



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  
Fiscal Year Ended March 31, 2018

May 2018

# Contents

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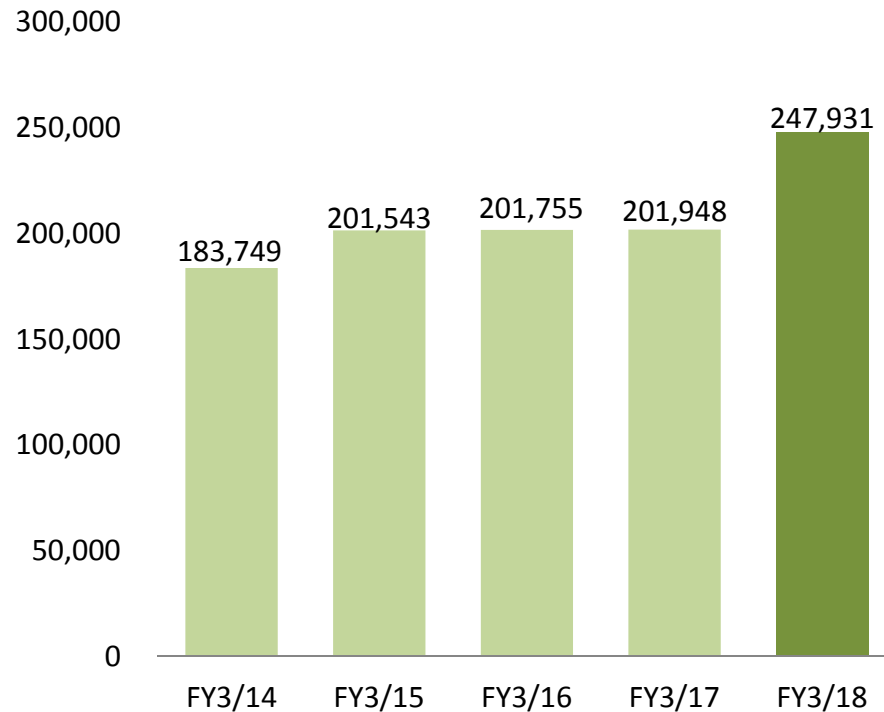
## Results Materials

<b>Results Highlights</b>	<b>3</b>
<b>Topics</b>	<b>6</b>
<b>FY3/18 Financial Results</b>	<b>7</b>
<b>FY3/19 Earnings Forecasts</b>	<b>17</b>
<b>Medium-term Business Plan</b>	<b>21</b>

# Results highlights (FY3/18) Consolidated sales

## Consolidated Sales

(Unit: million yen)



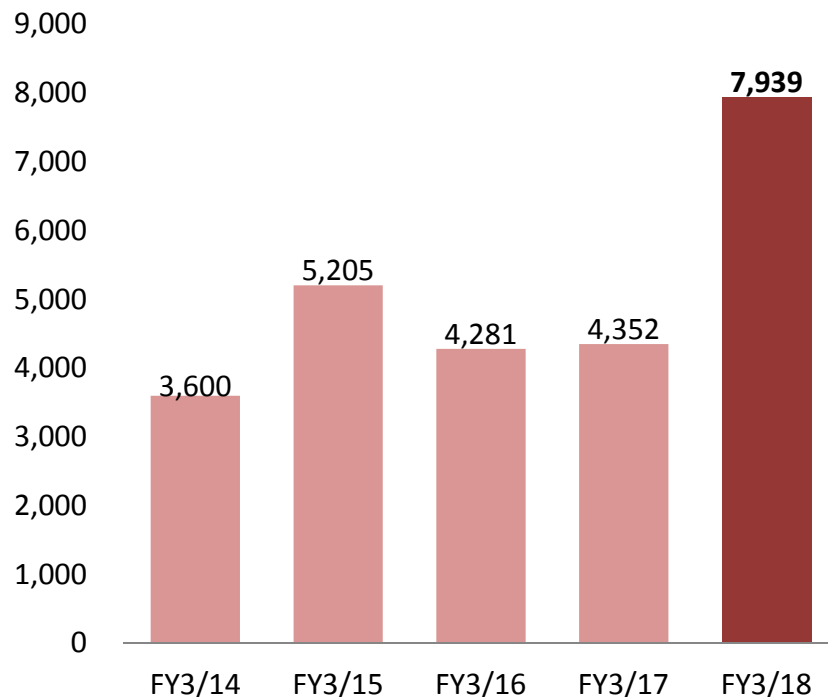
Up **22.8%** YoY 


Sales were higher than the forecast due to the improved business climate and the effect of M&As

# Results highlights (FY3/18) Consolidated ordinary profit

## Consolidated Ordinary Profit

(Unit: million yen)

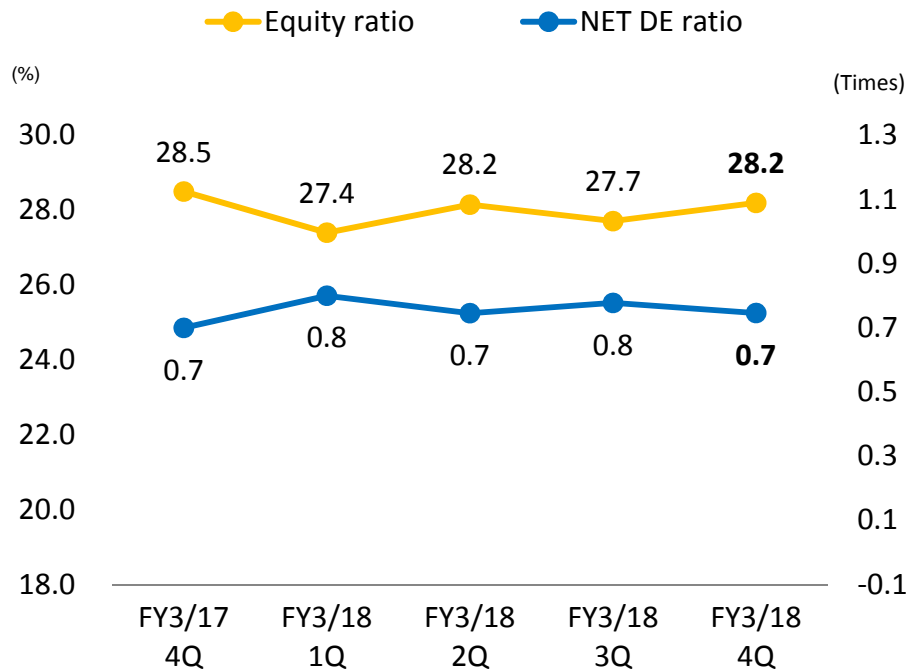


Up **82.4%** YoY 

Ordinary profit significantly increased due to a big contribution from manufacturing subsidiaries in Japan and overseas as well as the strong performance in the Trading segment

# Results highlights (FY3/18) Major consolidated financial indicators

## Major Consolidated Financial Indicators



## Equity Ratio

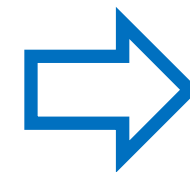


Down **0.3** percentage points

Slightly down due to increases in operating capital and interest-bearing debt due to higher transaction volume despite an increase in retained earnings

## Net debt equity ratio (NetDER)

**0.7** times



NetDER remained below 1.0 time

## Topics (since April 2017)

Implemented the **15<sup>th</sup>** M&A (the **6<sup>th</sup>** M&A in Manufacturing segment)  
Used post-merger integration (PMI) to make the ALCONIX Group stronger

### M&A

**FUJI PRESS Corporation (Manufacturing–Metal Processing segment, April 2017)**

FUJI PRESS contributed to FY3/18 results because of strong shipments of precision stamped parts due to increasing demand in the automobile industry in Japan and overseas. In addition, many collaborative projects are underway between FUJI PRESS and the ALCONIX Group.

Business: Manufacture and sales of stamping parts and dies for automobiles



Head office



Manufacturing facilities  
(Servo Press with 300 tons capacity)

### PMI activities

**OHBA SEIKEN factory expansion (completed in February 2018)**

**OHKAWA CORP. second plant expansion (completed in May 2018)**



**More PIM activities to increase synergies within the Group in FY3/19 and the following years**

### Dividend forecasts

FY3/19 annual dividend forecast **38 yen per share (interim 19 yen; year-end 19 yen)**

\* **6 yen** increase from the FY3/18 annual dividend of 32 yen

Dividend payout ratio (full year): **17.9%**

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

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

## Consolidated performance (FY3/18)

The business climate improved as non-ferrous metal prices increased and the yen depreciated. ALCONIX Group posted higher sales due to rising demand in the automobile and semiconductor industries. 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 resources.

	FY3/17	(Unit: million yen)		
		FY3/18		Change
		% to sales		
Net sales	201,948	<b>247,931</b>		<b>22.8%</b>
Gross profit	14,476	<b>19,038</b>	<b>7.7%</b>	<b>31.5%</b>
SG&A expenses	10,307	<b>11,715</b>	<b>4.7%</b>	<b>13.7%</b>
Operating profit	4,168	<b>7,323</b>	<b>3.0%</b>	<b>75.7%</b>
Ordinary profit	4,352	<b>7,939</b>	<b>3.2%</b>	<b>82.4%</b>
Profit attributable to owners of parent	3,083	<b>5,336</b>	<b>2.2%</b>	<b>73.1%</b>
Comprehensive income	3,366	<b>5,107</b>	-	-
Net income per share	119.66	<b>206.56</b>	-	-

### Higher sales in ALCONIX and most of group companies

[Net increase] Automotive precision stamped parts  
 [Increase] Non-ferrous materials (copper and aluminum scrap)  
 Minor metals/rare earths (used in magnetic materials, etc.)  
 Battery materials (for automotive applications, smartphones, etc.)  
 Plating materials  
 Grinding processing parts (for chip mounters)  
 Machining processing parts (aircraft parts, semiconductor manufacturing equipment, etc.)

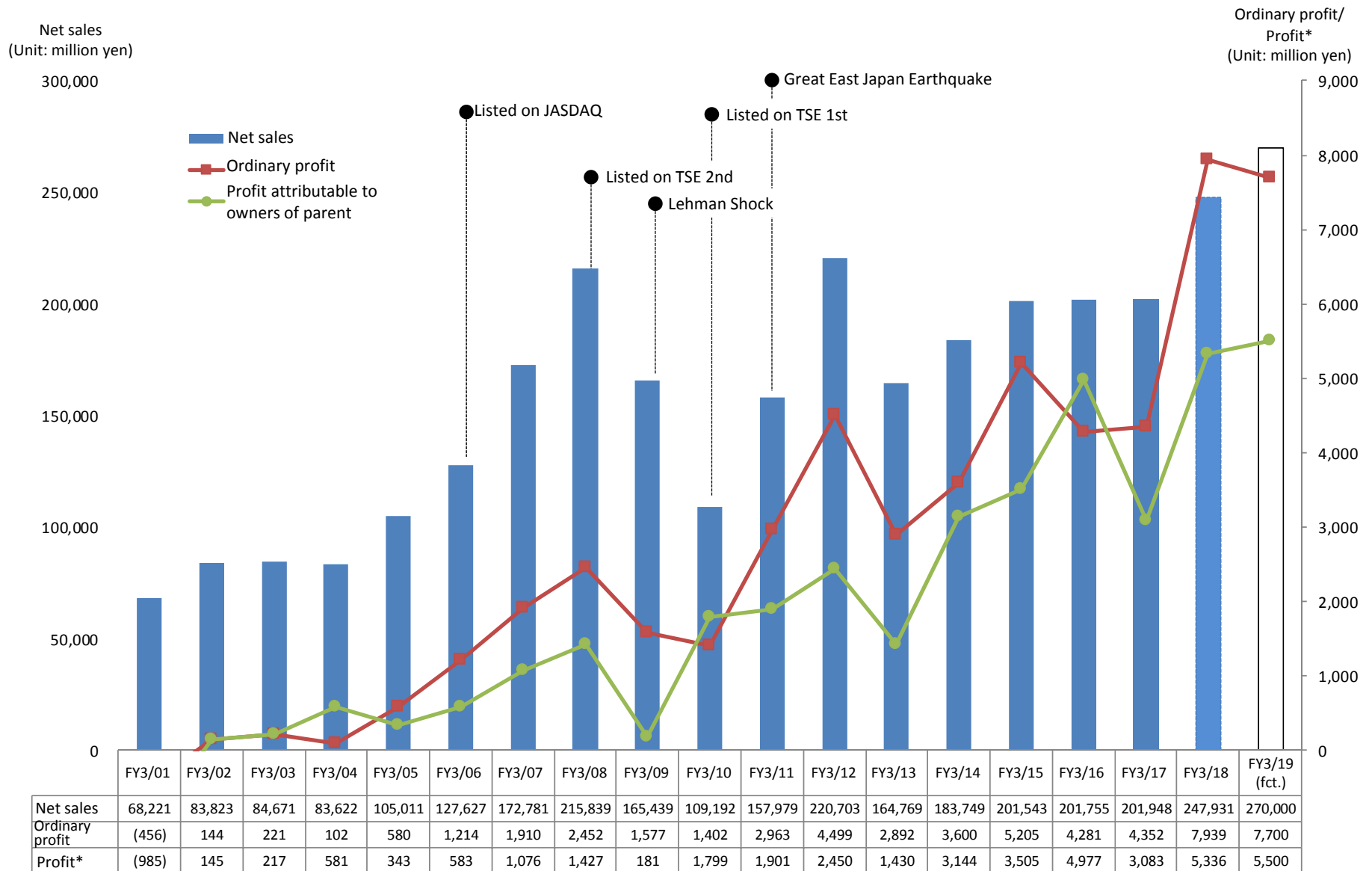
### Benefits from higher sales at group companies

[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 sales and 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 significant increase in earnings at all levels.



# Performance trend (consolidated income statements)

## Financial results



\* Profit attributable to owners of parent

# Operating segment information (FY3/18 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

Strong growth in automotive parts. Transaction volume of 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 and higher demands.

### • 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, an increase in shipments of consumables enabled this segment to become profitable.

### • Manufacturing—Metal Processing

Shipments of parts for chip mounters remained at a consistently high level. Orders for parts used in aircraft and processing parts used in semiconductor and organic EL manufacturing equipment were steady. Furthermore, manufacturing efficiency improved drastically due to the innovation efforts made to offset the increase in the cost of manufacturing in FY3/17 caused by the market needs for smaller lot production and shorter delivery lead time. FUJI PRESS, acquired in April 2017 contributed to higher sales and earnings in the first year of consolidation.

(Unit: million yen)

		FY3/17		FY3/18				
			Comp.	Comp.	Change (amount)	Change (%)		
Net Sales	Trading	Electronic and advanced materials	56,510	28.0%	73,857	29.8%	17,346	30.7%
		Aluminum and copper products	119,699	59.3%	134,506	54.2%	14,806	12.4%
		Trading total	176,210	87.3%	208,363	84.0%	32,153	18.2%
	Manufacturing	Equipment and materials	16,655	8.2%	19,697	8.0%	3,042	18.3%
		Metal processing	9,082	4.5%	19,870	8.0%	10,787	118.8%
		Manufacturing total	25,738	12.7%	39,567	16.0%	13,829	53.7%
Total		201,948		247,931		45,982	22.8%	
Segment Profit	Trading	Electronic and advanced materials	1,161	26.6%	1,822	23.0%	660	56.9%
		Aluminum and copper products	888	20.4%	1,033	13.0%	145	16.4%
		Trading total	2,049	47.1%	2,855	36.0%	806	39.4%
	Manufacturing	Equipment and materials	216	5.0%	835	10.5%	619	286.1%
		Metal processing	2,096	48.2%	4,244	53.5%	2,148	102.5%
		Manufacturing total	2,312	53.1%	5,080	64.0%	2,767	119.7%
Total		4,352		7,939		3,586	82.4%	

Note 1. Segment profits are based on ordinary profit.

Note 2. Elimination or corporate for segment profit: 2 in FY3/18, -9 in FY3/17

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

(Unit: million yen)

	FY3/18	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	<b>73,857</b>	17,346	30.7%	29.8%
Segment profit	<b>1,822</b>	660	56.9%	23.0%
Segment profit to net sales	<b>2.5%</b>	0.4%		

### Sales of major products (YoY change)

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

### [Electronic materials and advanced materials]

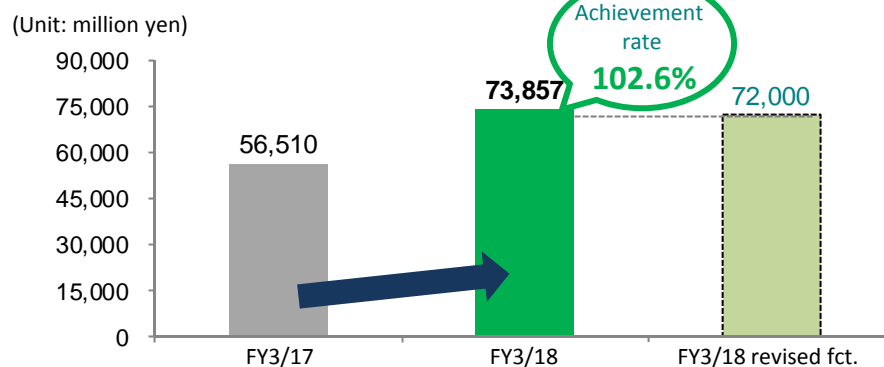
The transition volume of **materials used in smartphones and tablets** was firm while there were some adjustments in production pace. Exports of **titanium and nickel products** to Europe remained firm.

- Demand for **secondary battery materials** was steady.

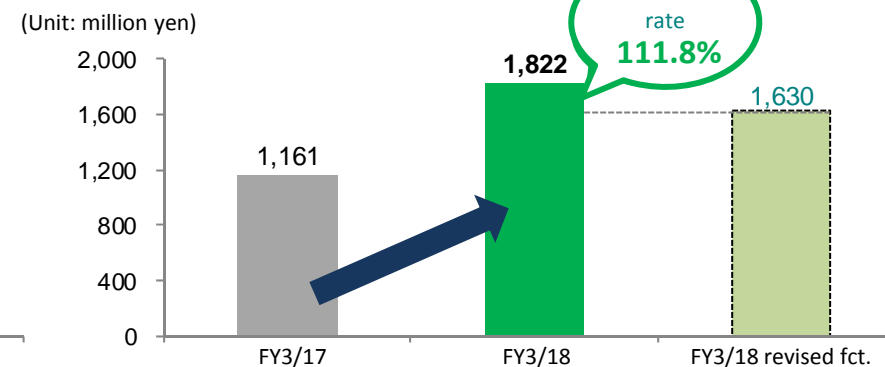
### [Minor metals and rare earths]

The transaction volume of **tungsten, nickel and other minor metals, and rare earths used in magnetic materials** increased mainly for automotive applications due to advanced self-driving rapid growth in electronic components used for automobiles. Prices of these materials also recovered.

### Net Sales



### Segment Profit



# Aluminum and copper products

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

Financial results

(Unit: million yen)

	FY3/18	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	<b>134,506</b>	14,806	12.4%	54.2%
Segment profit	<b>1,033</b>	145	16.4%	13.0%
Segment profit to net sales	<b>0.8%</b>	0.1%		

## Sales of major products (YoY change)

Recycled aluminum ingots: Increase  
 Copper and aluminum scrap: Increase  
 Metal silicon: Increase  
 Copper products (materials used in semiconductors, etc.): Increase  
 Aluminum rolled products: Decrease  
 Can materials: Decrease

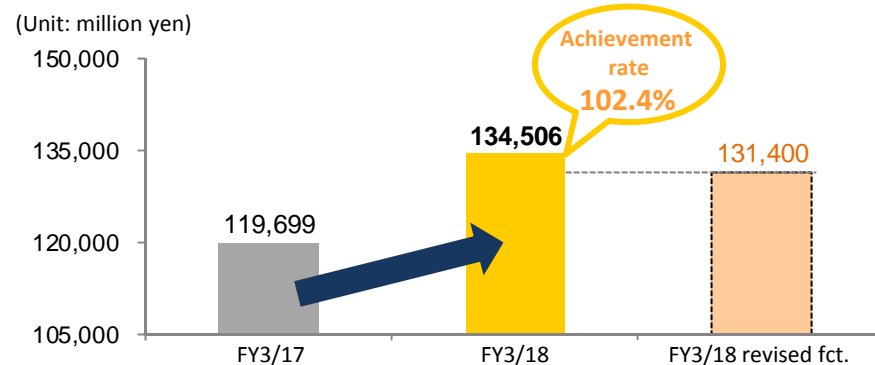
## [Products]

The transaction volume of copper products increased mainly due to higher demand as automakers continue to make their vehicles lighter. Export transactions of **brass copper rods and piping parts** increased due to a weaker yen and a recovery in non-ferrous market prices. Sales of materials used in semiconductors, air conditioning equipment (copper tube) and construction materials (copper band) increased at domestic sales subsidiaries, **ALCONIX SANSHIN, HAYASHI METAL and ALCONIX MITAKA**, as non-ferrous metal prices and demand for those metals recovered.

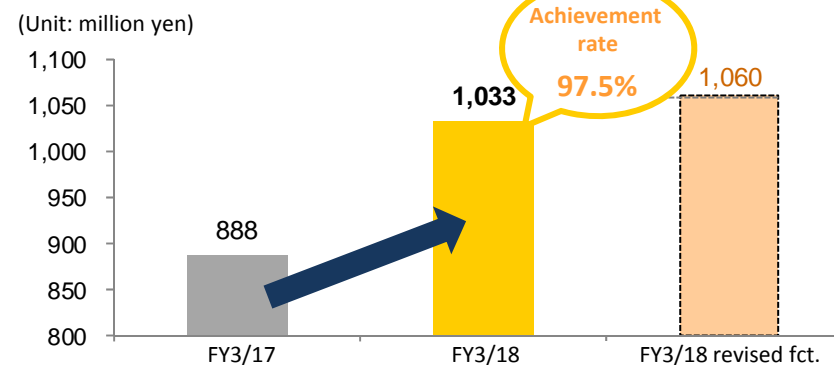
## [Resources]

Higher non-ferrous metal prices and a recovery in demand raised the transaction volumes of **recycled aluminum ingots and copper and aluminum scrap**. The transaction volume of **metal silicon** also recovered. In addition, sales and earnings increased at **ALUMINUM & COPPER RECYCLING CENTER** due to increased collection volume and transactions.

## Net Sales



## Segment Profit



# Equipment and materials

## (UNIVERTICAL, MARKTEC, TOKAI YOGYO)

(Unit: million yen)

	FY3/18	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	<b>19,697</b>	3,042	18.3%	8.0%
Segment profit	<b>835</b>	619	286.1%	10.5%
Segment profit to net sales	<b>4.2%</b>	2.9%		

### 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 detection materials: Increase (MT)
- Consumables including paints for marking systems: 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

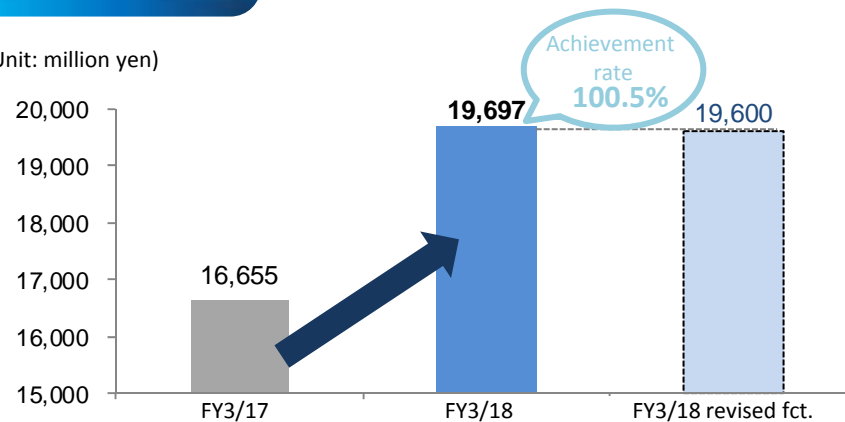
Shipments of **welding rods to repair molds** increased, mainly to companies in Japan's automobile industry, and there were consistent **orders for welding work**.

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

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 Thailand that had been sluggish. As a result, these companies **become profitable after goodwill amortization**.

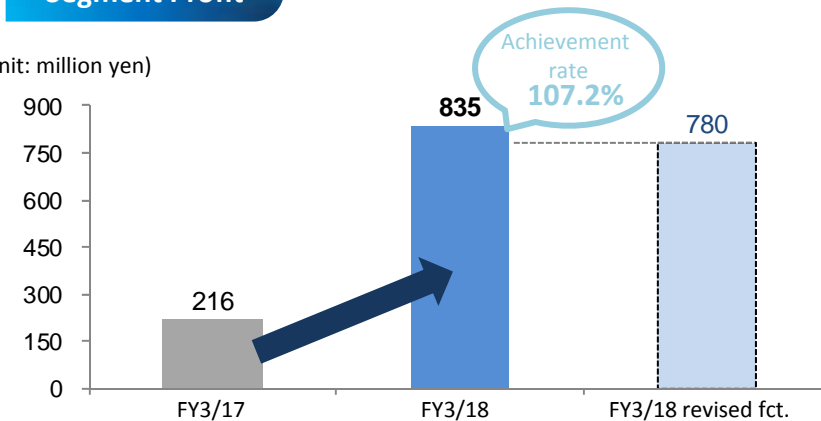
### Net Sales

(Unit: million yen)



### Segment Profit

(Unit: million yen)



# Metal processing

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

Financial results

(Unit: million yen)

	FY3/18	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	<b>19,870</b>	10,787	118.8%	8.0%
Segment profit	<b>4,244</b>	2,148	102.5%	53.5%
Segment profit to net sales	<b>21.4%</b>	-1.7%		

## Sales of major products (YoY change)

Machining processing parts (for aircraft, semiconductor 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 (for automotive powertrains, 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 aircraft, semiconductor manufacturing equipment, and organic EL manufacturing equipment**. Although measures for small-lot production and short delivery lead times impacted earnings by raising the cost of manufacturing one year earlier, higher production efficiency and other actions have produced bigger improvements.

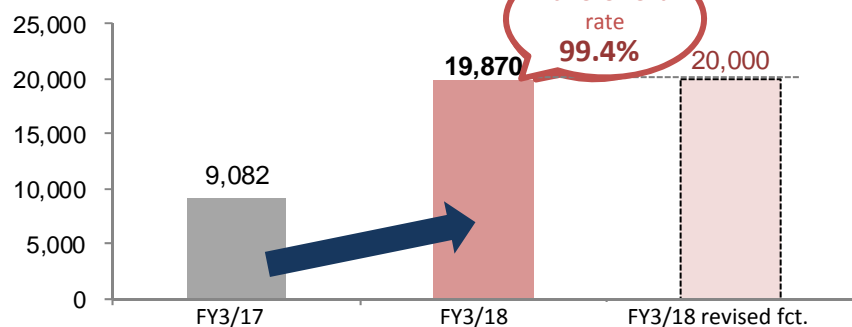
FUJI PRESS (Metal stamped parts)

Shipments of **metal stamped parts for powertrains** surpassed the initial forecast due to strong automobile production in Japan. FUJI PRESS contributed to consolidated performance in the first year of consolidation.

Equity-method affiliates (K'MAC and two other companies overseas)  
Solid performances by equity-method affiliates.

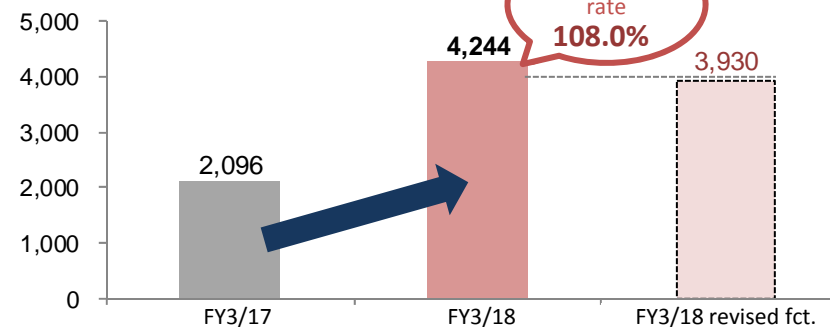
## Net Sales

(Unit: million yen)



## Segment Profit

(Unit: million yen)



# Consolidated balance sheets (FY3/18)

Financial results

(Unit: million yen)

	FY3/17	FY3/18	Change	Major components
Current assets, total	82,323	<b>95,866</b>	13,543	
Cash and deposits	16,885	<b>18,698</b>	1,812	Refer to consolidated cash flows on page 16
Operating receivables	42,821	<b>47,495</b>	4,674	Higher transactions in Trading segment
Inventories	19,444	<b>24,070</b>	4,626	Higher transactions in Trading segment
Non-current assets, total	31,324	<b>34,737</b>	3,412	
Property, plant and equipment	10,601	<b>14,811</b>	4,210	Consolidation of FUJI PRESS and capital expenditures at manufacturing subsidiaries
Intangible assets	8,391	<b>7,710</b>	-680	
Investments and other assets	12,331	<b>12,214</b>	-117	Market value evaluation of listed stock
Assets, total	113,647	<b>130,603</b>	16,955	
	FY3/17	FY3/18	YoY change	
Current liabilities, total	63,020	<b>72,397</b>	9,377	
Operating debt	32,728	<b>33,922</b>	1,194	Higher transactions in Trading segment
Short-term loans payable (including current portion of long-term loans payable/bonds payable)	26,383	<b>31,227</b>	4,844	Working capital procurement, etc.
Non-current liabilities, total	16,508	<b>19,580</b>	3,071	
Bonds payable	825	<b>675</b>	-149	Transfer to the current portion
Long-term loans payable	10,883	<b>14,150</b>	3,267	Shifting from short-term
Liabilities, total	79,528	<b>91,977</b>	12,448	
Shareholders' equity	27,853	<b>32,633</b>	4,780	
Retained earnings	22,981	<b>27,698</b>	4,717	Higher earnings on a consolidated basis (profit attributable to owners of parent – dividends paid)
Accumulated other comprehensive income	4,525	<b>4,193</b>	-332	Foreign currency translation adjustment (decrease due to yen appreciation)
Shareholders' equity	32,378	<b>36,826</b>	4,447	
Net assets, total	34,119	<b>38,626</b>	4,507	
Liabilities and net assets, total	113,647	<b>130,603</b>	16,955	

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

# Consolidated cash flows (FY3/18)

## Financial results

			(Unit: million yen)	
	FY3/18	Major item	FY3/17	
Operating cash flows	<b>2,849</b>			140
	7,482	Profit before income taxes		4,446
	2,715	Depreciation (including amortization of goodwill)		2,123
	-414	Share of profit of entities accounted for using equity method (K' MAC, Shanghai Longyang Copper Tube Trading, Guandong Chuangfu Metal Product)		-377
	-6,629	Working capital		-4,336
		(Item)	FY3/18	FY3/17
		Decrease (increase) in notes and accounts receivable-trade	-2,814	-1,951
		Decrease (increase) in inventories	-4,130	-2,900
		Increase (decrease) in note and accounts payable-trade	315	514
	-1,727	Income taxes paid		-1,628
	1,423	Other		-87
Investing cash flows	<b>-5,166</b>			-1,524
	-2,090	Purchase of property, plant and equipment (capital expenditures at manufacturing subsidiaries)		-1,813
	-377	Purchase of investment securities		-315
	-2,633	Consolidation of FUJI PRESS		-
	-1,054	Loans of working capital for subsidiaries and associates		-
	988	Other		604
Financing cash flows	<b>3,900</b>			-1,019
	4,390	Net increase in short-term loans payable		-6,254
	432	Net increase in long-term loans payable		5,374
	-274	Redemption of bonds		-400
	43	Issuance of common shares due to the exercise of share acquisition rights		24
	-619	Cash dividends paid		-567
	-71	Other		802
Effect of exchange rate change on cash and cash equivalents	<b>173</b>			-585
Net increase (decrease) in cash and cash equivalents	<b>1,756</b>			-2,989
Cash and cash equivalents at beginning of period	<b>16,813</b>			19,773
Cash and cash equivalents at end of period	<b>18,569</b>			16,813
*Change: Numbers may not tally exactly due to rounding.				
Free cash flow	<b>-2,317</b>			-1,383



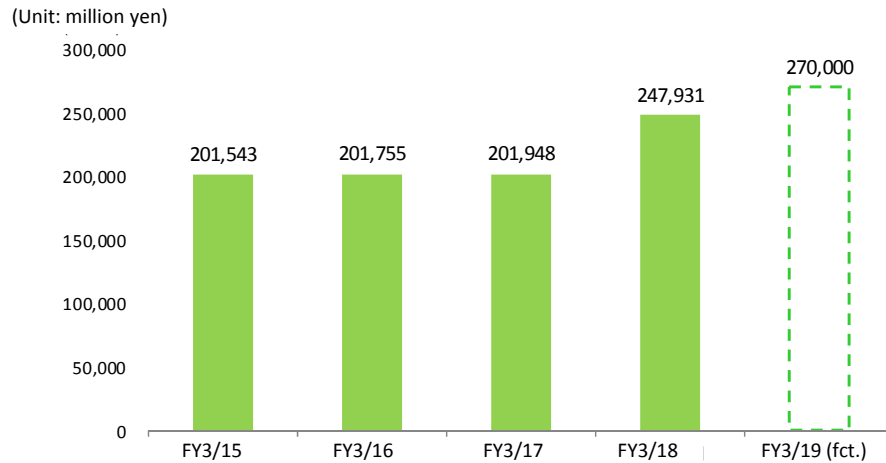
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# FY3/19 Earnings Forecasts

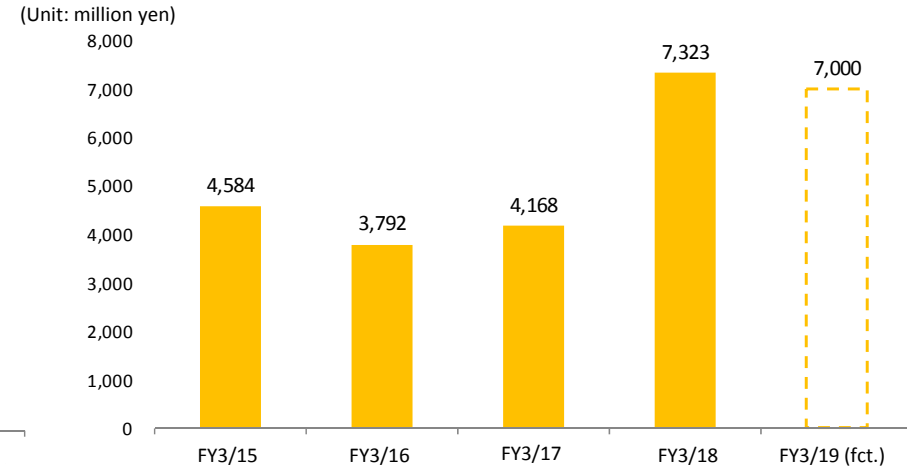
# Trend in consolidated earnings

Earnings forecast

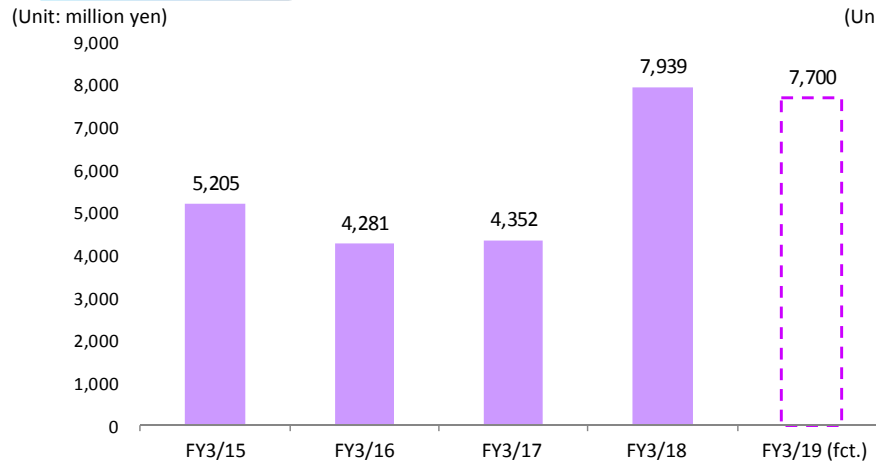
## Net Sales



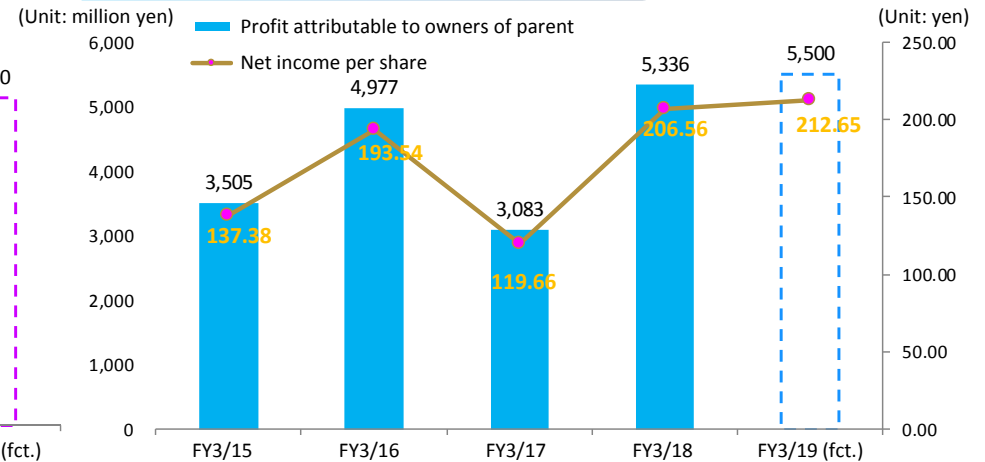
## Operating Profit



## Ordinary Profit



## Profit Attributable to Owners of Parent



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

# Forecast for FY3/19

Earnings forecast

The semiconductor sector is booming and is about to enter a phase where new demand is generated in a chain of reaction backed by the IoT and the rapidly increasing use of self-driving and other next-generation technologies in automobiles. This sector is expected to support strong sales at group manufacturing subsidiaries in Japan and overseas. Also, the transaction volume of products and resources in the Trading segment is expected to grow. Concerns about the outlook include the market saturation of smartphones and tablets, products that fueled global economic growth, the global effects of U.S. trade policies and changes in foreign exchange rates caused by these policies.

(Unit: million yen)

	FY3/18		FY3/19		YoY change	
		% to sales	Initial forecasts on May 15, 2018	% to sales		%
Net sales	247,931		270,000		22,068	8.9%
Gross profit	19,038	7.7%	19,500	7.2%	461	2.4%
SG&A expenses	11,715	4.7%	12,500	4.6%	784	6.7%
Operating profit	7,323	3.0%	7,000	2.6%	-323	-4.4%
Ordinary profit	7,939	3.2%	7,700	2.9%	-239	-3.0%
Profit attributable to owners of parent	5,336	2.2%	5,500	2.0%	163	3.1%
Net income per share (yen)	206.56		212.65			

\* YoY change: Numbers may not tally exactly due to rounding.

# Forecasts by segment (FY3/19)

Earnings forecast

**Trading segment: Higher sales and earnings /**

**Manufacturing segment: Higher sales and earnings (further increase in Manufacturing share of ordinary profit)**

• **Trading—Electronic and Advanced Materials**

Although shipments of smartphones and tablets are declining, the transaction volume of electronic materials used in these products is expected to increase. The main reasons are the rising number of parts used in these products due to advances in performance and the growth in demand for smartphones and tablets in emerging countries. Also expect growth in the volume of minor metals and rare earths, primarily for automotive applications, but a lower profit margin.

• **Trading—Aluminum and Copper Products**

Forecast a higher transaction volume for aluminum rolled products, copper products, and copper and aluminum resources due to the outlook for strong demand in the automobile industry. Distribution margins at domestic subsidiaries will probably decrease due to the end of the upturn in prices of non-ferrous metals.

• **Manufacturing—Equipment and Materials**

At UNIVERTICAL, shipments are consistently high in the U.S. and China. The performance of MARKTEC is expected to continue recovering at its manufacturing subsidiaries in Japan and overseas, mainly because of orders from the automobile and steel industries, this company's primary markets. Forecast earnings growth at UNIVERTICAL to contribute to this sector's profitability.

• **Manufacturing—Metal Processing**

Production volume will increase at OHBA SEIKEN and OHKAWA due to increasing demand for this sector's products in the semiconductor and aerospace industries. In its second year as a consolidated subsidiary, FUJI PRESS is again expected to make a contribution because of strong demand for automobiles in Japan and other countries. But a decline in share of profit of entities accounted for using equity method is anticipated.

(Unit: million yen)

		FY3/18		FY3/19		Change		
			Comp.		Comp.		%	
Net Sales	Trading	Electronic and advanced materials	73,857	29.8%	88,400	32.7%	14,542	19.7%
		Aluminum and copper products	134,506	54.2%	139,300	51.6%	4,793	3.6%
		Trading total	208,363	84.0%	227,700	84.3%	19,336	9.3%
	Manufacturing	Equipment and materials	19,697	8.0%	21,800	8.1%	2,102	10.7%
		Metal processing	19,870	8.0%	20,500	7.6%	629	3.2%
		Manufacturing total	39,567	16.0%	42,300	15.7%	2,732	6.9%
Total		247,931		270,000		22,068	8.9%	
Segment Profit	Trading	Electronic and advanced materials	1,822	23.0%	1,590	20.6%	-232	-12.7%
		Aluminum and copper products	1,033	13.0%	930	12.1%	-103	-10.0%
		Trading total	2,855	36.0%	2,520	32.7%	-335	-11.8%
	Manufacturing	Equipment and materials	835	10.5%	1,200	15.6%	364	43.6%
		Metal processing	4,244	53.5%	3,980	51.7%	-264	-6.2%
		Manufacturing total	5,080	64.0%	5,180	67.3%	99	2.0%
Total		7,939		7,700		-239	-3.0%	

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

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# Medium-term Business Plan

## for the Three-year Period from FY3/19 to FY3/21

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

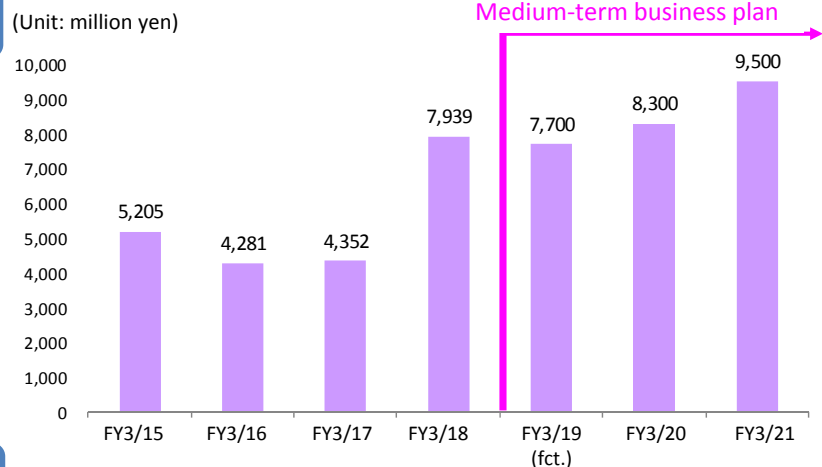
### Strengthen corporate infrastructure and internal governance

# Performance targets (final year: end-March 2021)

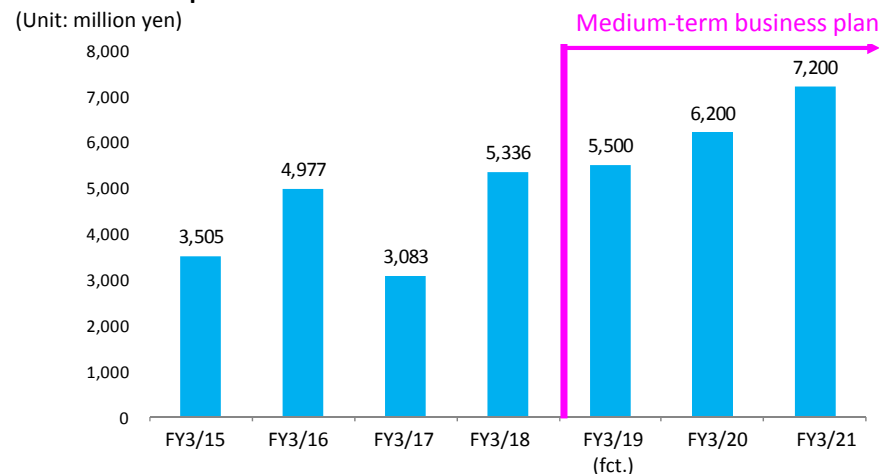
Medium-term business plan

## Profit targets

### Consolidated ordinary profit: Over ¥9.5 billion (FY3/21)

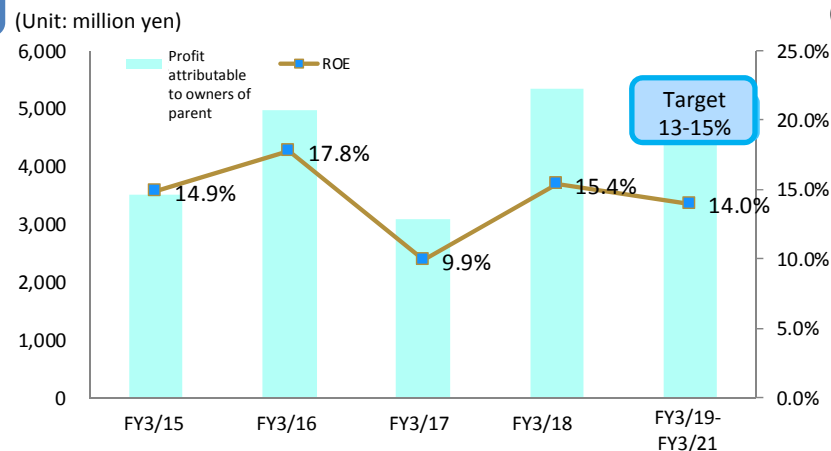


### Profit attributable to owners of parent: Over ¥7.2 billion (FY3/21)

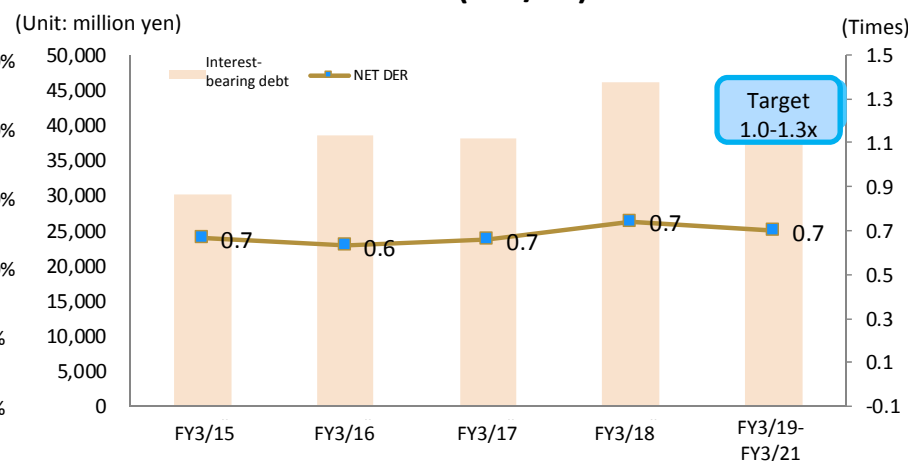


## Management benchmarks

### ROE: Around 13-15% (FY3/21)



### NET DER: Around 1.0-1.3x (FY3/21)



## 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 27  
“Investment activities”

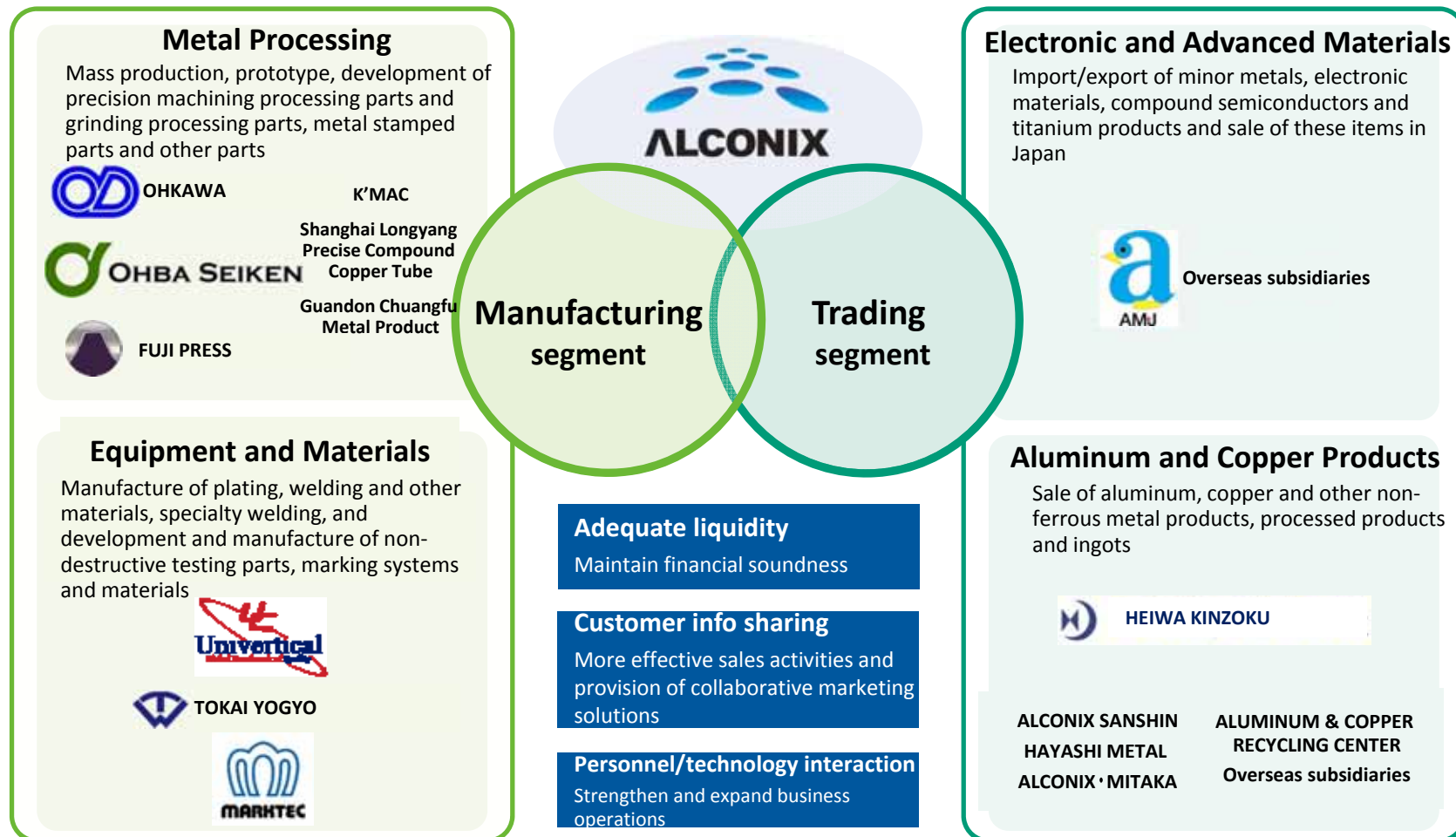
# Strengthen operating revenue 1

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

## Electronic materials business

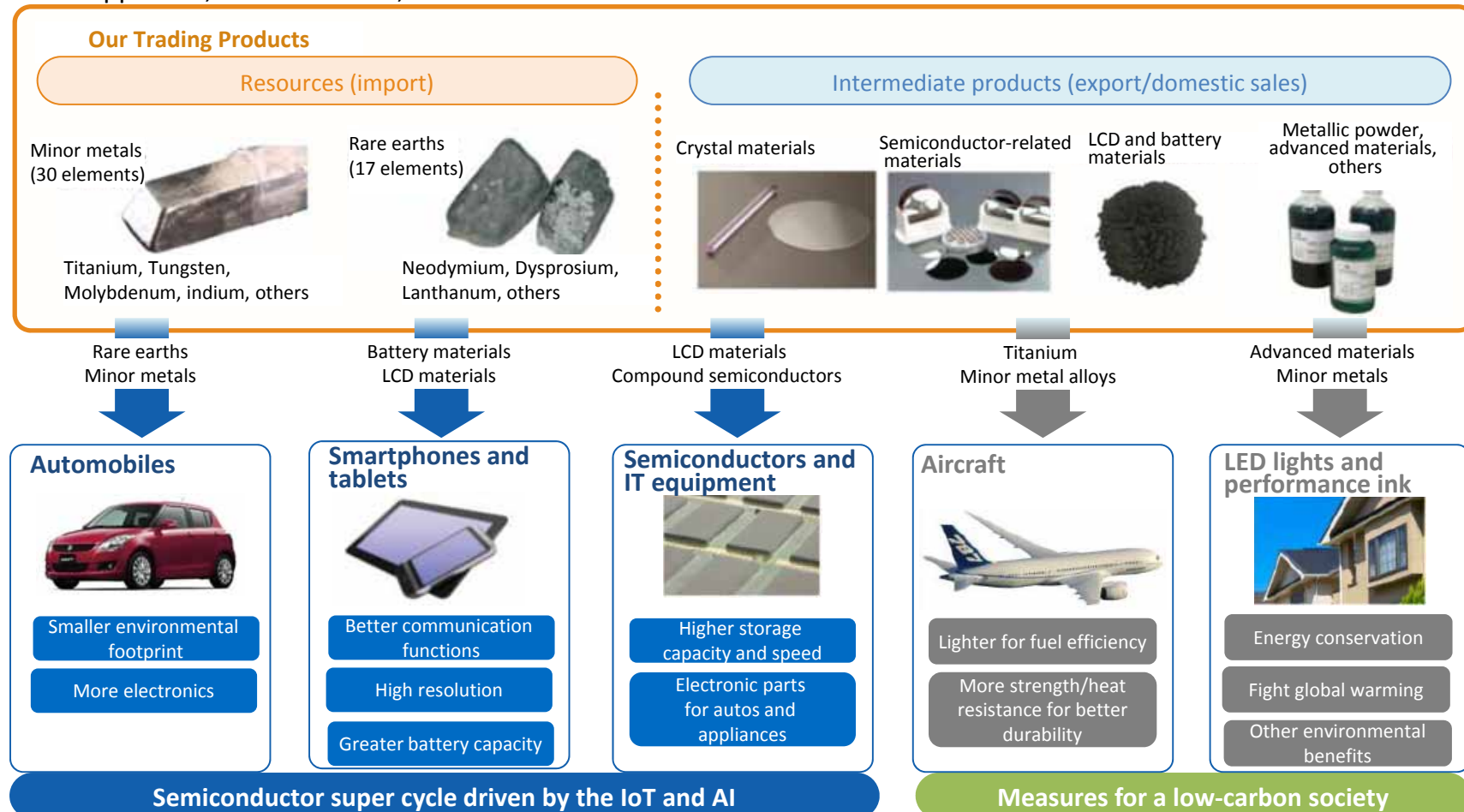
Action plan/Medium-term business plan

### Initiatives 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 and 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)

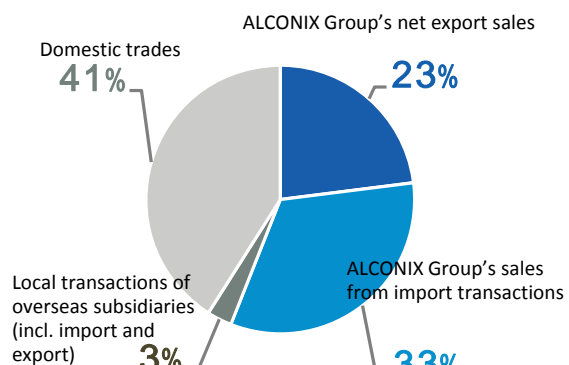
Action plan/Medium-term business plan

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

#### Overseas network



Trade Category Sales Composition (FY3/11, consolidated)



#### 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

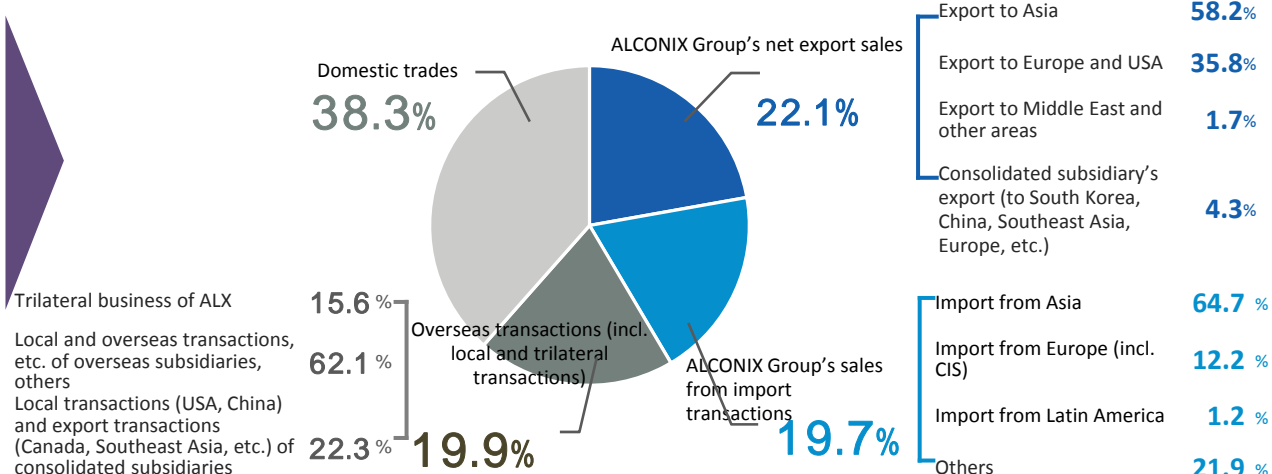
Growth of overseas operations, mainly for minor metals, at the Singapore subsidiary of ADVANCED MATERIAL JAPAN

#### 3 Expand overseas network

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

ALCONIX established a subsidiary in South Korea in April 2018 and will continue to focus on establishing overseas subsidiaries

Trade Category Sales Composition (FY3/18, consolidated)



### Basic policy

Target companies with outstanding technologies in niche markets

We plan to make investments and loans of **¥25 billion** over three years with focus on M&A

**Goal** for the return on invested capital: **10%**



### FY3/19 plan

#### M&A

- Invest in manufacturers, seek opportunities for mergers and acquisitions
- Integration of recently acquired companies, investments for facility expansion at manufacturing subsidiaries

#### Business investment (Investments and loans)

- M&A activity at subsidiaries as well in order to contribute to growth
- Investments and loans in overseas base metal and minor metal recycling businesses and in the development of rare earth mines

#### Capital expenditures

- Purchase more production equipment with priority on the efficient use of investments (UNIVERTICAL, OHBA SEIKEN, OHKAWA CORP., MARKTEC, FUJI PRESS, TOKAI YOGYO)

# Investment activities 2

## 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



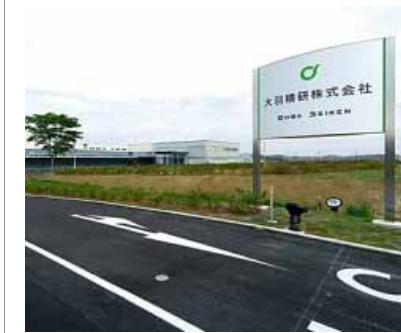
■ **ADVANCED MATERIAL JAPAN CORPORATION**  
Trading—Electronic and Advanced Materials (January 2004)



■ **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)

#### Recent activities

### 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.



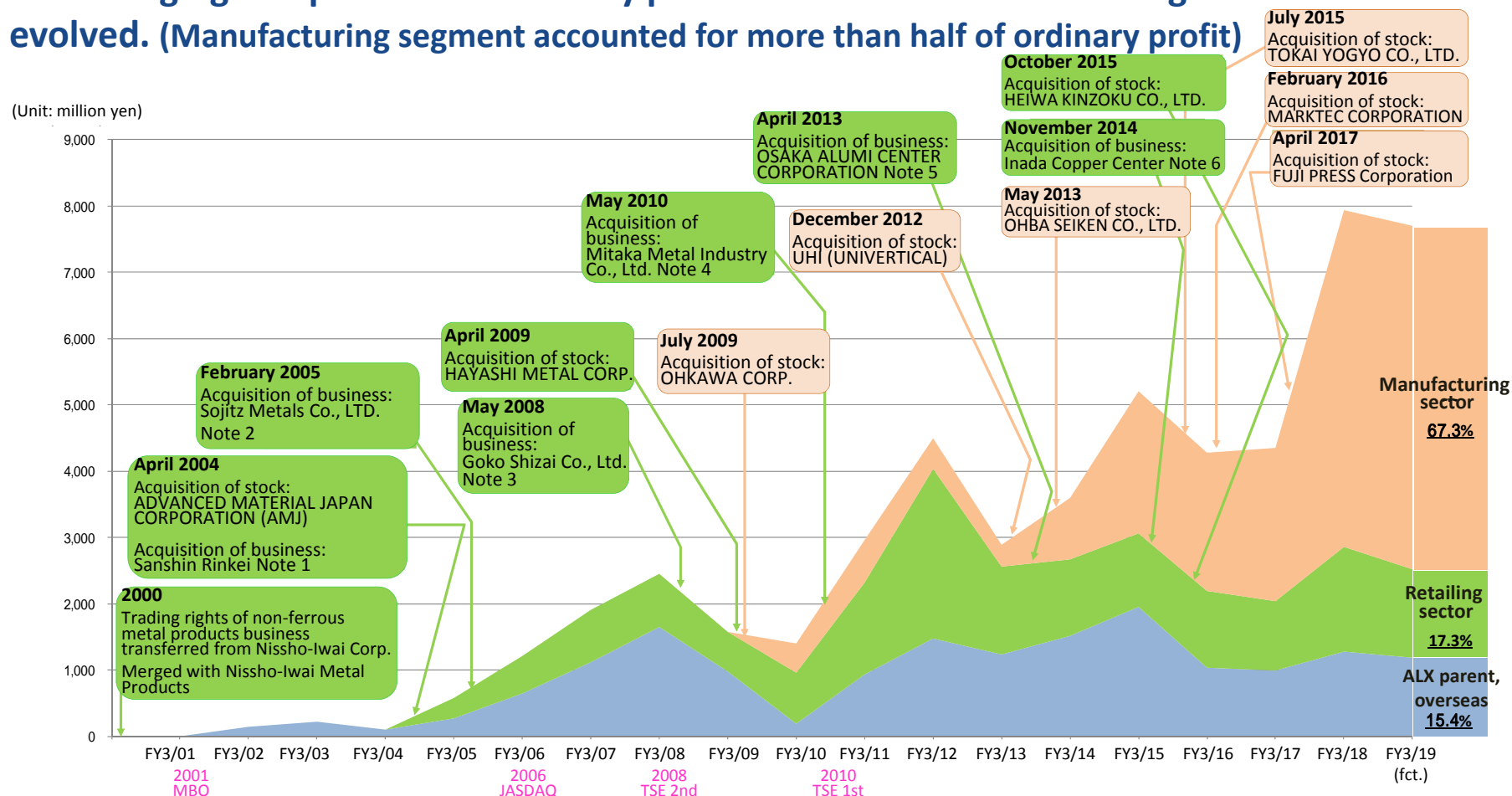
OHBA SEIKEN's new factory building

# Investment activities 3

## 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:

1. 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.
2. Sojitz Metals Co., LTD. has started as a non-ferrous materials division of ALCONIX Group.
3. Goko Shizai Co., Ltd. was established as Sapporo branch of materials sales dept. through mergers and acquisitions by ALCONIX SANSHIN CORPORATION.
4. Acquired trading rights of Mitaka Metal Industry Co., Ltd. and transferred the rights to newly established ALCONIX · MITAKA CORPORATION.
5. OSAKA ALUMI CENTER CORPORATION changed its name to ALUMINUM & COPPER RECYCLING CENTER CORPORATION in 2014.
6. Inada Copper Center started its operation as Kitakyushu branch of ALUMINUM & COPPER RECYCLING CENTER.
7. M&As in the Manufacturing sector includes earnings of equity-method affiliates.
8. Reported only unconsolidated ordinary loss for FY3/01.

# Investment activities 4

## Significant investments

Action plan/Medium-term business plan

**Almost all subsidiaries have higher sales, earnings and workforces than when they joined the ALCONIX Group because of additional investments following their acquisitions by ALCONIX.**

M&A year	Company name	Segment	Category	Capital expenditures after M&A
2004	Sanshin Rinkei (Later separated to establish ALCONIX SANSHIN CORPORATION)	Trading—Aluminum and Copper Products	Consolidated subsidiary	M&A and business succession conducted by ALCONIX SANSHIN CORPORATION (Total of three companies including Goko Shizai Co., Ltd.)
2004	ADVANCED MATERIAL JAPAN CORPORATION (AMJ)	Trading—Electronic and Advanced Materials	Consolidated subsidiary	Established overseas subsidiaries (AMT in Singapore, AMB in Beijing)
2009	OHKAWA CORP.	Manufacturing—Metal Processing	Consolidated subsidiary	Constructed the second plant in April 2016; expanded the plant in May 2018
2012	UNIVERTICAL HOLDINGS INC	Manufacturing—Equipment and Materials	Consolidated subsidiary	Expanded a chemical product manufacturing line in Suzhou, China, in April 2016
2012	Guandon Chuangfu Metal Product (Hengji Chuangfu)	Manufacturing—Metal Processing	Equity-method affiliate	Made major capital expenditures in 2012
2013	ALUMINUM & COPPER RECYCLING CENTER (OSAKA ALUMI CENTER CORPORATION)	Trading—Aluminum and Copper Products	Consolidated subsidiary	Acquired business of Inada Shokai K.K.; established Inada Copper Center in November 2014
2013	OHBA SEIKEN CO., LTD.	Manufacturing—Metal Processing	Consolidated subsidiary	Constructed a new factory in February 2018
2015	HEIWA KINZOKU CO., LTD.	Trading—Aluminum and Copper Products	Consolidated subsidiary	Integrated HEIWA KINZOKU's subsidiary in Vietnam into the ALCONIX's Vietnam subsidiary
2015	TOKAI YOGYO CO., LTD.	Manufacturing—Equipment and Materials	Consolidated subsidiary	Ongoing capital expenditures with guidance from ALCONIX
2016	MARKTEC CORPORATION	Manufacturing—Equipment and Materials	Consolidated subsidiary	Ongoing capital expenditures with guidance from ALCONIX
2017	FUJI PRESS Corporation	Manufacturing—Metal Processing	Consolidated subsidiary	Added equipment at a joint venture in Mexico

## **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
- Implement post-merger integration of group companies which became a subsidiary through M&A and build a compliance system



## 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

- 12 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.

These materials were prepared to help investors understand ALCONIX and were not intended as a solicitation for investment in ALCONIX. These materials were prepared carefully for accuracy, but the completeness of these materials cannot be guaranteed. ALCONIX will not be held responsible for any problems or damages that result from the information provided in these materials. Earnings forecasts and other future forecasts in these materials were made based on the judgment of ALCONIX using information available at the time these materials were prepared. These forecasts embody latent risk and uncertainty. Please understand that actual earnings may differ from these forecasts due to changes in the business environment and other factors.

