



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
The Third Quarter of the Fiscal Year
Ending March 31, 2018

February 2018

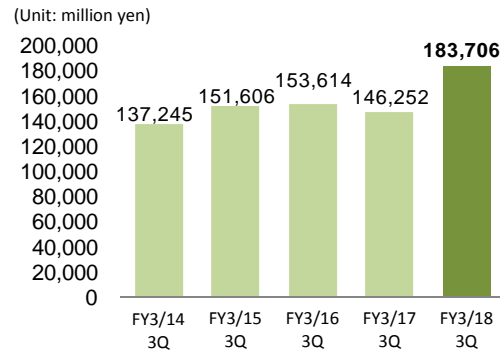
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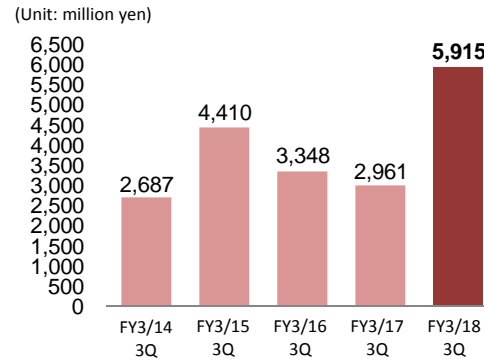
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Results highlights (3Q FY3/18) Overview

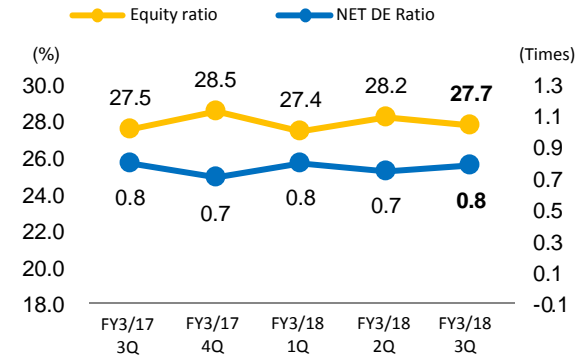
Consolidated Sales



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.
- Manufacturing subsidiaries in Japan and overseas made a big contribution to consolidated performance. The Manufacturing segment earnings increased to account for over 60% of ordinary profit.
- The transaction volume of aluminum, copper and other products/resources, electronic materials, minor metals and rare earths 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 27.7%; Net debt equity ratio 0.8x

- There was a marginal 0.8 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 (since April 2017)

■ Revisions to the Consolidated Earnings Forecasts (Announced on February 9, 2018)

*See p.16 for details.

Full-year forecasts (previous)		(Unit: million yen; Announced on November 8, 2017)		Full-year forecasts (revised)		(Unit: million yen; Percentages show the change vs. the previous forecast)	
Net sales	238,000			243,000	(+2.1%)		
Operating profit	6,230			7,000	(+12.4%)		
Ordinary profit	6,800			7,400	(+8.8%)		
Profit attributable to owners of parent	4,900			5,300	(+8.2%)		
EPS	189.56 yen			205.00 yen			

Dividend forecasts

Annual dividend forecast: **32 yen** per share (Interim 13 yen; Year-end **19 yen**)

*Year-end dividend forecast has been **increased by 6 yen** from the previous forecast of 13 yen **to 19 yen**

Dividend payout ratio (full year): **15.6%**

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

■ OHBA SEIKEN Completes Factory Expansion on February 5, 2018

Consolidated subsidiary OHBA SEIKEN (Manufacturing-Metal Processing segment) has maintained strong sales of chip moulder head parts, its core product, and the fabrication of prototype and newly developed automotive parts. To handle the increased sales volume of chip moulder head parts and other core products and get ready for tapping further business opportunities (such as newly developed automotive parts), construction of a new factory building started in 2017 and was completed on February 5, 2018.



OHBA SEIKEN's new factory building

Business Performance: 3Q FY3/18 Financial Results

Consolidated performance (3Q 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 earnings increased to account for over 60% of ordinary profit. In the Trading segment, earnings were higher due to the significant growth in the volume of electronic materials, minor metals, rare earths, and aluminum and copper products.

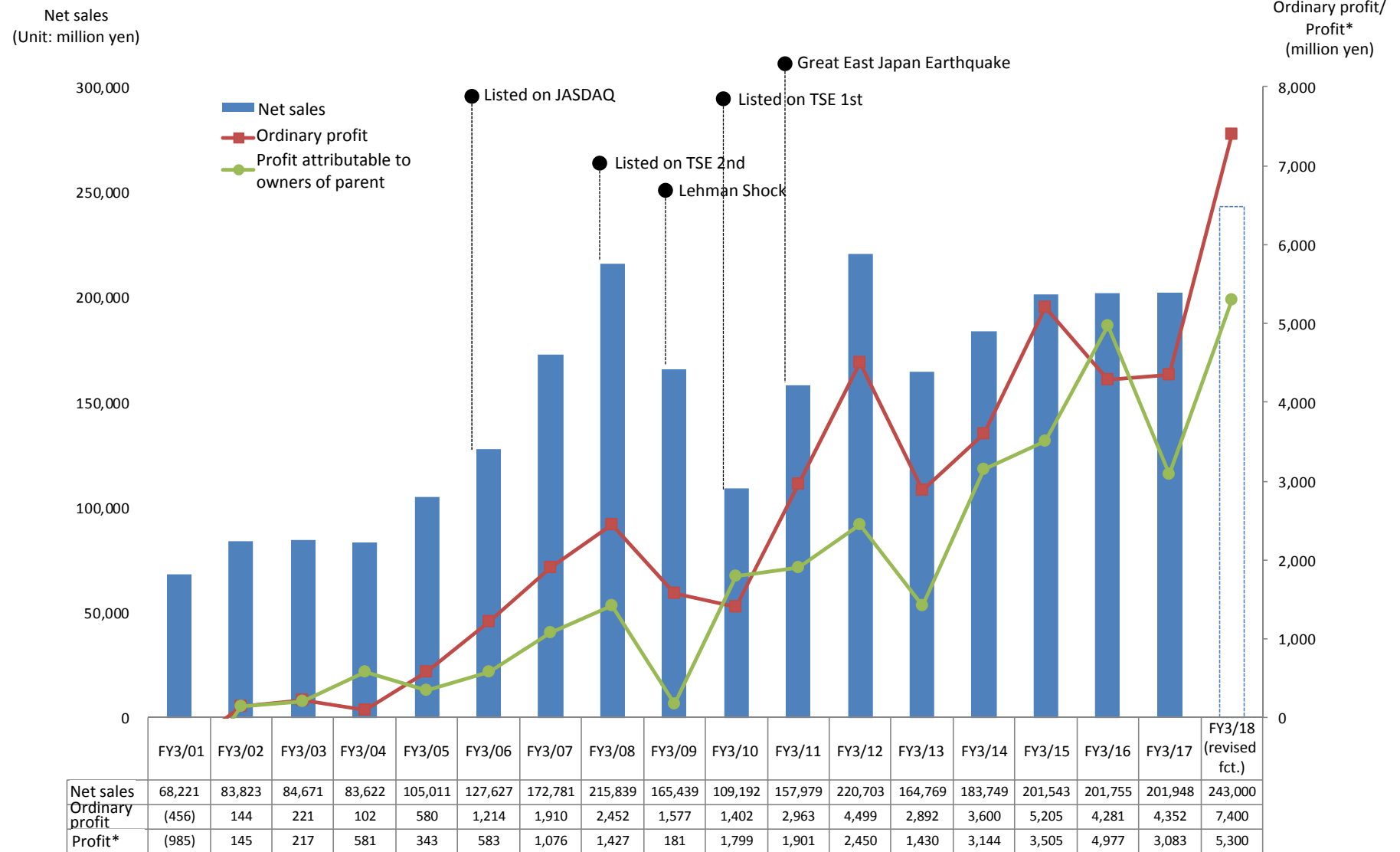
	3Q FY3/17	(Unit: million yen)		
		3Q FY3/18		Change
		% to sales		
Net sales	146,252	183,706		25.6%
Gross profit	10,710	14,025	7.6%	30.9%
SG&A expenses	7,766	8,542	4.7%	10.0%
Operating profit	2,944	5,482	3.0%	86.2%
Ordinary profit	2,961	5,915	3.2%	99.7%
Profit attributable to owners of parent	2,369	4,250	2.3%	79.4%
Comprehensive income	333	4,655	-	-
Net income per share	91.95	164.54	-	-

Sales: Higher sales in most of group companies
[Net increase] Automotive precision stamped parts
[Increase] Materials used in smartphones Minor metals (tungsten, etc.) Rare earths (used in magnetic materials) Machining processing parts (for semiconductor manufacturing equipment) Plating materials Recycled aluminum ingots Copper/ Aluminum scrap Rolled aluminum products used in automobiles Grinding processing parts (for chip mounters)

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 all 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)

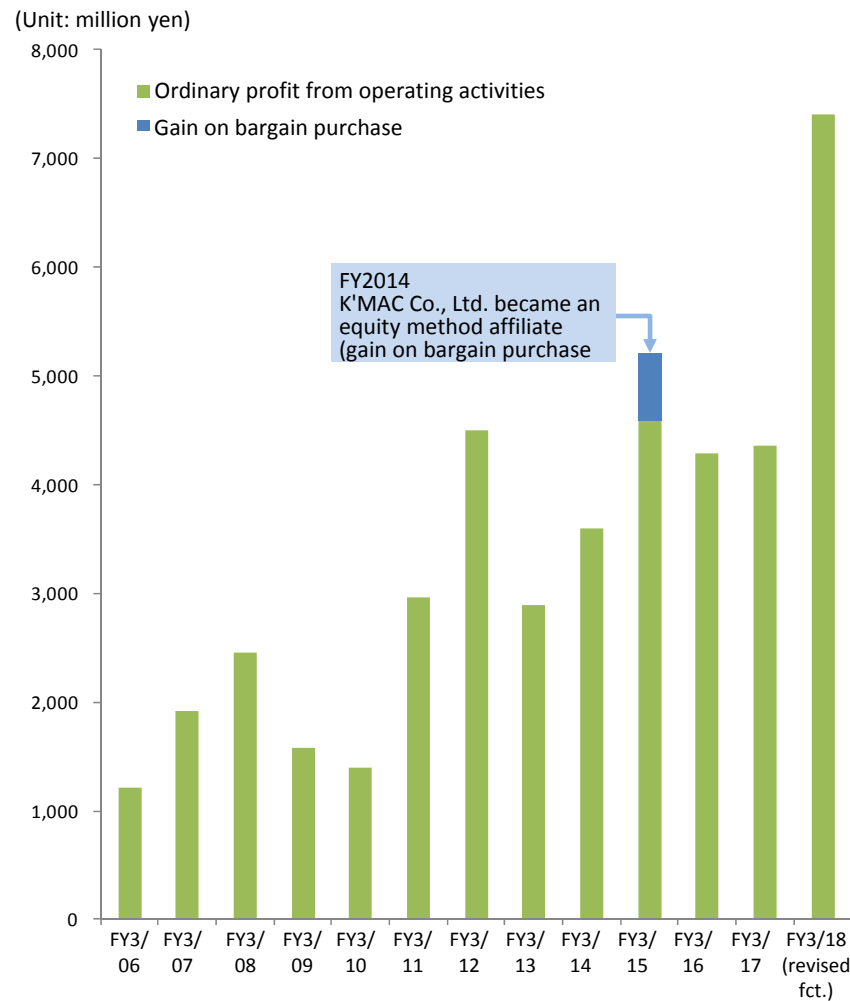
Financial results



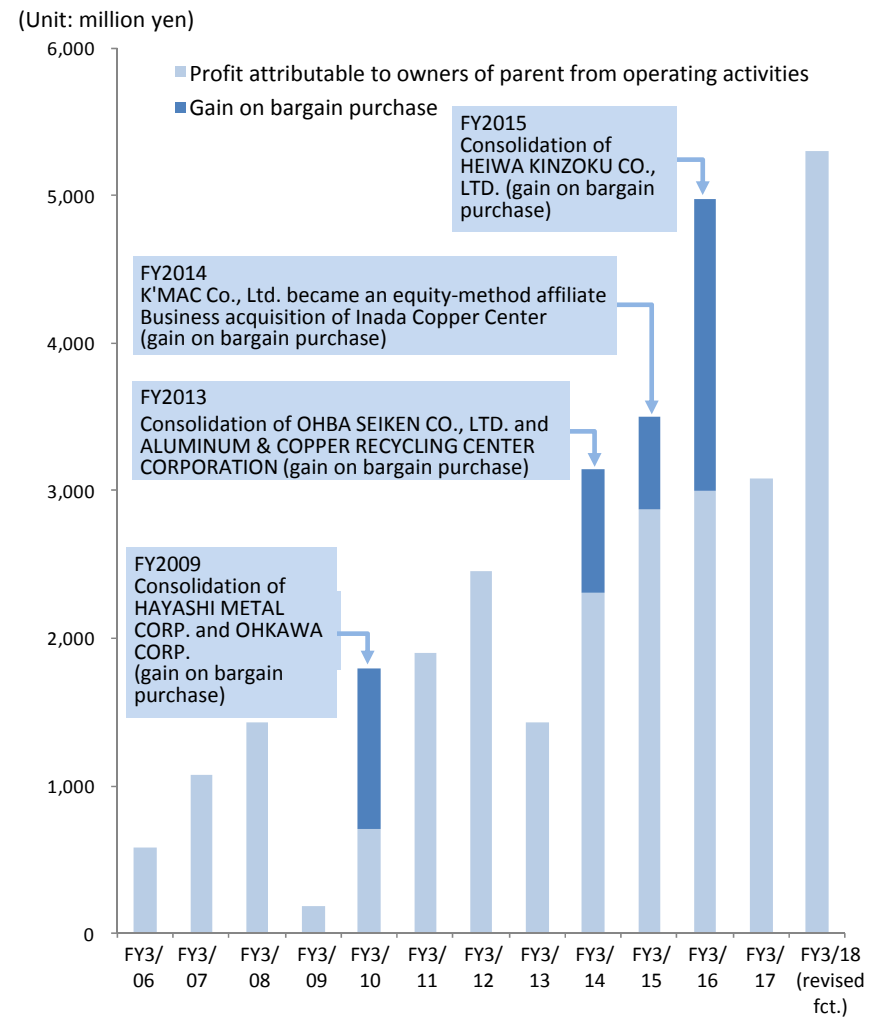
* Profit attributable to owners of parent

Consolidated earnings from operating activities (Business earnings)

Ordinary Profit

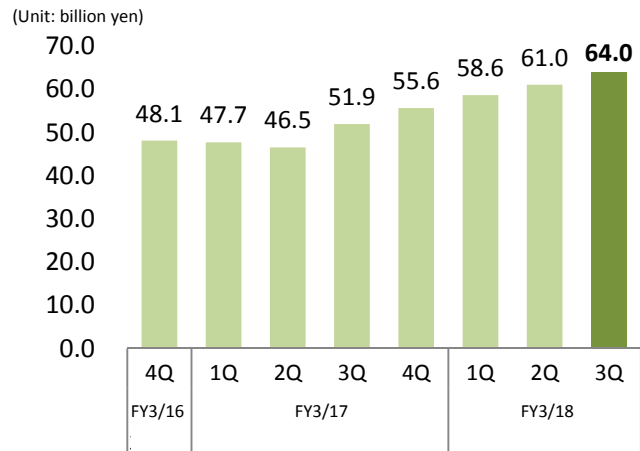


Profit Attributable to Owners of Parent

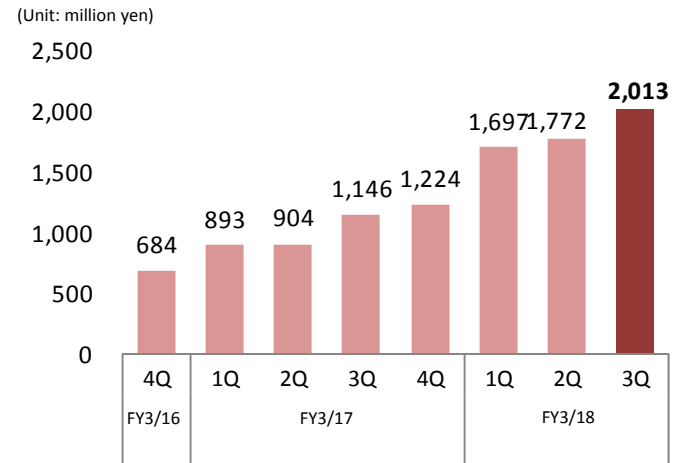


Quarterly sales and earnings (for reference)

Net Sales



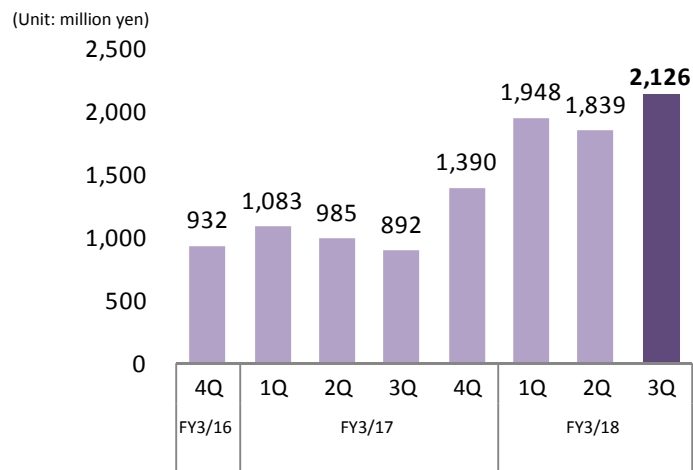
Operating Profit



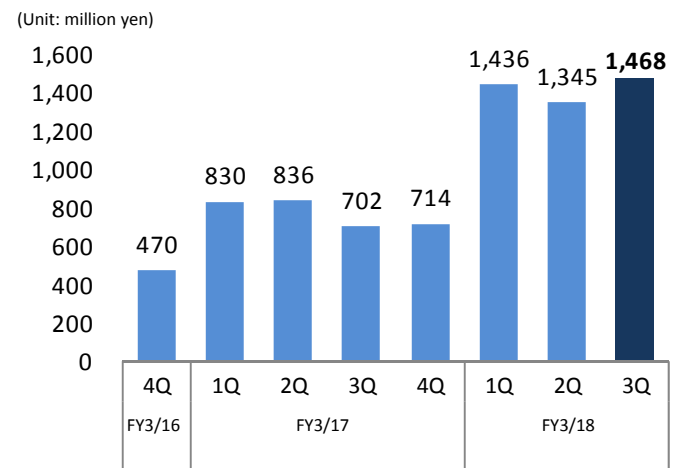
Sales

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.

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 an increase in the transaction volume of tungsten, rare earths used in magnetic materials and other resources along with the growing demand for minor metals and rare earths for automotive applications.

• Trading—Aluminum and Copper Products

Transaction volume of aluminum rolled products for automobiles and copper and other products in trading subsidiaries increased. Also, transaction volume of 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. In the non-destructive testing and marking system sectors, there were increases mainly in shipments of consumables. Overall, this performance enabled this segment to become profitable.

• 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 third quarter of FY3/17 caused by the market needs for smaller lot production and shorter delivery lead time.

(Unit: million yen)

		3Q FY3/17		3Q FY3/18				
			Comp.		Comp.	Change (amount)	Change (%)	
Net Sales	Trading	Electronic and advanced materials	40,078	27.4%	53,538	29.1%	13,460	33.6%
		Aluminum and copper products	87,125	59.6%	100,982	55.0%	13,857	15.9%
		Trading total	127,203	87.0%	154,520	84.1%	27,317	21.5%
	Manufacturing	Equipment and materials	12,304	8.4%	14,251	7.8%	1,946	15.8%
		Metal processing	6,744	4.6%	14,933	8.1%	8,189	121.4%
	Manufacturing total	19,049	13.0%	29,185	15.9%	10,136	53.2%	
	Total	146,252		183,706		37,453	25.6%	
Segment Profit	Trading	Electronic and advanced materials	682	23.0%	1,181	20.0%	498	73.0%
		Aluminum and copper products	582	19.7%	896	15.2%	314	53.9%
		Trading total	1,265	42.7%	2,078	35.2%	812	64.2%
	Manufacturing	Equipment and materials	106	3.6%	635	10.7%	528	496.9%
		Metal processing	1,594	53.8%	3,203	54.2%	1,608	100.9%
	Manufacturing total	1,700	57.4%	3,838	64.9%	2,137	125.7%	
	Total	2,961		5,915		2,953	99.7%	

Note 1. Segment profits are based on ordinary profit Note 2. Elimination or corporate for segment profit: -1 in 3Q FY3/18, -4 in 3Q FY3/17

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

(Unit: million yen)

	3Q FY3/18	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	53,538	13,460	33.6%	29.1%
Segment Profit	1,181	498	73.0%	20.0%
Segment Profit to Net Sales	2.2%	0.5%		

Sales of major products (YoY change)

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

[Electronic materials and advanced materials]

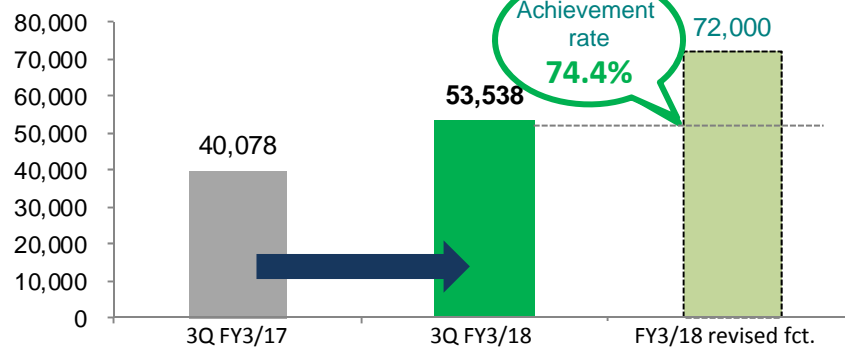
- Transaction volume of **materials used in smartphones and tablets** continued to increase.
- Exports of **titanium and nickel products** to Europe remained firm.
- Demand for **solar cell materials and secondary battery materials** was strong.

[Minor metals and rare earths]

- The transaction volume of **tungsten and rare earths used in automotive magnetic materials** increased as automobile production in Japan and electronic components used for automobiles grew, and prices of these materials recovered.

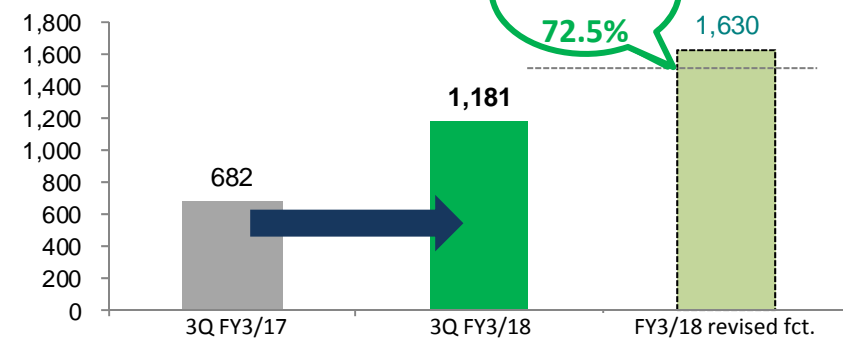
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Aluminum and copper products

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

(Unit: million yen)

	3Q FY3/18	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	100,982	13,857	15.9%	55.0%
Segment Profit	896	314	53.9%	15.2%
Segment Profit to Net Sales	0.9%	0.2%		

Sales of major products (YoY change)

Recycled aluminum ingots: Increase

Aluminum and copper scrap: Increase

Aluminum rolled products (for automotive applications): Increase

Can materials: Increase

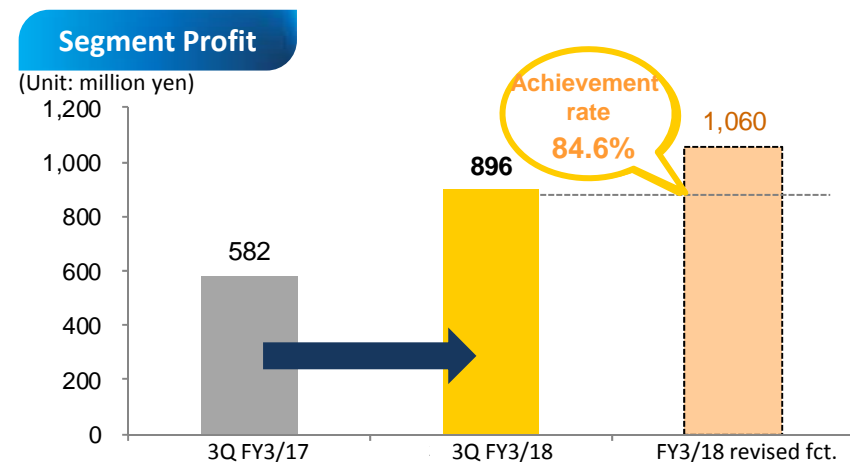
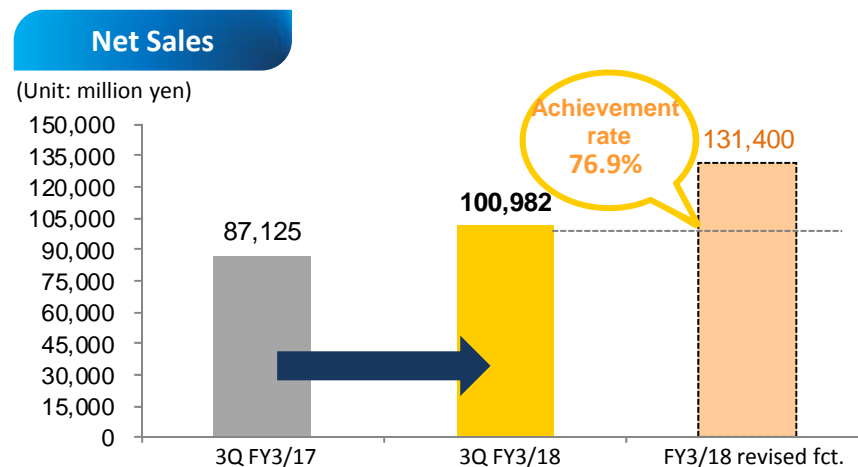
Copper products: Increase

[Products]

- The transaction volume of **copper products** 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**, which mainly supplies rolled aluminum products for air conditioners, cans and other applications. Sales of materials used in semiconductors, air conditioning equipment (copper tube) and construction materials (copper plate) 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**.



Equipment and materials (UNIVERTICAL, MARKTEC, TOKAI YOGYO)

(Unit: million yen)

	3Q FY3/18	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	14,251	1,946	15.8%	7.8%
Segment Profit	635	528	496.9%	10.7%
Segment Profit to Net Sales	4.5%	3.6%		

Sales of major products (YoY change)

Plating materials (copper anode, nickel sulfate, etc.): Increase (UHI)

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 of plating materials 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

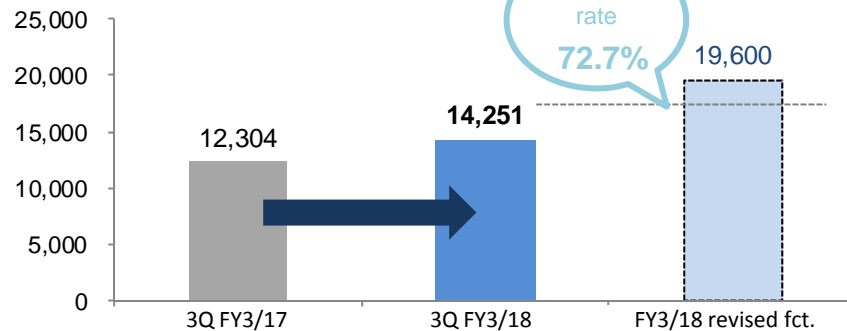
Shipments of welding rods to repair molds increased, mainly to companies in Japan’s automobile industry, and there were consistent **orders for welding work**. Shipments of welding rods were also strong.

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

Although there were no orders for large-size machinery, shipments of **detection materials and other replacement supplies** to companies in the automobile and steel industries increased. Performance also benefited from upturns in shipments of detection materials and other products at manufacturing subsidiaries in China and South Korea that had been sluggish. As a result, these companies **become profitable after goodwill amortization**.

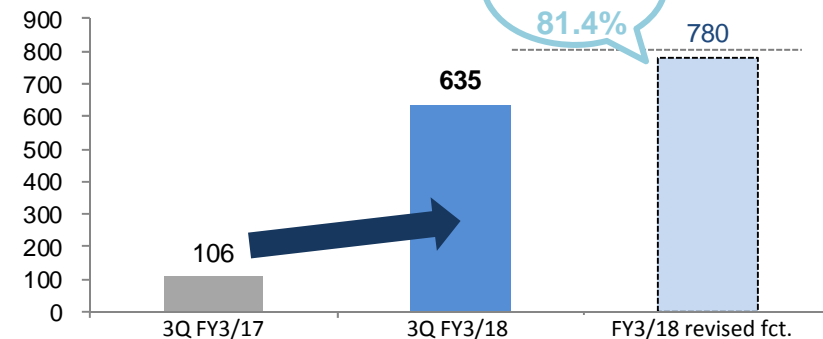
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Metal processing

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

Financial results

(Unit: million yen)

	3Q FY3/18	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	14,933	8,189	121.4%	8.1%
Segment Profit	3,203	1,608	100.9%	54.2%
Segment Profit to Net Sales	21.4%	-2.2%		

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 automotive applications.

●OHKAWA (Machining processing parts)

Orders increased for **precision machining processing parts for semiconductor manufacturing equipment, organic EL manufacturing equipment, and parts used in aircraft**. 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)

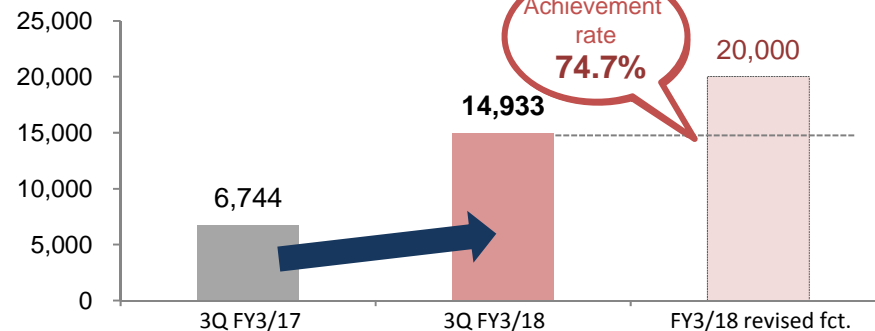
Consolidated in FY3/18. Shipments of **metal stamped parts for engines** surpassed the initial forecast and contributed to consolidated performance, due to an increase in automobile production in Japan.

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

Solid performances by equity-method affiliates. (3Q FY3/17 performance included a gain on sale of real estate at K'MAC)

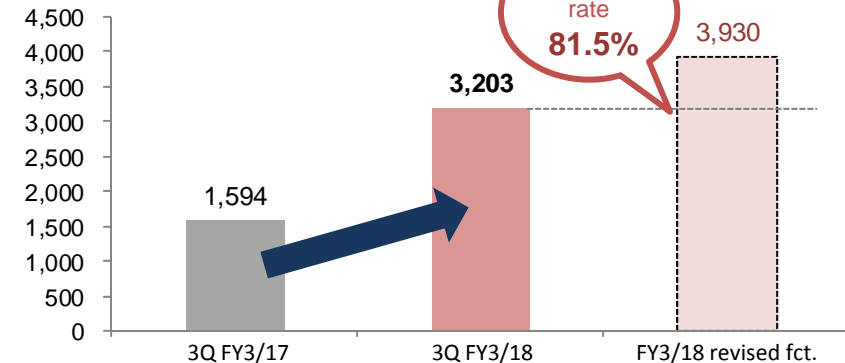
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Consolidated balance sheets (3Q FY3/18)

Financial results

(Unit: million yen)

Assets	FY3/17	3Q FY3/18	Change	Liabilities and Net Assets	FY3/17	3Q FY3/18	Change
Current Assets, Total	82,323	94,038	11,714	Current Liabilities, Total	63,020	73,705	10,685
Cash and deposits	16,885	20,522	3,636	Operating Debt	32,728	33,449	721
Operating Receivables	42,821	46,149	3,327	Short-term Loans Payable	26,383	34,743	8,360
Inventories	19,444	23,146	3,702	(including current portion of long-term loans payable/bonds payable)			
Non-current Assets, Total	31,324	37,156	5,831	Non-current Liabilities, Total	16,508	19,331	2,822
Property, Plant and Equipment	10,601	14,205	3,603	Bonds Payable	825	675	-149
Intangible Assets	8,391	7,943	-447	Long-term Loans Payable	10,883	13,195	2,312
Investment and Other Assets	12,331	15,007	2,676	Liabilities, Total	79,528	93,037	13,508
				Shareholders' Equity	27,853	31,539	3,686
				Retained earnings	22,981	26,612	3,630
				Accumulated Other Comprehensive Income	4,525	4,813	288
				Shareholders' Equity	32,378	36,353	3,974
				Net Assets, Total	34,119	38,157	4,038
Assets, Total	113,647	131,194	17,546	Liabilities and Net Assets Total	113,647	131,194	17,546

*Change: Numbers may not tally exactly due to rounding

Assets (major components)

■ Current assets

- Cash and deposits (increase)
- 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)

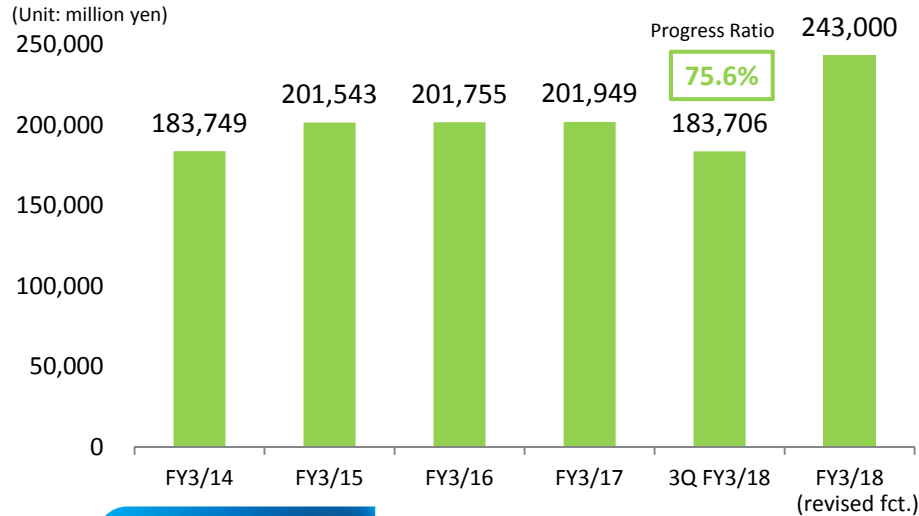
FY3/18 Earnings Forecasts

**Announced the revision to the full-year earnings forecasts on February 9, 2018
(Upward revision to the previous forecast revision announced on November 8, 2017)**

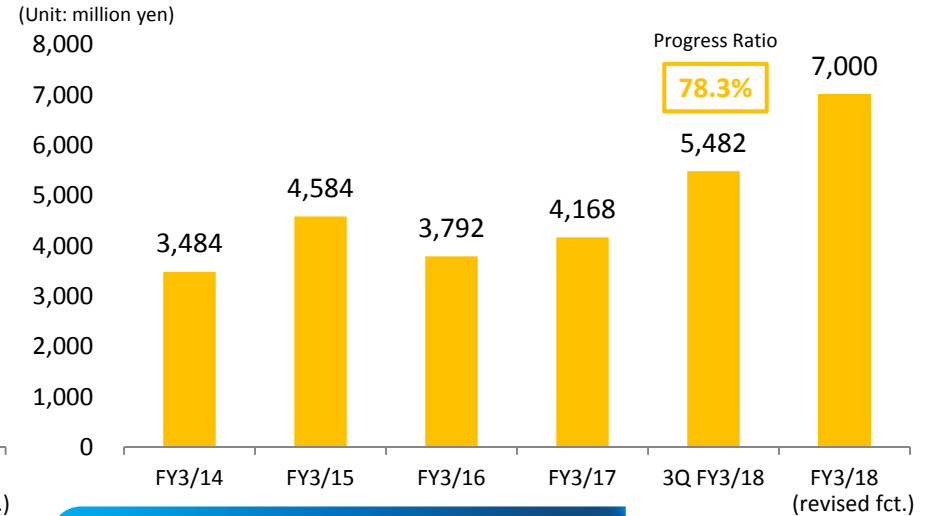
Trend in consolidated earnings

Earnings forecast

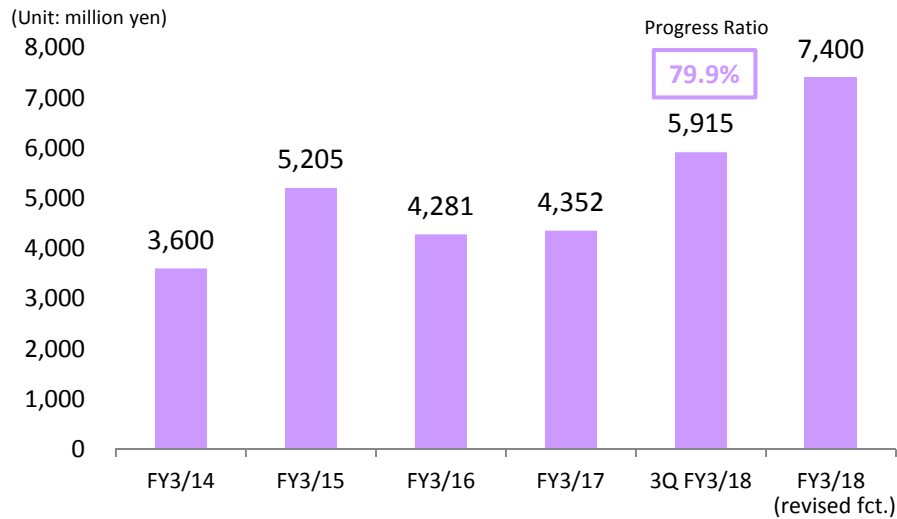
Net Sales



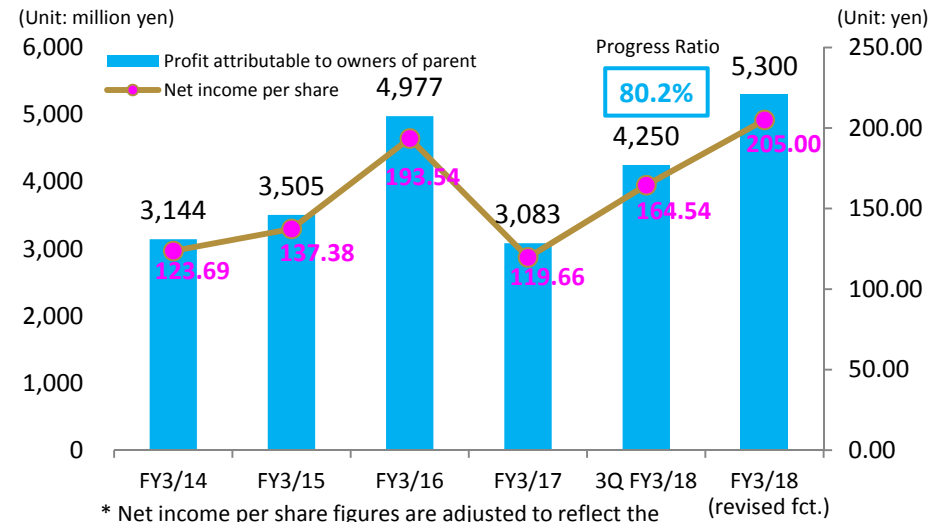
Operating Profit



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 forecast revised on November 8, 2017 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 forecast revised on November 8, 2017 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.

The Manufacturing segment is expected to make a big contribution to earnings because of the outlook for higher earnings at OHKAWA, OHBA SEIKEN and UNIVERTICAL compared with the previous forecast. The Trading segment earnings are expected to surpass the previous forecast at overall group companies. 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 (Revised on Nov. 8, 2017)			FY3/18 (Revised on Feb. 9, 2018)			3Q FY3/18	
	% to sales		% to sales		YoY change	% to sales		YoY change	Progress ratio	
Net sales	201,948		238,000		17.9%	243,000		20.3%	183,706	75.6%
Gross profit	14,476	7.2%	17,787	7.5%	22.9%	18,500	7.6%	27.8%	14,025	75.8%
SG&A expenses	10,307	5.1%	11,557	4.9%	12.1%	11,500	4.7%	11.6%	8,542	74.3%
Operating profit	4,168	2.1%	6,230	2.6%	49.5%	7,000	2.9%	67.9%	5,482	78.3%
Ordinary profit	4,352	2.2%	6,800	2.9%	56.2%	7,400	3.0%	70.0%	5,915	79.9%
Profit attributable to owners of parent	3,083	1.5%	4,900	2.1%	58.9%	5,300	2.2%	71.9%	4,250	80.2%
Net income per share (yen)	119.66		189.56			205.00			164.54	

Forecasts by segment (FY3/18)

Earnings forecast

■ Trading segment: Higher sales and earnings /

Manufacturing segment: Higher sales and earnings (Manufacturing will be over 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 increase mainly because of the increasing number of electronic components in automobiles, and prices of these materials are expected to recover.

• 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 areas 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 subsidiaries 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, contributes to earnings as shipments are exceeding the initial forecast.

(Unit: million yen)

		FY3/17		FY3/18		FY3/18		Change	3Q FY3/18			
			Comp.	(Revised forecasts on Nov. 8, 2017)	Comp.	(Revised forecasts on Feb. 9, 2018)	Comp.		Comp.	Progress ratio		
Net Sales	Trading	Electronic and advanced materials	56,510	28.0%	70,400	29.6%	72,000	29.6%	2.3%	53,538	29.1%	74.4%
		Aluminum and copper products	119,699	59.3%	129,300	54.3%	131,400	54.1%	1.6%	100,982	55.0%	76.9%
		Trading total	176,210	87.3%	199,700	83.9%	203,400	83.7%	1.9%	154,520	84.1%	76.0%
	Manufacturing	Equipment and materials	16,655	8.2%	19,000	8.0%	19,600	8.1%	3.2%	14,251	7.8%	72.7%
		Metal processing	9,082	4.5%	19,300	8.1%	20,000	8.2%	3.6%	14,933	8.1%	74.7%
		Manufacturing total	25,738	12.7%	38,300	16.1%	39,600	16.3%	3.4%	29,185	15.9%	73.7%
Total		201,948		238,000		243,000			183,706		75.6%	
Segment Profit	Trading	Electronic and advanced materials	1,161	26.7%	1,300	19.1%	1,630	22.1%	25.4%	1,181	20.0%	72.5%
		Aluminum and copper products	888	20.4%	960	14.1%	1,060	14.3%	10.4%	896	15.2%	84.6%
		Trading total	2,049	47.1%	2,260	33.2%	2,690	36.4%	19.0%	2,078	35.2%	77.3%
	Manufacturing	Equipment and materials	216	4.9%	660	9.7%	780	10.5%	18.2%	635	10.7%	81.4%
		Metal processing	2,096	48.2%	3,880	57.1%	3,930	53.1%	1.3%	3,203	54.2%	81.5%
		Manufacturing total	2,312	53.1%	4,540	66.8%	4,710	63.6%	3.7%	3,838	64.9%	81.5%
Total		4,352		6,800		7,400		8.8%	5,915		79.9%	

*Change: Numbers may not tally exactly due to rounding

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

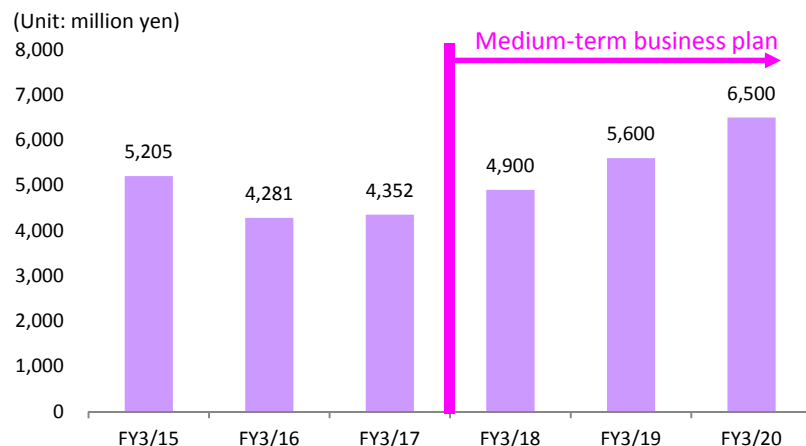
Strengthen corporate infrastructure and internal governance

Performance targets (final year: end-March 2020)

Medium-term business plan

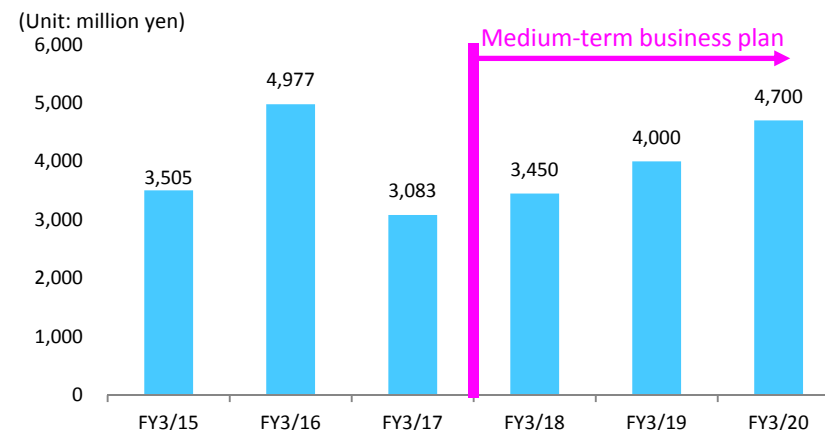
Profit targets

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



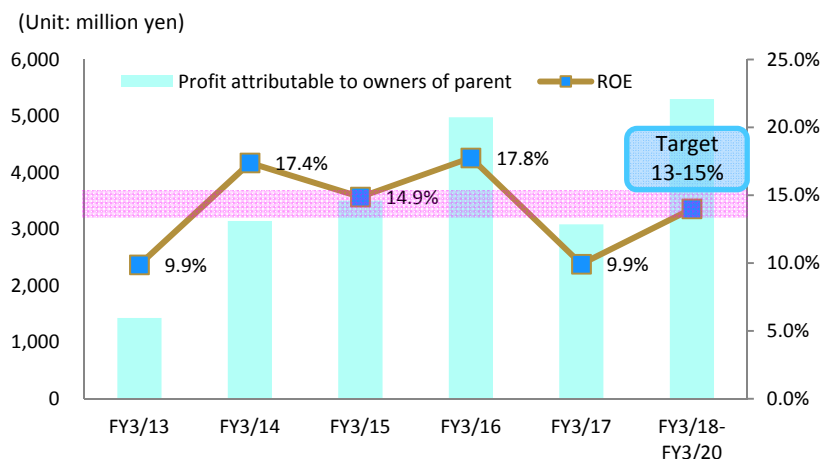
Profit attributable to owners of parent:

Over ¥4.7 billion (FY3/20)

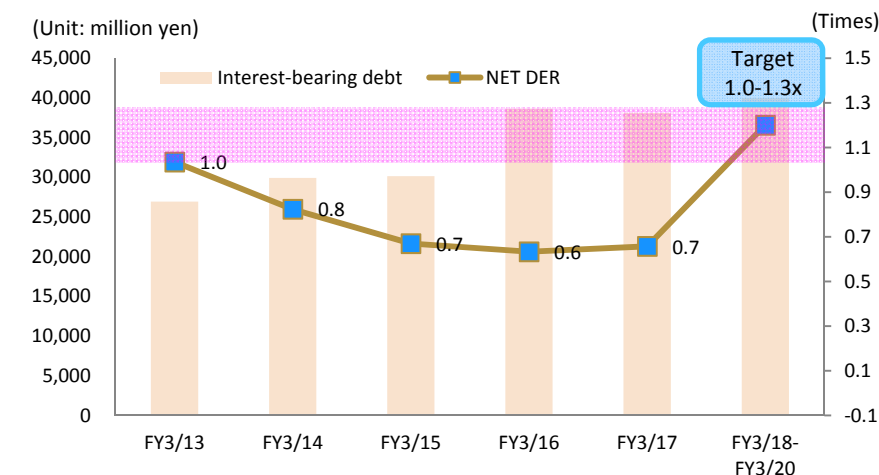


Management benchmarks

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

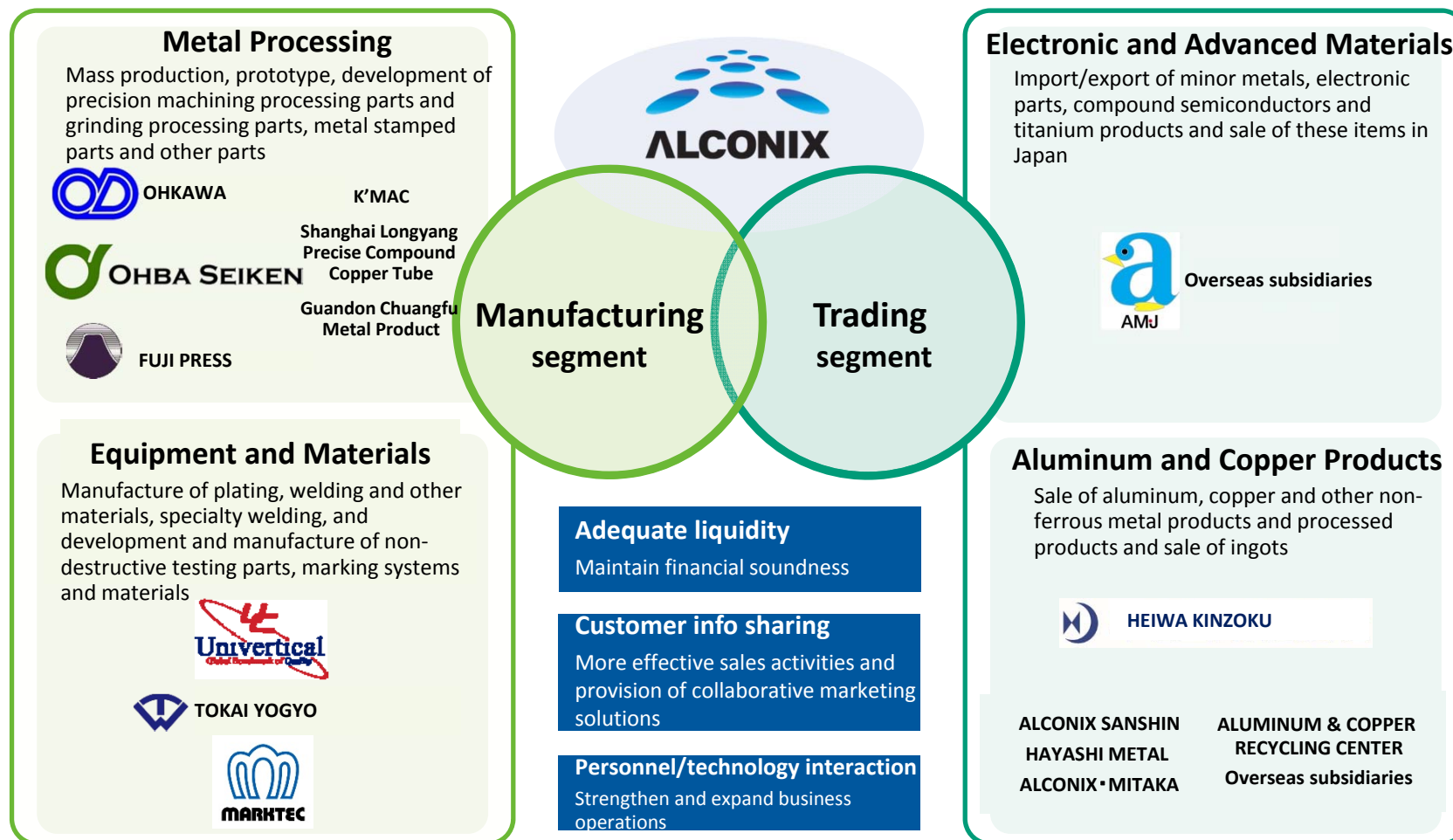
Generate the greatest possible synergies between Trading and Manufacturing

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

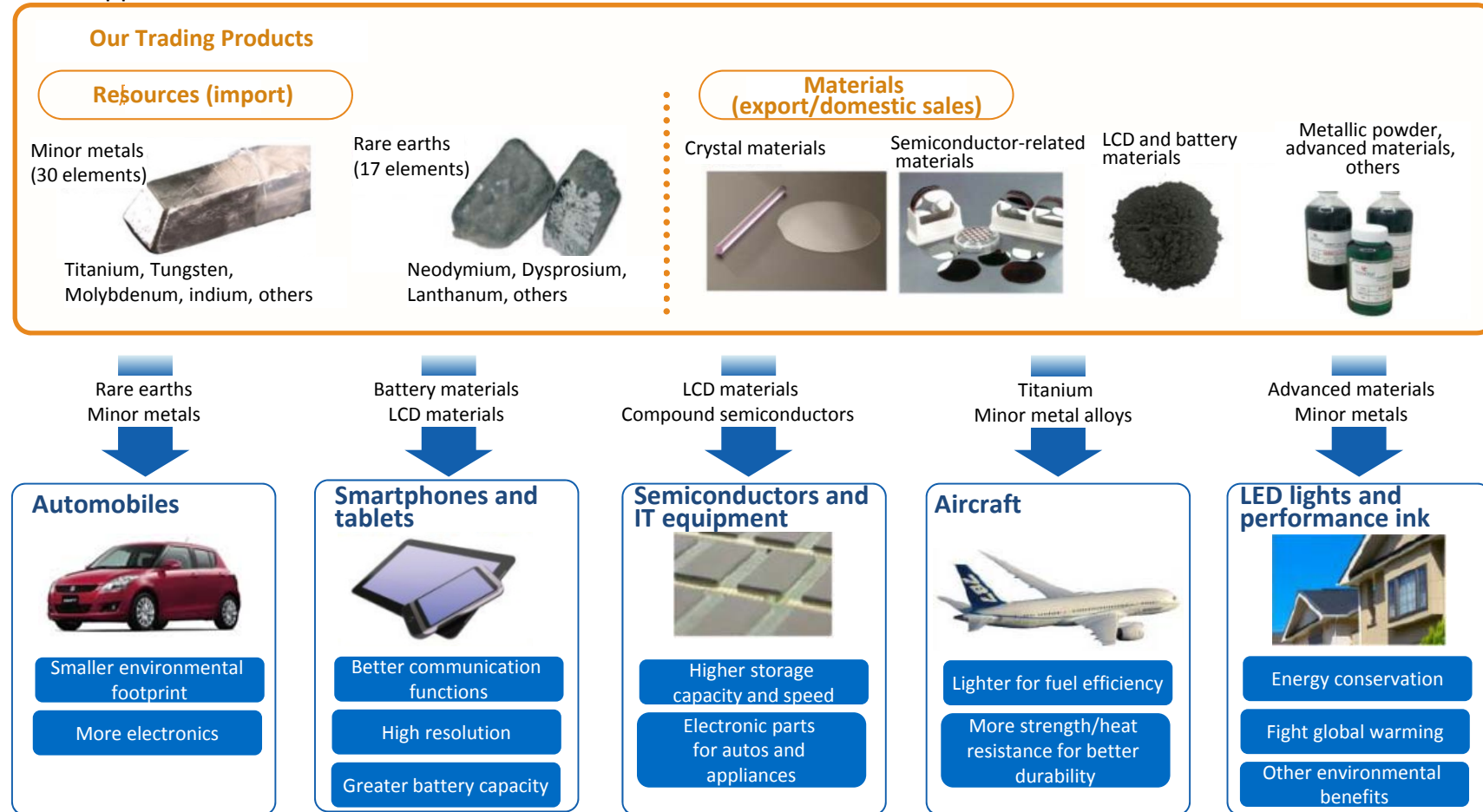
Action plan/Medium-term business plan

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

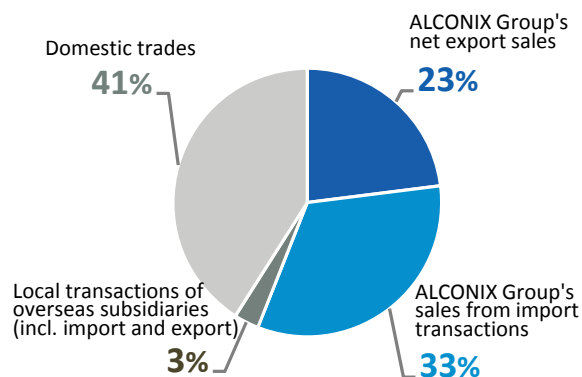
Growth of overseas operations, mainly for minor metals, at the Singapore subsidiary of ADVANCED MATERIAL JAPAN CORPORATION



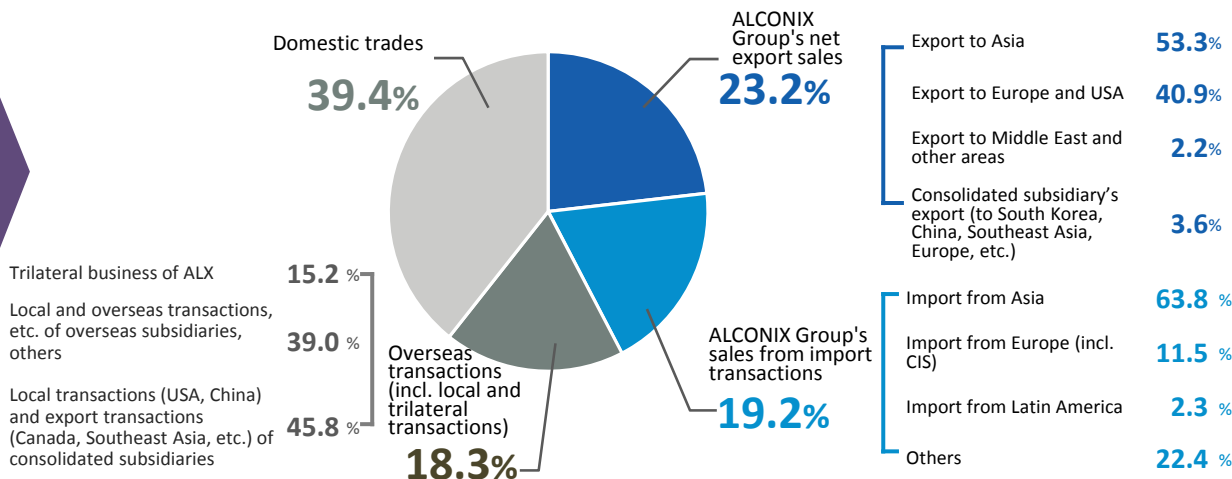
3 Expand overseas network

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)



Investment activities 1

Track records

Action plan/Medium-term business plan

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**

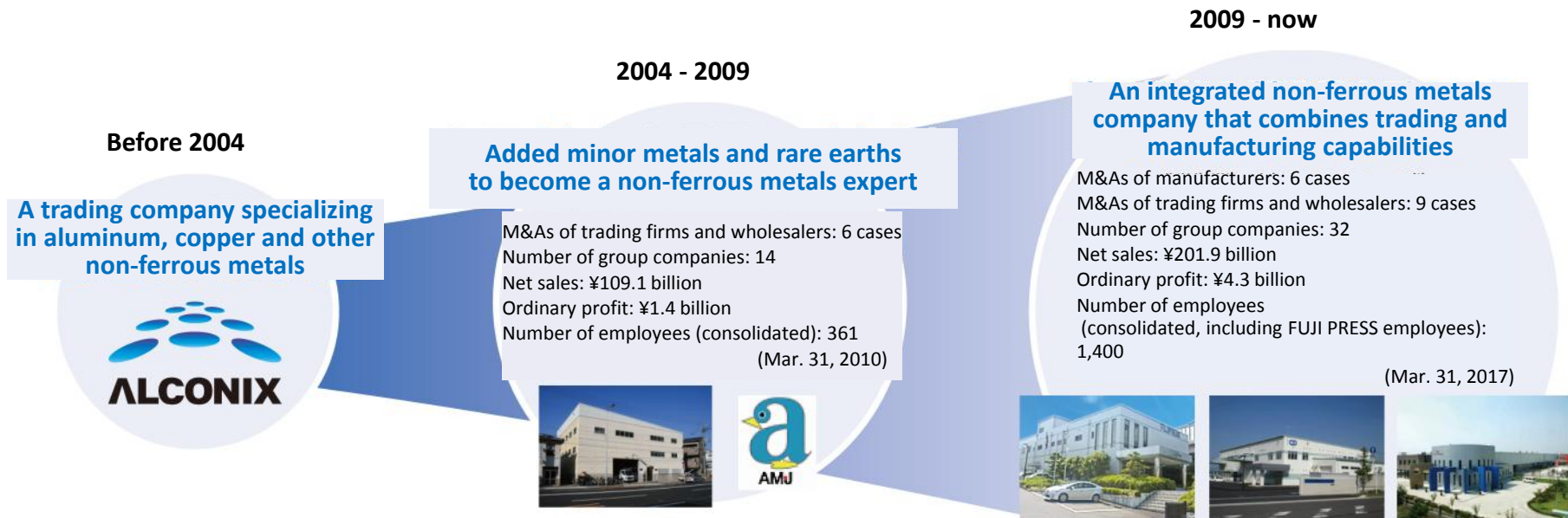
Use M&A primarily in the Manufacturing sector to function as an organizer that seamlessly integrate companies into the ALCONIX Group. Also create new trade channels by fully utilizing the sales resources and global network of ALCONIX.

- **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.



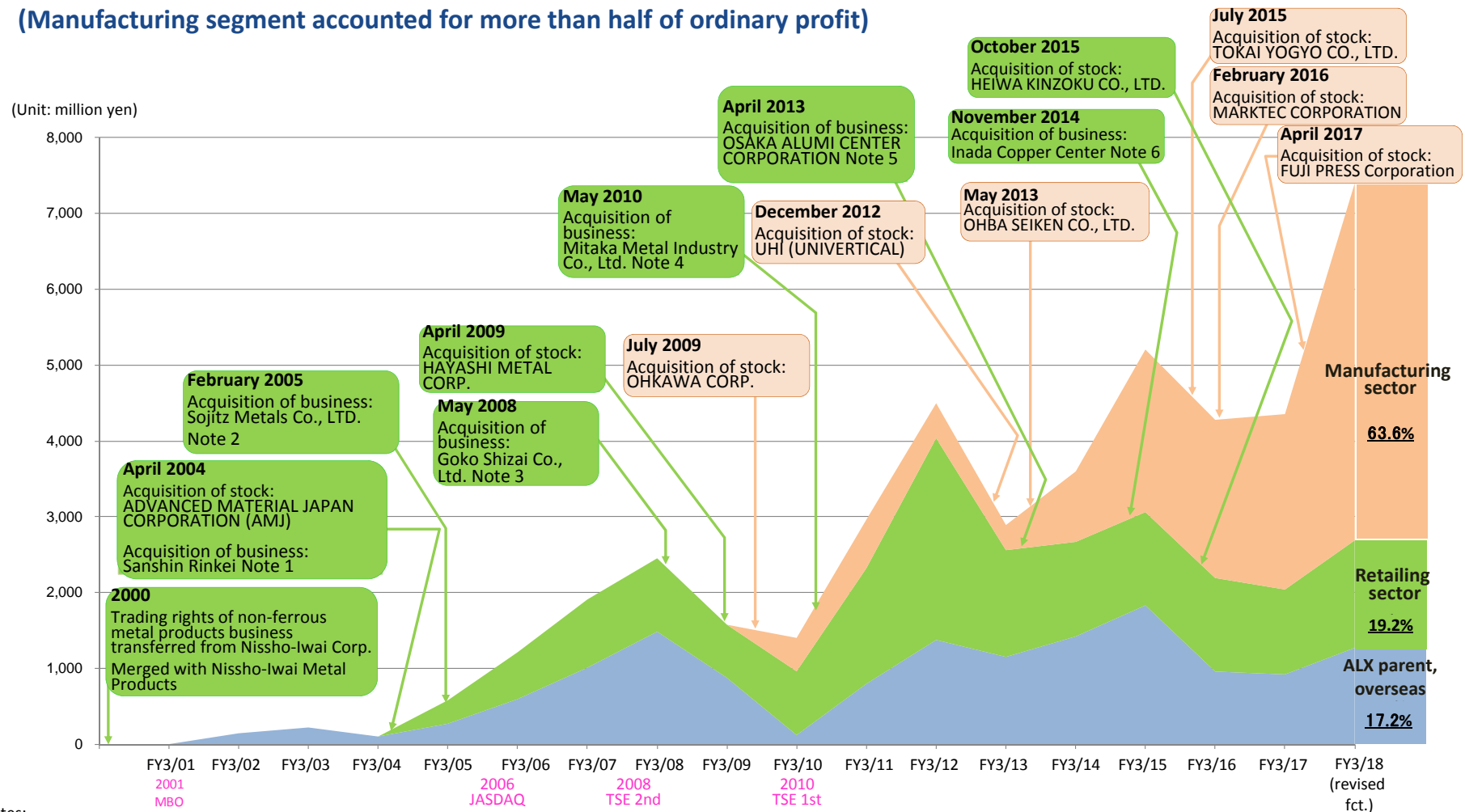
Investment activities 4

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)



Notes:

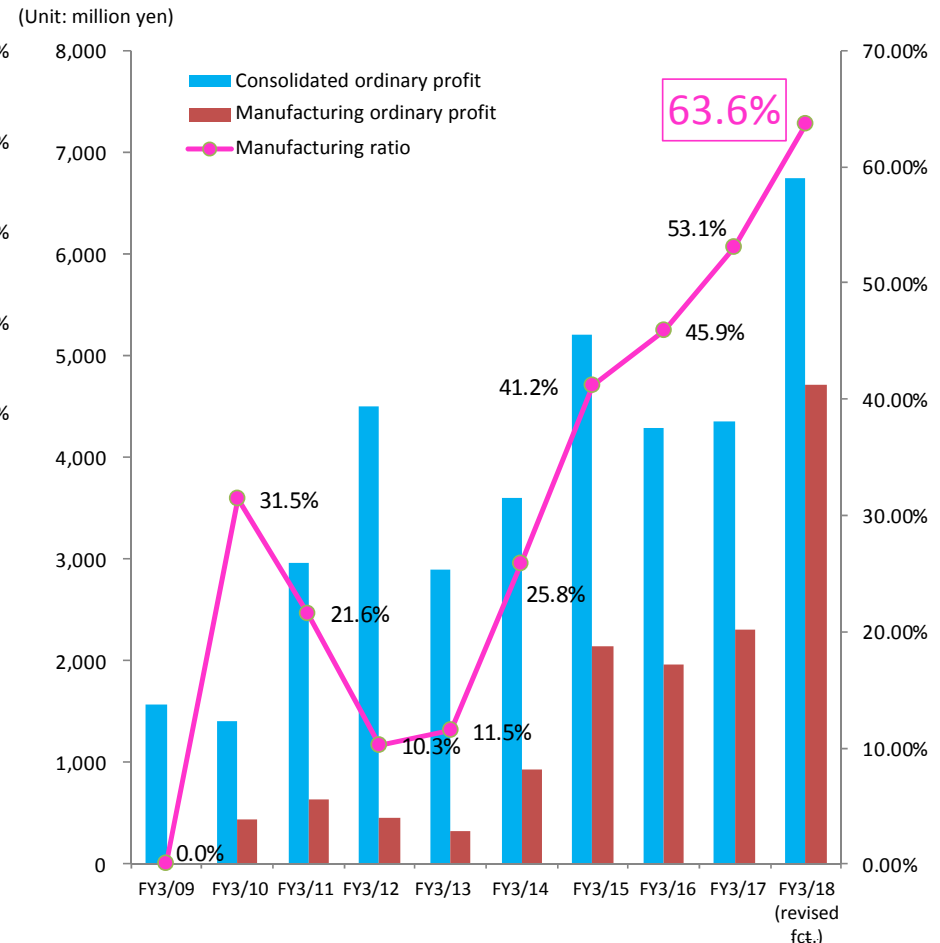
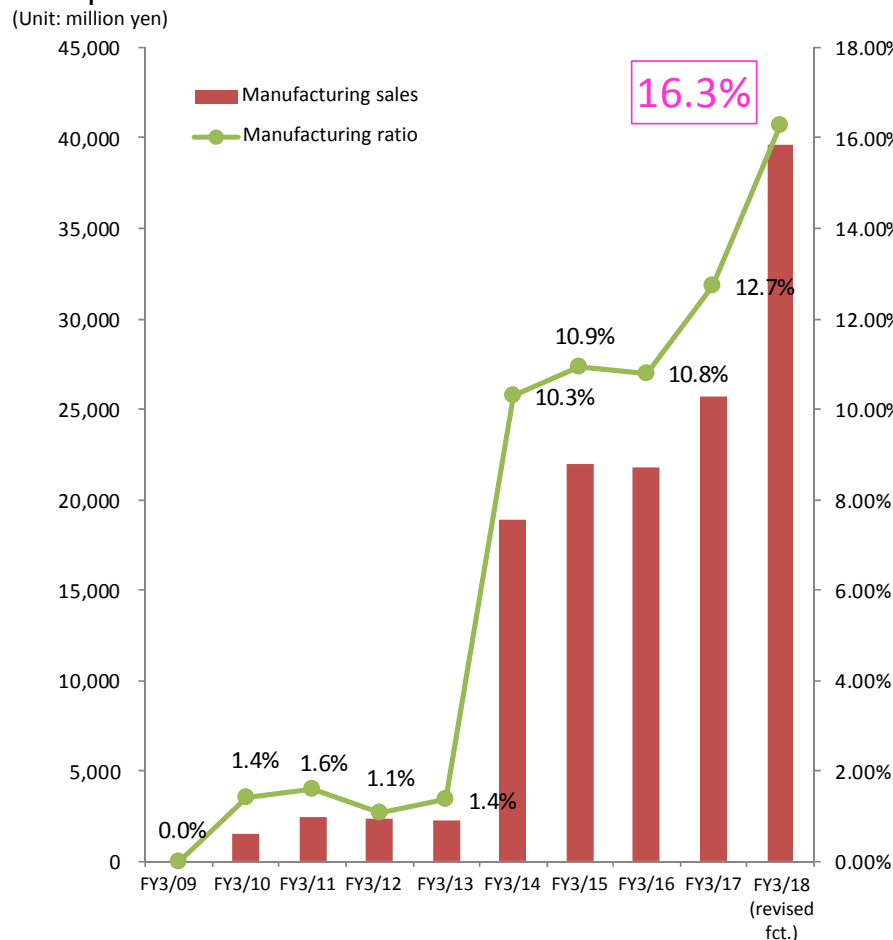
- Sanshin Rinkei started as a division of ALCONIX Group which acquired its operation. Later the division was separated to establish ALCONIX SANSHIN CORPORATION in 2008.
- Sojitz Metals Co., LTD. has started as a non-ferrous materials division of ALCONIX Group.
- Goko Shizai Co., Ltd. is established as 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.

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

A series of horizontal dotted lines for writing notes.

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