



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

# ALCONIX CORPORATION

Listed on TSE First Section

Code 3036

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Financial Results Materials  
The Second Quarter of the Fiscal Year  
Ending March 31, 2018

November 2017

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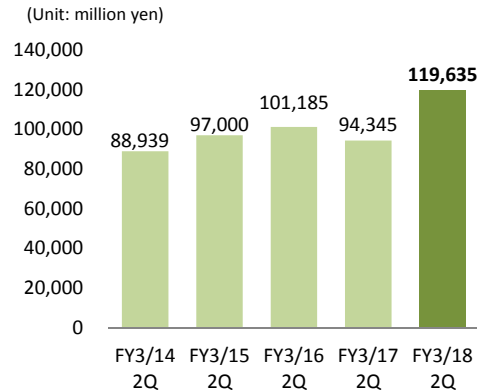
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## Results Materials

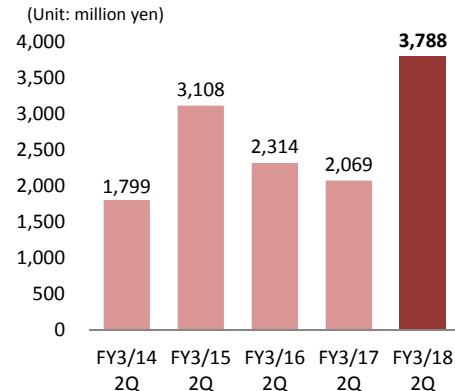
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# Results Highlights (2Q FY3/18) Overview

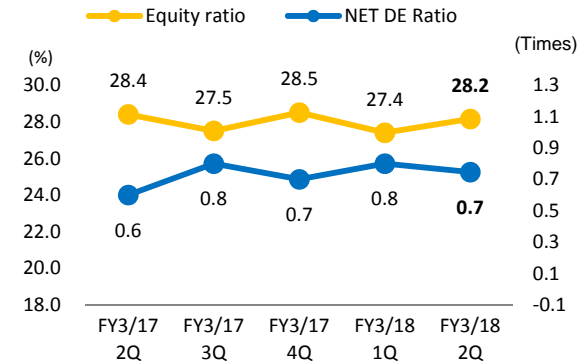
## Consolidated Sales



## Consolidated Ordinary Profit



## Major Consolidated Financial Indicators



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

- Business climate improved; sales were higher and earnings were much higher than the forecast because of the effect of M&As. (First-half forecast was revised on September 27, 2017)
- Manufacturing subsidiaries in Japan and overseas made a big contribution to consolidated performance. The Manufacturing segment accounted for over 60% of ordinary profit.
- The transaction volume of aluminum, copper and other products/resources, and electronic materials increased in the Trading segment due to a recovery in non-ferrous metal prices and customer demand.
- FUJI PRESS, which was newly consolidated in April 2017, made a contribution to consolidated performance.

### Financial position: Equity ratio 28.2%; Net debt equity ratio 0.7x

- There was a marginal 0.3 percentage point decline in the equity ratio from the end of FY3/17 despite an increase in retained earnings as this increase was offset by an increase in notes and accounts receivable due to higher transactions, and an increase in interest-bearing debt.
- The net debt/equity ratio remained below 1.0x.

## Topics (April 2017-September 2017)

### ■ Revisions to the Consolidated Earnings Forecasts (Announced on November 8, 2017)

\*See p.17 for details.

(Unit: million yen; Percentages show the change vs. the previous forecast)

#### Full-year forecasts (initial)

Net sales	220,000
Operating profit	4,600
Ordinary profit	4,900
Profit attributable to owners of parent	3,450
EPS	133.61 yen



#### Full-year forecasts (revised)

Net sales	<b>238,000 (+8.2%)</b>
Operating profit	<b>6,230 (+35.4%)</b>
Ordinary profit	<b>6,800 (+38.8%)</b>
Profit attributable to owners of parent	<b>4,900 (+42.0%)</b>
EPS	<b>189.56 yen</b>

#### Dividend forecasts

Annual dividend forecast: **26 yen per share (Interim 13 yen; Year-end 13 yen)**

\* Dividend increase was announced at the time of stock split conducted on September 1, 2017.

Dividend payout ratio (full year): **13.7%**

\* Dividend payout ratio has been calculated based on the revised EPS

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# **Business Performance: 2Q FY3/18 Financial Results**

# Consolidated performance (2Q FY3/18)

Financial results

- The business climate improved as non-ferrous metal prices increased and the yen depreciated. ALCONIX Group posted higher sales, and earnings increased significantly due to rising demand associated with automobiles and smartphones and tablets. The newly acquired FUJI PRESS also contributed to the sales growth. Earnings were much higher at manufacturing subsidiaries in Japan and overseas and FUJI PRESS, which was acquired in the first quarter. As a result, the Manufacturing segment accounted for over 60% of ordinary profit. In the Trading segment, earnings were higher due to the significant growth in the volume of electronic materials and aluminum and copper products.

	2Q FY3/17	2Q FY3/18	
		% to sales	Change
Net sales	94,345	<b>119,635</b>	<b>26.8%</b>
Gross profit	7,001	<b>9,103</b>	<b>7.6%</b>
SG&A expenses	5,203	<b>5,633</b>	<b>4.7%</b>
Operating profit	1,797	<b>3,469</b>	<b>2.9%</b>
Ordinary profit	2,069	<b>3,788</b>	<b>3.2%</b>
Profit attributable to owners of parent	1,666	<b>2,781</b>	<b>2.3%</b>
Comprehensive income	-795	<b>3,008</b>	-
Net income per share	64.71	<b>107.73</b>	-

(Unit: million yen)

## Sales: Higher sales in most of group companies

[Net increase]

Automotive precision stamped parts

[Increase]

Materials used in smartphones

Recycled aluminum ingots

Grinding processing parts (for chip mounters)

Copper/ Aluminum scrap

Aluminum alloy sheets used in automobiles

Prototype items for automotive applications

Minor metals (tungsten)

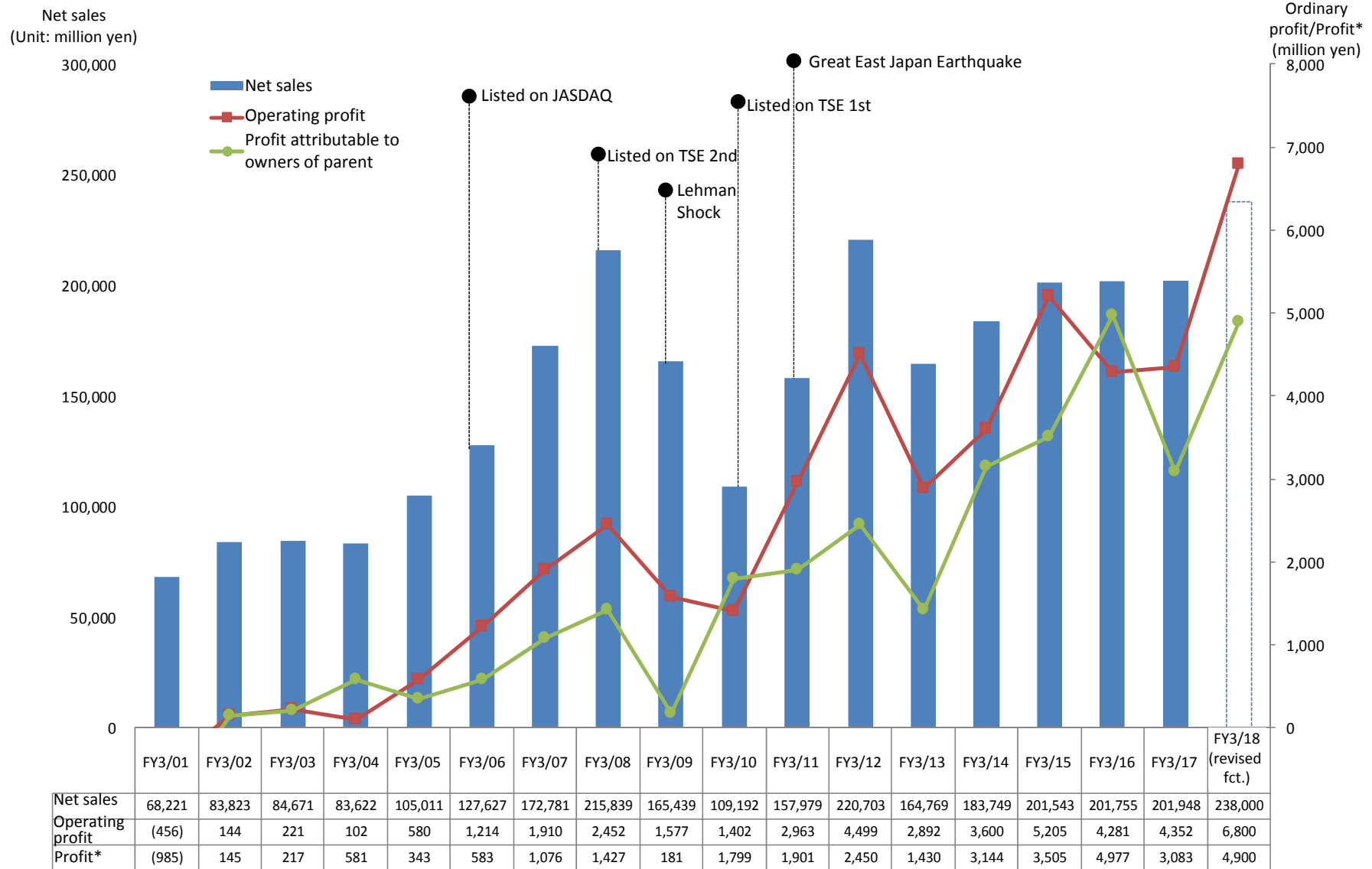
Rare earths (used in magnetic materials)

## Profits: Benefits from higher sales at group companies

[Gross profit, operating and ordinary profit and profit attributable to owners of parent]

Newly consolidated subsidiary FUJI PRESS and other manufacturing subsidiaries contributed to earnings and Trading segment earnings were higher, too, at ALCONIX and most of subsidiaries in Japan. This earnings growth offset the increase in SG&A expenses in conjunction with business expansion at group companies, resulting in higher earnings at all levels.

# Performance trend (consolidated income statements)

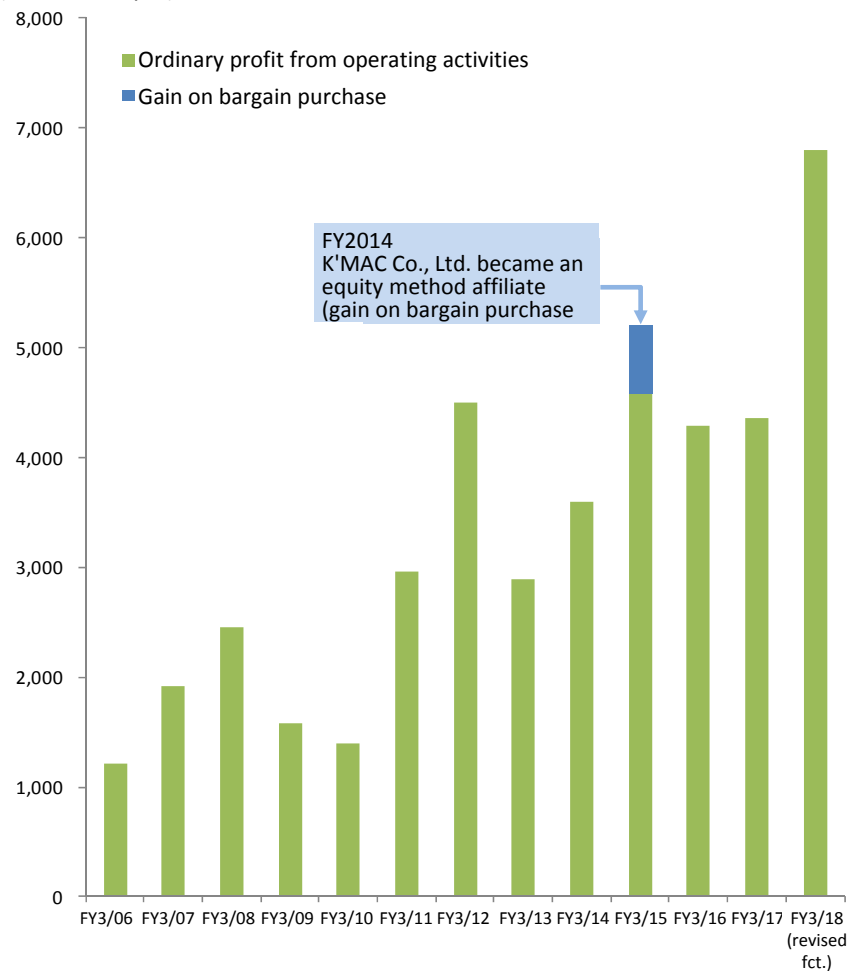


\* Profit attributable to owners of parent

# Consolidated earnings from operating activities (Business earnings)

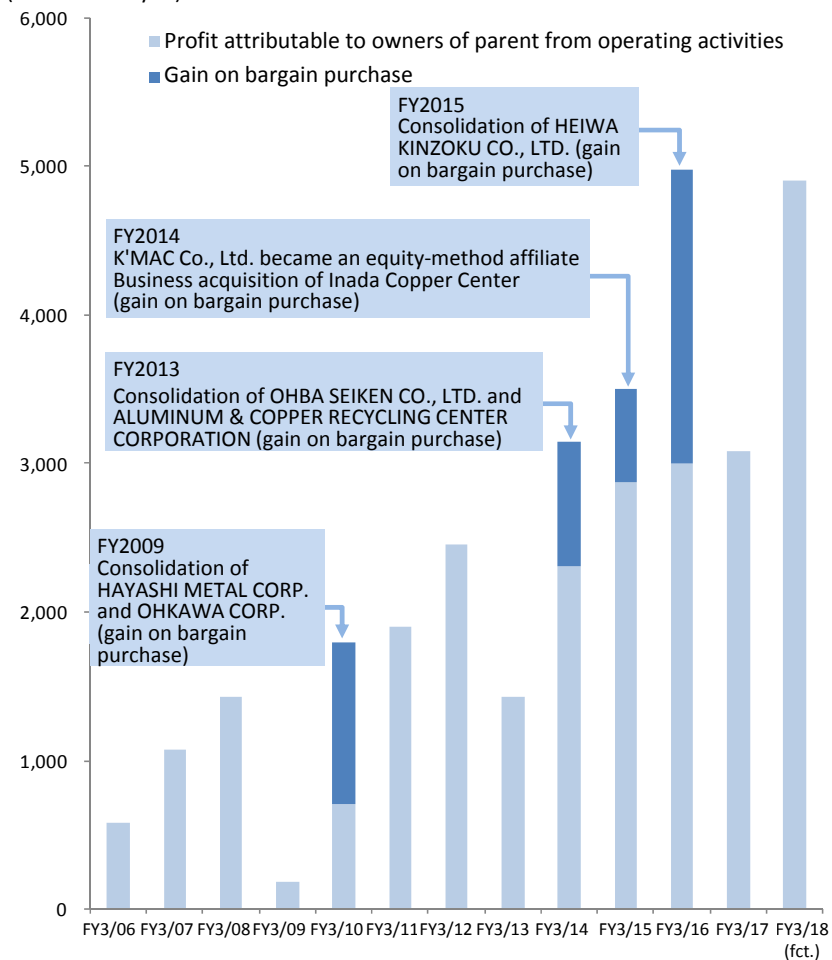
## Ordinary Profit

(Unit: million yen)



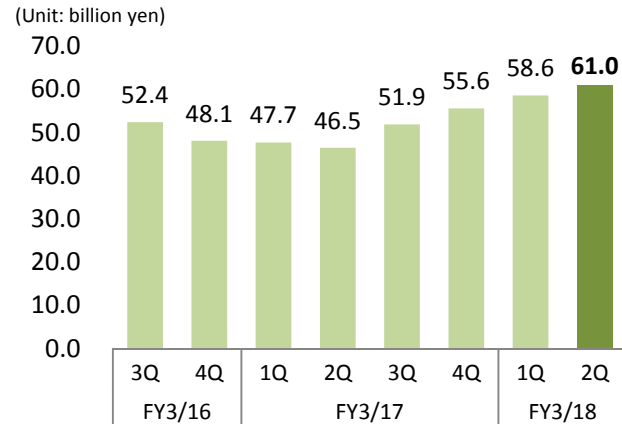
## Profit Attributable to Owners of Parent

(Unit: million yen)

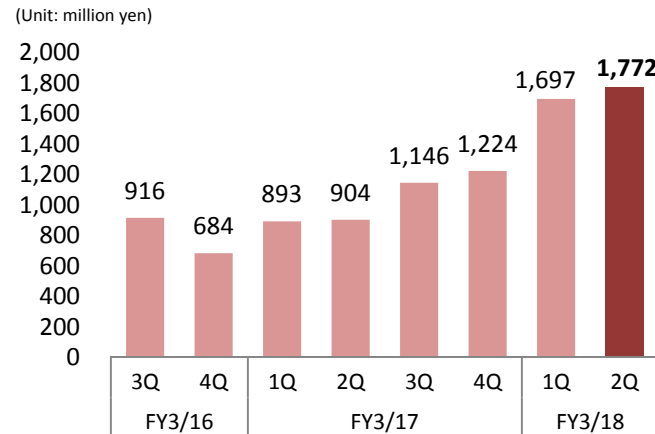




## Net Sales



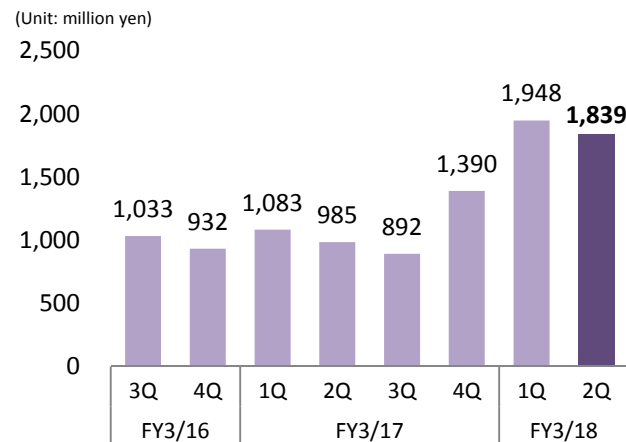
## Operating Profit



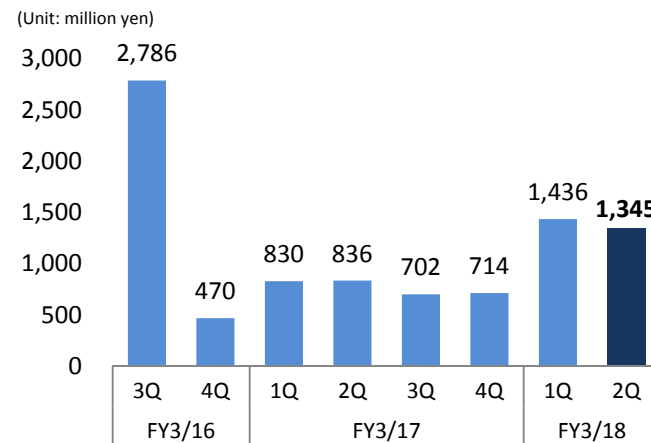
## Sales

ALCONIX and most group companies posted higher sales. Newly consolidated subsidiary FUJI PRESS also contributed to sales growth.

## Ordinary Profit



## Profit Attributable to Owners of Parent



## Profits

Earnings at manufacturing subsidiaries in Japan and overseas increased significantly. ALCONIX and trading subsidiaries also increased earnings.

\* Profit for 3Q FY3/16 includes a gain on bargain purchase of 1,975 million yen in association with the consolidation of HEIWA KINZOKU.

# Operating segment information (net sales/segment profit)

Financial results

## ■ Trading segment: Higher sales and earnings

### Manufacturing segment: Higher sales and earnings

- Trading—Electronic and Advanced Materials

Strong growth in electronic materials used in smartphones and tablets. There was a recovery in the transaction volume of rare earths used in magnetic materials, tungsten and other resources along with the growing demand for minor metals and rare earths used by customers.

- Trading—Aluminum and Copper Products

Transaction volume of aluminum rolled products for automobiles and copper and other products in trading subsidiaries increased. Also, earnings from copper scrap, recycled aluminum ingots and other non-ferrous resources have been climbing because of a recovery in non-ferrous market prices.

- Manufacturing—Equipment and Materials

Shipments of plating materials were strong both in North America and China. Especially in China, performance was strong due to the full-scale start of operations at the new manufacturing facility, which opened in 2016. In the non-destructive testing and marking system sectors, there were increases in shipments of devices and consumables.

- Manufacturing—Metal Processing

Shipments of parts for chip mounters remained at a consistently high level. Orders for processing parts used in semiconductor and organic EL manufacturing equipment were strong. Furthermore, manufacturing efficiency improved drastically due to the innovation efforts made to offset the increase in the cost of manufacturing in the second quarter of FY3/17 caused by the market needs for smaller lot production and shorter delivery lead time.

(Unit: million yen)

		2Q FY3/17		2Q FY3/18				
			Comp.		Comp.	Change (amount)	Change (%)	
Net Sales	Trading	Electronic and advanced materials	24,057	25.5%	34,096	28.5%	10,038	41.7%
		Aluminum and copper products	57,354	60.8%	66,350	55.5%	8,995	15.7%
		Trading total	81,412	86.3%	100,446	84.0%	19,033	23.4%
	Manufacturing	Equipment and materials	8,328	8.8%	9,372	7.8%	1,044	12.5%
		Metal processing	4,603	4.9%	9,816	8.2%	5,212	113.2%
		Manufacturing total	12,932	13.7%	19,189	16.0%	6,256	48.4%
Total		94,345		119,635		25,290	26.8%	
Segment Profit	Trading	Electronic and advanced materials	544	26.3%	709	18.7%	165	30.3%
		Aluminum and copper products	277	13.4%	610	16.1%	333	120.0%
		Trading total	821	39.7%	1,320	34.7%	498	60.6%
	Manufacturing	Equipment and materials	31	1.5%	312	8.2%	280	894.8%
		Metal processing	1,219	58.9%	2,154	56.9%	935	76.7%
		Manufacturing total	1,250	60.4%	2,466	65.1%	1,216	97.2%
Total		2,069		3,788		1,719	83.1%	

Note 1. Segment profits are based on ordinary profit

Note 2. Elimination or corporate for segment profit: 1 in 2Q FY3/18, -3 in 2Q FY3/17

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

(Unit: million yen)

	2Q FY3/18	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net Sales	34,096	10,038	41.7%	28.5%
Segment Profit	709	165	30.3%	18.7%
Segment Profit to Net Sales	2.1%	-0.2%		

### Sales of major products (YoY change)

Materials used in electronic components for smartphones: Increase  
 Titanium and nickel products: Decrease  
 Minor metals (tungsten): Increase  
 Rare earths (used in magnetic materials): Increase  
 Battery materials (nickel powder, etc.): Decrease

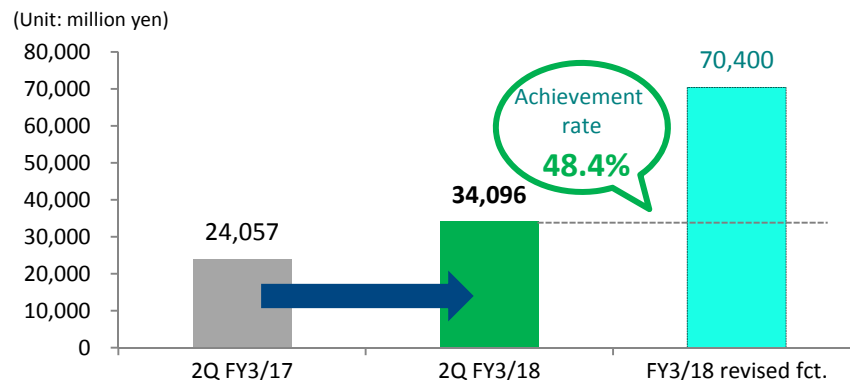
### [Electronic materials and advanced materials]

- For **materials used in smartphones and tablets**, exports increased due to an overall demand recovery and advances in communication technologies.
- Exports of **titanium and nickel products** to Europe remained firm.
- Transaction volumes of **environment-related materials, solar cell materials and secondary battery materials** decreased due to sluggish demands both in Japan and overseas.

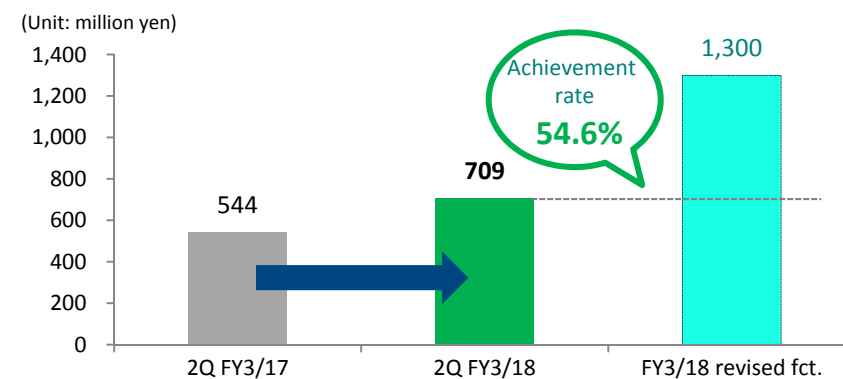
### [Minor metals and rare earths]

- There was a recovery in the transaction volume of **tungsten and of rare earths used in automotive magnetic materials** because of growth in automobile production in Japan and of electronic components used for automobiles

### Net sales



### Segment profit



# Aluminum and copper products

(ALCONIX, HEIWA KINZOKU, four domestic sales subsidiaries, overseas subsidiaries) Financial results

(Unit: million yen)

	2Q FY3/18	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net Sales	66,350	8,995	15.7%	55.5%
Segment Profit	610	333	120.0%	16.1%
Segment Profit to Net Sales	0.9%	0.4%		

## Sales of major products (YoY change)

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

## [Products]

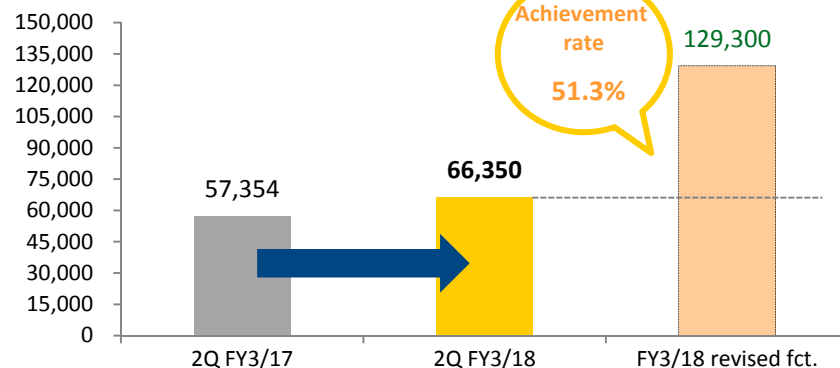
- The transaction volume of **non-ferrous metals** and **rolled aluminum products** increased due to higher demand as automakers continue to use more electronic components and make their vehicles lighter.
- Earnings increased at **HEIWA KINZOKU**, a supplier of rolled aluminum products for air conditioners, cans and other applications. Shipments of copper tubes, copper plates and other products increased at domestic sales subsidiaries, **ALCONIX SANSHIN**, **HAYASHIMETAL** and **ALCONIX-MITAKA**, as non-ferrous metal prices and demand for those metals recovered.

## [Resources]

- Higher non-ferrous metal prices and a recovery in demand raised the transaction volumes of **recycled aluminum ingots** and **aluminum and copper scrap**. In addition, earnings increased at **ALUMINUM & COPPER RECYCLING CENTER**.

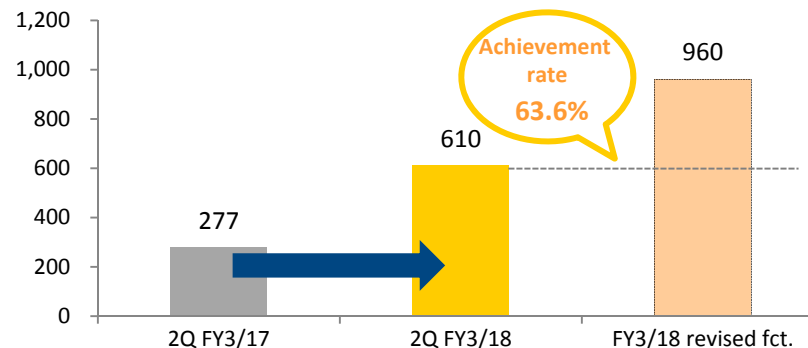
## Net sales

(Unit: million yen)



## Segment profit

(Unit: million yen)



# Equipment and materials (UNIVERTICAL, MARKTEC, TOKAI YOGYO)

(Unit: million yen)

	2Q FY3/18	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net Sales	<b>9,372</b>	1,044	12.5%	7.8%
Segment Profit	<b>312</b>	280	894.8%	8.2%
Segment Profit to Net Sales	<b>3.3%</b>	2.9%		

### Sales of major products (YoY change)

Plating materials (copper anode, nickel sulfate, etc.): Increase (UHI)  
 Metal mold building-up welding rods/Thermal spraying: Increase (TOKAI YOGYO)  
 Non-destructive testing equipment and detection materials: Increase (MT)  
 marking systems and consumables including paints: Increase (MT)

### ●UNIVERTICAL (UHI) - Plating materials

Shipments were strong both in North America and China. There was a big increase in shipments of **plating chemical products in China, where a chemical product manufacturing line was expanded** in April 2016.

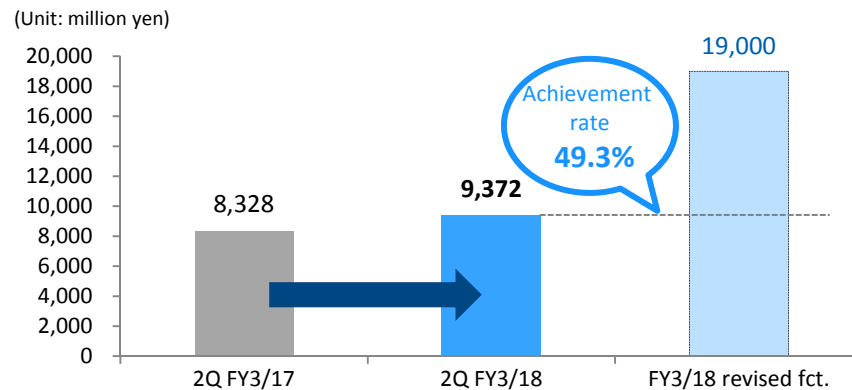
### TOKAI YOGYO - Welding materials

**Shipments of welding rods to repair metal molds** increased, mainly to companies in Japan's automobile industry, and there were consistent **orders for welding work**.

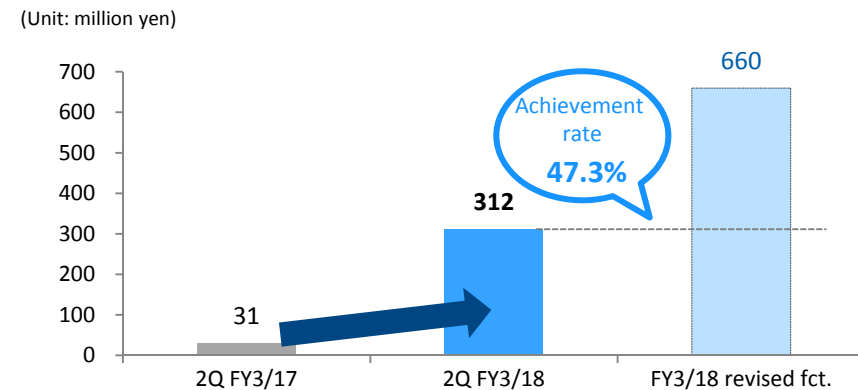
### MARKTEC (MT) - Non-destructive testing equipment and marking systems

Shipments of **flaw detectors and marking systems** in Japan to companies in the automobile and steel industries were steady. Performance also benefited from upturns in shipments of detection materials and other products at subsidiaries in China and Korea that had been sluggish. As a result, these companies had **an ordinary profit after goodwill amortization compared with a loss one year earlier**.

### Net sales



### Segment profit



# Metal processing

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

Financial results

(Unit: million yen)

	2Q FY3/18	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net Sales	9,816	5,212	113.2%	8.2%
Segment Profit	2,154	935	76.7%	56.9%
Segment Profit to Net Sales	21.9%	-4.6%		

## Sales of major products (YoY change)

Machining processing parts (for semiconductor manufacturing equipment and organic EI manufacturing equipment, etc.): Increase (OHKAWA)

Grinding processing parts (for chip mounters): Increase (OHBA SEIKEN)

Grinding processing parts (prototype items for automotive applications, industrial machinery, etc.): Increase (OHBA SEIKEN)

Metal stamped parts (automotive solenoids, etc.): Net increase (FUJI PRESS, consolidated in FY3/18)

## ●OHBA SEIKEN (Grinding processing parts)

Shipments of **parts for chip mounters** remained at a consistently high level due to strong demand for metals associated with smartphones and tablets, and orders for **prototype and development items for automotive applications** grew steadily.

## ●OHKAWA (Machining processing parts)

Orders and shipments increased, primarily for **precision machining processing parts for semiconductor manufacturing equipment and organic EL manufacturing equipment**. One year earlier, measures for small-lot production and short delivery lead times impacted earnings by raising the cost of manufacturing. But higher production efficiency and other actions have produced big improvements.

## ●FUJI PRESS (Metal stamped parts)

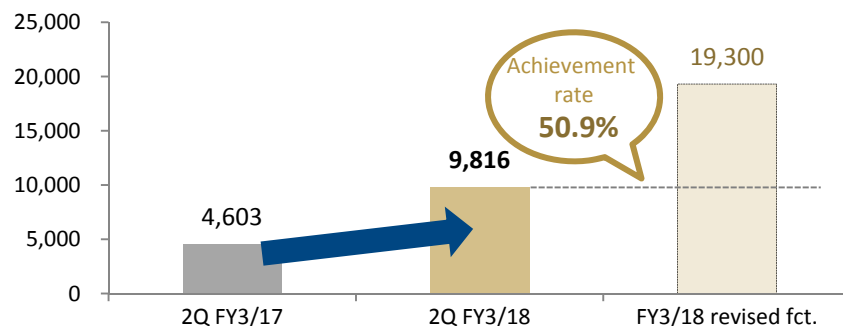
Consolidated in FY3/18. Shipments of **metal stamped parts for engines** surpassed the initial forecast and contributed to consolidated performance, due to an increase in automobile production in Japan.

## ●Equity-method affiliates (K'MAC and two other companies overseas)

Solid performances by equity-method affiliates. (1H FY3/17 performance included a gain on sale of real estate at K'MAC)

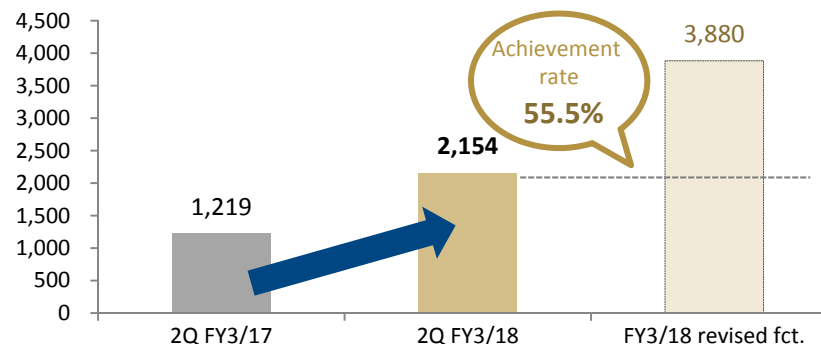
## Net sales

(Unit: million yen)



## Segment profit

(Unit: million yen)



# Consolidated balance sheets (2Q FY3/18)

Financial results

(Unit: million yen)

Assets	FY3/17	2Q FY3/18	Change	Liabilities and Net Assets	FY3/17	2Q FY3/18	Change
Current Assets, Total	82,323	<b>87,769</b>	5,445	Current Liabilities, Total	63,020	<b>67,460</b>	4,440
Cash and deposits	16,885	<b>18,201</b>	1,315	Operating Debt	32,728	<b>33,083</b>	355
Operating Receivables	42,821	<b>45,737</b>	2,915	Short-term Loans Payable	26,383	<b>29,666</b>	3,283
Inventories	19,444	<b>20,798</b>	1,354	(including current portion of long-term loans payable/bonds payable)			
Non-current Assets, Total	31,324	<b>36,825</b>	5,501	Non-current Liabilities, Total	16,508	<b>20,291</b>	3,782
Property, Plant and Equipment	10,601	<b>13,940</b>	3,338	Bonds Payable	825	<b>750</b>	-74
Intangible Assets	8,391	<b>8,168</b>	-222	Long-term Loans Payable	10,883	<b>14,131</b>	3,248
Investment and Other Assets	12,331	<b>14,717</b>	2,385	Liabilities, Total	79,528	<b>87,752</b>	8,223
				Shareholders' Equity	27,853	<b>30,403</b>	2,550
				Retained earnings	22,981	<b>25,479</b>	2,497
				Accumulated Other Comprehensive Income	4,525	<b>4,669</b>	144
				Shareholders' Equity	32,378	<b>35,073</b>	2,694
				Net Assets, Total	34,119	<b>36,842</b>	2,723
Assets, Total	113,647	<b>124,594</b>	10,947	Liabilities and Net Assets Total	113,647	<b>124,594</b>	10,947

\*Change: Numbers may not tally exactly due to rounding

## Assets (major components)

### ■ Current assets

- Cash and deposits (increase) \*See cash flows on p.16
- Notes and accounts receivable-trade (increase: higher transactions)
- Inventories (increase: higher transactions)

### ■ Non-current assets

- Property, plant and equipment (increase: consolidation of FUJI PRESS)
- 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: higher transactions)
- Short-term loans payable (increase: loans, 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 (2Q FY3/18)

Financial results

(Unit: million yen)

	2Q FY3/18	Major item	2Q FY3/17
<b>Operating Cash Flows</b>	<b>2,201</b>		<b>2,328</b>
	3,804	Profit before income taxes	2,112
	1,343	Depreciation (including amortization of goodwill)	1,046
	-204	Share of profit of entities accounted for using equity method (K' MAC, Shanghai Longyang Copper Tube Trading, Guandong Chuangfu Metal Product)	-245
	-2,695	Working capital	209
		(Item)	
		Decrease (increase) in notes and accounts receivable-trade	2,896
		Decrease (increase) in inventories	-495
		Increase (decrease) in note and accounts payable-trade	-2,190
	-866	Income taxes paid	-1,010
	820	Other	215
<b>Investing Cash Flows</b>	<b>-3,575</b>		<b>-1,101</b>
	-871	Purchase of property, plant and equipment (capital expenditures at manufacturing subsidiaries)	-1,186
	-2,548	Payment related to the consolidation of FUJI PRESS	-
	-72	Other	109
<b>Financing Cash Flows</b>	<b>2,767</b>		<b>-4,562</b>
	1,657	Net increase in short-term loans payable	-11,517
	1,513	Net increase in long-term loans payable	6,603
	-100	Redemption of bonds	-200
	34	Issuance of common shares due to the exercise of subscription rights to shares	15
	-283	Cash dividends paid	-283
	-54	Other	819
Effect of Exchange Rate Change on Cash and Cash Equivalents	<b>-128</b>		<b>-1,410</b>
Net Increase (Decrease) in Cash and Cash Equivalents	<b>1,265</b>		<b>-4,745</b>
Cash and Cash Equivalents at Beginning of Period	<b>16,813</b>		<b>19,773</b>
Cash and Cash Equivalents at End of Period	<b>18,078</b>		<b>15,027</b>
*Change: Numbers may not tally exactly due to rounding			
Free Cash Flow	<b>-1,373</b>		<b>1,227</b>



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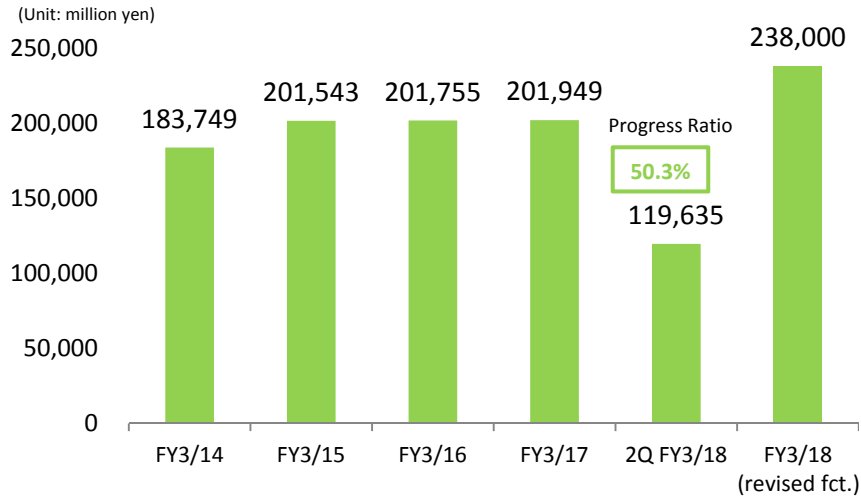
# **FY3/18 Earnings Forecasts**

**Announced the revision to the full-year earnings forecasts on November 8, 2017**

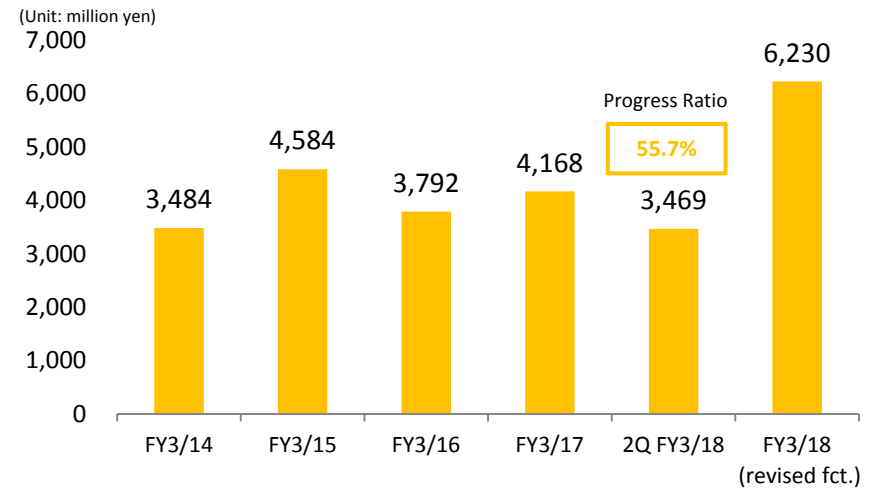
# Trend in consolidated earnings

Earnings forecast

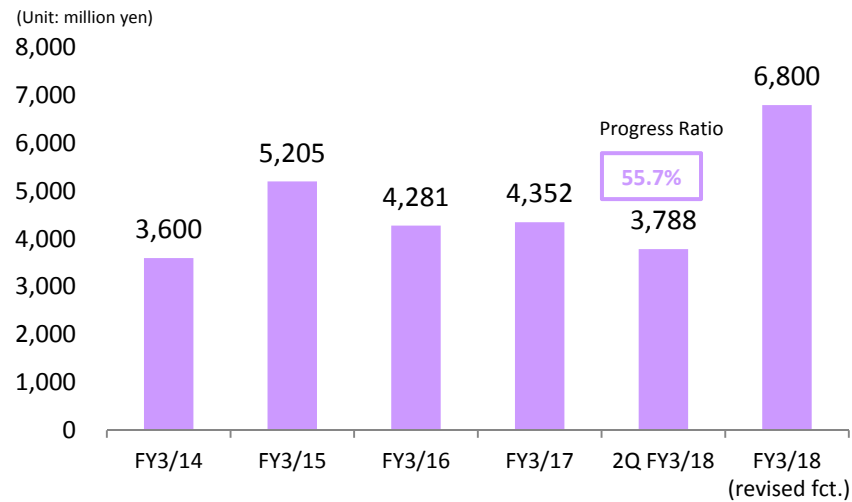
## Net Sales



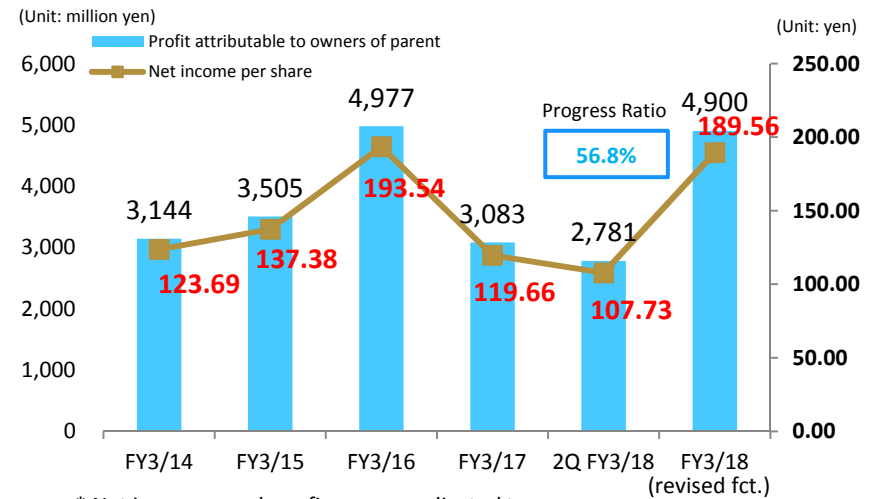
## Operating Profit



## Ordinary Profit



## Profit Attributable to Owners of Parent



\* Net income per share figures are adjusted to reflect the stock split on September 1, 2017.

# Forecast for FY3/18

Earnings forecast

- Sales and earnings are expected to be higher than the initial forecast in the Trading and Manufacturing segments as market conditions continue to improve because of higher prices of non-ferrous metals, the yen's depreciation, and rising demand for non-ferrous metals used by manufacturers of automobiles and semiconductors

FY3/18 sales are expected to be higher than the initial forecast in the Trading and Manufacturing segments because of a recovery in non-ferrous metals prices, the weaker yen, and increasing demand in the automobile and semiconductor industries. Newly consolidated FUJI PRESS is also contributing to sales growth in the Manufacturing segment.

The Manufacturing segment is expected to make a big contribution to earnings because of the outlook for higher earnings at OHKAWA, OHBA SEIKEN, UNIVERTICAL and MARKTEC compared with the initial forecast. FUJI PRESS earnings is also expected to be higher. The quality problem at the Kobe Steel Group, one of major ALCONIX GROUP customers, is expected to have little impact on FY3/18 performance.

(Unit: million yen)

	FY3/17		FY3/18			FY3/18			2Q FY3/18	
	% to sales		(Initial forecasts on May 15, 2017)	% to sales	YoY change	(Revised forecasts on Nov. 8, 2017)	% to sales	YoY change	Progress ratio	
Net sales	201,948		220,000		8.9%	238,000		17.9%	119,635	50.3%
Gross profit	14,476	7.2%	16,000	7.3%	10.5%	17,787	7.5%	22.9%	9,103	51.2%
SG&A expenses	10,307	5.1%	11,400	5.2%	10.6%	11,557	4.9%	12.1%	5,633	48.7%
Operating profit	4,168	2.1%	4,600	2.1%	10.4%	6,230	2.6%	49.5%	3,469	55.7%
Ordinary profit	4,352	2.2%	4,900	2.2%	12.6%	6,800	2.9%	56.2%	3,788	55.7%
Profit attributable to owners of parent	3,083	1.5%	3,450	1.6%	11.9%	4,900	2.1%	58.9%	2,781	56.8%
Net income per share (yen)	119.66		133.61			189.56			107.73	

# Forecasts by segment (FY3/18)

Earnings forecast

## ■ Trading segment: Higher sales and earnings /

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

- Trading—Electronic and Advanced Materials

The transaction volume of electronic materials used in smartphones is increasing due to the introduction of new models, although the volume of some materials declines. The volume of minor metals and rare earths is expected to recover mainly because of the increasing number of electronic components in automobiles.

- Trading—Aluminum and Copper Products

Forecast firm demand for aluminum rolled products and copper products, mainly for automotive applications. Anticipate a decline in sales in some sectors because of the Kobe Steel Group quality problem, but the impact of this problem will be minimal.

- Manufacturing—Equipment and Materials

Expect higher sales and earnings at UNIVERTICAL as shipments are expected to significantly increase due to capital expenditures in China; forecast an improvement at MARKTEC domestic and overseas companies linked to a recovery in the steel industry, a major source of orders that had been sluggish.

- Manufacturing—Metal Processing

Expect strong performance at OHBA SEIKEN and OHKAWA due to rising demand for semiconductor and organic EL manufacturing equipment. The performance of FUJI PRESS, which was acquired in April 2017, is exceeding the initial forecast because of increasing demand for automobiles.

(Unit: million yen)

		FY3/17		FY3/18 (Initial forecasts on May 15, 2017)		FY3/18 (Revised forecasts on Nov. 8, 2017)		Change	2Q FY3/18			
			Comp.		Comp.		Comp.		Comp.	Progress ratio		
Net Sales	Trading	Electronic and advanced materials	56,510	28.0%	63,000	28.6%	70,400	29.6%	24.6%	34,096	28.5%	48.4%
		Aluminum and copper products	119,699	59.3%	122,000	55.5%	129,300	54.3%	8.0%	66,350	55.5%	51.3%
		Trading total	176,210	87.3%	185,000	84.1%	199,700	83.9%	13.3%	100,446	84.0%	50.3%
	Manufacturing	Equipment and materials	16,655	8.2%	19,000	8.7%	19,000	8.0%	14.1%	9,372	7.8%	49.3%
		Metal processing	9,082	4.5%	16,000	7.2%	19,300	8.1%	112.5%	9,816	8.2%	50.9%
Manufacturing total		25,738	12.7%	35,000	15.9%	38,300	16.1%	48.8%	19,189	16.0%	50.1%	
	Total	201,948		220,000		238,000		17.9%	119,635		50.3%	
Segment Profit	Trading	Electronic and advanced materials	1,161	26.7%	1,170	23.9%	1,300	19.1%	12.0%	709	18.7%	54.6%
		Aluminum and copper products	888	20.4%	800	16.3%	960	14.1%	8.1%	610	16.1%	63.6%
		Trading total	2,049	47.1%	1,970	40.2%	2,260	33.2%	10.3%	1,320	34.8%	58.4%
	Manufacturing	Equipment and materials	216	4.9%	500	10.2%	660	9.7%	204.9%	312	8.2%	47.3%
		Metal processing	2,096	48.2%	2,430	49.6%	3,880	57.1%	85.1%	2,154	56.9%	55.5%
		Manufacturing total	2,312	53.1%	2,930	59.8%	4,540	66.8%	96.3%	2,466	65.1%	54.3%
		Total	4,352		4,900		6,800		56.2%	3,788		55.7%

\*Change: Numbers may not tally exactly due to rounding

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# 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

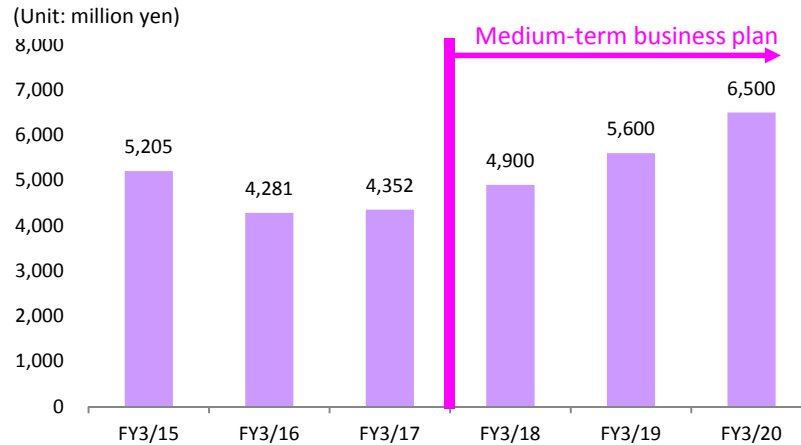
### Strengthen corporate infrastructure and internal governance

# Performance targets (final year: end-March 2020)

Medium-term business plan

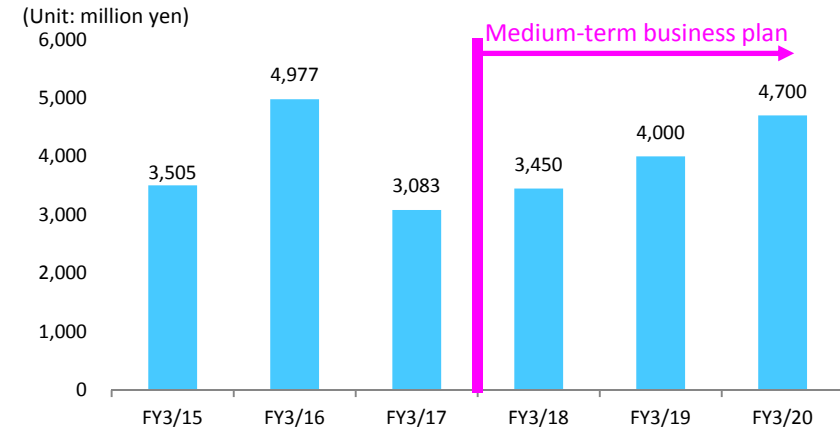
## Profit targets

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



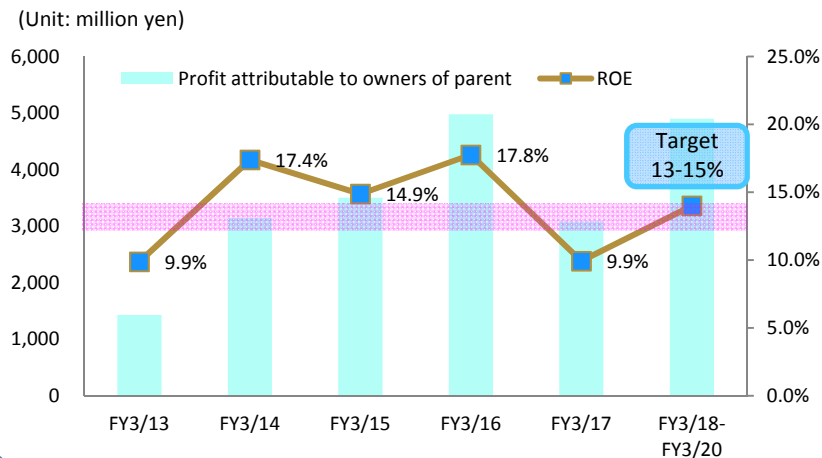
**Profit attributable to owners of parent:**

**Over ¥4.7 billion (FY3/20)**

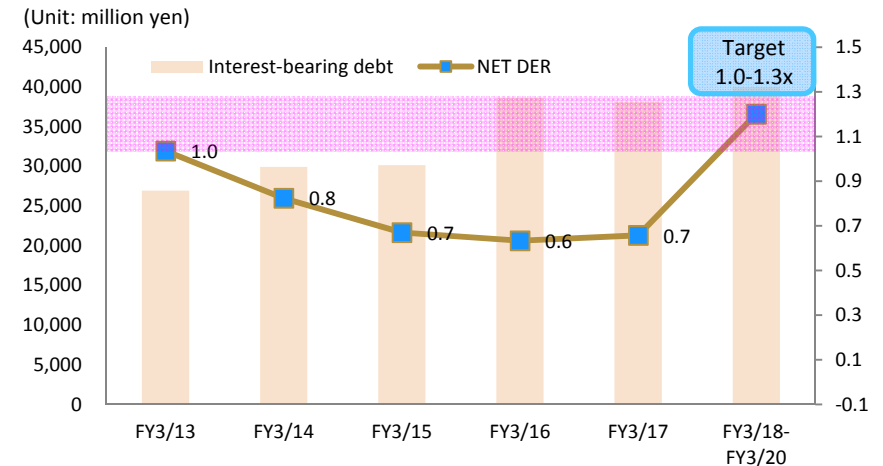


## Management benchmarks

**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

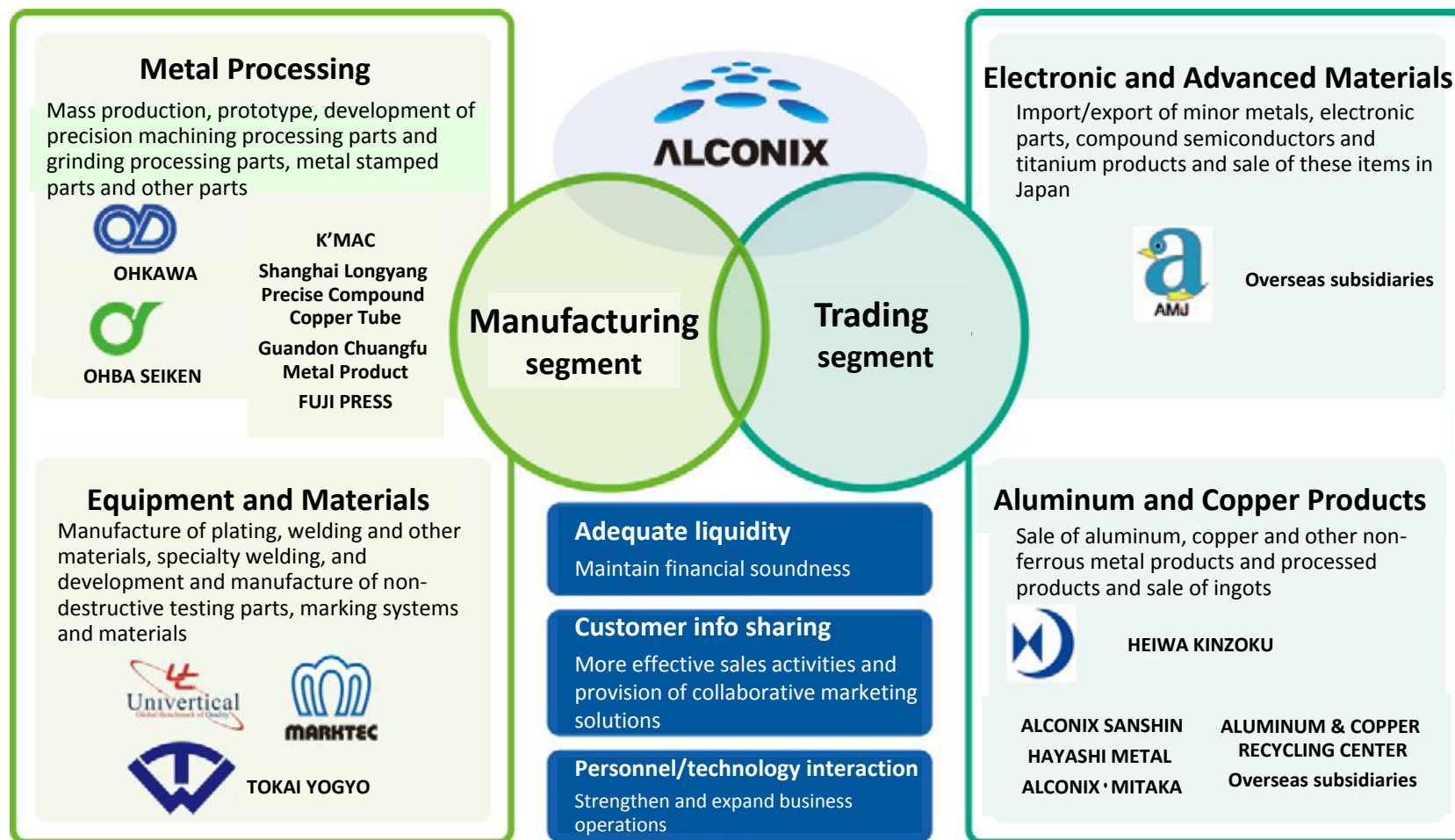
Generate the greatest possible synergies between Trading and Manufacturing

Action plan/Medium-term business plan

## 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

## Electronic materials business

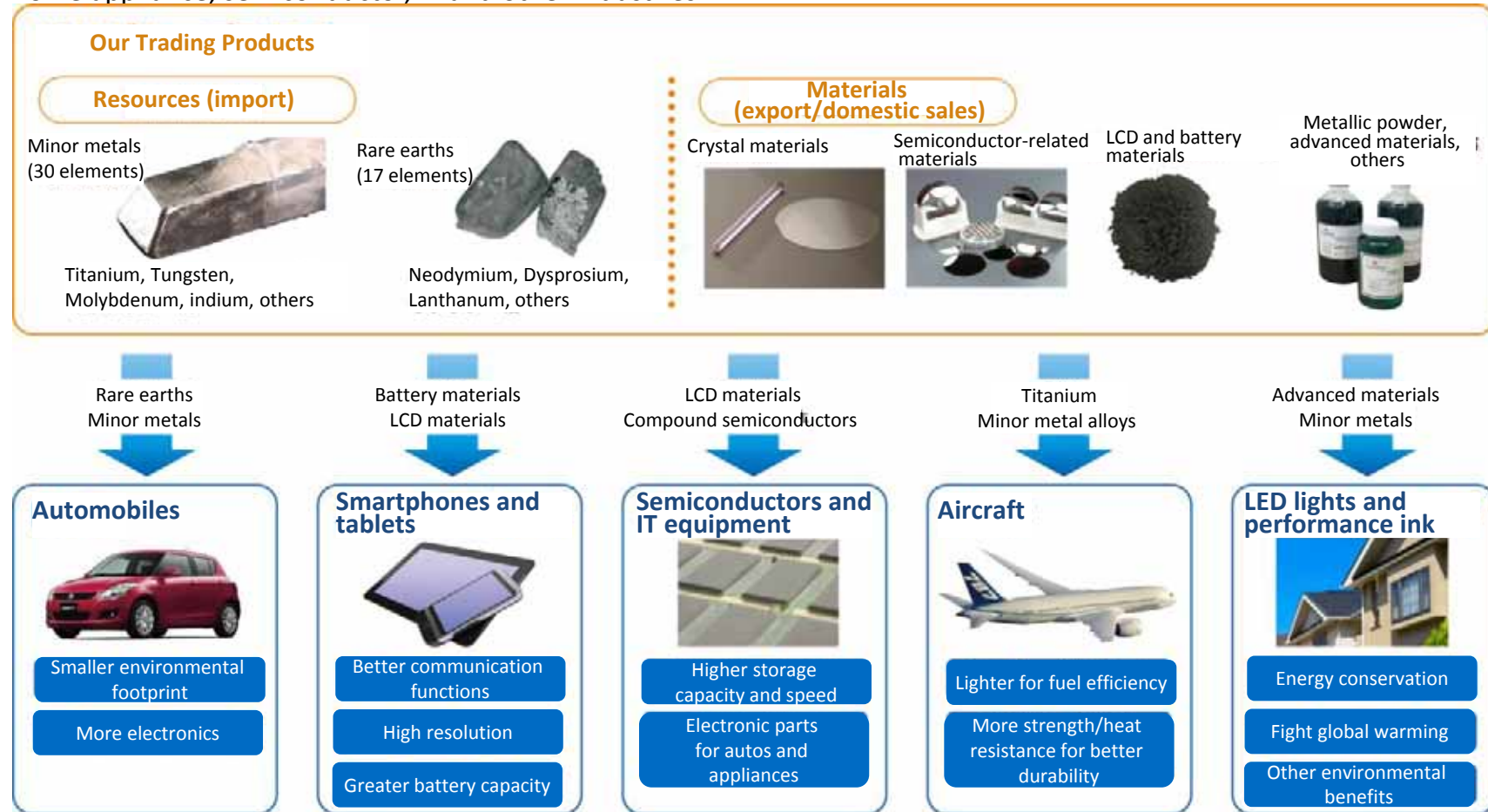
Action plan/Medium-term business plan

### 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 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



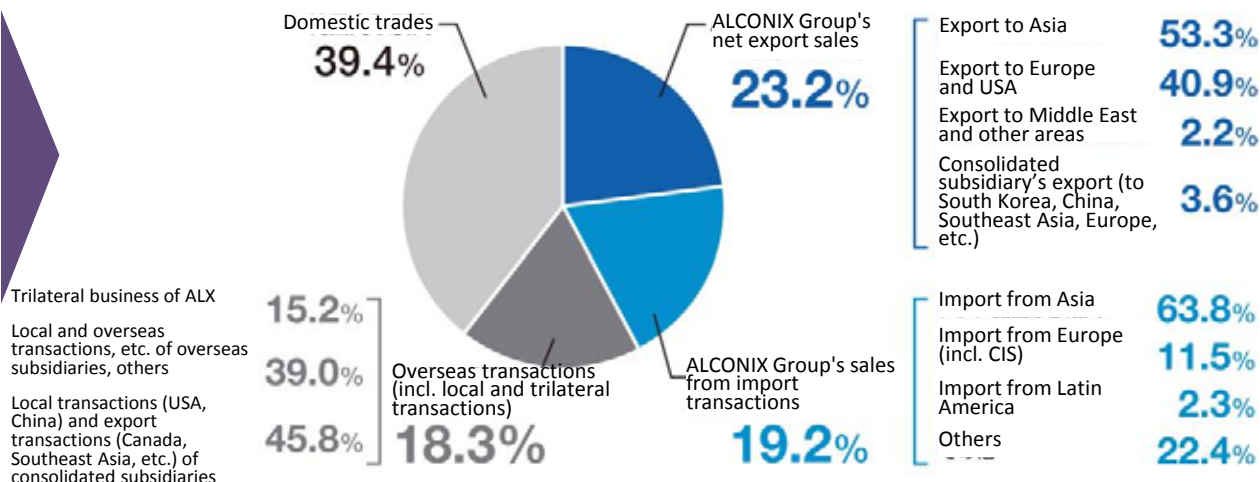
#### 3 Expand overseas network

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



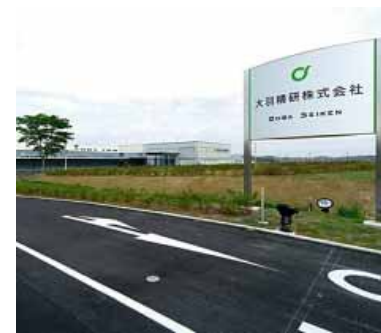
● **ADVANCED MATERIAL JAPAN CORPORATION**  
Trading—Electronic and Advanced Materials  
(January 2004)



● **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

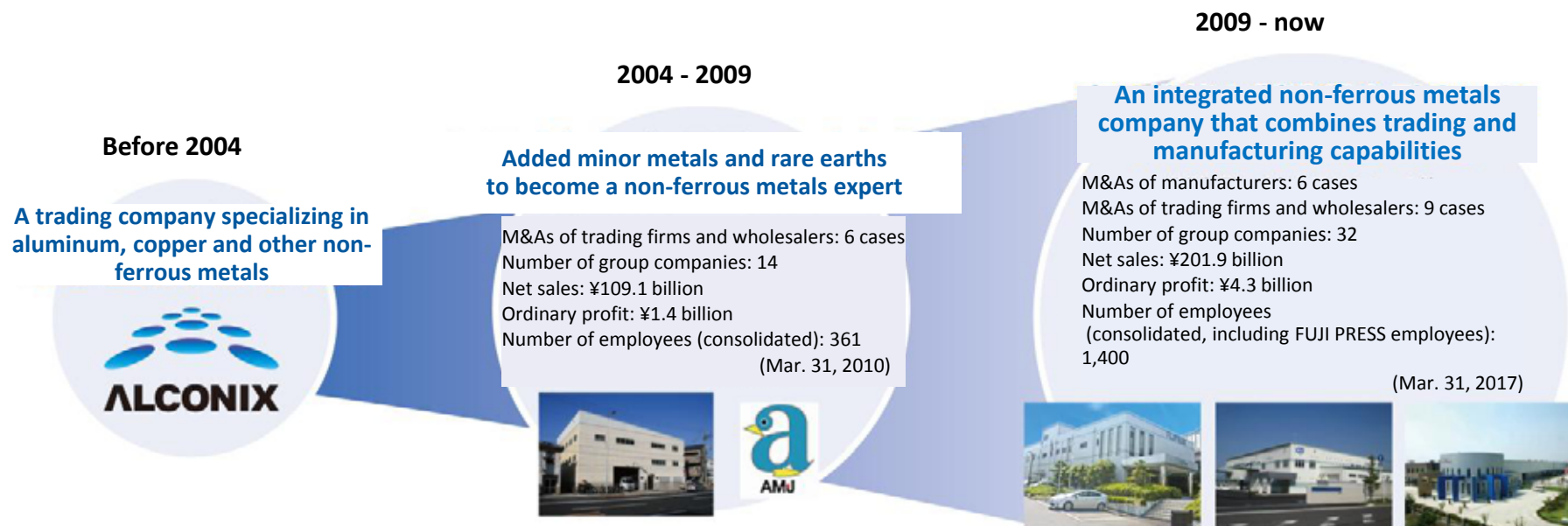
Use M&A primarily in the Manufacturing sector to function as an organizer that seamlessly integrate companies into the ALCONIX Group. Also create new trade channels by fully utilizing the sales resources and global network of ALCONIX.

#### 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

Make full use of manufacturing operations and people added to the ALCONIX Group through M&A and combine the Group's network and resources with distinctive strengths of the acquired businesses for new manufacturing activities that can contribute to growth in consolidated sales and earnings.



# Investment activities 4

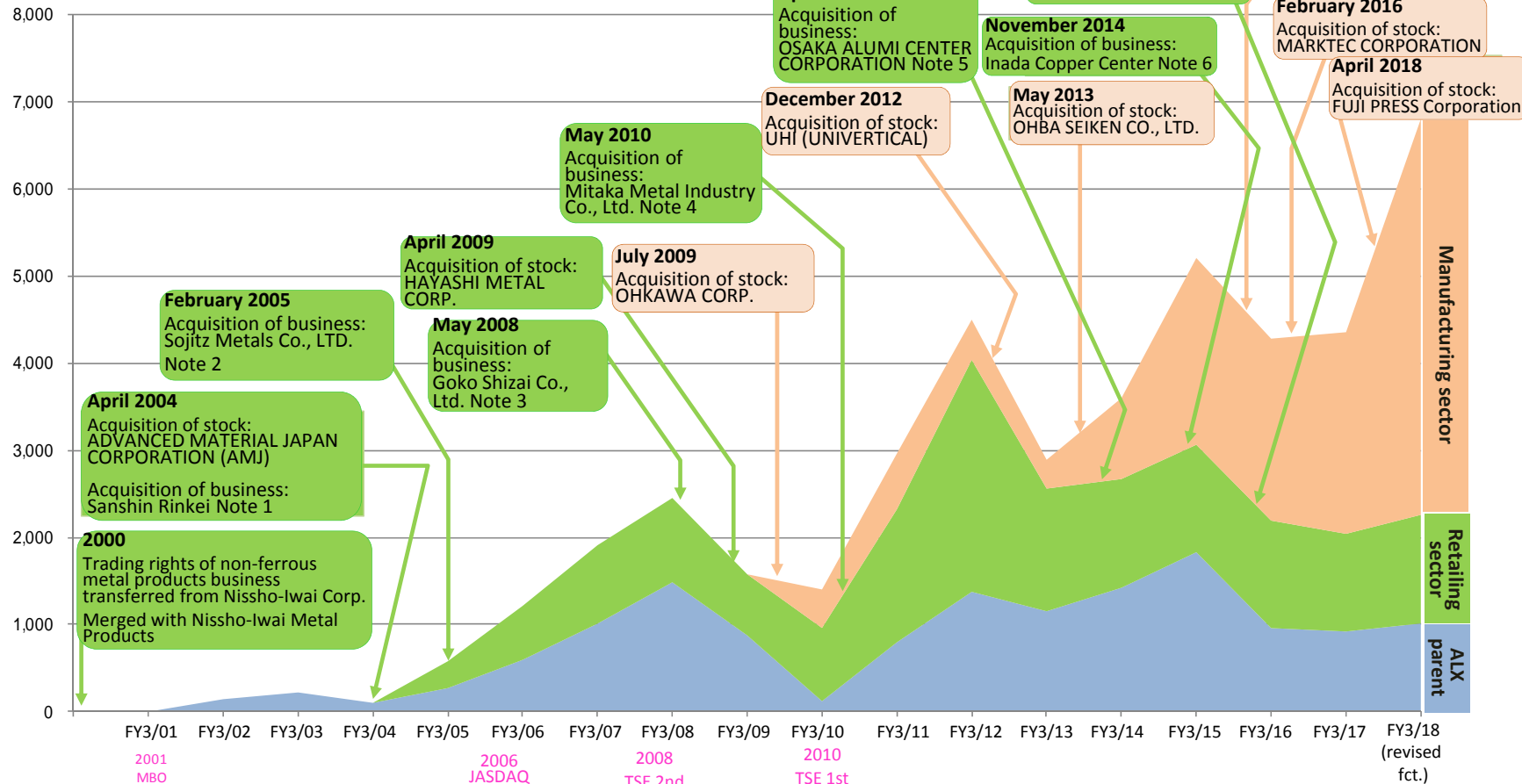
## Changes in business composition

Action plan/Medium-term business plan

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

(Manufacturing segment accounted for more than half of ordinary profit)

(Unit: million yen)



Notes:

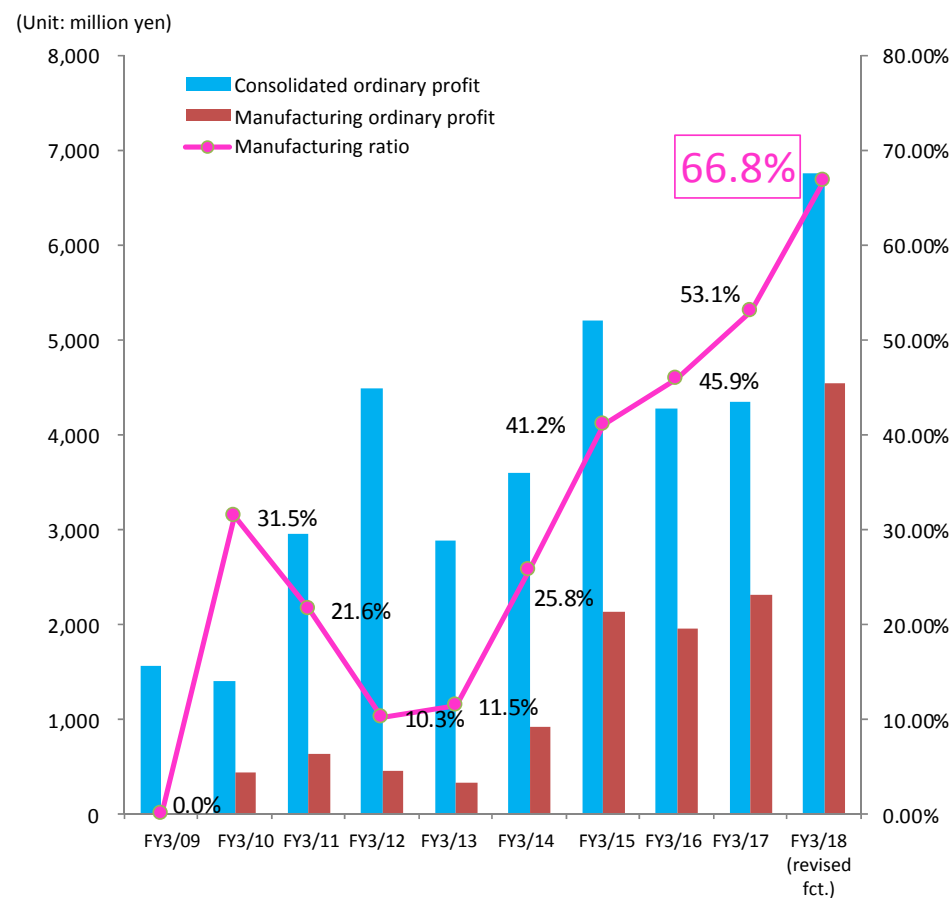
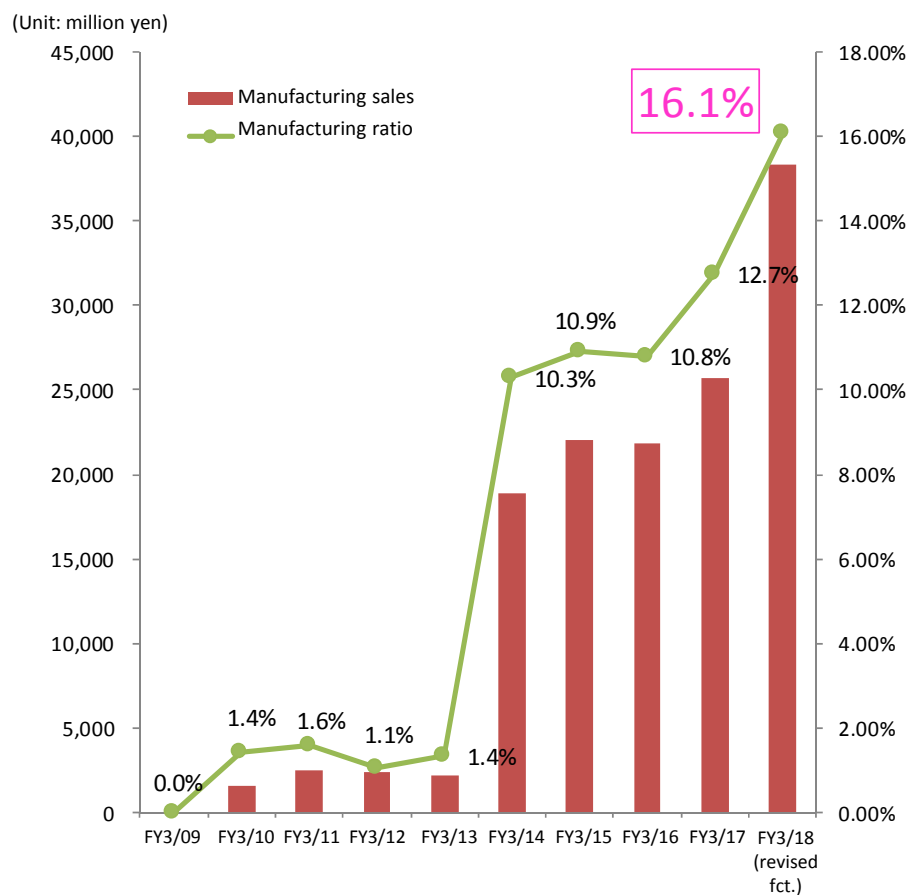
- Sanshin Rinkei started as a division of ALCONIX Group which acquired its operation. Later the division was separated to establish ALCONIX SANSHIN CORPORATION in 2008.
- Sojitz Metals Co., LTD. has started as a non-ferrous materials division of ALCONIX Group.
- Goko Shizai Co., Ltd. is established as 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.
- Manufacturing sector includes earnings of equity-method affiliates.
- Reported only unconsolidated ordinary loss for FY3/01.

# Investment activities 5

## Manufacturing ratio

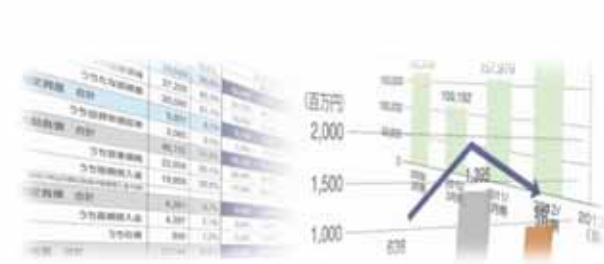
### Impact of manufacturing business on sales and earnings

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.



## 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, centered on ALCONIX

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)

## Many successful acquisitions

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

A diversified group of companies 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. ALCONIX also has a high market share for electronic and advanced materials.

## Solid overseas network

- 11 overseas subsidiaries, 15 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

# Note

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A series of horizontal dotted lines for writing notes.

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