



Become an integrated company that combines
trading and manufacturing capabilities

ALCONIX CORPORATION

Listed on TSE First Section

Code 3036

Financial Results Materials The Second Quarter of the Fiscal Year Ending March 31, 2019

November 2018

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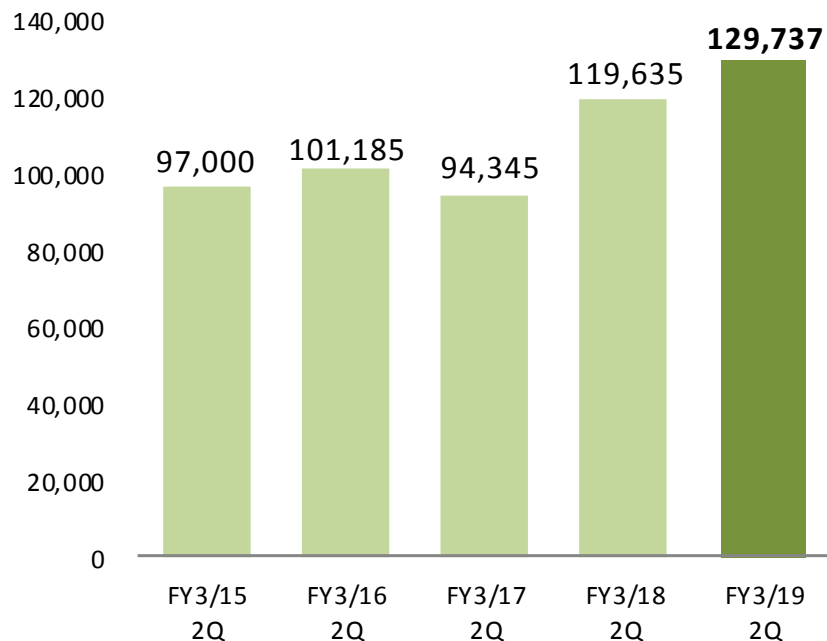
Results Materials

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Results highlights (2Q FY3/19) Consolidated sales

Consolidated Sales

(Unit: million yen)



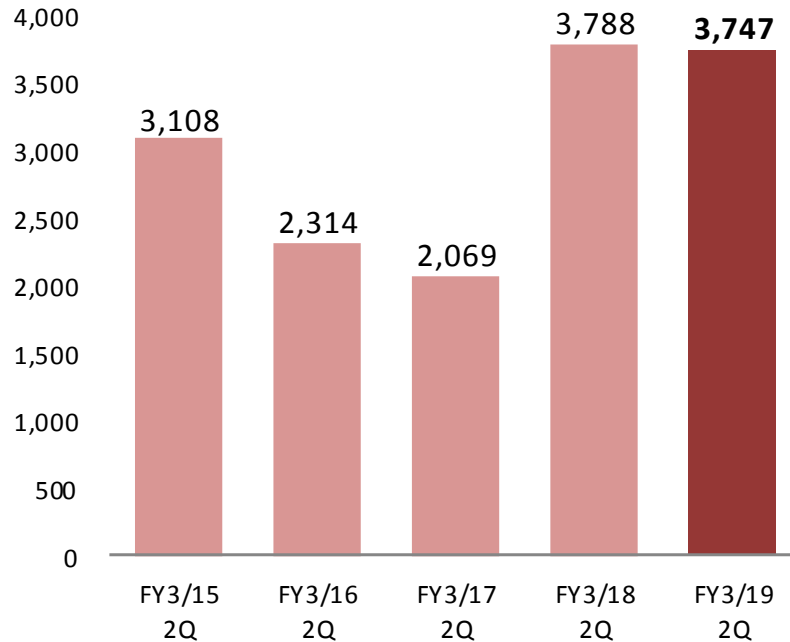
Up **8.4%** YoY 

The Manufacturing segment and electronic and advanced materials were the primary sources of sales growth

Results highlights (2Q FY3/19) Consolidated ordinary profit

Consolidated Ordinary Profit

(Unit: million yen)

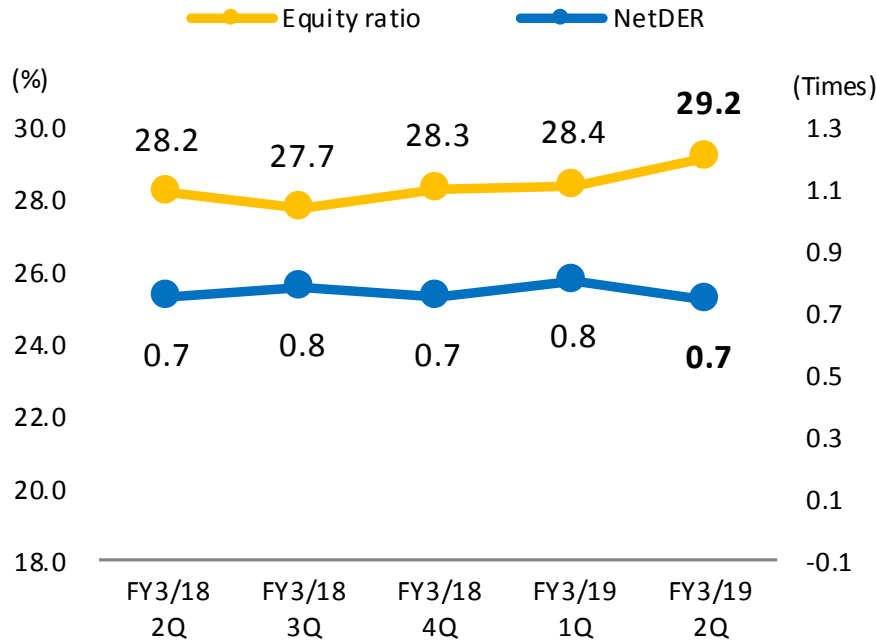


Down **1.1%** YoY 

Ordinary profit slightly decreased due to revaluation of foreign currency-denominated debt in the Trading segment, while manufacturing subsidiaries continued to account for about two-thirds of ordinary profit.

Results highlights (2Q FY3/19) Major consolidated financial indicators

Major Consolidated Financial Indicators



Equity Ratio

(vs. March 31, 2018)

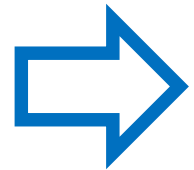


Up **0.9** percentage points

Increases in working capital and interest-bearing debt were offset by higher retained earnings.

Net debt equity ratio (NetDER)

0.7 times



NetDER remained below 1.0

M&A

● Decision to acquire Fuji Carbon Manufacturing Co. stock (August 2018)

Company Overview

- Business: Manufacturing and sales of carbon brushes for automobile applications and electric power tools
- Establishment: June 1973
- Head office: Anjo City, Aichi Prefecture
- Capital: 76.8 million yen
- Fiscal year end: December
- Locations: Head office and plant (Aichi), China (Kunshan, Guangzhou), Taiwan, Vietnam

ALCONIX announced in August 2018 its planned acquisition of Fuji Carbon, which will make this company a wholly owned and consolidated subsidiary. Fuji Carbon develops, manufactures and sells many types of carbon products, including carbon brushes used in general industrial motors for applications ranging from power tools to automobiles. ALCONIX plans to purchase Fuji Carbon stock in February 2019.

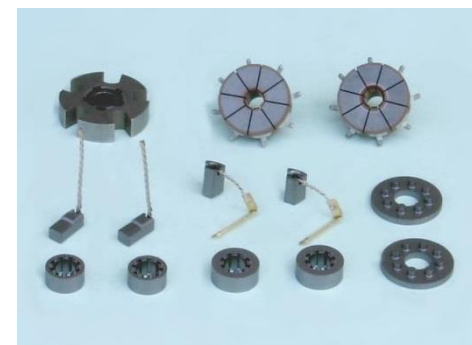
This will be the 16th acquisition by ALCONIX, which includes seven manufacturing companies.

In addition to its head office factory, Fuji Carbon has factories in China, Taiwan and Vietnam. There is also a sales office in India, a country where automobile production is expected to grow rapidly. Adding these overseas bases to the ALCONIX Group is expected to speed up the Group's growth outside Japan. Furthermore, ALCONIX plans to use its overseas network to contribute to the growth of sales of Fuji Carbon's overseas factories in their respective local markets as well as sales involving trilateral transactions.

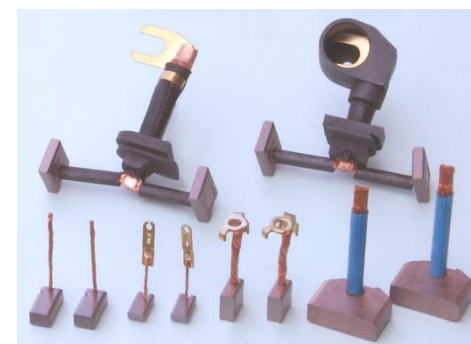
Overall, ALCONIX believes that its trading capabilities and overseas operations will quickly generate synergies by expanding and upgrading Fuji Carbon's overseas network and supporting this company's sales activities.



Head office building



Specialty carbon products



Carbon brushes for automobile applications

Business Performance: 2Q FY3/19 Financial Results

Consolidated performance (2Q FY3/19)

- Electronic and advanced materials in the Trading segment and the Manufacturing segment continued to make contribution to sales growth as demand for these products was strong in the automobile and semiconductor industries. Operating profit increased due to higher sales at manufacturing subsidiaries in Japan and overseas and of electronic materials in the Trading segment. Ordinary profit slightly decreased because of a foreign exchange loss resulting from the revaluation of foreign currency-denominated debt due to changes in foreign exchange rates.

(Unit: million yen)

	2Q FY3/18	2Q FY3/19	
		% to sales	Change
Net sales	119,635	129,737	8.4%
Gross profit	9,103	9,960	7.7%
SG&A expenses	5,633	6,127	4.7%
Operating profit	3,469	3,833	3.0%
Ordinary profit	3,788	3,747	2.9%
Profit attributable to owners of parent	2,781	2,767	2.1%
Comprehensive income	3,008	2,205	—
Net income per share	107.73	106.96	—

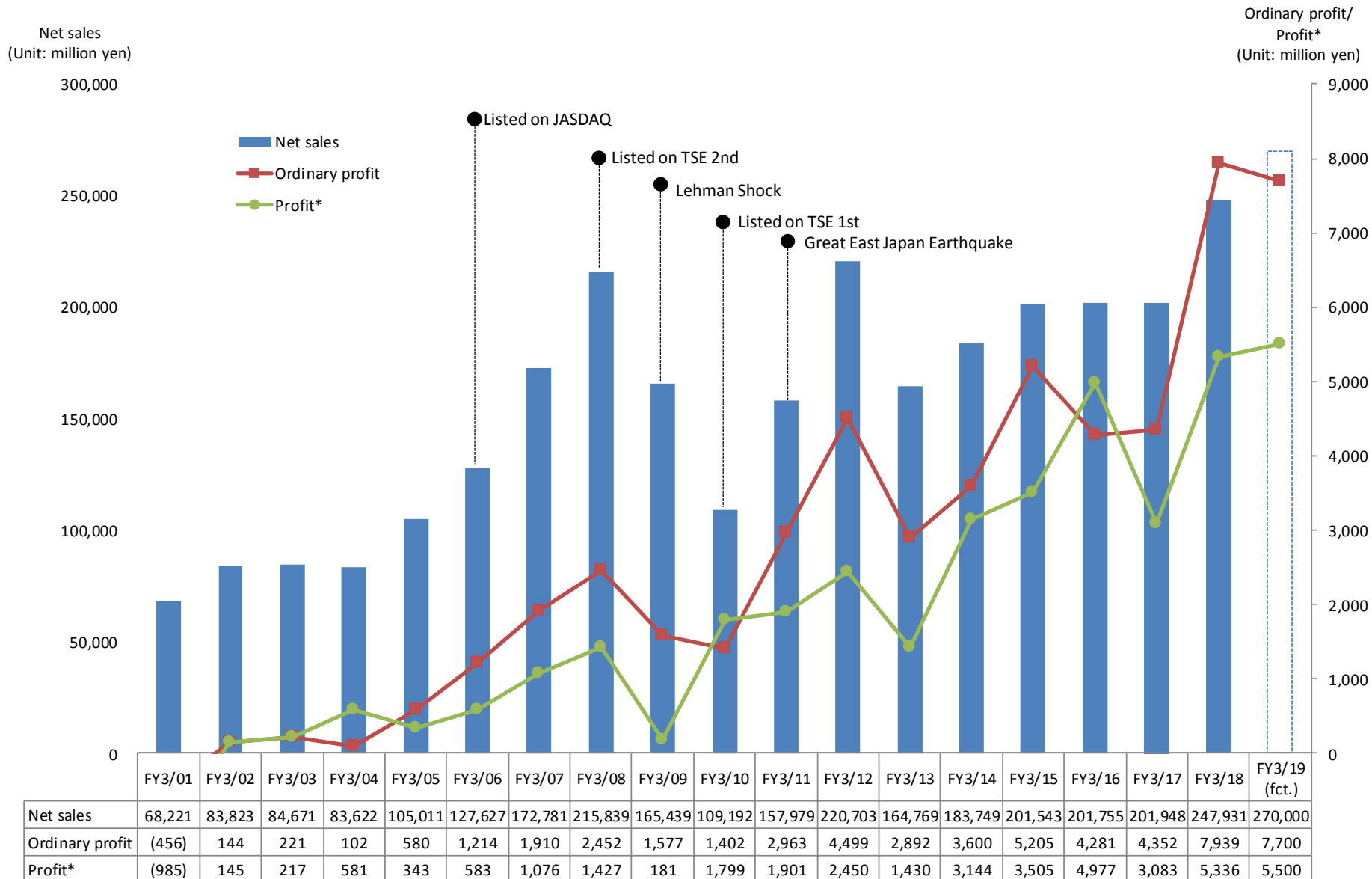
Trading segment electronic and advanced materials and manufacturing subsidiaries in Japan and overseas were the primary sources of sales growth

[Increase] Recycled aluminum ingots
Non-ferrous materials (aluminum scrap), metal silicon
Battery materials (for smartphones, automotive applications, etc.)
Plating materials
Grinding processing parts (for chip mounters)
Machining processing parts (aircraft parts, semiconductor manufacturing equipment)
[Decrease] Materials used in smartphones and tablets (lower production)
Aluminum rolled products, copper scrap

The Manufacturing segment and electronic materials were major components of earnings growth but there were effects of changes in foreign exchange rates

[Gross profit and operating profit] increased as higher sales at manufacturing subsidiaries and in the electronic materials sector of the Trading segment offset an increase in SG&A expenses.
[Ordinary profit and profit attributable to owners of parent] slightly decreased because of a foreign exchange loss resulting from the revaluation of foreign currency-denominated debt due to changes in foreign exchange rates.

Performance trend (consolidated income statements)



* Profit attributable to owners of parent

■ Trading segment: Higher sales and lower earnings / Manufacturing segment: Higher sales and earnings

• Trading—Electronic and Advanced Materials

Demand for electronic materials used in smartphones and tablets was generally steady, although there were inventory reductions for some materials. There was an increase in the transaction volume of minor metals and rare earths mainly for electronic materials. Earnings declined because of a foreign exchange loss resulting from the revaluation of foreign currency-denominated debt.

• Trading—Aluminum and Copper Products

Demand for non-ferrous materials such as aluminum and copper products was firm overall, but the transaction volume of some automotive and construction materials decreased affected by natural disasters in Japan. In the non-ferrous resources sector, earnings declined due to a lower transaction volume for copper scrap, the primary material, and other materials because non-ferrous metal prices started falling in July.

• Manufacturing—Equipment and Materials

Earnings increased because of strong shipments of plating materials in North America and China. Shipments and orders for welding and other materials increased in Japan's automobile industry. In the non-destructive testing and marking system sectors, there were large shipments of consumables to major customers in Japan and other countries but earnings declined because of delays in shipments of large equipment.

• Manufacturing—Metal Processing

Strong shipments of chip mounter parts raised sales but earnings decreased slightly because of an increase in the cost of manufacturing, such as higher depreciation expenses due to new capital expenditure. Orders for machining processing parts were strong for parts used in aircraft and semiconductor manufacturing equipment. There was also growth in shipments of precision stamped parts as demand increased in Japan's automobile industry.

		2Q FY3/18		2Q FY3/19				
			Comp.		Comp.	Change (amount)	Change (%)	
Net Sales	Trading	■ Electronic and advanced materials	34,096	28.5%	41,966	32.4%	7,870	23.1%
		■ Aluminum and copper products	66,350	55.5%	66,861	51.5%	511	0.8%
		Trading total	100,446	84.0%	108,828	83.9%	8,381	8.3%
	Manufacturing	■ Equipment and materials	9,372	7.8%	10,585	8.1%	1,212	12.9%
		■ Metal processing	9,816	8.2%	10,323	8.0%	507	5.2%
		Manufacturing total	19,189	16.0%	20,908	16.1%	1,719	9.0%
Total		119,635		129,737		10,101	8.4%	
Segment Profit	Trading	■ Electronic and advanced materials	709	18.7%	615	16.4%	-93	-13.2%
		■ Aluminum and copper products	610	16.1%	550	14.7%	-60	-9.9%
		Trading total	1,320	34.8%	1,166	31.1%	-153	-11.7%
	Manufacturing	■ Equipment and materials	312	8.2%	536	14.3%	224	71.7%
		■ Metal processing	2,154	56.9%	2,057	54.9%	-97	-4.5%
		Manufacturing total	2,466	65.1%	2,593	69.2%	126	5.1%
Total		3,788		3,747		-41	-1.1%	

Note 1. Segment profits are based on ordinary profit.

Note 2. Elimination or corporate for segment profit

2Q FY3/19 : -12
2Q FY3/18 : 1

(Unit: million yen)

	2Q FY3/19	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	41,966	7,870	23.1%	32.4%
Segment profit	615	-93	-13.2%	16.4%
Segment profit to net sales	1.5%	-0.6%		

Sales of major products (YoY change)

Materials used in electronic components for smartphones: Decrease

Battery materials (for automotive applications and smartphones): Increase

Titanium and nickel products: Decrease

Nickel ingot (for plating and melting): Increase

Minor metals (nickel, tungsten, etc.): Increase

Rare earths (used in magnetic materials): Increase

[Electronic materials and advanced materials]

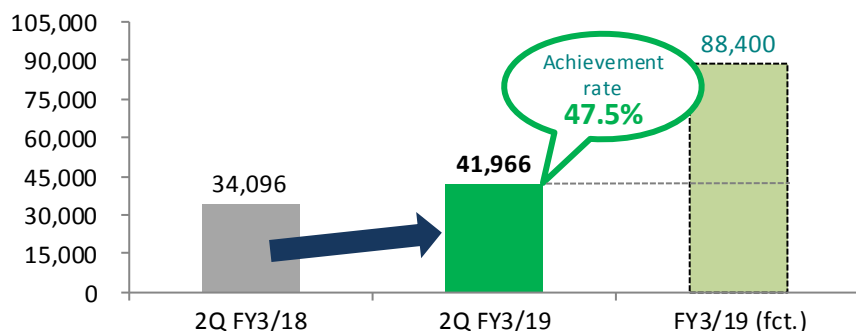
- The transaction volume of **materials used in smartphones and tablets** was generally firm while there were some inventory adjustments for some materials.
- Demand for **secondary battery materials** was steady.

[Minor metals and rare earths]

- The transaction volume of **plating nickel, tungsten and other minor metals** increased as demand for electronic materials grew and prices of these materials rose. **Rare earths used in magnetic materials** also contributed to earnings growth.
- Earnings decreased due to a foreign exchange loss resulting from the revaluation of foreign currency-denominated debt for inventory adjustment.

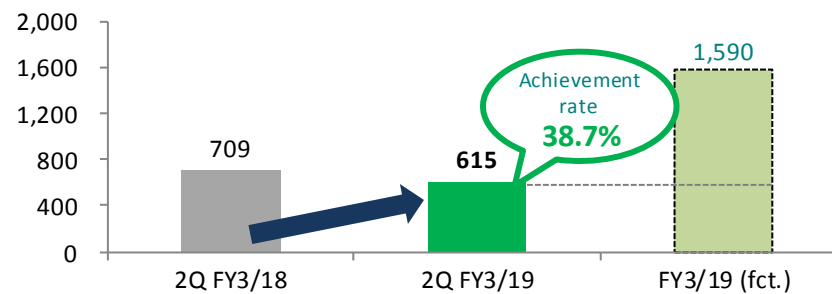
Net Sales

(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)

	2Q FY3/19	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	66,861	511	0.8%	51.5%
Segment profit	550	-60	-9.9%	14.7%
Segment profit to net sales	0.8%	-0.1%		

Sales of major products (YoY change)

Recycled aluminum ingots: Increase
 Copper scrap: Decrease
 Metal silicon: Increase
 Aluminum rolled products: Decrease
 Can materials: Decrease

[Products]

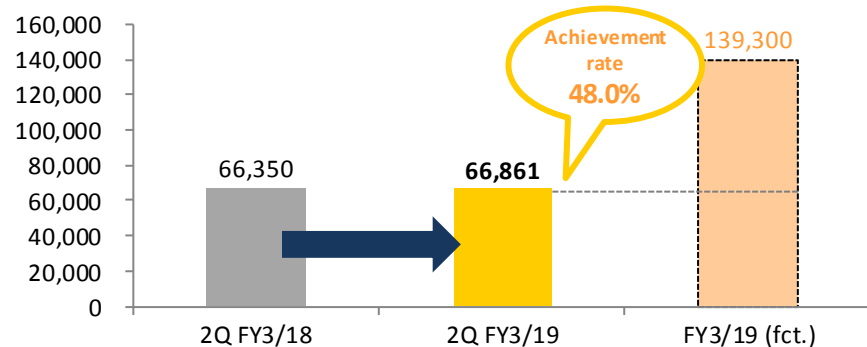
- Demand for **construction materials and homebuilding materials in Japan and air conditioning materials** were strong.
- Demand for **automobile component materials** used for electric cars and light-weight auto bodies is increasing but shipments slightly slowed as automakers prepare to start producing new models.
- Sales of **bus bars for construction materials** and of other products at sales subsidiaries in Japan increased. The transaction volume of **can materials** decreased due to the shift from aluminum cans to PET beverage containers.
- The transaction volume of some automotive and building materials decreased because of typhoons, heavy rain and other natural disasters in Japan during the second quarter.

[Resources]

- Transaction volumes of **recycled aluminum ingots and other aluminum resources** and metal silicon increased due to growth in demand in the automobile industry. Transaction volume of copper scrap decreased affected by lower non-ferrous metal prices since July. Sales and earnings decreased at **ALUMINUM & COPPER RECYCLING CENTER**.

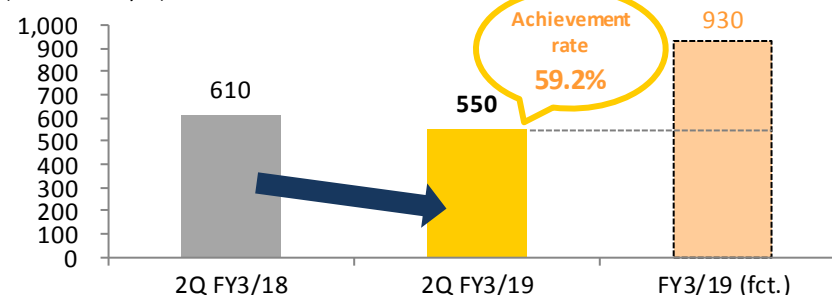
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



(Unit: million yen)

	2Q FY3/19	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	10,585	1,212	12.9%	8.1%
Segment profit	536	224	71.7%	14.3%
Segment profit to net sales	5.1%	1.8%		

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: Decrease (MT)

● UNIVERTICAL (UHI) – Plating materials

Shipments of plating materials were strong both in North America and China. A big increase in shipments of **plating chemical products** in China significantly contributed to higher segment sales and earnings.

● TOKAI YOGYO – Welding materials

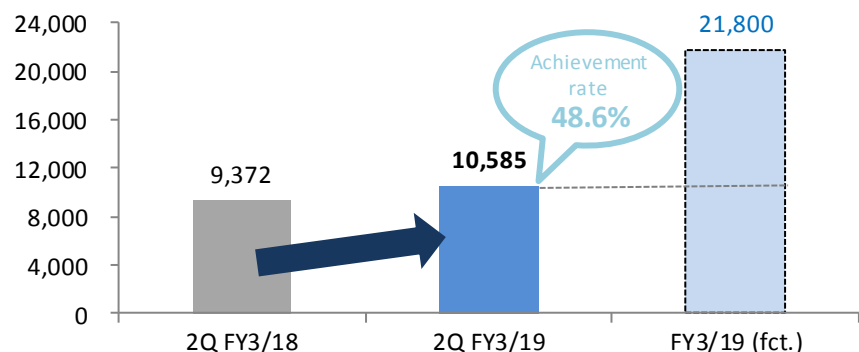
Shipments of welding rods to repair molds increased, mainly to companies in Japan's automobile industry, and there were consistent orders for **welding work**.

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

There was a large volume of **consumables** shipments to automobile and steel companies in Japan and other countries but earnings declined because some shipments of **large equipment** were pushed back to the fiscal year's second half.

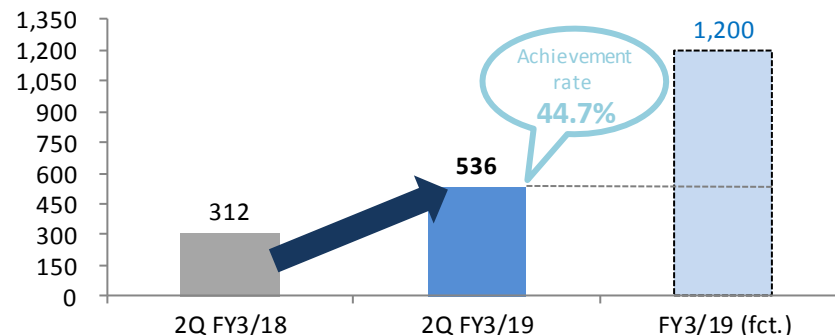
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



(Unit: million yen)

	2Q FY3/19	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	10,323	507	5.2%	8.0%
Segment profit	2,057	-97	-4.5%	54.9%
Segment profit to net sales	19.9%	-2.0%		

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): Increase (OHBA SEIKEN)

Metal stamped parts (for automotive powertrains, etc.): Increase (FUJI PRESS)

● OHBA SEIKEN (Grinding processing parts)

Demand for **parts for chip mounters** remained at a consistently high level. Sales increased but earnings slightly decreased because depreciation expenses started at a factory completed in February 2018, and the cost of manufacturing increased mainly because of higher labor and outsourcing expenses due to the large volume of work.

● OHKAWA (Machining processing parts)

Orders increased for **precision machining processing parts for aircraft and semiconductor manufacturing equipment**. Higher earnings also benefited from capital expenditures.

● FUJI PRESS (Metal stamped parts)

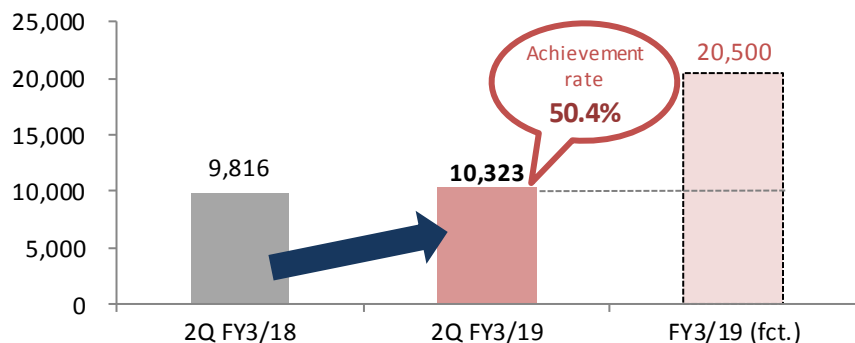
Shipments of **metal stamped parts for powertrains** increased due to strong automobile production in Japan.

● Equity-method affiliates (K'MAC and Guandon Chuangfu Metal Product)

Segment profit decreased because of the sale of stock of Shanghai Longyang Precise Compound Copper Tube.

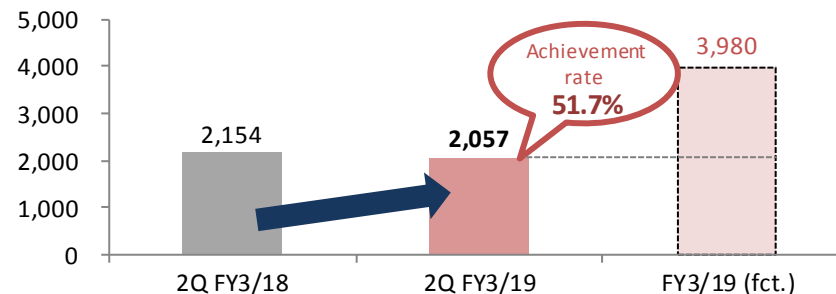
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Consolidated balance sheets (2Q FY3/19)

Financial results

(Unit: million yen)

	FY3/18	2Q FY3/19	Change	Major components
Current assets, total	95,028	97,536	2,507	
Cash and deposits	18,698	20,588	1,889	Refer to consolidated cash flows on page 16
Operating receivables	47,495	45,886	-1,609	Lower transactions in Trading segment in 2Q
Inventories	24,070	26,659	2,589	Higher transaction of electronic and advanced materials
Non-current assets, total	35,168	34,346	-822	
Property, plant and equipment	14,811	14,926	114	Capital expenditures at manufacturing subsidiaries
Intangible assets	7,710	7,099	-611	Amortization
Investments and other assets	12,646	12,321	-324	Decrease in valuation difference
Assets, total	130,197	131,883	1,685	
	FY3/18	2Q FY3/19	Change	
Current liabilities, total	72,393	74,312	1,919	
Operating debt	33,922	33,056	-865	Lower transactions in Trading segment in 2Q
Short-term loans payable (including current portion of long-term loans payable/bonds payable)	31,227	35,862	4,634	Working capital procurement
Non-current liabilities, total	19,178	17,262	-1,915	
Bonds payable	675	600	-74	Transfer to the current portion
Long-term loans payable	14,150	12,325	-1,825	Transfer to the current portion
Liabilities, total	91,571	91,574	3	
Shareholders' equity	32,633	34,932	2,298	
Retained earnings	27,698	29,974	2,275	Higher earnings on a consolidated basis (profit attributable to owners of parent – dividends paid)
Accumulated other comprehensive income	4,193	3,558	-634	
Shareholders' equity	36,826	38,490	1,663	Equity ratio: 29.2%
Net assets, total	38,626	40,308	1,682	
Liabilities and net assets, total	130,197	131,883	1,685	

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

Consolidated cash flows (2Q FY3/19)

Financial results

(Unit: million yen)

	2Q FY3/19	Major items	2Q FY3/18
Operating cash flows	1,283		2,201
	3,939	Profit before income taxes	3,804
	1,429	Depreciation (including amortization of goodwill)	1,343
	-89	Share of profit of entities accounted for using equity method (K' MAC, Guandon Chuangfu Metal Product)	-204
	-2,141	Working capital	-2,695
		(Item)	
		Decrease (increase) in notes and accounts receivable-trade	1,072
		Decrease (increase) in inventories	-2,652
		Increase (decrease) in note and accounts payable-trade	-561
	-2,297	Income taxes paid	-866
	444	Other	820
Investing cash flows	-1,379		-3,575
	-1,534	Purchase of property, plant and equipment (capital expenditures at manufacturing subsidiaries)	-954
	-11	Purchase of investment securities	-11
	-	- FY3/18 consolidation of FUJI PRESS	-2,548
	-20	Loans of working capital for subsidiaries and associates	-122
	186	Other	61
Financing cash flows	2,124		2,767
	4,096	Net increase in short-term loans payable	1,657
	-1,364	Net decrease in long-term loans payable	1,513
	-74	Redemption of bonds	-100
	22	Issuance of common shares due to the exercise of share acquisition rights	34
	-490	Cash dividends paid	-283
	-63	Other	-54
Effect of exchange rate change on cash and cash equivalents	-175		-128
Net increase (decrease) in cash and cash equivalents	1,854		1,265
Cash and cash equivalents at beginning of period	18,569		16,813
Cash and cash equivalents at end of period	20,423		18,078
Free cash flow	-95		-1,373

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

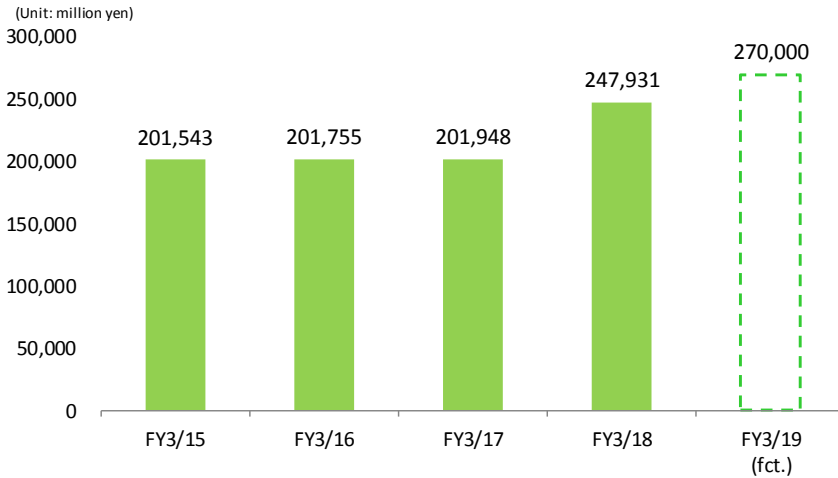
FY3/19 Earnings Forecasts

(Consolidated earnings forecasts announced on May 15, 2018 are unchanged.)

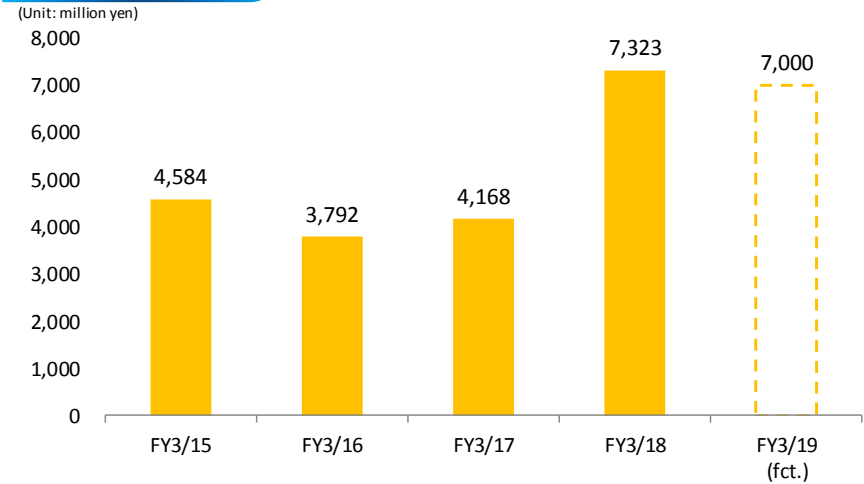
Trend in consolidated sales and earnings

Earnings forecast

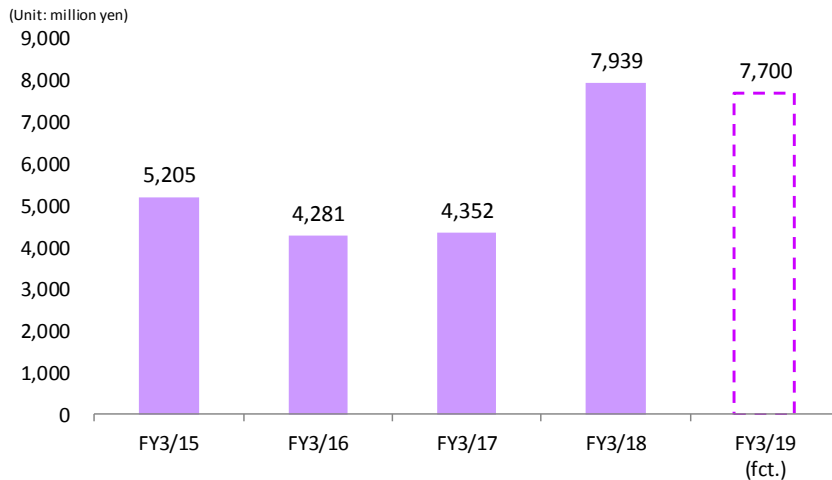
Net Sales



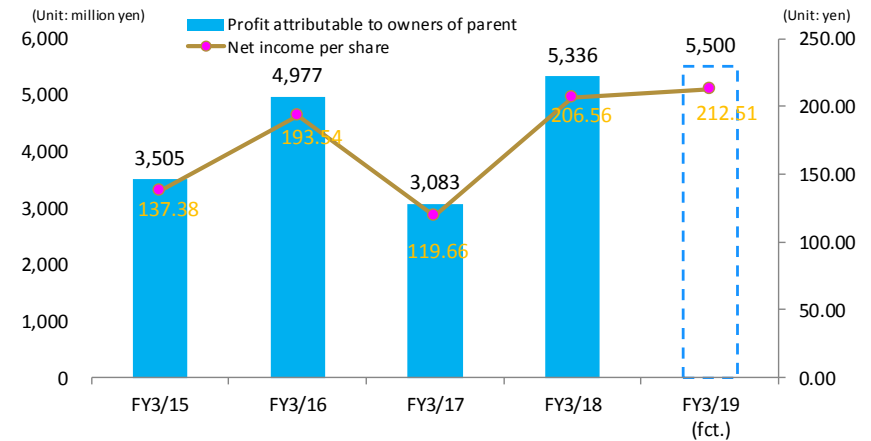
Operating Profit



Ordinary Profit



Profit Attributable to Owners of Parent



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

- The semiconductor sector has been in 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. Benefited by this, strong performance at group manufacturing subsidiaries in Japan and overseas will continue to make a contribution to consolidated sales and earnings. Also, the transaction volumes of electronic materials and minor metals and rare earths in the Trading segment are expected to grow. On the other hand, given the growing uncertainty over the economic outlook, ALCONIX maintains the initial forecast. One cause of the uncertainty is the market saturation of smartphones and tablets, products that fueled global economic growth. There are also concerns about 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			2Q FY3/19	
		% to sales	(Initial forecasts on May 15, 2018)	% to sales	YoY change	Progress ratio	
Net sales	247,931		270,000		8.9%	129,737	48.1%
Gross profit	19,038	7.7%	19,500	7.2%	2.4%	9,960	51.1%
SG&A expenses	11,715	4.7%	12,500	4.6%	6.7%	6,127	49.0%
Operating profit	7,323	3.0%	7,000	2.6%	-4.4%	3,833	54.8%
Ordinary profit	7,939	3.2%	7,700	2.9%	-3.0%	3,747	48.7%
Profit attributable to owners of parent	5,336	2.2%	5,500	2.0%	3.1%	2,767	50.3%
Net income per share (yen)	206.56		212.51			106.96	-

Trading segment: Higher sales and lower 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 forecast 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 in the first half of FY3/18.

•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	2Q FY3/19			
			Comp.	Initial forecasts on May 15, 2018	Comp.		Comp.	Progress ratio		
Net Sales	Trading	Electronic and advanced materials	73,857	29.8%	88,400	32.7%	19.7%	41,966	32.4%	47.5%
		Aluminum and copper products	134,506	54.2%	139,300	51.6%	3.6%	66,861	51.5%	48.0%
		Trading total	208,363	84.0%	227,700	84.3%	9.3%	108,828	83.9%	47.8%
	Manufacturing	Equipment and materials	19,697	8.0%	21,800	8.1%	10.7%	10,585	8.1%	48.6%
		Metal processing	19,870	8.0%	20,500	7.6%	3.2%	10,323	8.0%	50.4%
		Manufacturing total	39,567	16.0%	42,300	15.7%	6.9%	20,908	16.1%	49.4%
Total	247,931		270,000		8.9%	129,737		48.1%		
Segment Profit	Trading	Electronic and advanced materials	1,822	23.0%	1,590	20.6%	-12.7%	615	16.4%	38.7%
		Aluminum and copper products	1,033	13.0%	930	12.1%	-10.0%	550	14.7%	59.2%
		Trading total	2,855	36.0%	2,520	32.7%	-11.8%	1,166	31.1%	46.3%
	Manufacturing	Equipment and materials	835	10.5%	1,200	15.6%	43.6%	536	14.3%	44.7%
		Metal processing	4,244	53.5%	3,980	51.7%	-6.2%	2,057	54.9%	51.7%
		Manufacturing total	5,080	64.0%	5,180	67.3%	2.0%	2,593	69.2%	50.1%
Total	7,939		7,700		-3.0%	3,747		48.7%		

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

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 company that combines trading and manufacturing capabilities

Management Policies

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

Five Action Plans

Strengthen operating revenue

Synergies between Trading and Manufacturing
Electronic materials business
Overseas business

Promote investment activities

M&A mainly involving manufacturing
Business investments
Capital expenditures

Reinforce the financial backbone

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

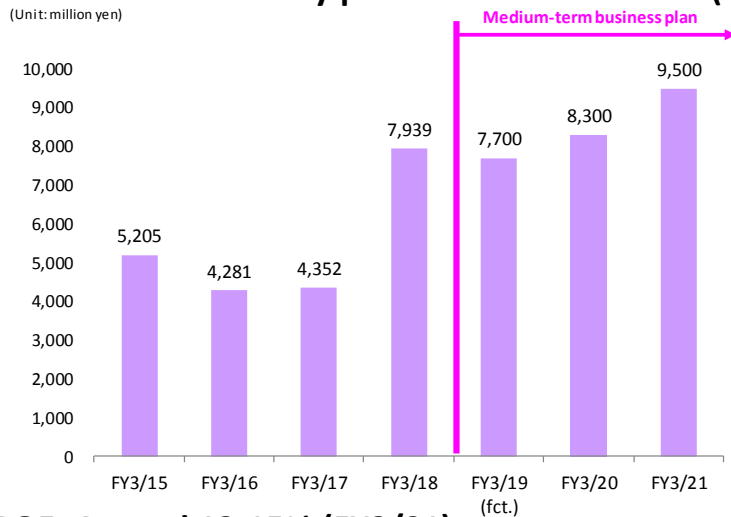
Upgrade the skills of employees

Attract, train and retain skilled
people

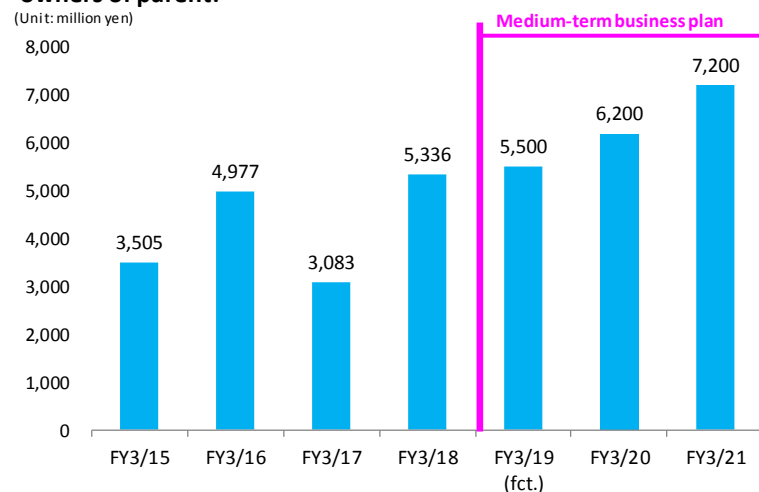
Strengthen corporate infrastructure and internal governance

Profit targets

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

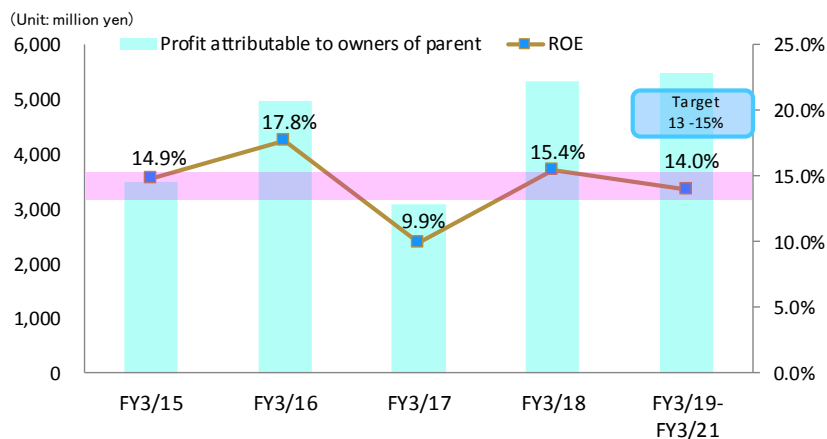


Profit attributable to owners of parent: Over ¥7.2 billion (FY3/21)

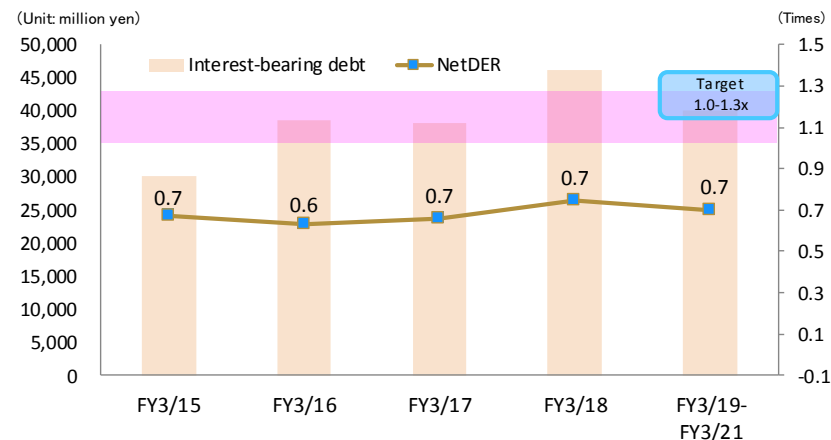


Management benchmarks

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



NetDER: Around 1.0-1.3x (FY3/21)



¥25 billion over three years

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

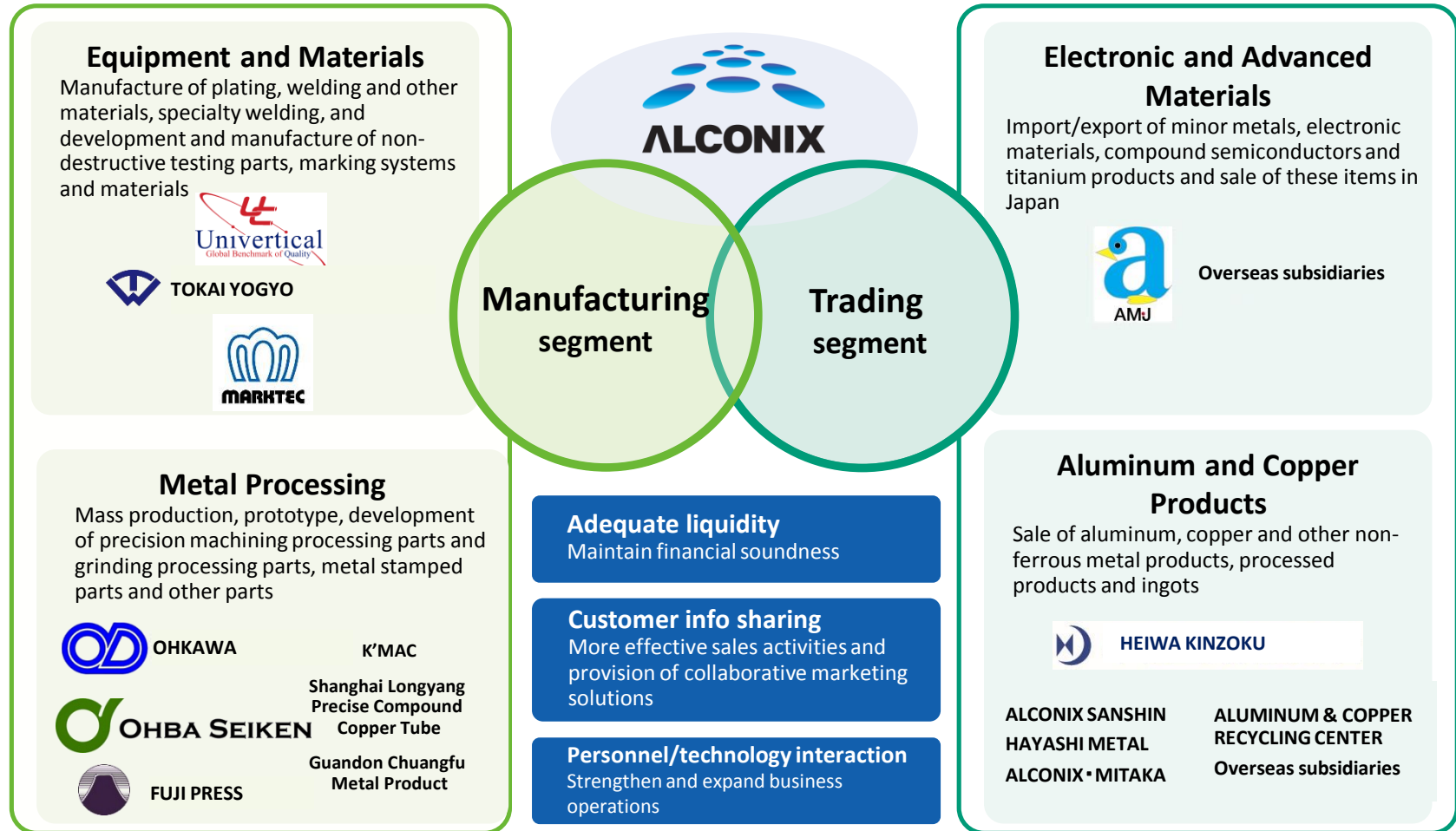
For more details, please see page 27
“Investment activities”

Strengthen operating revenue 1

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.

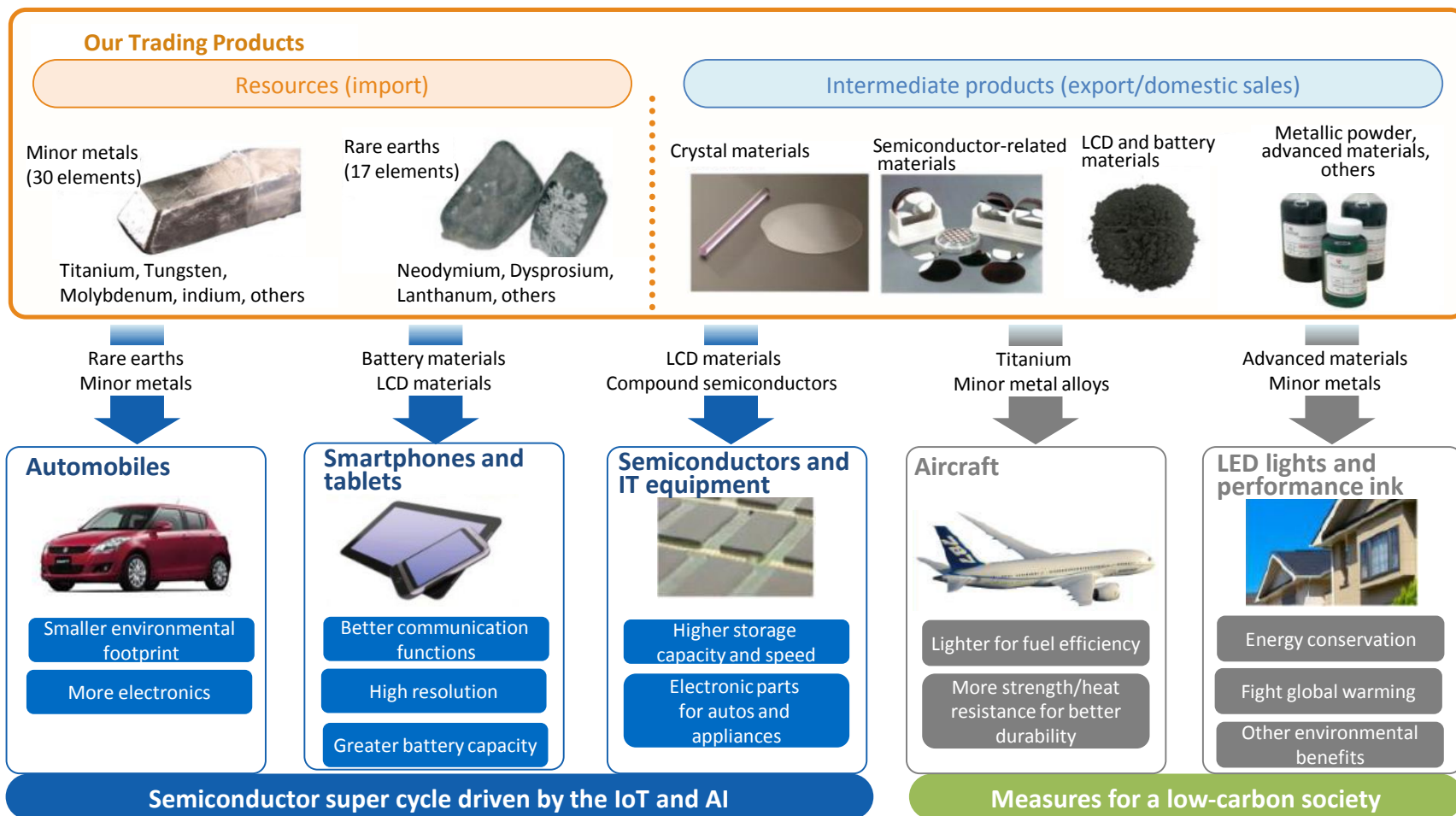


Initiatives for ALCONIX electronic and advanced materials business and subsidiary

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.



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

Overseas network

ALCONIX advantages
 High overseas trade ratio
 Growing import/export and trilateral transactions
12 overseas subsidiaries, 15 locations

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

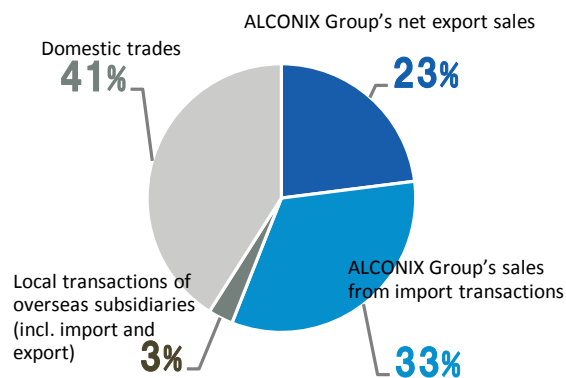
Growth of overseas operations, mainly for minor metals, at the Singapore subsidiary of ADVANCED MATERIAL JAPAN

3 Expand overseas network

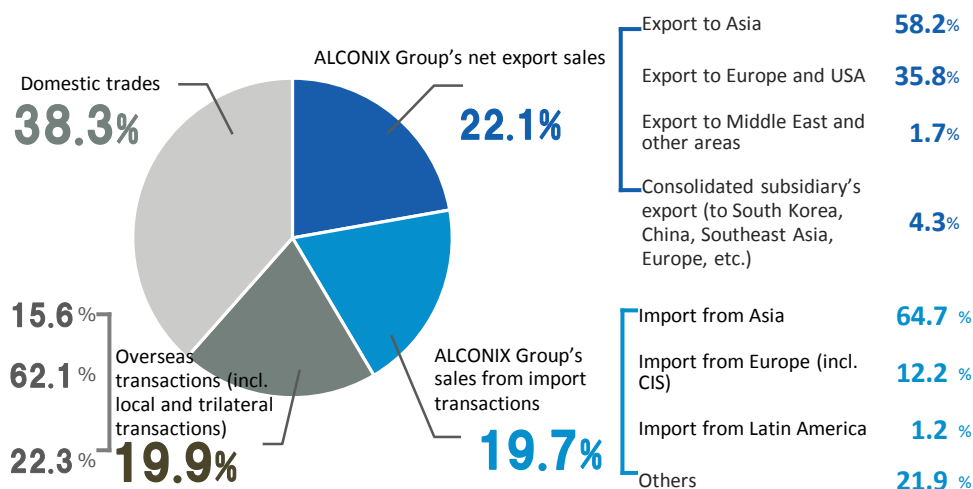
Plan to establish branches in Mexico, Indonesia and India to extend the overseas network

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

Trade Category Sales Composition (FY3/11, consolidated)



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
- M&A activity at subsidiaries as well in order to contribute to growth
- Acquisition of Fuji Carbon Manufacturing Co.

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

Capital expenditures

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

Track records

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

■ **Decision to acquire Fuji Carbon Manufacturing Co. stock (a contract signed on August 8, 2018)**

ALCONIX will acquire all of the stock of Fuji Carbon, which is based in the city of Anjo in Aichi prefecture, making this company a consolidated subsidiary. Fuji Carbon develops and manufactures carbon brushes, a core component of small motors used in a broad range of applications from electric power tools to automobiles. The scheduled date of acquisition is February 2019. (This is the 16th M&A transaction of the ALCONIX Group and 7th in the manufacturing sector.)



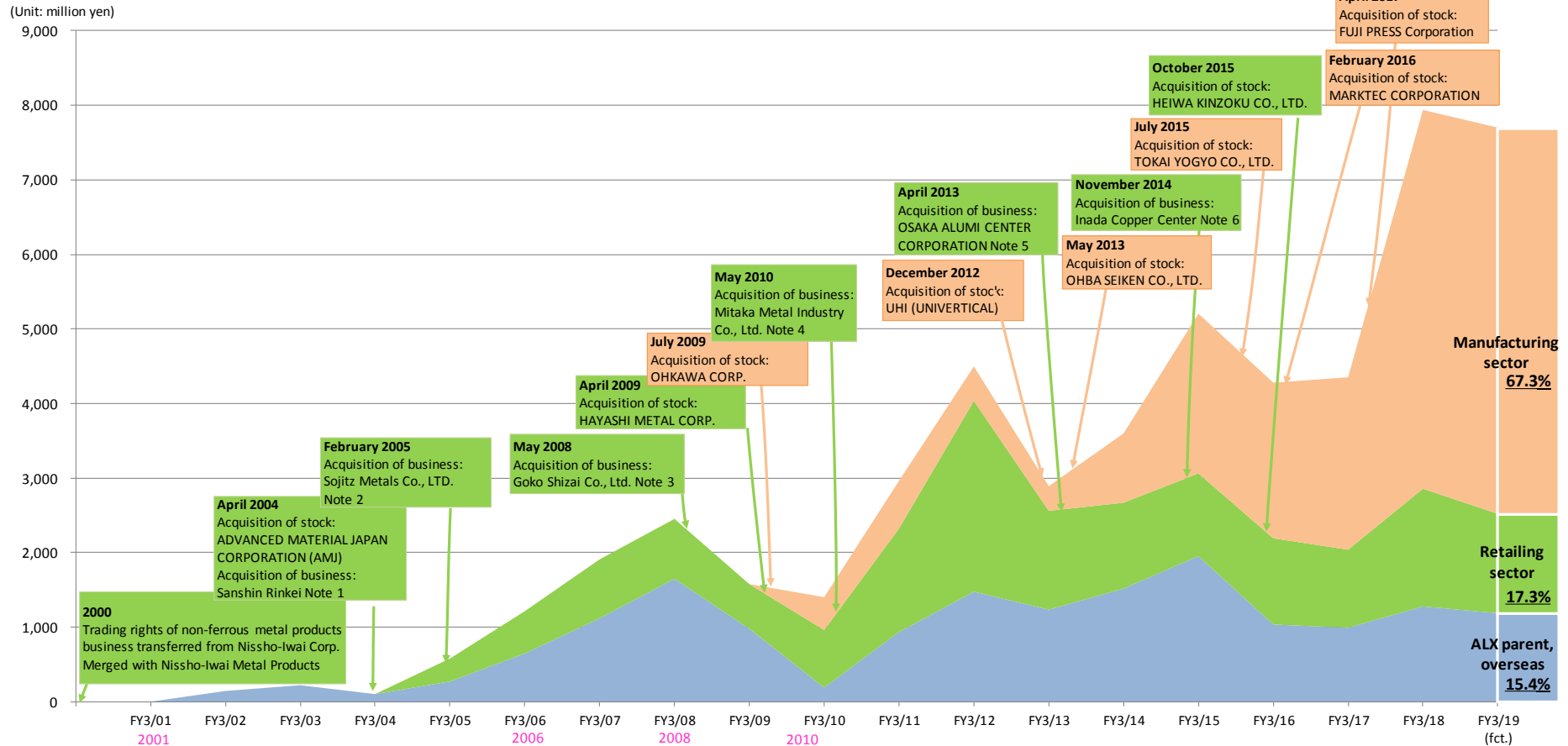
Head office building

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

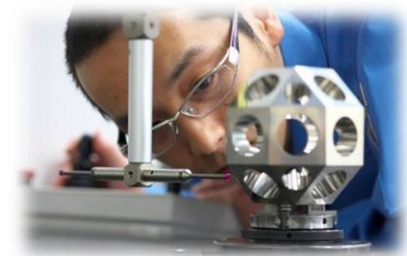
Reinforce the financial backbone

- Aim to improve the shareholders' equity ratio and other financial ratios by bolstering profitability
- Further diversify fundraising channels while securing sufficient liquidity and reducing funding costs



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

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.

