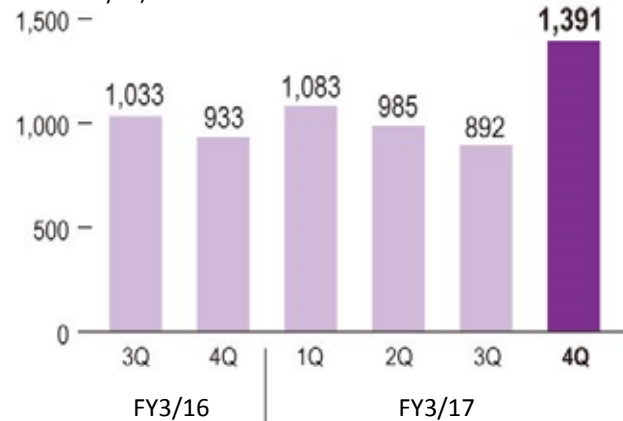


Sales

4Q sales higher than in previous five quarters as the transaction volume of aluminum and copper products recovered due to a rebound in non-ferrous metal prices and the weaker yen in the second half (first time over ¥55 billion since FY3/12).

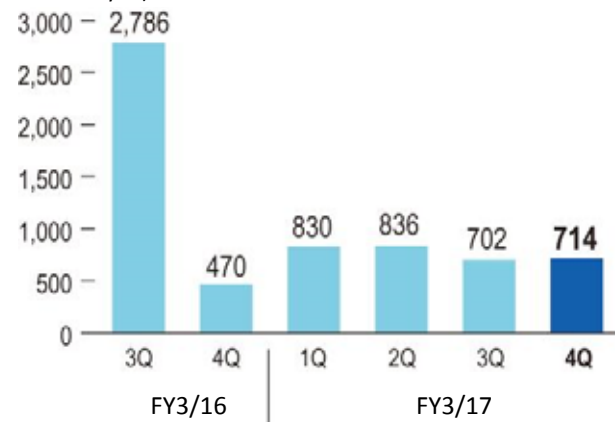
Ordinary Profit

(Unit: million yen)



Profit Attributable to Owners of Parent

(Unit: million yen)



Profits

Operating and ordinary profits increased due to higher sales of copper and aluminum and other commodities, and contributions from manufacturing subsidiaries. As a result, 4Q profit attributable to owners of parent increased slightly over the 3Q and was higher than one year earlier.

Profit attributable to owners of parent for the 3Q of FY3/16 was high because it included a gain on bargain purchase of ¥1,975 million in association with the acquisition of HEIWA KINZOKU.

Operating segment information (net sales/segment profit)

Financial results

Trading segment: Lower sales and earnings (higher earnings in the aluminum and copper category)

Manufacturing segment: Higher sales and earnings

- Trading—Electronic and Advanced Materials
Strong growth in materials used in highly-functional electronic component for smartphones and tablets. Earnings of minor metals and rare earths declined because of the falling prices and weak demand.
- Trading—Aluminum and Copper Products
Sales of aluminum rolled products and other non-ferrous metal materials for automobiles increased. Also, earnings from recycled aluminum ingots, copper scrap and other non-ferrous resources have been climbing because of a recovery in the non-ferrous market prices in the second half.
- Manufacturing—Equipment and Materials
Higher earnings backed by steady shipments at UNIVERTICAL in China, where new manufacturing line started operating in 2016, and the earnings of newly consolidated subsidiary TOKAI YOGYO. Also, MARKTEC's overseas performance, which had been weak especially in China and South Korea, started recovering in the fiscal year's second half.
- Manufacturing—Metal Processing
Shipments at OHBA SEIKEN, which specializes in head parts for chip mounters, remained at a consistently high level. OHKAWA achieved a high level of shipments of parts for semiconductor manufacturing equipment and organic EI manufacturing equipment, but earnings declined because they came under pressure due to measures to respond to small lot production and short lead times to delivery. Share of profit of entities accounted for using equity method increased.

(Unit: million yen)

		FY3/16		FY3/17				
			Comp.		Comp.	Change (amount)	Change (%)	
Net Sales	Trading	Electronic and advanced materials	57,244	28.4%	56,510	28.0%	-733	-1.3%
		Aluminum and copper products	122,716	60.8%	119,699	59.3%	-3,016	-2.5%
		Trading total	179,961	89.2%	176,210	87.3%	-3,750	-2.1%
	Manufacturing	Equipment and materials	13,048	6.5%	16,655	8.2%	3,607	27.6%
		Metal processing	8,746	4.3%	9,082	4.5%	336	3.8%
		Manufacturing total	21,794	10.8%	25,738	12.7%	3,943	18.1%
Total		201,755		201,948		192	0.1%	
Segment Profit	Trading	Electronic and advanced materials	1,646	38.5%	1,161	26.7%	-484	-29.5%
		Aluminum and copper products	609	14.2%	888	20.4%	278	45.7%
		Trading total	2,255	52.7%	2,049	47.1%	-206	-9.1%
	Manufacturing	Equipment and materials	-101	-2.3%	216	4.9%	317	-
		Metal processing	2,065	48.2%	2,096	48.2%	30	1.5%
		Manufacturing total	1,964	45.9%	2,312	53.1%	348	17.7%
Total		4,281		4,352		71	1.7%	

Note 1. Segment profits are based on ordinary profit

Note 2. Elimination or corporate for segment profit: -9 in FY3/17, 61 in FY3/16

Electronic and advanced materials (ALCONIX, AMJ, overseas subsidiaries)

(Unit: million yen)

	FY3/17	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net Sales	56,510	-733	-1.3%	28.0%
Segment Profit	1,161	-484	-29.5%	26.7%
Segment Profit to Net Sales	2.1%	-0.8%		

Sales of major products (YoY change)

Materials used in highly-functional electronic components for smartphones: Increase

Titanium and nickel products: Decrease

Battery materials (nickel powder, etc.): Decrease

Minor metals: Decrease

Rare earths (neodymium, etc.): Decrease

[Electronic materials and advanced materials]

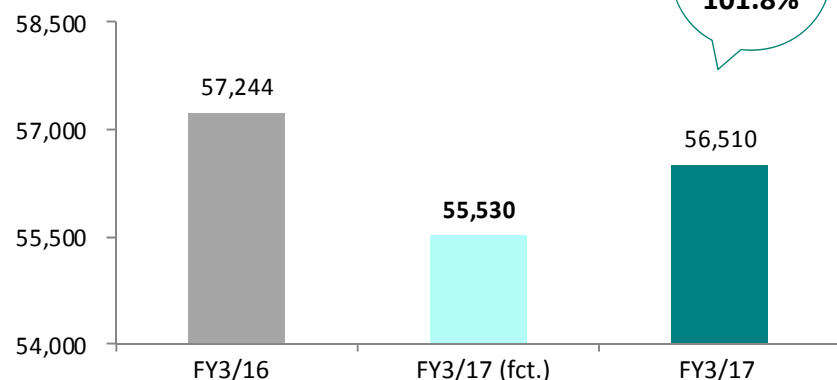
- For **materials used in smartphones and tablets**, exports of materials used in highly-functional electronic components increased with higher demand in order to further improve communication capabilities.
- Exports of **titanium and nickel products** were sluggish because there was weak growth in demand and movements in exchange rates were unfavorable.
- Transaction volumes of **environment-related materials, solar cell materials and secondary battery materials** decreased due to sluggish demands both in Japan and overseas.

[Minor metals and rare earths]

- Transaction volumes of minor metals and rare earths declined due to weakening of the Chinese economy and the effect of sluggish prices, while there was an increase in the transaction volume in **tungsten and some categories such as magnetic materials for auto equipment**.

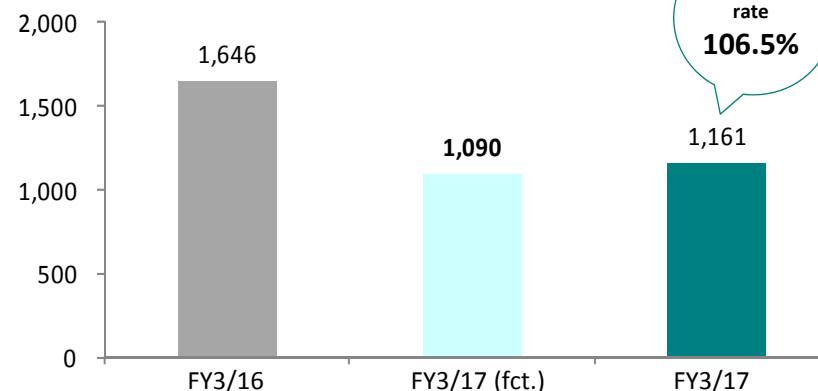
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Aluminum and copper products

(ALCONIX, HEIWA KINZOKU, domestic sales subsidiaries, overseas subsidiaries)

Financial results

(Unit: million yen)

	FY3/17	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net Sales	119,699	-3,016	-2.5%	59.3%
Segment Profit	888	278	45.7%	20.4%
Segment Profit to Net Sales	0.7%	0.2%		

Sales of major products (YoY change)

Non-ferrous metal materials for automotive applications:	Increase
Recycled aluminum ingots:	Decrease
Aluminum and copper scrap:	Decrease
Aluminum rolled products (for automotive applications):	Increase
Can materials:	Increase
Metal silicon:	Decrease

[Products]

The transaction volume of **non-ferrous metals** and rolled products for automobiles increased due to higher demand. The transaction volume of other aluminum and copper products was slightly low as the correction phase in the Chinese economy continued.

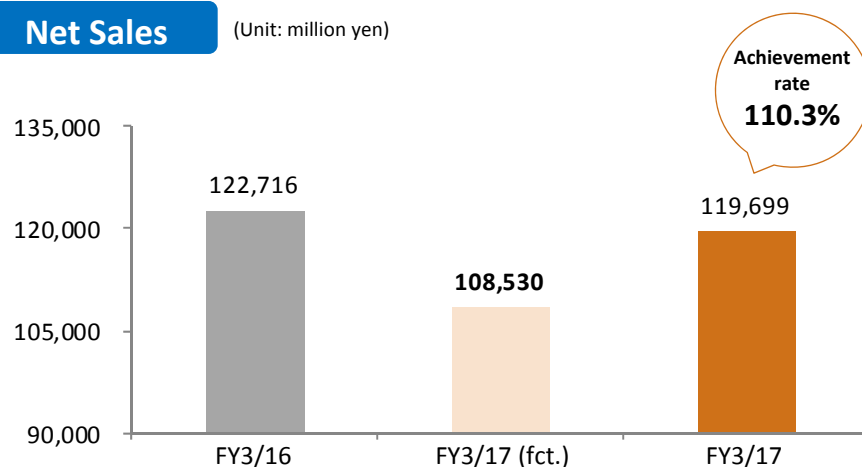
- Shipments of copper tubes, copper plates, etc. at domestic sales subsidiaries **ALCONIX SANSHIN, HAYASHI METAL and ALCONIX·MITAKA** fell mainly in the first half because of a decline in domestic demand.
- **HEIWA KINZOKU**, which was consolidated in FY3/16, made its first full contribution to results, mainly to sales of copper products for air conditioners and can materials.

[Resources]

- The transaction volume of **recycled aluminum ingots, and aluminum and copper scrap** recovered due to the recovery of non-ferrous market prices in the second half.
- The transaction volume of **metal silicon, rolling magnesium ingots, zinc alloys and other materials** also started recovering, but the volume for FY3/17 was down because of the first half decline.

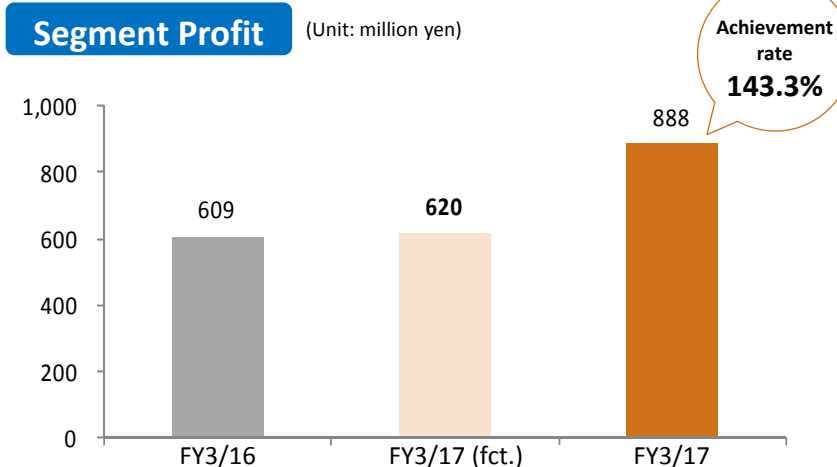
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Equipment and materials (UNIVERTICAL (UHI), MARKTEC (MT), TOKAI YOGYO)

(Unit: million yen)

	FY3/17	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net Sales	16,655	3,607	27.6%	8.2%
Segment Profit	216	317	-	4.9%
Segment Profit to Net Sales	1.3%	-		

Sales of major products (YoY change)

- Plating materials (copper anode, nickel sulfate, etc.):
Decrease (UHI: Higher sales volume /Lower sales amount)
- Metal mold building-up welding rods:
Net increase (TOKAI YOGYO: Consolidated in FY3/16 2Q)
- Thermal spraying:
Net increase (TOKAI YOGYO: Consolidated in FY3/16 2Q)
- Non-destructive testing equipment and detection materials:
Net increase (MT: Consolidated in FY3/17)
- Marking devices and consumables including paints:
Net increase (MT: Consolidated in FY3/17)

UNIVERTICAL (UHI)

Shipments sharply increased in China, where a chemical product manufacturing line was expanded in April 2016. There was an ordinary profit, after the amortization of goodwill, compared with a loss in the previous fiscal year.

● TOKAI YOGYO

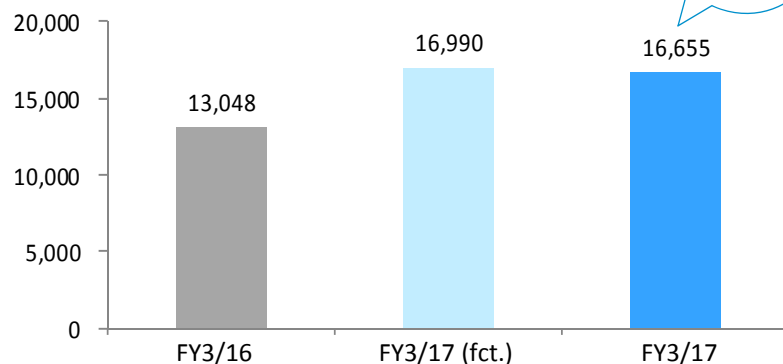
TOKAI YOGYO was profitable because of steady shipments for welding rods to repair metal molds and consistent orders for welding work.

MARKTEC (MT)

Shipments of flaw detectors in Japan to companies in the automobile and steel industries were steady. A recovery at subsidiaries in China and South Korea, where performance was weak, started late in the fiscal year.

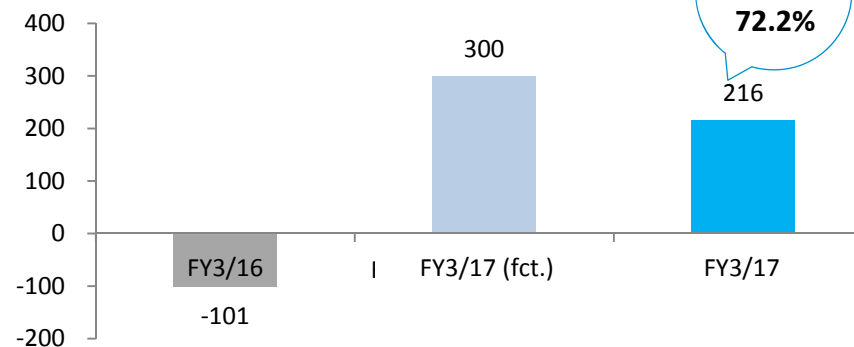
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Metal processing

(OHKAWA, OHBA SEIKEN, three equity-method affiliates)

(Unit: million yen)

	FY3/17	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net Sales	9,082	336	3.8%	4.5%
Segment Profit	2,096	30	1.5%	48.2%
Segment Profit to Net Sales	23.1%	-0.5%		

Sales of major products (YoY change)

Machining processing parts (Use for semiconductor manufacturing equipment and organic EI manufacturing equipment, etc.): Increase
 Grinding processing parts (chip mounters): Same level
 Grinding processing parts (prototype items for automotive applications, industrial machineries, etc.): Increase

●OHBA SEIKEN

Shipments of parts for chip mounters remained at a consistently high level, and orders for prototype and development items for automotive applications also grew strongly.

●OHKAWA

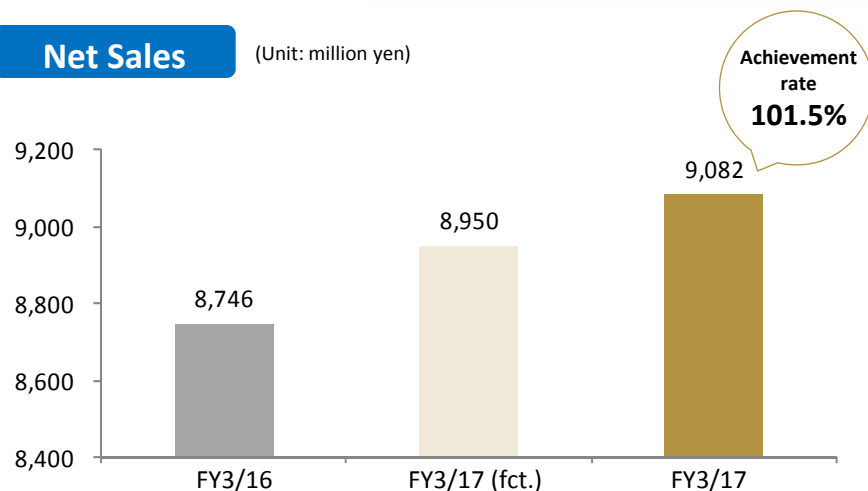
Continued to achieved a high level of shipments, mainly in precision machining processing parts for semiconductor manufacturing equipment and organic EI manufacturing equipment. However, earnings declined because they came under pressure due to measures to respond to small lot production and short lead times to delivery.

●Equity-method affiliates (K'MAC, Shanghai Longyang Copper Tube Trading, Guandon Chuangfu Metal Product)

Share of profit of entities accounted for using equity method increased because of solid performances by K'MAC (manufacture of automotive parts and homebuilding materials in Japan) and Shanghai Longyang Copper Tube Trading (sale of precision composite copper tubes for freezers in China).

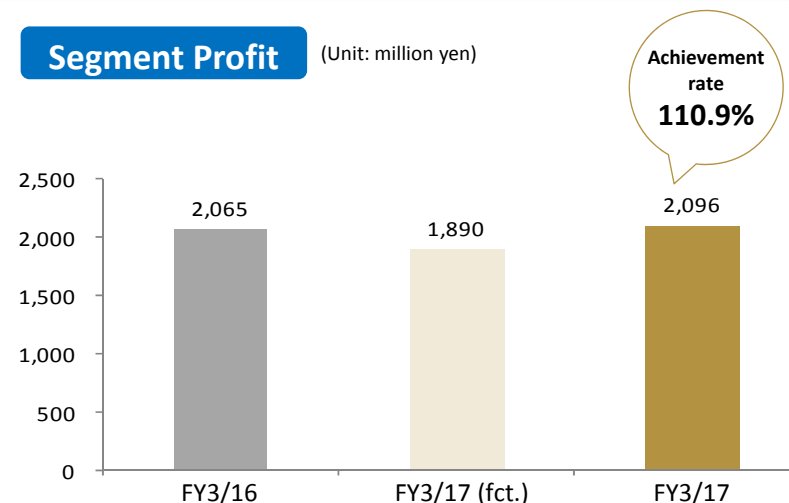
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Consolidated balance sheets (FY3/17)

Financial results

(Unit: million yen)

Assets	FY3/16	FY3/17	Change	Liabilities and Net Assets	FY3/16	FY3/17	Change
Current Assets, Total	80,581	82,323	1,741	Current Liabilities, Total	68,582	63,020	-5,562
Cash and deposits	19,935	16,885	-3,049	Operating Debt	32,543	32,728	184
Operating Receivables	41,307	42,821	1,513	Short-term Loans Payable	31,452	26,383	-5,068
Inventories	16,576	19,444	2,867	(including current portion of long-term loans payable/bonds payable)			
Non-current Assets, Total	30,988	31,324	335	Non-current Liabilities, Total	11,664	16,508	4,844
Property, Plant and Equipment	10,561	10,601	40	Bonds Payable	200	825	625
Intangible Assets	9,647	8,391	-1,255	Long-term Loans Payable	6,959	10,883	3,924
Investment and Other Assets	10,780	12,331	1,551	Liabilities, Total	80,246	79,528	-718
				Shareholders' Equity	25,260	27,853	2,592
				Retained earnings	20,417	22,981	2,563
				Accumulated Other Comprehensive Income	4,498	4,525	27
				Shareholders' Equity	29,758	32,378	2,620
				Net Assets, Total	31,323	34,119	2,795
Assets, Total	111,570	113,647	2,077	Liabilities and Net Assets Total	111,570	113,647	2,077

*Change: Numbers may not tally exactly due to rounding

Assets (major components)

Current assets

- Cash and deposits (decrease: See cash flows on p16)
- Notes and accounts receivable-trade (increase)
- Inventories (increase)

Non-current assets

- Intangible assets (decrease: amortization of goodwill, etc.)
- Investment and other assets (increase: market value evaluation of listed stock)

Liabilities and Net Assets (major components)

Current liabilities

- Notes and accounts payable-trade (increase)
- Short-term loans payable (decrease: repayments, etc.)

Non-current liabilities

- Bonds payable and long-term loans payable (increase: shifting from short-term)

Net assets

- Retained earnings (increase: profit attributable to owners of parent – dividends paid)
- Valuation difference on available-for-sale securities (increase: market value evaluation)
- Foreign currency translation adjustment (decrease: yen appreciation)

Consolidated cash flows (FY3/17)

Financial results

(Unit: million yen)

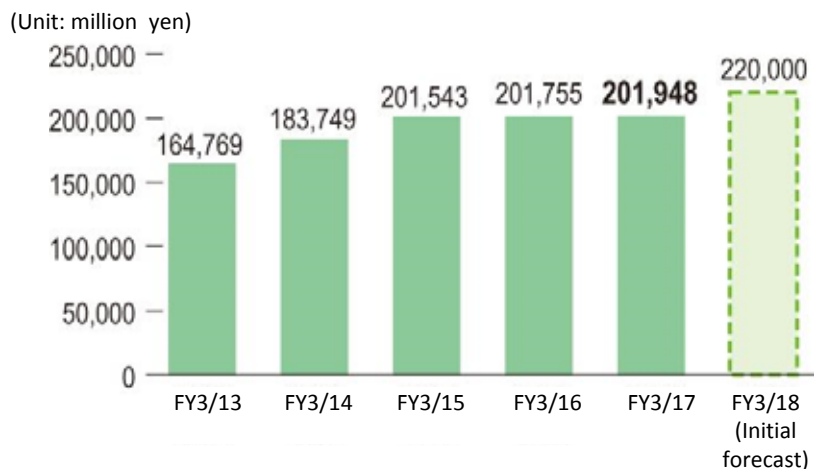
	FY3/17	Major item	FY3/16
Operating Cash Flows	140		10,630
	4,446	Profit before income taxes	6,229
	2,123	Depreciation (including amortization of goodwill)	1,591
	-377	Share of profit of entities accounted for using equity method (K' MAC, Shanghai Longyang Copper Tube Trading, Guandon Chuangfu Metal Product)	-344
	-4,336	Working capital	6,556
		(Item)	
		Decrease (increase) in notes and accounts receivable-trade	FY3/17 FY3/16 -1,951 3,320
		Decrease (increase) in inventories	-2,900 5,153
		Increase (decrease) in note and accounts payable-trade	514 -1,917
	-1,453	Income taxes paid and refund	-2,040
	-261	Other	-1,362
Investing Cash Flows	-1,524		-5,188
	-1,813	Purchase of property, plant and equipment and intangible assets (capital expenditures at manufacturing subsidiaries)	-1,969
	-315	Purchase of investment securities	-9
	604	Other	-3,209
Financing Cash Flows	-1,019		2,112
	-6,254	Net decrease in short-term loans payable	6,316
	5,374	Net increase in long-term loans payable	-2,974
	900	Proceeds from issuance of bonds	-
	-400	Redemption of bonds	-600
	24	Issuance of common shares due to the exercise of subscription rights to shares	67
	-567	Cash dividends paid	-565
	-97	Other	-132
Effect of Exchange Rate Change on Cash and Cash Equivalents	-585		-294
Net Increase (Decrease) in Cash and Cash Equivalents	-2,989		7,259
Cash and Cash Equivalents at Beginning of Period	19,773		12,514
Cash and Cash Equivalents at End of Period	16,813		19,773
*Change: Numbers may not tally exactly due to rounding			
Free cash flow	-1,383		5,441

FY3/18 Earnings Forecasts

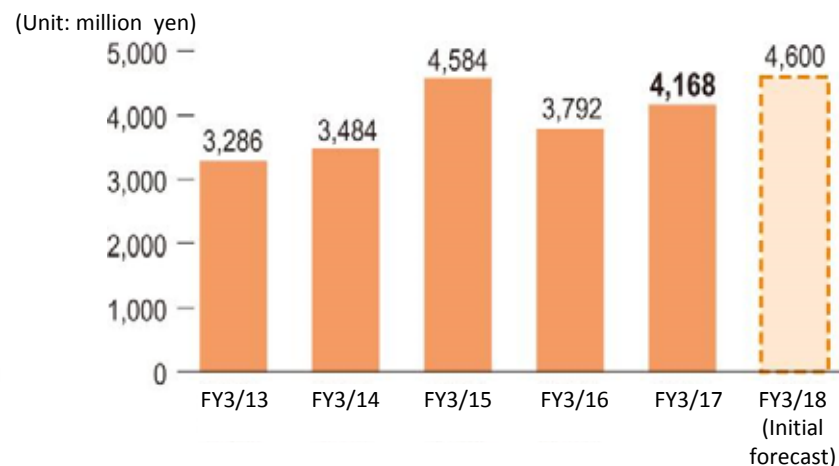
Trend in consolidated earnings

Earnings forecast

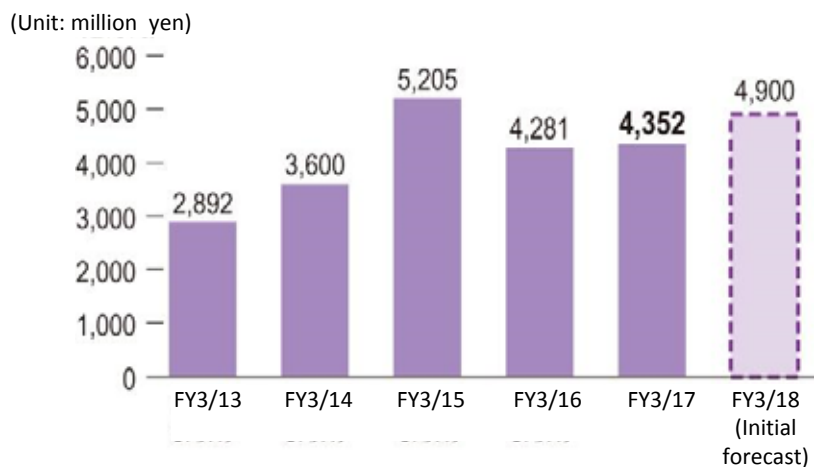
Net Sales



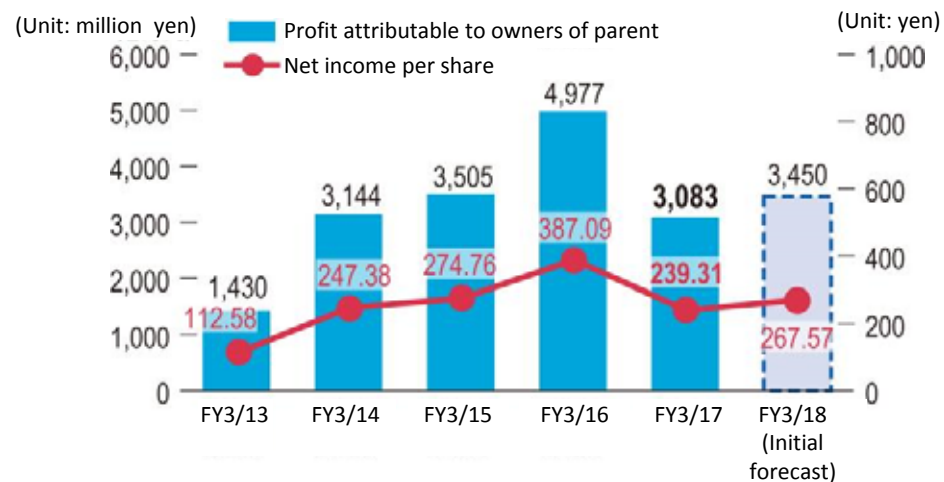
Operating Profit



Ordinary Profit



Profit Attributable to Owners of Parent



*Net income per share figures are adjusted to reflect the stock split on August 1, 2014.

Expect sales to increase because of a recovery in non-ferrous metal prices and the FUJI PRESS acquisition
Expect earnings to increase because of higher earnings at manufacturing subsidiaries and the FUJI PRESS acquisition

Forecast higher sales because of the weaker yen, a recovery in non-ferrous metal prices, mainly copper, the end of the downturn in minor metals and rare earths prices, and the first inclusion of FUJI PRESS sales. FUJI PRESS accounts for about half of the increase in SG&A expenses.

Forecast double-digit growth in ordinary profit because of the outlook for higher earnings at OHKAWA, UNIVERTICAL, MARKTEC and other manufacturing subsidiaries and the first inclusion of FUJI PRESS earnings.

(Unit: million yen)

	FY3/17		FY3/18		YoY change	
		% to sales	(Initial forecasts on May 15, 2017)	% to sales		%
Net sales	201,948		220,000		18,051	8.9%
Gross profit	14,476	7.2%	16,000	7.3%	1,523	10.5%
SG&A expenses	10,307	5.1%	11,400	5.2%	1,092	10.6%
Operating profit	4,168	2.1%	4,600	2.1%	431	10.4%
Ordinary profit	4,352	2.2%	4,900	2.2%	547	12.6%
Profit attributable to owners of parent	3,083	1.5%	3,450	1.6%	366	11.9%
Net income per share	239.31		267.57			

*Change: Numbers may not tally exactly due to rounding

Forecasts by segment (FY3/18)

Earnings forecast

Trading segment: Lower sales and earnings / Manufacturing segment: Higher sales and earnings (Manufacturing will be about 60% of total ordinary profit)

- Trading—Electronic and Advanced Materials
Orders for electronic materials used in smartphones are expected to increase centered on materials used in highly functional electronic components. Also expect an improvement in transaction volume of minor metals and rare earths as the oversupply problem diminishes and prices stop falling.
- Trading—Aluminum and Copper Products
Forecast firm demand for aluminum rolled products and copper products, mainly for automotive applications but lower earnings caused mainly by higher SG&A expenses at group companies.
- Manufacturing—Equipment and Materials
Expect UNIVERTICAL to make a contribution due to capital expenditures in China and stable prices of materials; forecast an improvement at MARKTEC linked to a recovery in the steel industry, a major source of orders that has been sluggish.
- Manufacturing—Metal Processing
FUJI PRESS, acquired in April 2017, will contribute to sales and earnings. Earnings are expected to improve at OHKAWA, and at OHBA SEIKEN, volume of shipments of parts for chip mounters and prototype parts for automotive are expected to remain high.

(Unit: million yen)

		FY3/17		FY3/18		Change		
			Comp.		Comp.		Comp.	
Net Sales	Trading	Electronic and advanced materials	56,510	28.0%	63,000	28.6%	6,489	11.5%
		Aluminum and copper products	119,699	59.3%	122,000	55.5%	2,300	1.9%
		Trading total	176,210	87.3%	185,000	84.1%	8,789	5.0%
	Manufacturing	Equipment and materials	16,655	8.2%	19,000	8.7%	2,344	14.1%
		Metal processing	9,082	4.5%	16,000	7.2%	6,917	76.2%
		Manufacturing total	25,738	12.7%	35,000	15.9%	9,261	36.0%
Total		201,948		220,000		18,051	8.9%	
Segment Profit	Trading	Electronic and advanced materials	1,161	26.7%	1,170	23.9%	8	0.8%
		Aluminum and copper products	888	20.4%	800	16.3%	-88	-9.9%
		Trading total	2,049	47.1%	1,970	40.2%	-79	-3.9%
	Manufacturing	Equipment and materials	216	4.9%	500	10.2%	283	131.0%
		Metal processing	2,096	48.2%	2,430	49.6%	333	15.9%
		Manufacturing total	2,312	53.1%	2,930	59.8%	617	26.7%
Total		4,352		4,900		547	12.6%	

Medium-term Business Plan

for the Three-year Period from FY3/18 to FY3/20

Our three-year business plan is a "rolling-style" business plan updated once a year to adapt to changes in the business environment and promote speedier decision-making.

The ALCONIX Group Vision

Become an integrated non-ferrous metals company that combines trading and manufacturing capabilities

Management Policies

- **M&A/new business investments** ➡ Continue to grow through expansion and new trade channels
- **Electronic and advanced materials** ➡ More growth in Japan's leading industrial sectors
- **Aluminum and copper** ➡ Expand trading volume for aluminum and copper, the ALCONIX Group's core business
- **Recycling business** ➡ Bolster activities for environmental protection
- **Overseas growth/Local and trilateral transactions** ➡ Further enlarge the overseas network

Five Action Plans

Strengthen operating revenue

Synergies between Trading and Manufacturing
Electronic materials business
Overseas business

Promote investment activities

M&A mainly involving manufacturing
Business investments
Capital expenditures

Reinforce the financial backbone

Increase the equity ratio
Maintain sufficient liquidity and
lower the cost of capital

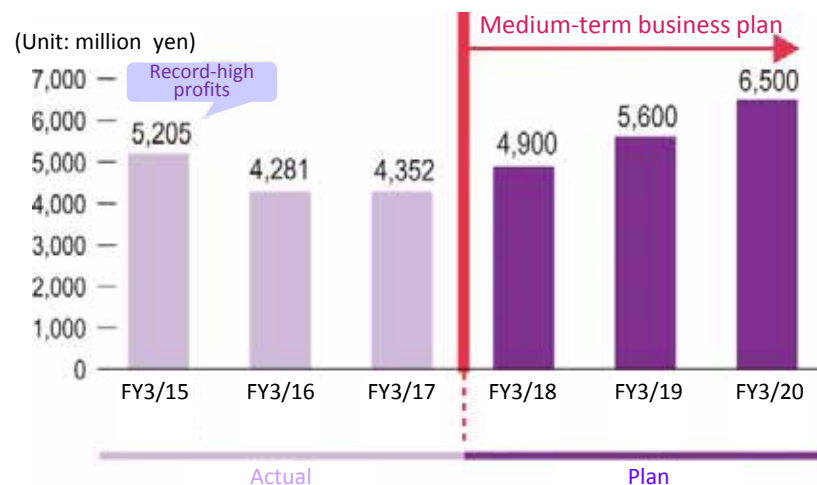
Upgrade the skills of employees

Attract, train and retain skilled
people

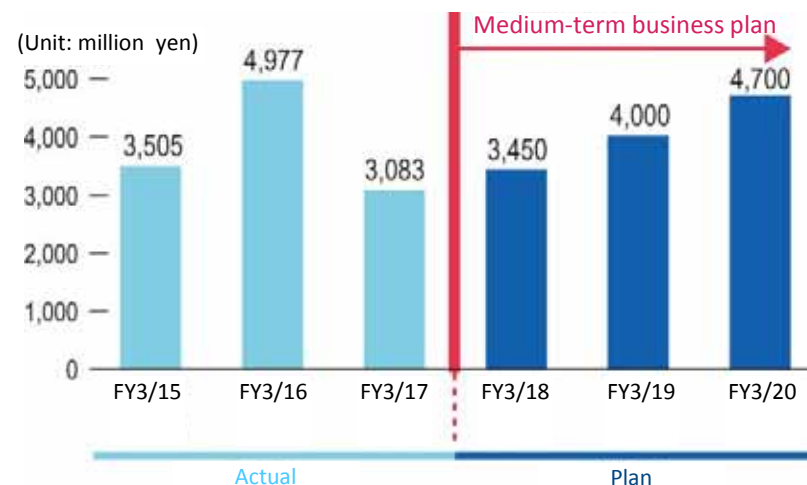
Strengthen corporate infrastructure and internal governance

Profit targets

Consolidated ordinary profit: Over ¥6.5 billion (FY3/20)

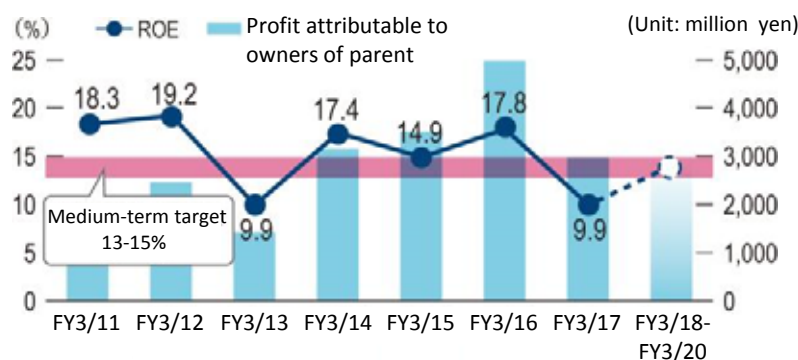


Profit attributable to owners of parent: Over ¥4.7 billion (FY3/20)

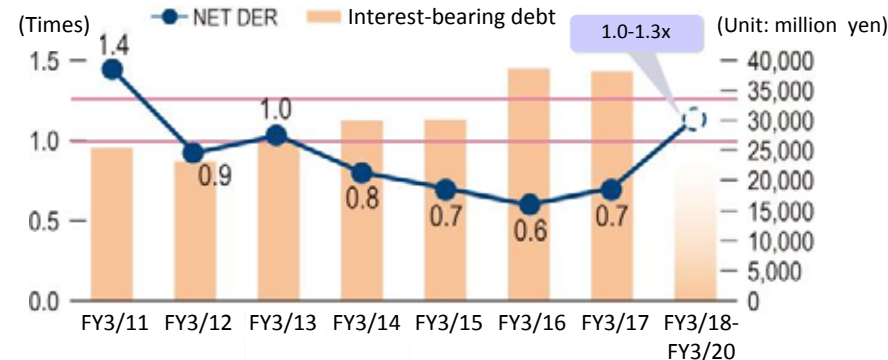


Management benchmarks

ROE: Around 13-15% (FY3/20)



NET DER: Around 1.0-1.3x (FY3/20)



Investment plans

¥25 billion over three years

Target: M&As; business investments;
net increase in capital expenditure (capital expenditure – amount written off)

For more details, please see page 28
"Investment activities"

Strengthen operating revenue 1

Action plan/Medium-term business plan

Generate the greatest possible synergies between Trading and Manufacturing

From point to surface

Build a seamless organization by using “face-to-face” relationships among consolidated subsidiaries and with ALCONIX. Aim for dramatic growth in profitability by creating synergies between Trading and Manufacturing.



Strengthen operating revenue 2

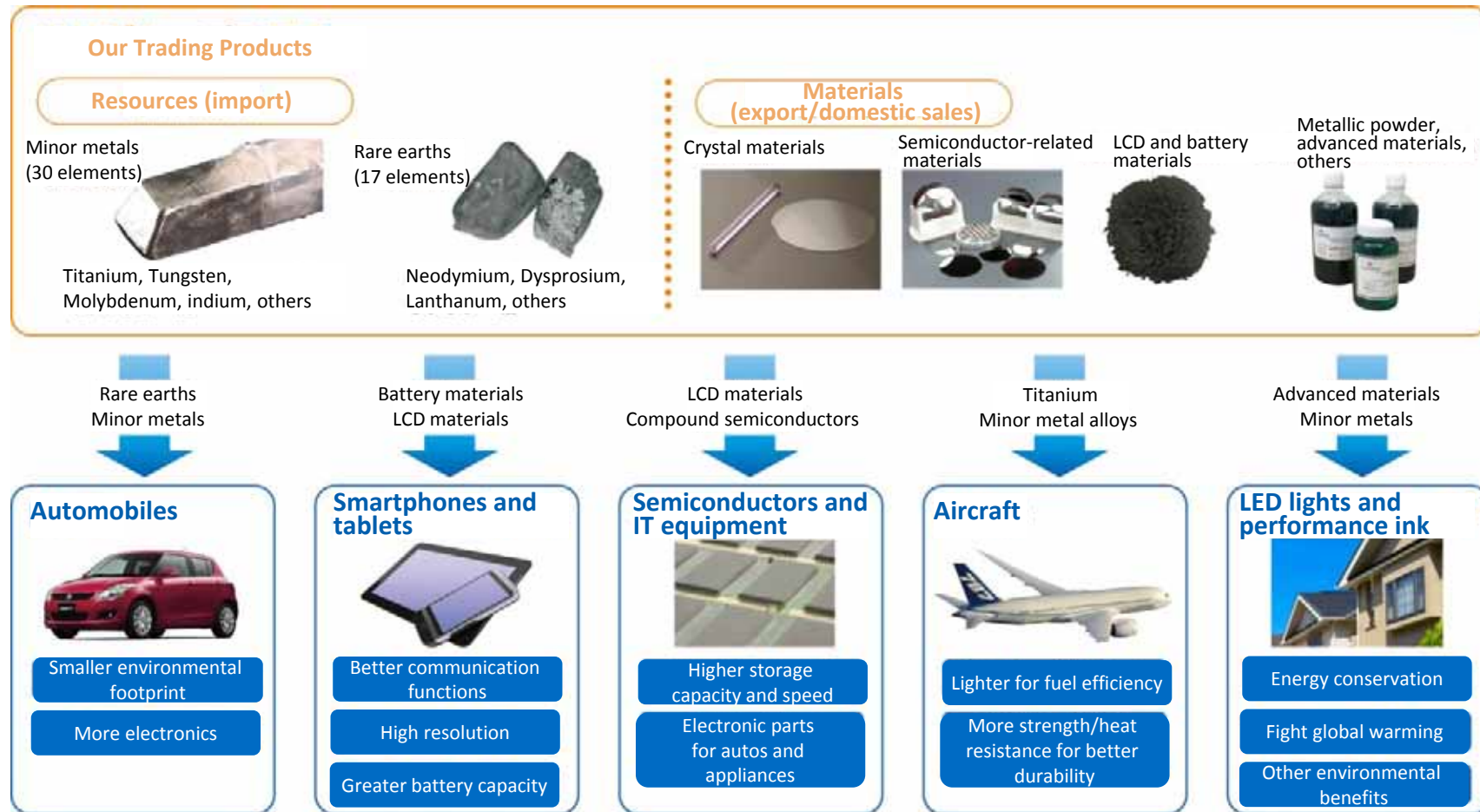
Action plan/Medium-term business plan

Electronic materials business

Initiative for ALCONIX electronic and advanced materials business and subsidiary ADVANCED MATERIAL JAPAN

Build a business model that extends from resources (minor metals and rare earths) to products (electronic materials, advanced materials).

Supply materials used for many purposes, from core materials to environmental compliance materials, in the automobile, home appliance, semiconductor, IT and other industries.



Strengthen operating revenue 3

Overseas business (Trading and Manufacturing businesses)

Action plan/Medium-term business plan

Expansion of areas covered by ALCONIX, ADVANCED MATERIAL JAPAN and overseas subsidiaries

Overseas network



1 Expand local transactions

Expand local transactions with Japanese companies overseas and foreign companies

ALCONIX (SHANGHAI) CORP. is enlarging its sales network in China by opening offices in Beijing, Guangzhou and Shenzhen.

2 Expand trilateral business

More triangular transactions, using our overseas network

Growth of overseas operations, mainly for minor metals, at the Singapore subsidiary of ADVANCED MATERIAL JAPAN CORPORATION



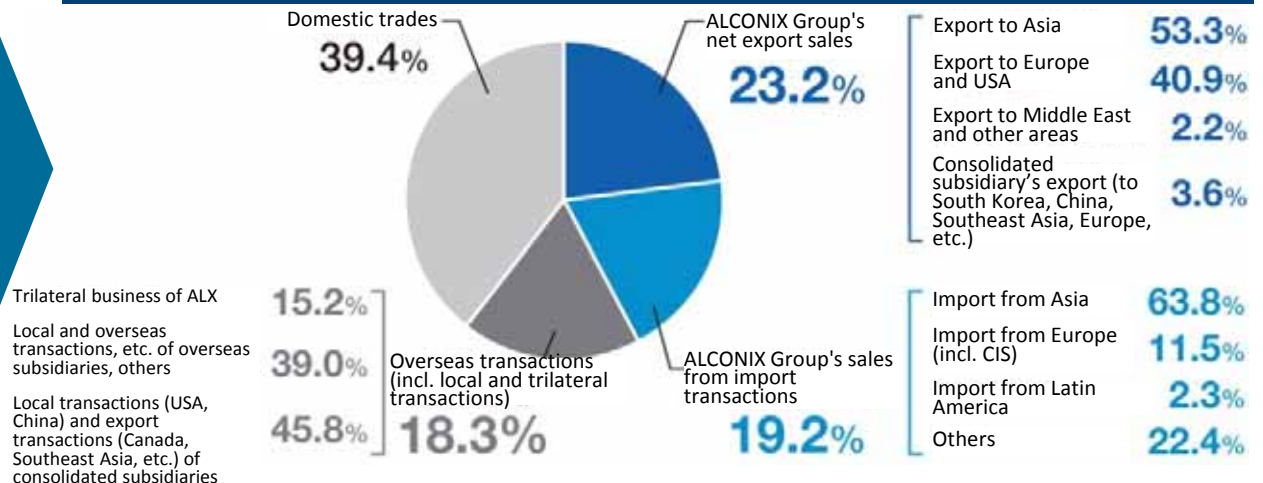
3 Expand overseas network

Plan to establish branches in Mexico, Indonesia and India to extend the overseas network

Trade Category Sales Composition (FY3/11, consolidated)



Trade Category Sales Composition (FY3/17, consolidated)



Our core strategies for investment activities are as follows: **M&A**, which is effective for **short-term business expansion**; **business investment** in metals fabrication and sales to **develop new trade channels**; and **investments** in recycling and other projects to secure natural resources.

Major consolidated subsidiaries added to the ALCONIX Group through M&As



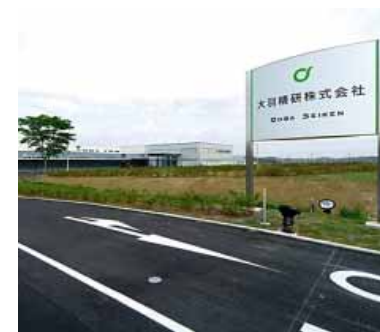
● **ADVANCED MATERIAL JAPAN CORPORATION**
Trading—Electronic and Advanced Materials
(January 2004)



● **HEIWA KINZOKU CO., LTD.**
Trading—Aluminum and Copper Products
(October 2015)



● **UNIVERTICAL HOLDINGS INC.**
Manufacturing—Equipment and Materials
(December 2012)



● **OHBA SEIKEN CO., LTD.**
Manufacturing—Metal Processing
(May 2013)

M&As 15 cases (actual)
Manufacturing segment: 6 cases Trading segment: 9 cases

Major subsidiaries and associates (equity-method affiliates, etc.)

K'MAC Co., Ltd. (20% owned, April 2014)
Manufacturing—Metal Processing

Manufactured products: homebuilding materials, automotive parts and other products

Guandon Chuangfu Metal Product Co., Ltd. (35% owned, September 2012)
Manufacturing—Metal Processing

Manufactured products: metal processing parts for automotive and consumer electronics application

Also invested in 29 other businesses in Japan and abroad. These affiliates have contributed to the creation and expansion of ALCONIX's business.

Note: Dates in parentheses are as of the year each company became a consolidated subsidiary or an investment was made.

- We plan to make investments and loans of **¥25 billion** in three years with focus on M&A
- **Goal** for the return on invested capital: **10%**

FY3/18 plan

M&A

- Acquisition of FUJI PRESS shares (post-merger integration of stock acquisition started on April 5, 2017)
- Invest in manufacturers, seek opportunities for mergers and acquisitions
- Also seek opportunities for mergers and acquisitions involving small manufacturers
- Seek more M&A opportunities in other business areas (Upstream: recycling centers and other non-manufacturing businesses; Midstream: trading companies; Downstream: wholesalers and retailers)

Business investment (Investments and loans)

- Investments and loans in overseas base metal and minor metal recycling businesses and in the development of rare earth mines
- Establish jointly owned automotive aluminum blanking product sales company in China

Capital expenditures

- Invest in facility expansion at manufacturing subsidiaries

FUJI PRESS Corporation



OHBA SEIKEN CO., LTD.



UNIVERTICAL HOLDINGS INC.



Objectives and Benefits of M&A at ALCONIX

Perform the role of an organizer

Use M&A primarily in the manufacturing sector to function as an organizer that can plan and execute deals and seamlessly integrate companies into the ALCONIX Group. Also create new trade channels by fully utilizing the sales resources and global network of ALCONIX.

Reorganize manufacturing operations

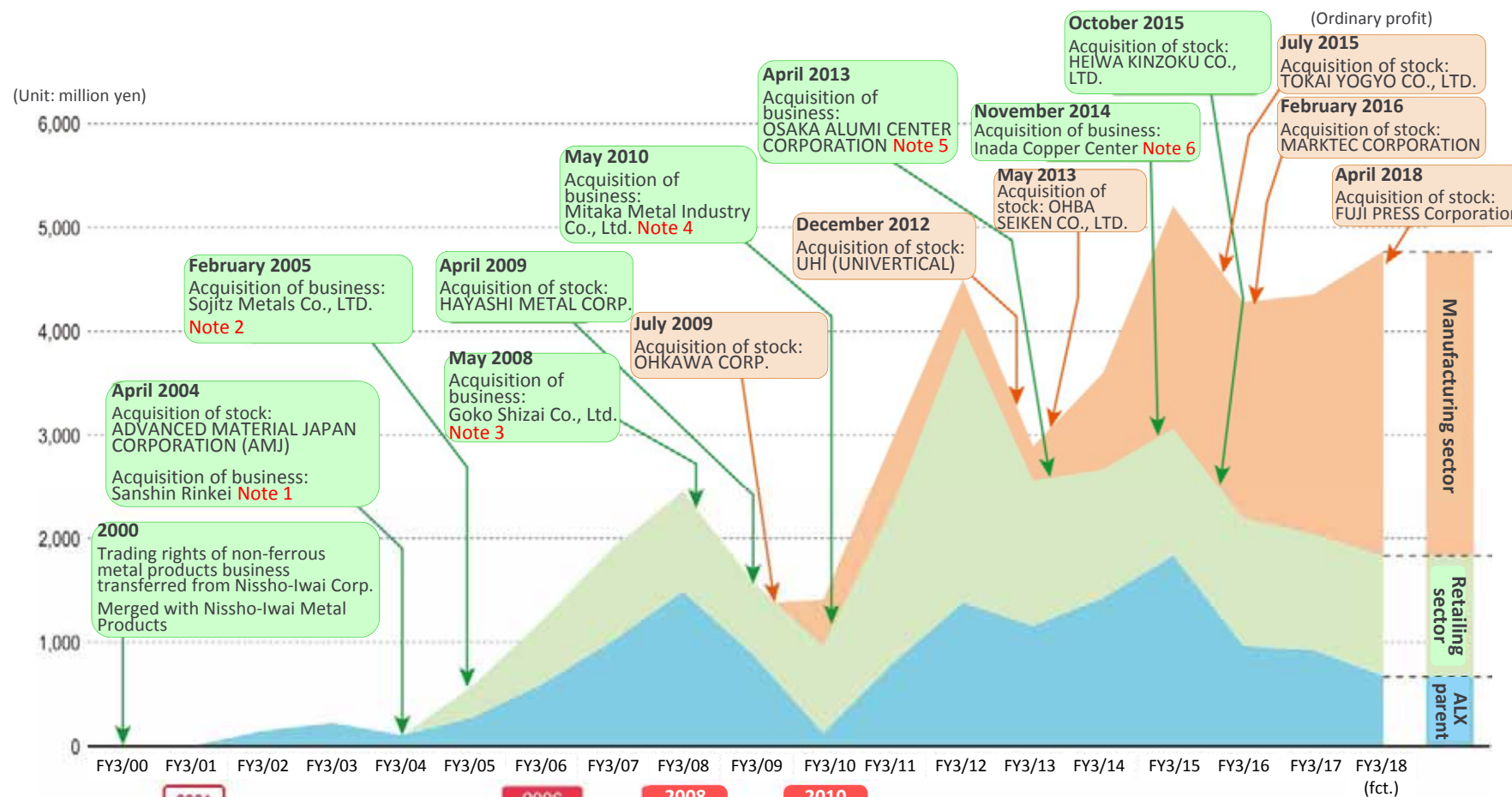
Reorganize ALCONIX Group manufacturing operations, which are backed by outstanding Japanese technologies, and use highly competitive products that target niche categories to increase sales worldwide.

Use businesses added to the Group for growth of consolidated performance

Combine manufacturing operations and people added to the ALCONIX Group through M&A with the Group's network, resources and distinctive strengths for new manufacturing activities that can contribute to growth in consolidated sales and earnings.



The changing composition of ordinary profit shows how ALCONIX has grown and evolved

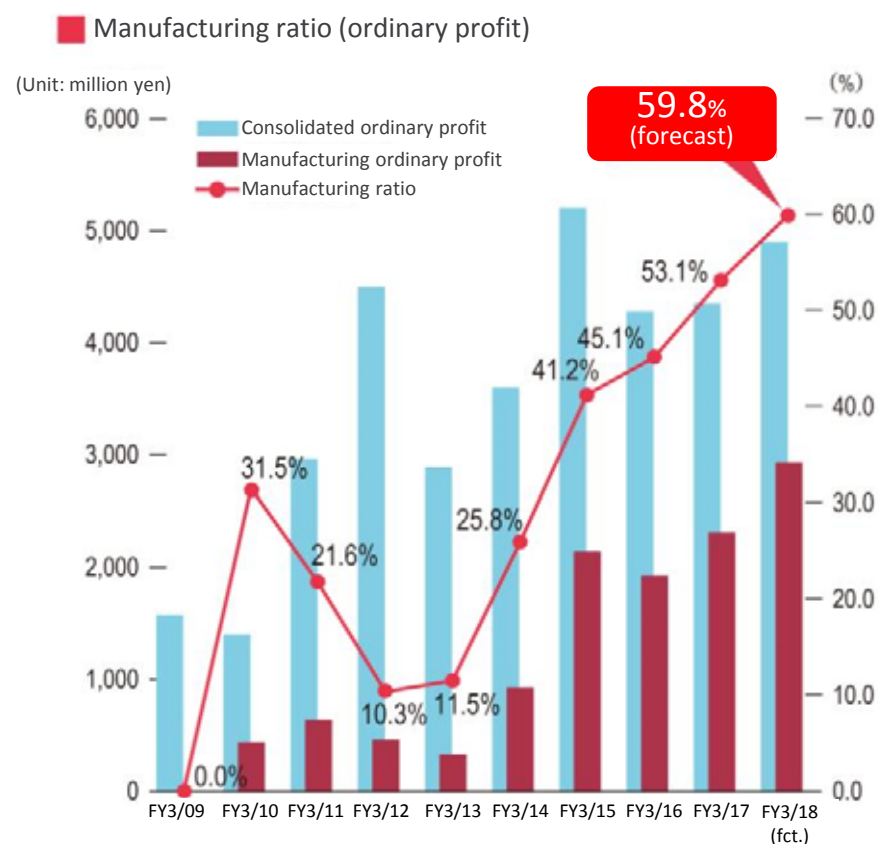
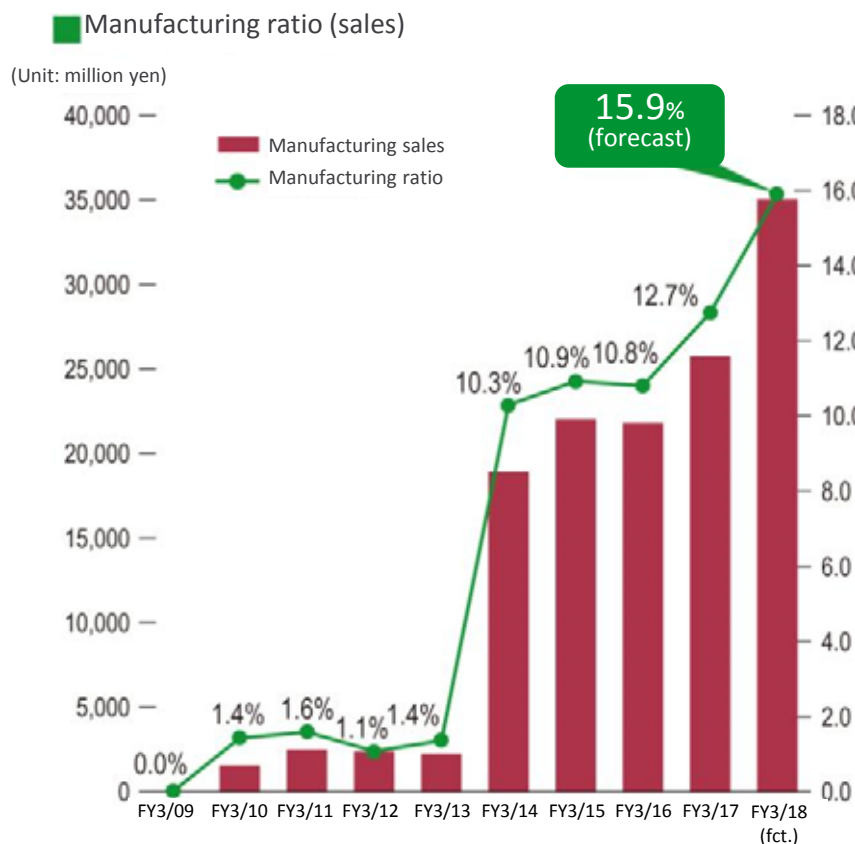


Notes:

- Sanshin Rinkei started as a division of ALCONIX Group which acquired its operation. Later the division was separated to establish ALCONIX SANSHIN CORPORATION in 2008.
- Sojitz Metals Co., LTD. has started as a non-ferrous materials division of ALCONIX Group.
- Goko Shizai Co., Ltd. is established as Sapporo branch of materials sales dept. through mergers and acquisitions by ALCONIX SANSHIN CORPORATION.
- Acquired trading rights of Mitaka Metal Industry Co., Ltd. and transferred the rights to newly established ALCONIX·MITAKA CORPORATION.
- OSAKA ALUMI CENTER CORPORATION changed its name to ALUMINUM & COPPER RECYCLING CENTER CORPORATION in 2014.
- Inada Copper Center started its operation as Kitakyushu branch of ALUMINUM & COPPER RECYCLING CENTER.
- M&As in the manufacturing sector includes earnings of equity-method affiliates.
- Reported only unconsolidated ordinary loss for FY3/01.

Impact of manufacturing business on sales and earnings

The ALCONIX Group is using the stability of earnings that is a key strength of manufacturing operations to support the creation of distinctive and powerful businesses. Another goal is becoming more competitive and profitable in the metal processing business and equipment and materials business, where group companies have leading positions in niche market sectors.



Note 1: Calculated based on five major manufacturing subsidiaries and equity-method affiliates
 Note 2: Sales include figures for all consolidated subsidiaries; ordinary profit include the equity earnings of equity-method affiliates



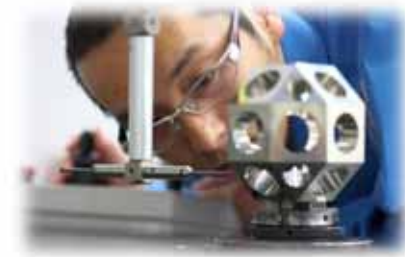
Reinforce the financial backbone

- Aim to improve the shareholders' equity ratio and other financial ratios by bolstering profitability
- Further diversify fundraising channels while securing sufficient liquidity and reduce funding costs
- Strive to optimize working capital and move free cash flow into the black



Upgrade the skills of employees

- Hire talented people, both new graduates and experienced professionals, and bolster internal training
- In line with the ALCONIX personnel policy, give people the training needed to become professionals, tackle new challenges and cooperate with others.



Strengthen corporate infrastructure and internal governance

- Aim for more speedy and stronger internal governance system through more effective use of the mission-critical system
- Upgrade and improve the Group's accounting system
- Strengthen administrative framework to prepare for increase and diversification of subsidiaries and affiliates
- Promote internal compliance education more broadly to enhance timely disclosure



Powerful organizational skills capable of linking demand and supply

The ALCONIX Group is a non-ferrous metals company that combines trading and manufacturing capabilities with operations extending from upstream (manufacturing and recycling) to midstream (trading) and downstream (wholesaling)

M&A that contributes to the return on invested capital

M&As 15 cases **Manufacturing segment: 6 cases**
Trading segment: 9 cases

Shifting from the strategy of making wide-ranging business investments (in line with the goal of expanding to more business fields) to the formation of a diversified group extending from trading to wholesaling that is centered on manufacturing subsidiaries in niche markets that are highly competitive and have outstanding manufacturing facilities

Top-class performance in minor metals and rare earths for electronic materials

ALCONIX is a major importer of metal titanium, tungsten compounds and rare earths in Japan. The Company also has a high market share for electronic and advanced materials.

Solid overseas network

- **11 overseas subsidiaries, 16 locations**

The overseas network consists of overseas subsidiaries and the overseas sites of a sales agent. Overseas business operations are conducted by subsidiaries in China, Southeast Asia, Europe and North America. The ALCONIX Group has manufacturing subsidiaries in North America, China and Southeast Asia as well as its own sales channels.

A highly experienced and skilled workforce



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