



Become an integrated 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, 2019

May 2019

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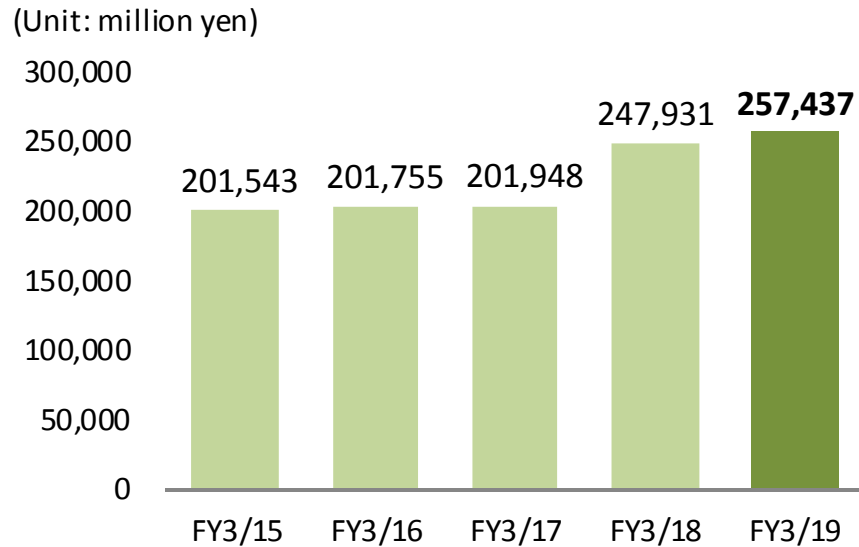
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## Results Materials

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# Results highlights (FY3/19) Consolidated sales

## Consolidated Sales



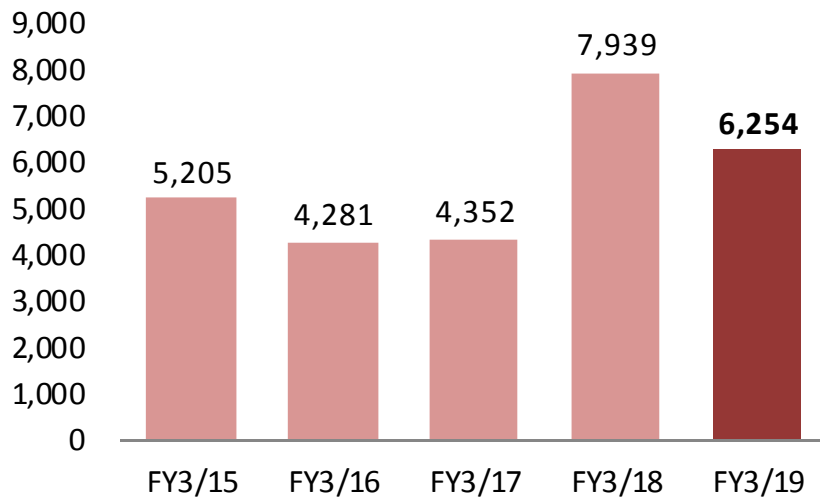
Up **3.8%** YoY 

The Manufacturing segment and electronic and advanced materials were the primary sources of sales growth for the full fiscal year

# Results highlights (FY3/19) Consolidated ordinary profit

## Consolidated Ordinary Profit

(Unit: million yen)

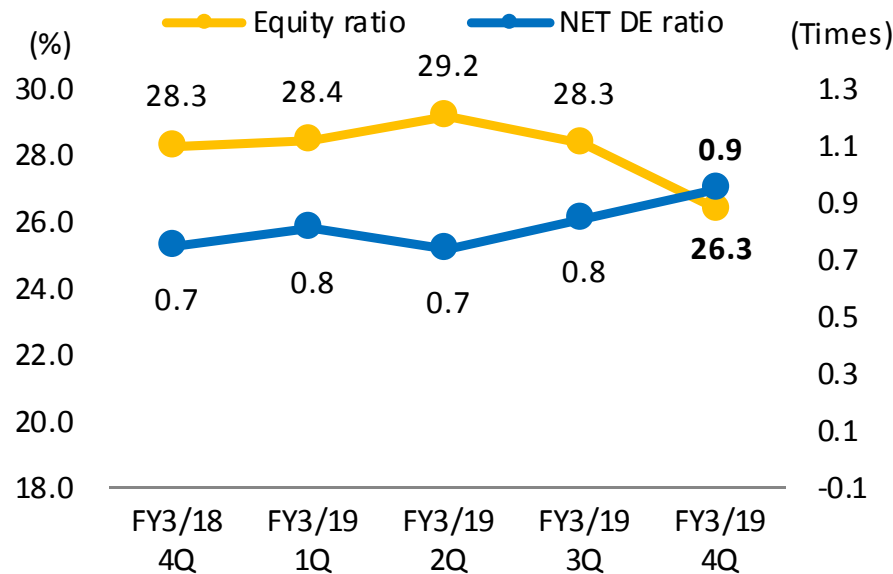


Down **21.2%** YoY 

Negatively impacted by M&A related expenses for purchasing manufacturing subsidiaries and write-off of doubtful accounts in minor metals transactions

# Results highlights (FY3/19) Major consolidated financial indicators

## Major Consolidated Financial Indicators



## Equity Ratio



Down **2.0** percentage points

Assets and liabilities of two newly consolidated manufacturing subsidiaries exceeded an increase in retained earnings.

## Net debt equity ratio (NetDER)

**0.9** times

NetDER remained below 1.0



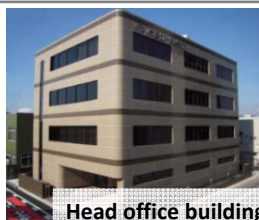
# Topics

## M&A

Fuji Carbon Manufacturing Co. / Tohoku Chemical Industries, Ltd.

### Manufacturing—Equipment and Materials **Promote post-merger integration to enhance business performance of the entire ALCONIX Group**

<b>Company name</b>	<b>Fuji Carbon Manufacturing Co.</b> ALCONIX acquired 100% of the Fuji Carbon Manufacturing stock on February 4, 2019 and made it a consolidated subsidiary.	<b>Tohoku Chemical Industries, Ltd.</b> ALCONIX acquired 100% of the Tohoku Chemical Industries stock on December 25, 2018 and made it a consolidated subsidiary.
<b>Business</b>	Manufacture of carbon brushes for small motors used for automobiles and general industrial applications	Manufacture of cashew resin (brake friction materials for automobiles) and products using cashew-based materials
<b>Overview</b>	Head office: Anjo City, Aichi Prefecture (about 900 employees in Japan and overseas) Manufacturing bases: (Japan) Aichi Pref., Shizuoka Pref. (Overseas) China (Kunshan and Guangzhou), Taiwan, Vietnam	Head office: Nasukarasuyama City, Tochigi Prefecture Manufacturing bases: (Japan) Nasukarasuyama City (Overseas) Vietnam
<b>Strengths</b>	Proprietary manufacturing knowhow and technological prowess in carbon brushes and a business model that is profitable outside Japan	High market share in a niche market sector, highly skilled in the manufacture of parts that are critical to automobile safety
<b>Contribution to consolidated performance</b>	Starting in FY3/20; fiscal year ends in December, resulting in a 3-month difference vs. the consolidated fiscal year	Started in FY3/19 with the inclusion of sales and earnings in the 4Q of the fiscal year



Head office building



Carbon brushes for automobiles



Head office and plant



Cashew particles

## Overseas subsidiary

### Manufacturing—Metal Processing

## FUJI ALCONIX Mexico S.A. de C.V.

A joint venture of ALCONIX and consolidated subsidiary FUJI PRESS. In July 2019, the Mexico joint venture of FUJI PRESS is to be dissolved and all of its related operations, including equipment, will be transferred to FUJI ALCONIX Mexico, which will then begin operations as a new company.

<b>Company name</b>	<b>FUJI ALCONIX Mexico S.A. de C.V.</b> A decision was made to establish this company on September 26, 2018.
<b>Business</b>	Manufacture of precision stamped automotive parts
<b>Overview</b>	Head office and manufacturing bases: San Luis Potosi, Mexico
<b>Contribution to consolidated performance</b>	Starting in FY3/20; fiscal year ends in December, resulting in a 3-month difference vs. the consolidated fiscal year



## Shareholder distributions

### Stock Repurchase

Approved Feb. 19, 2019 and purchasing started the next day

Number of shares and cost	Up to 740,000 shares; ¥800 million
Shares repurchased	660,700 shares    ¥800 million (completed on May 15, 2019)
Benefit of repurchases	<p>Net income per share: ¥154.95* → ¥155.20</p> <p style="text-align: right;"><small>*FY3/19 year-end EPS excluding treasury shares</small></p> <p>Dividend payout ratio: 25.1%</p> <p>Total return ratio: 44.0%</p>

### Revision to Dividend Forecast

FY3/19 year-end dividend determined on February 19, 2019

September 30, 2018 (interim dividend)	¥19
March 31, 2019 (year-end dividend)	¥19 → ¥20 ( <b>increase of ¥1</b> )
FY3/19 (annual dividend)	¥38 → ¥39
FY3/20 (dividend forecast)	¥20 (interim) + ¥20 (year-end)    ¥40

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# FY3/19 Financial Results



# Consolidated performance (FY3/19)

Financial results

- Electronic and advanced materials in the Trading segment and the manufacturing subsidiaries in Japan and overseas made contribution to sales growth mainly due to strong demand in the semiconductor and automobile industries.
- Sales contributed to higher gross profit. However, operating profit, ordinary profit and profit attributable to owners of parent decreased due to M&A related expenses, write-off of doubtful accounts in minor metals transactions, and foreign exchange losses.

	FY3/18	(Unit: million yen)		
		FY3/19		Change
		% to sales		
Net sales	247,931	<b>257,437</b>		<b>3.8%</b>
Gross profit	19,038	<b>19,207</b>	<b>7.5%</b>	<b>0.9%</b>
SG&A expenses	11,715	<b>12,949</b>	<b>5.0%</b>	<b>10.5%</b>
Operating profit	7,323	<b>6,257</b>	<b>2.4%</b>	<b>-14.6%</b>
Ordinary profit	7,939	<b>6,254</b>	<b>2.4%</b>	<b>-21.2%</b>
Profit attributable to owners of parent	5,336	<b>4,009</b>	<b>1.6%</b>	<b>-24.9%</b>
Comprehensive income	5,107	<b>2,570</b>	-	-
				(Unit: yen)
Net income per share	206.56	<b>155.20</b>	-	-

## Electronic and advanced materials and manufacturing subsidiaries in Japan and overseas were the primary sources of sales growth

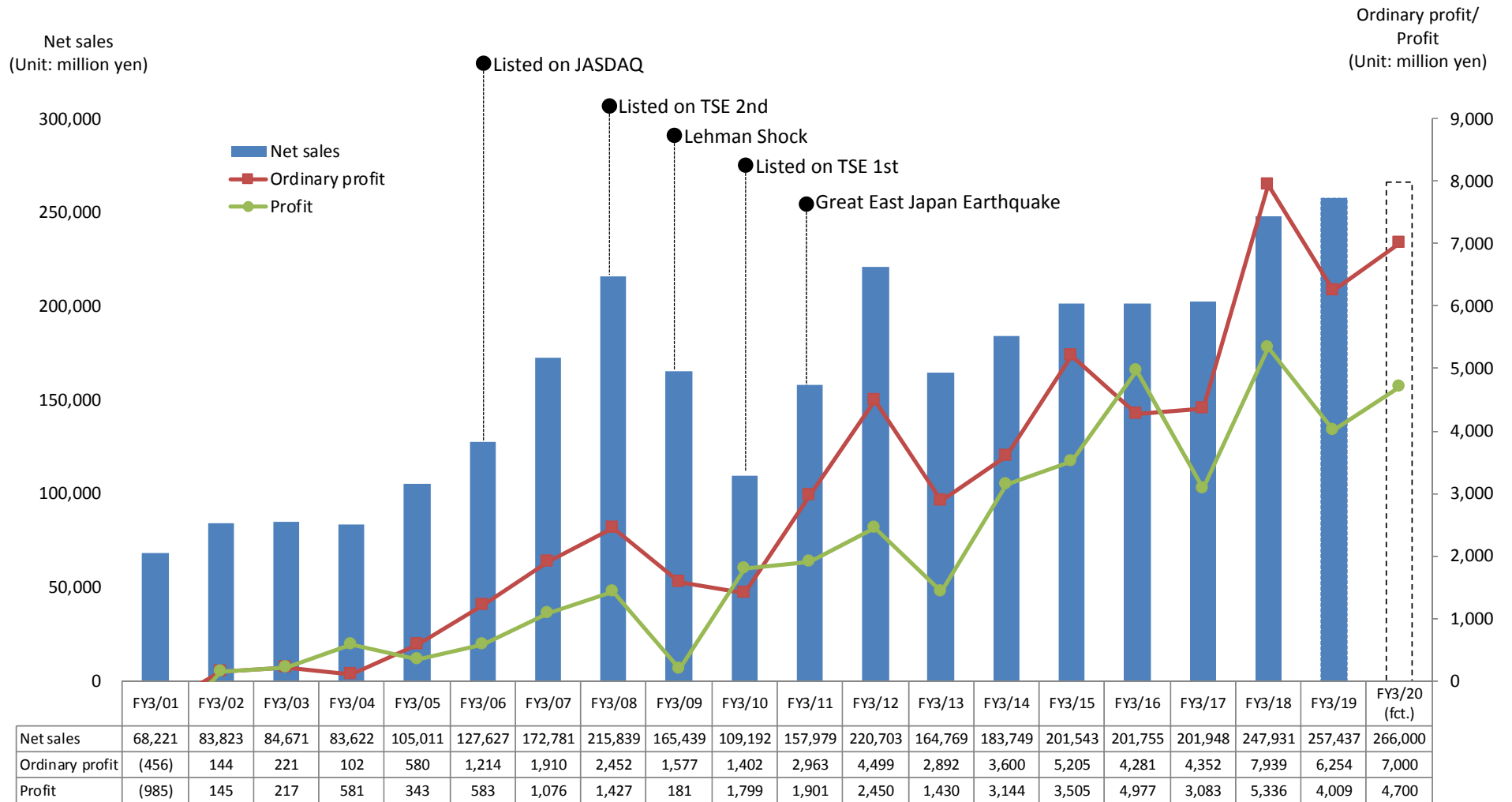
[Net increase]  
 Products using cashew-based materials (brake friction materials)  
 [Increase]  
 Non-ferrous materials (recycled aluminum ingots)  
 Battery materials (for smartphones, automotive applications, etc.)  
 Nickel ingot, plating materials  
 Grinding processing parts (for chip mounters)  
 Machining processing parts (aircraft parts)  
 [Decrease]  
 Materials used in smartphones and tablets  
 Aluminum rolled products, copper scrap

## Earnings decreased mainly due to write-off of doubtful accounts, foreign exchange losses and a decrease in the equity earnings

[Gross profit]  
 Higher sales at manufacturing subsidiaries and in the electronic materials sector of the Trading segment contributed to higher gross profit.  
 [Operating profit, ordinary profit and profit attributable to owners of parent]  
 Earnings decreased due to expenses associated with purchasing the stock of two manufacturing subsidiaries, these companies' SG&A expenses, and write-off of doubtful accounts in minor metals transactions, as well as due to valuation losses of foreign currency-denominated transactions and a decline in equity method income due to the sales of stock of equity method affiliate.

# Performance trend (consolidated income statements)

Financial results



# Operating segment information (FY3/19 net sales/segment profit)

Financial results

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

### • Trading—Electronic and Advanced Materials

There was an increase in the transaction volume of materials used in secondary batteries, minor metals and other materials. Earnings significantly declined because of lower trading volume of some electronic materials and write-off of doubtful accounts in minor metals transactions.

### • Trading—Aluminum and Copper Products

In the products sector, the transaction volume of air conditioning materials increased but beverage can materials slightly decreased due to the shift from aluminum cans to PET beverage containers. In the resources sector, the transaction volume for copper scrap decreased because non-ferrous metal prices drop in the second half of FY3/19, despite a solid transaction volume for aluminum resources.

### • Manufacturing—Equipment and Materials

Shipments of plating materials increased throughout the fiscal year mainly in China. Shipments of welding and other materials were also as steady as one year earlier. In the non-destructive testing and marking system sectors, shipments to companies in the automobile industry in Japan and other countries were steady but earnings declined because of a decrease in shipment of replacement supplies for the steel industry at overseas subsidiaries. The consolidated Tohoku Chemical Industries' 4Q sales and earnings contributed to consolidated results.

### • Manufacturing—Metal Processing

Shipments of chip mounter parts and prototype items for automotive applications steadily increased. Shipments of machining processing parts were also strong for parts used in aircraft. Increase in precision stamped parts shipment for Japan's automobile industry was offset by sluggish shipment to China. Earnings decreased because of higher manufacturing cost of precision stamped parts and a decline in the equity method income due to the sales of stock of equity method affiliate.

(Unit: million yen)

		FY3/18		FY3/19				
			Comp.		Comp.	Change (amount)	Change (%)	
Net Sales	Trading	Electronic and advanced materials	73,857	29.8%	83,952	32.6%	10,095	13.7%
		Aluminum and copper products	134,506	54.3%	131,341	51.0%	-3,164	-2.4%
		Trading total	208,363	84.0%	215,294	83.6%	6,930	3.3%
	Manufacturing	Equipment and materials	19,697	7.9%	21,439	8.3%	1,741	8.8%
		Metal processing	19,870	8.0%	20,703	8.1%	833	4.2%
	Manufacturing total	39,567	16.0%	42,142	16.4%	2,574	6.5%	
	Total	247,931		257,437		9,505	3.8%	
Segment Profit	Trading	Electronic and advanced materials	1,822	23.0%	721	11.5%	-1,100	-60.4%
		Aluminum and copper products	1,033	13.0%	1,024	16.4%	-9	-0.9%
		Trading total	2,855	36.0%	1,746	27.9%	-1,109	-38.9%
	Manufacturing	Equipment and materials	835	10.5%	607	9.7%	-228	-27.3%
		Metal processing	4,244	53.5%	3,916	62.6%	-327	-7.7%
	Manufacturing total	5,080	64.0%	4,524	72.3%	-555	-10.9%	
	Total	7,939		6,254		-1,684	-21.2%	

Note 1. Segment profit is based on ordinary profit.

Note 2. Elimination or corporate for segment profit: FY3/19: -16; FY3/18: 2

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

(Unit: million yen)

	FY3/19	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	83,952	10,095	13.7%	32.6%
Segment profit	721	-1,100	-60.4%	11.5%
Segment profit to net sales	0.9%	-1.6%		

### 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

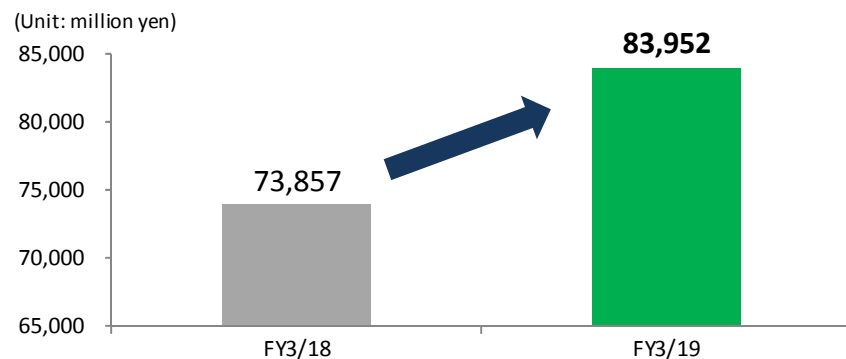
[Electronic materials and advanced materials]

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

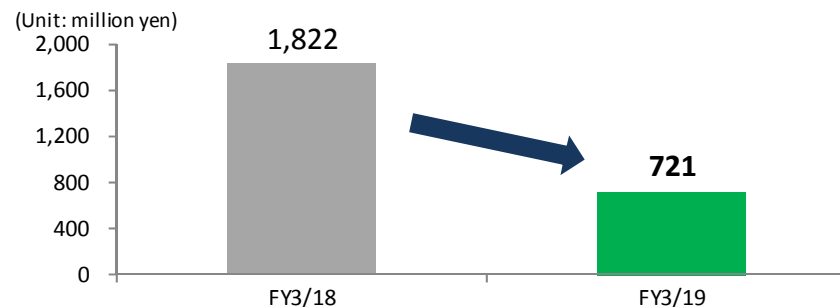
[Minor metals and rare earths]

- The transaction volume of **plating nickel, tungsten and other minor metals** increased due to higher demand. **Rare earths used in magnetic materials** also contributed to sales growth.
- Earnings decreased due to a decrease in transaction volume of **minor metals** caused by **lower prices** and write-off of doubtful accounts in **minor metals transactions**.

### Net Sales



### Segment Profit



# Aluminum and copper products

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

Financial results

(Unit: million yen)

	FY3/19	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	131,341	-3,164	-2.4%	51.0%
Segment profit	1,024	-9	-0.9%	16.4%
Segment profit to net sales	0.8%	0.0%		

## Sales of major products (YoY change)

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

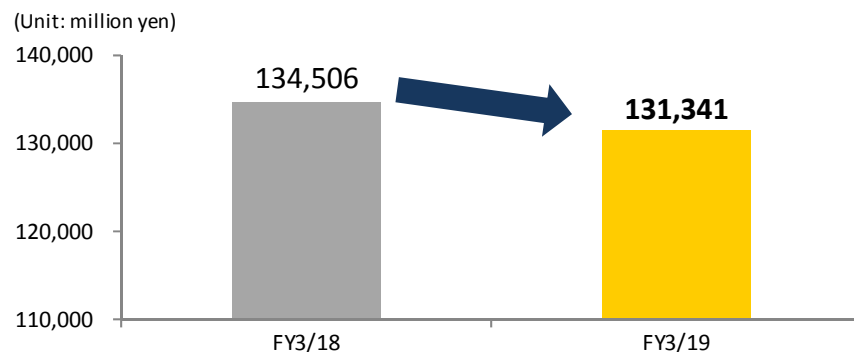
## [Products]

- Demand for **automobile component materials** is increasing as automakers continue to use more electronic components and make their vehicles lighter. But the prolonged U.S.-China trade friction caused uncertainty over the trading volume of these materials.
- Sales of **bus bars for construction materials** and of other products at sales subsidiaries in Japan increased but earnings decreased due to a **decline in copper prices**. The transaction volume of **can materials** decreased due to the shift from aluminum cans to PET beverage containers.
- The transaction volume of automotive and building materials were affected by typhoons, heavy rain and other natural disasters in Japan during the first half of FY3/19 but started to recover in the second half.

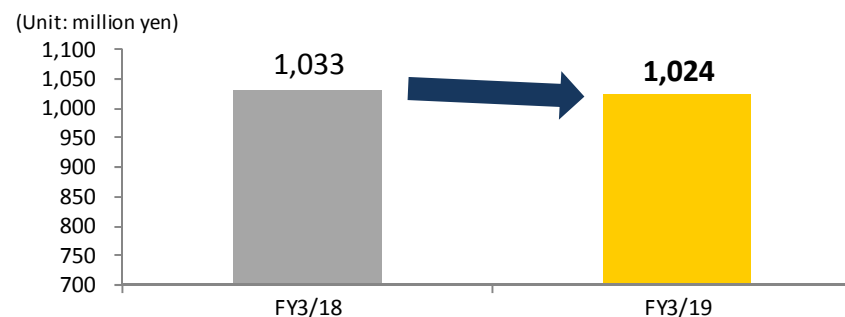
## [Resources]

- Transaction volumes of **recycled aluminum ingots and other aluminum resources** 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



## Segment Profit



# Equipment and materials

(UNIVERTICAL, MARKTEC, TOKAI YOGYO, Tohoku Chemical Industries)

Financial results

(Unit: million yen)

	FY3/19	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	21,439	1,741	8.8%	8.3%
Segment profit	607	-228	-27.3%	9.7%
Segment profit to net sales	2.8%	-1.4%		

## Sales of major products (YoY change)

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

Mold building-up welding rods/Thermal spraying: Same level (TOKAI YOGYO)

Non-destructive testing detection materials: Increase (MT)

Consumables including paints for marking systems: Increase (MT)

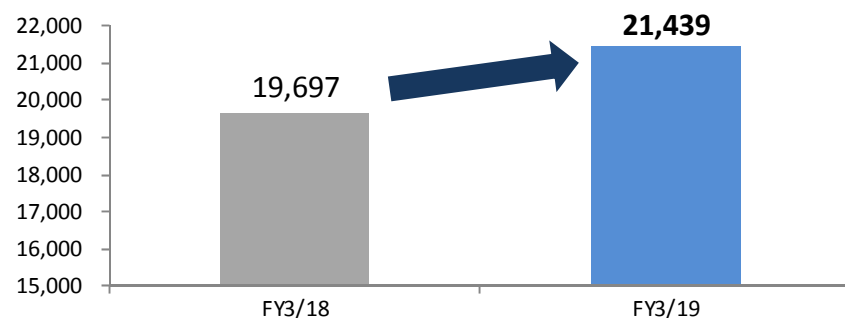
Products using cashew-based materials

(friction materials for automobiles): Net increase (Tohoku Chemical Industries)

- UNIVERTICAL (UHI) – Plating materials  
Shipments of **plating chemical products** in China contributed to higher segment sales.
- TOKAI YOGYO – Welding materials  
**Shipments of welding rods to repair molds** and orders for **thermal spraying** were as steady as one year earlier mainly in Japan's automobile industry.
- MARKTEC (MT) – Non-destructive testing equipment and marking systems  
Shipments to **automobile companies in Japan and other countries** were steady at all locations. However, earnings declined because shipments of consumables for companies in the steel industries decreased at overseas subsidiaries.
- M&A **expenses for purchasing stocks** of Tohoku Chemical Industries and Fuji Carbon Manufacturing were recorded. The **4Q sales and earnings** of Tohoku Chemical Industries contributed to consolidated results.

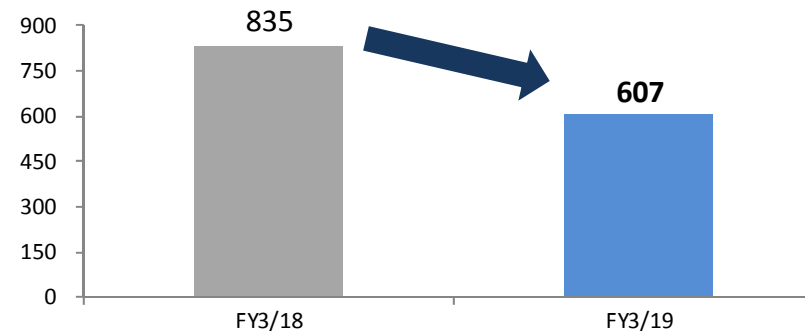
## Net Sales

(Unit: million yen)



## Segment Profit

(Unit: million yen)



# Metal processing

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

Financial results

(Unit: million yen)

	FY3/19	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	20,703	833	4.2%	8.1%
Segment profit	3,916	-327	-7.7%	62.6%
Segment profit to net sales	18.9%	-2.5%		

- OHBA SEIKEN (Grinding processing parts)

Demand for **parts for chip mounters** remained at a consistently high level and absorbed depreciation expenses at a new factory and the higher cost of manufacturing including labor and outsourcing expenses. As a result, sales and earnings increased.

- OHKAWA (Machining processing parts)

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

- FUJI PRESS (Metal stamped parts)

Shipments of **metal stamped parts for powertrains** increased for the automobile sector in Japan. But sales were about the same level as FY3/18 affected by the weak demand in China. Earnings remained flat from one year earlier partially due to higher cost of manufacturing.

- 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.

### Sales of major products (YoY change)

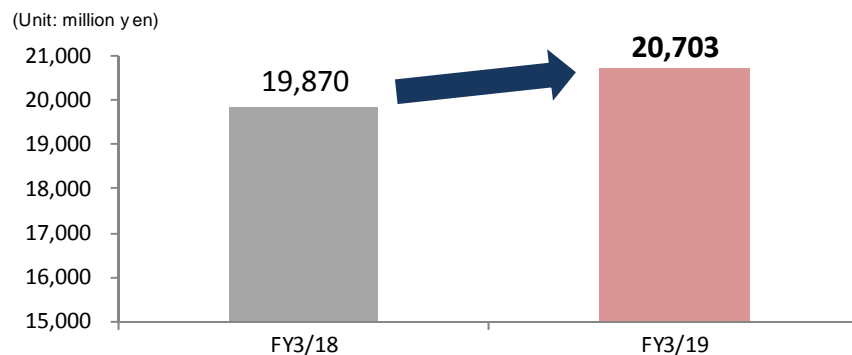
Machining processing parts (for aircraft, semiconductor manufacturing equipment, etc.): Increase (OHKAWA)

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

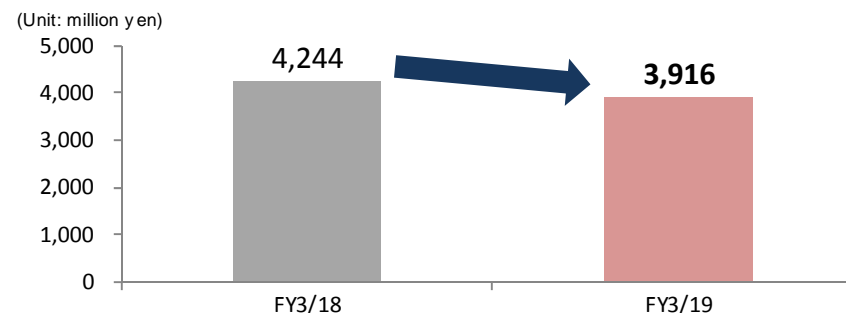
Grinding processing parts (prototype items for automotive applications): Increase (OHBA SEIKEN)

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

### Net Sales



### Segment Profit



# Consolidated balance sheets (FY3/19)

Financial results

(Unit: million yen)

	FY3/18	FY3/19	Change	Major components
Current assets, total	95,028	<b>104,230</b>	9,201	
Cash and deposits	18,698	<b>23,600</b>	4,902	
Operating receivables	47,495	<b>47,055</b>	-439	Liquidation of receivables and lower transactions in Trading segment
Inventories	24,070	<b>29,675</b>	5,604	Higher transaction of electronic and advanced materials
Non-current assets, total	35,168	<b>39,621</b>	4,452	
Property, plant and equipment	14,811	<b>18,804</b>	3,992	Acquisition of Tohoku Chemical Industries and Fuji Carbon Manufacturing, other capital expenditures
Intangible assets	7,710	<b>7,750</b>	40	Acquisition of Tohoku Chemical Industries and Fuji Carbon Manufacturing
Investments and other assets	12,646	<b>13,066</b>	420	Acquisition of Tohoku Chemical Industries and Fuji Carbon Manufacturing
Assets, total	130,197	<b>143,851</b>	13,654	
	FY3/18	FY3/19	Change	Major components
Current liabilities, total	72,393	<b>74,922</b>	2,529	
Operating debt	33,922	<b>34,727</b>	805	Acquisition of Tohoku Chemical Industries and Fuji Carbon Manufacturing
Short-term loans payable	31,227	<b>34,312</b>	3,084	Working capital procurement
(including current portion of long-term loans payable/bonds payable)				
Non-current liabilities, total	19,178	<b>29,255</b>	10,077	
Bonds payable	675	<b>525</b>	-149	Transfer to the current portion
Long-term loans payable	14,150	<b>23,571</b>	9,420	Transfer from short-term (related to newly acquired companies)
Liabilities, total	91,571	<b>104,177</b>	12,606	
Shareholders' equity	32,633	<b>35,166</b>	2,533	
Retained earnings	27,698	<b>30,725</b>	3,026	Higher earnings on a consolidated basis (profit attributable to owners of parent – dividends paid)
Accumulated other comprehensive income	4,193	<b>2,734</b>	-1,458	
Shareholders' equity	36,826	<b>37,901</b>	1,075	Equity ratio: 26.3%
Net assets, total	38,626	<b>39,673</b>	1,047	
Liabilities and net assets, total	130,197	<b>143,851</b>	13,654	

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



## Consolidated cash flows (FY3/19)

Consolidated cash flows					(Unit: million yen)
	FY3/19	Major items			FY3/18
<b>Operating cash flows</b>	<b>5,279</b>				2,849
	6,460	Profit before income taxes			7,482
	3,070	Depreciation (including amortization of goodwill)			2,715
	-202	Share of profit of entities accounted for using equity method (K' MAC, Guandon Chuangfu Metal Product)			-414
	-1,551	Working capital			-6,629
		(Item)	FY3/19	FY3/18	
		Decrease (increase) in notes and accounts receivable-trade	2,119	-2,814	
		Decrease (increase) in inventories	-3,799	-4,130	
		Increase (decrease) in note and accounts payable-trade	128	315	
	-3,827	Income taxes paid			-1,727
	1,329	Other			1,423
<b>Investing cash flows</b>	<b>-10,770</b>				-5,166
	-2,600	Purchase of property, plant and equipment and intangible assets (capital expenditures at manufacturing subsidiaries)			-2,090
	-466	Purchase of investment securities			-377
	-7,982	Consolidation of Tohoku Chemical Industries and Fuji Carbon Manufacturing			-2,633
	-123	Loans of working capital for subsidiaries and associates			-1,054
	401	Other			988
<b>Financing cash flows</b>	<b>9,625</b>				3,900
	1,115	Net increase in short-term loans payable			4,390
	10,223	Net increase in long-term loans payable			432
	-149	Redemption of bonds			-274
	22	Issuance of common shares due to the exercise of share acquisition rights			43
	-516	Stock repurchase (Period for repurchase: Feb. to Mar. 2019 *Purchase completed in May 2019)			-
	-990	Cash dividends paid			-619
	-79	Other			-71
Effect of exchange rate change on cash and cash equivalents	-299				173
Net increase (decrease) in cash and cash equivalents	3,835				1,756
Cash and cash equivalents at beginning of period	18,569				16,813
Cash and cash equivalents at end of period	22,404				18,569
*Change: Numbers may not tally exactly due to rounding.					
Free cash flow	-5,490				-2,317

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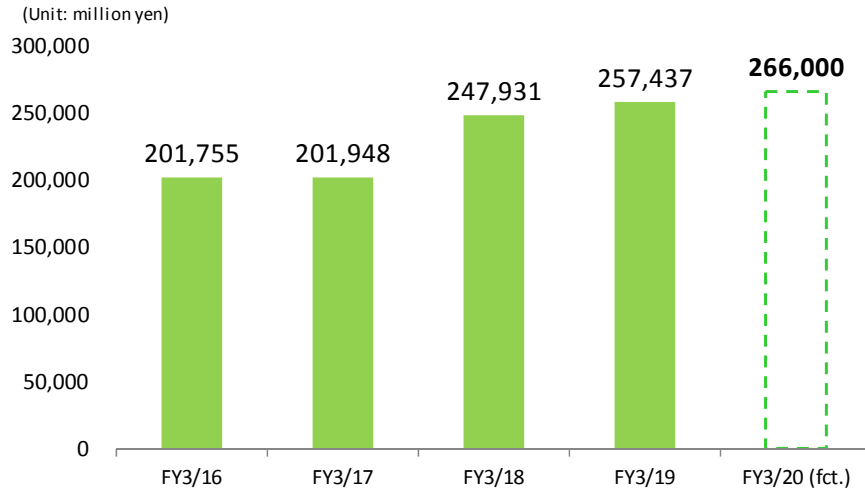
# **FY3/20 Earnings Forecasts**

**(Announced on May 17, 2019)**

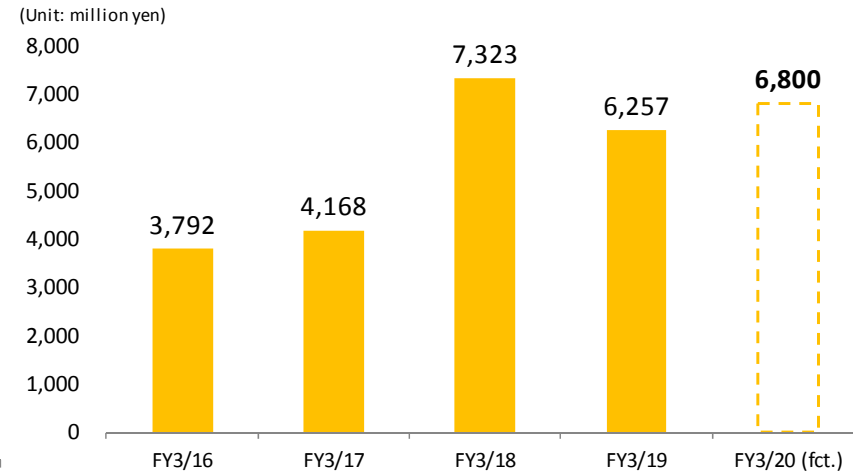
# Trend in consolidated sales and earnings

Earnings forecast

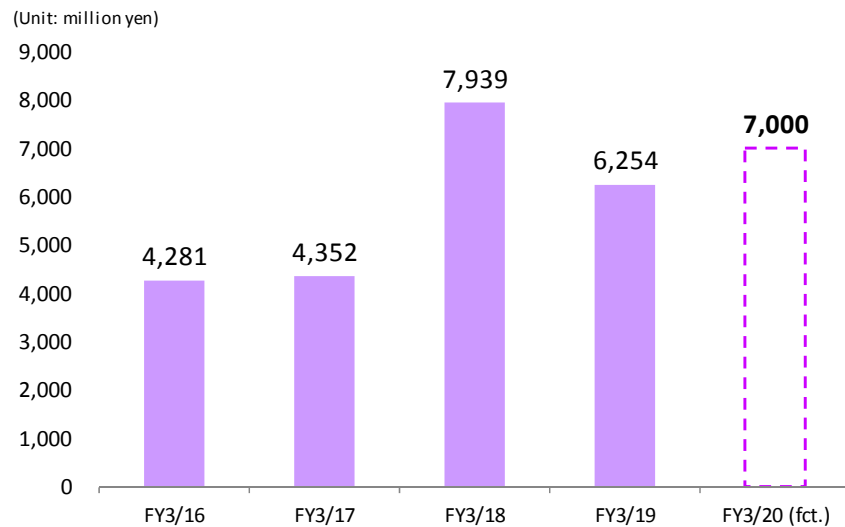
## Net Sales



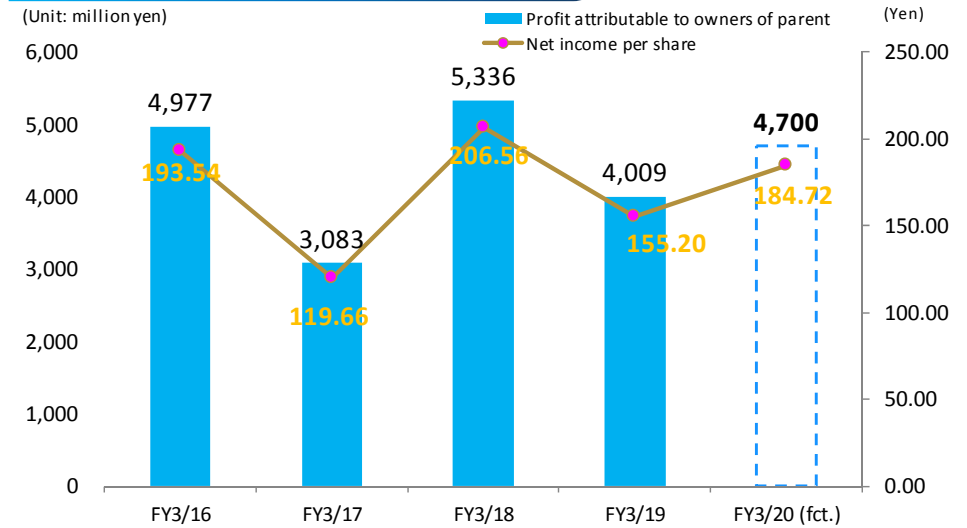
## Operating Profit



## Ordinary Profit



## Profit Attributable to Owners of Parent



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

# Forecast for FY3/20

Earnings forecast

- We forecast demand for semiconductors and electronic components continue to grow as automakers use more electronic components for lighter-weight applications, and electric vehicles. The Manufacturing segment and the electronic materials sector of the Trading segment are expected to drive growth of consolidated sales and earnings. Tohoku Chemical Industries and Fuji Carbon Manufacturing, which were acquired during FY3/19, will make their first full-year contributions to consolidated sales and earnings in FY3/20.

(Unit: million yen)

	FY3/19		FY3/20		YoY change	
		% to sales	(Initial forecasts on May 17, 2019)	% to sales		%
Net sales	257,437		266,000		8,562	3.3%
Gross profit	19,207	7.5%	21,700	8.2%	2,492	13.0%
SG&A expenses	12,949	5.0%	14,900	5.6%	1,950	15.1%
Operating profit	6,257	2.4%	6,800	2.6%	542	8.7%
Ordinary profit	6,254	2.4%	7,000	2.6%	745	11.9%
Profit attributable to owners of parent	4,009	1.6%	4,700	1.8%	690	17.2%
Net income per share (yen)	155.20		184.72			

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

# Forecasts by segment (FY3/20)

Earnings forecast

## ■ Trading segment: Lower sales and higher earnings /

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

#### • Trading—Electronic and Advanced Materials

Forecast a decline in the transaction volume of minor metals and rare earths and related materials due to soft demand for smartphones and tablets. But the trading volume of semiconductor and electronic materials is expected to increase along with the growing use of automotive electronics and rising output of electric vehicles.

#### • Trading—Aluminum and Copper Products

Forecast an increase in the transaction volume of aluminum rolled products and copper and aluminum resources mainly used for automotive parts, semiconductor and electronic materials. At domestic subsidiaries, expect a high trading volume for materials used in air conditioning equipment and cans.

#### • Manufacturing—Equipment and Materials

Shipments of plating materials will probably be the same as in FY3/19 at operations in both the U.S. and China. Forecast higher earnings from non-destructive testing equipment and marking systems in Japan and overseas, mainly in the automobile and steel industries. Tohoku Chemical Industries and Fuji Carbon Manufacturing, which were acquired in FY3/19, will make full fiscal-year contributions to this segment's sales and earnings.

#### • Manufacturing—Metal Processing

Forecast higher shipments of precision grinding processing parts due to very strong demand in the automobile industry. Also anticipate strong shipments of machining processing parts in the aerospace industry. The shipment of automotive precision stamped parts is expected to remain the same as FY3/19 due to weak demand in China. Expect lower earnings caused by start-up expenses at the Mexico joint venture owned by FUJI PRESS and ALCONIX, which plans to start operations in July 2019.

		FY3/19		FY3/20		Change		
			Comp.		Comp.		%	
Net Sales	Trading	Electronic and advanced materials	83,952	32.6%	79,000	29.7%	-4,952	-5.9%
		Aluminum and copper products	131,341	51.0%	136,100	51.2%	4,758	3.6%
		Trading total	215,294	83.6%	215,100	80.9%	-194	-0.1%
	Manufacturing	Equipment and materials	21,439	8.3%	29,900	11.2%	8,460	39.5%
		Metal processing	20,703	8.1%	21,000	7.9%	296	1.4%
	Manufacturing total	42,142	16.4%	50,900	19.1%	8,757	20.8%	
	Total	257,437		266,000		8,562	3.3%	
Segment Profit	Trading	Electronic and advanced materials	721	11.5%	1,150	16.4%	428	59.4%
		Aluminum and copper products	1,024	16.4%	1,100	15.7%	75	7.3%
		Trading total	1,746	27.9%	2,250	32.1%	503	28.9%
	Manufacturing	Equipment and materials	607	9.7%	1,250	17.9%	642	105.7%
		Metal processing	3,916	62.6%	3,500	50.0%	-416	-10.6%
	Manufacturing total	4,524	72.3%	4,750	67.9%	225	5.0%	
	Total	6,254		7,000		745	11.9%	

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

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# Medium-term Business Plan

## for the Three-year Period from FY3/20 to FY3/22

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 of the ALCONIX group companies  
Three growth sectors  
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  
Optimize working capital

### Upgrade the skills of employees

Attract, train and retain skilled people  
Enhance the group governance system

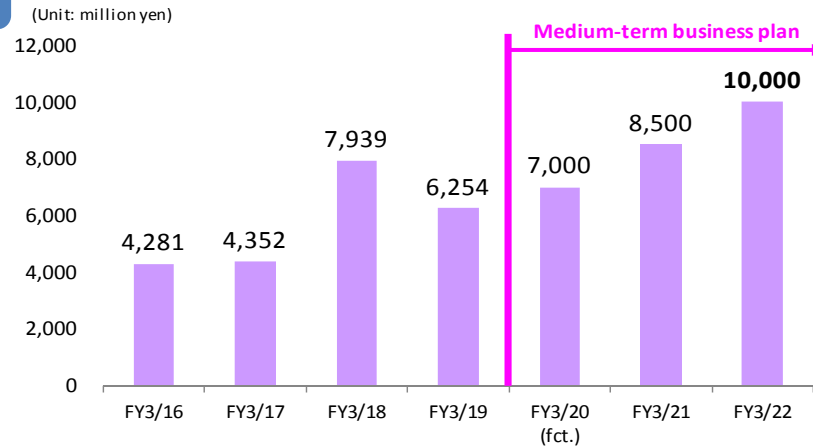
### Strengthen corporate infrastructure and internal governance

# Performance targets (final year: end-March 2022)

Medium-term business plan

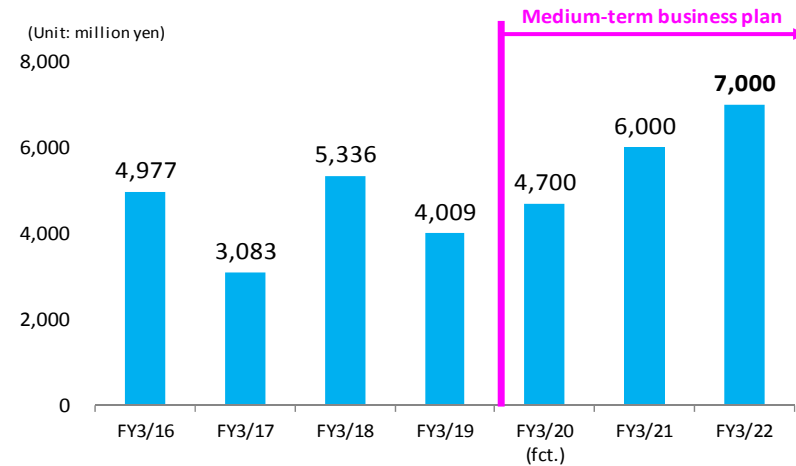
## Profit targets

**Consolidated ordinary profit: Over ¥10.0 billion (FY3/22)**



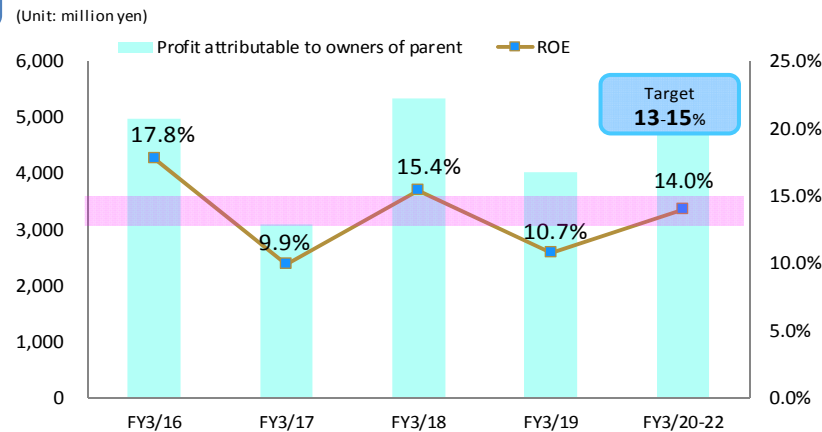
**Profit attributable to owners of parent:**

**Over ¥7.0 billion (FY3/22)**

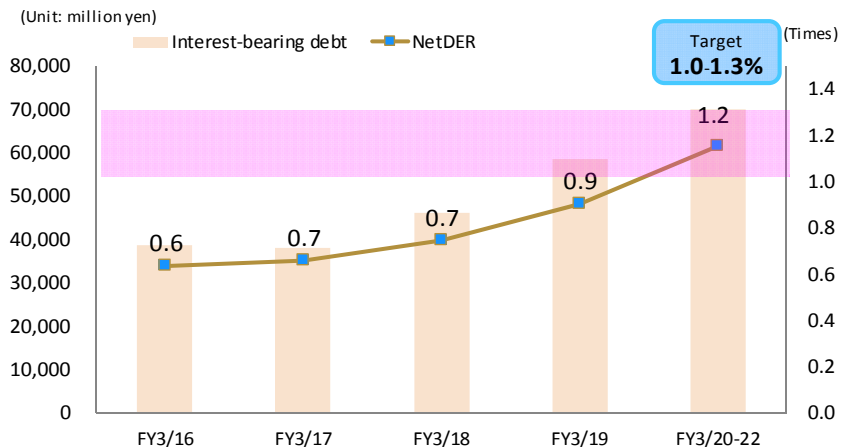


## Management benchmarks

**ROE: Around 13-15% (FY3/22)**



**NetDER: Around 1.0-1.3x (FY3/22)**



## Investment plans

**¥25 to ¥30 billion over three years**

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

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



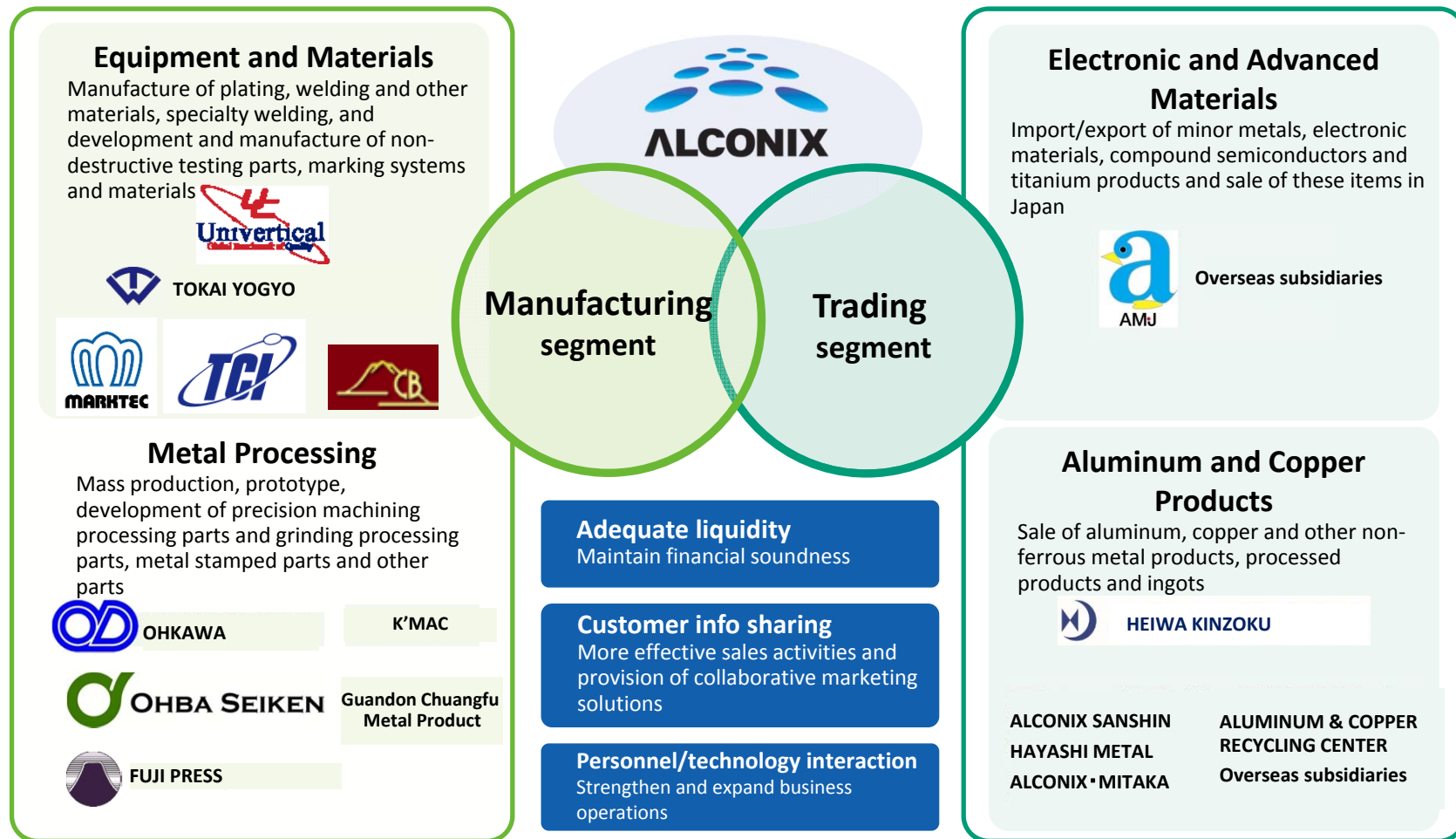
# Strengthen operating revenue 1

## Synergies of the ALCONIX group companies

Action plan/Medium-term business plan

### Create synergies within the ALCONIX Group; from point to surface

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



# Strengthen operating revenue 2

## Three growth sectors

Action plan/Medium-term business plan

### Making three growth sectors bigger and stronger

Three market sectors have been a major source of the rapid growth of the ALCONIX Group: electronic components, semiconductors and automobiles.

Beginning of the phase of IoT and 5G, a new semiconductor boom is coming across diverse industries.

#### Electronic materials and components

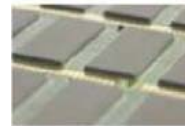


Spread of 5G

Next-generation vehicles

Progress with AI and IoT

#### Semiconductors



Higher storage capacity and speed

More electronics in autos and appliances

#### Automobiles



Electric vehicle (EV)

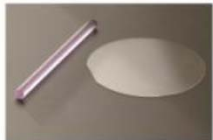
Hybrid car

Fuel cell vehicle (FCV)

### Our Trading Materials and Products

A diverse array of lineup extending from resources and products (copper products, electronic and battery materials, minor metals) to fabricated and manufactured products

Crystal materials



LCD and battery materials



Semiconductor-related materials



Metallic powder, advanced materials, others

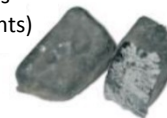


Minor metals (30 elements)



Titanium, Tungsten, Molybdenum, Indium, others

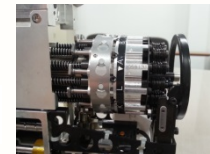
Rare earths (17 elements)



Neodymium, Dysprosium, Lanthanum, others



Copper products (electrolytic copper, copper sheets, etc.)



Parts for semiconductor chip mounting equipment



Precision machining processing parts



Prototype items for automotive applications



Precision stamped automotive parts

# Strengthen operating revenue 3

## Overseas business (Trading and Manufacturing businesses)

Action plan/Medium-term business plan

### Growth of the ALCONIX Group overseas network

#### 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

Increase earnings from consolidated management backed by global growth

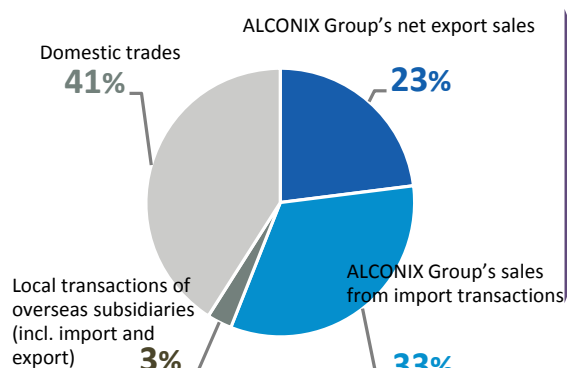
Growth of overseas operations, mainly for minor metals, at the Singapore subsidiary of ADVANCED MATERIAL JAPAN

#### 3 Expand overseas network

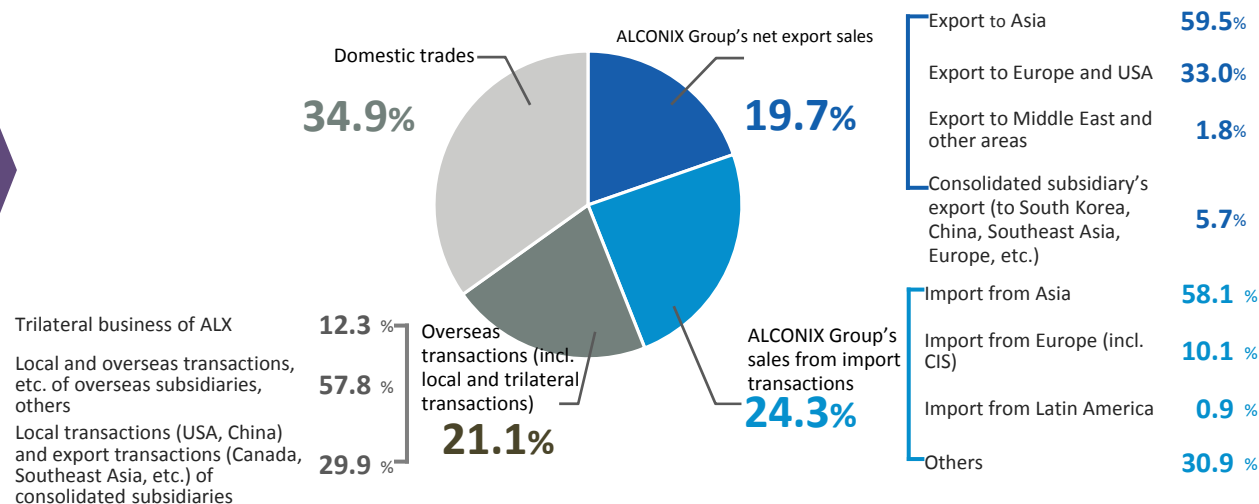
Plan to establish overseas branches in Mexico and India to extend the overseas network

ALCONIX established a subsidiary in South Korea in April 2018; establish a new branch in Mexico using reorganization of the Mexico operations of FUJI PRESS planned in July 2019

Trade Category Sales Composition (FY3/11, consolidated)



Trade Category Sales Composition (FY3/19, consolidated)



### Basic policy

Target companies with outstanding technologies in niche markets

- We **plan to make investments and loans of ¥25 to ¥30 billion** over three years with focus on M&A
- **Goal** for the return on invested capital: **10%**

### FY3/19 plan

#### M&A

- Seek opportunities for mergers and acquisitions of manufacturers
- Implement PMI for Fuji Carbon Manufacturing and Tohoku Chemical Industries, accelerate capital expenditures at the equipment and materials segment and the metal processing and wholesale businesses to create corporate value

● M&A activity at subsidiaries as well in order to contribute to growth

#### Business investment (Investments and loans)

- Promote business in Mexico (Stamping parts manufacturing business)
- Make investments and loans for securing and recycling natural resources
- Promote overseas business expansion to develop global supply chain

#### Capital expenditures

- Purchase more production equipment with priority on the efficient use of investments (at all manufacturing subsidiaries)

# 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 processing and wholesales 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 **17** cases (actual)

(Manufacturing segment: **8** cases      Trading segment: **9** cases)

### Recent activities

■ **Acquisition of all of the stock of Tohoku Chemical Industries to make it a consolidated subsidiary**

Date of stock acquisition: December 25, 2018  
 Affiliated segment: Manufacturing—Equipment and Materials  
 Capital: ¥120 million  
 Recent results: Net sales: ¥1,700 million; Ordinary profit: ¥130 million (As of March 31, 2018)

\* Sales and earnings of Tohoku Chemical Industries were included in the ALCONIX's consolidated financial statements beginning in January 2019.

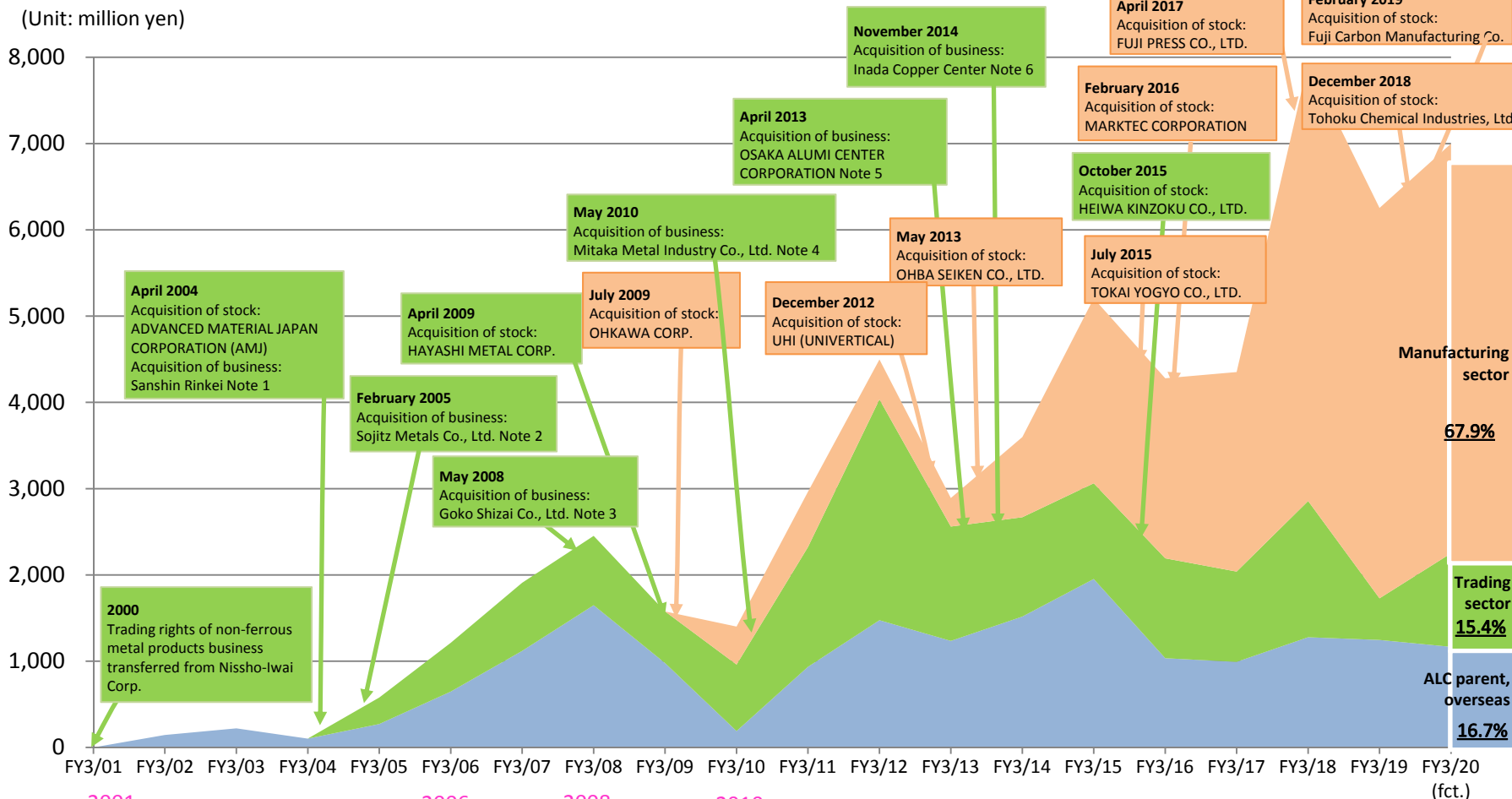


Head office building

# Investment activities 3

## Changes in business composition

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

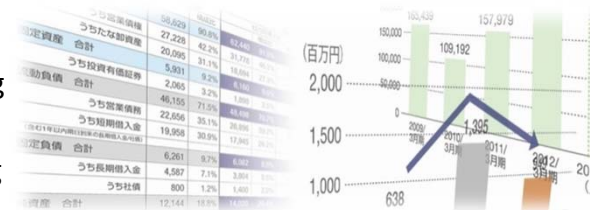
Action plan/Medium-term business plan

**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)
2005	Sojitz Metals Co., LTD. (incorporated into the ALCONIX materials division after the acquisition of business)	Trading—Aluminum and Copper Products	ALCONIX	
2009	HAYASHI METAL CORP.	Trading—Aluminum and Copper Products	Consolidated subsidiary	
2009	OHKAWA CORP.	Manufacturing—Metal Processing	Consolidated subsidiary	Constructed the second plant in April 2016; expanded the plant in May 2018
2010	ALCONIX · MITAKA CORPORATION	Trading—Aluminum and Copper Products	Consolidated subsidiary	
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	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
2014	Inada Copper Center	Trading—Aluminum and Copper Products	Consolidated subsidiary	(Consolidated into ALUMINUM & COPPER RECYCLING CENTER)
2014	K'MAC Co., Ltd.	Manufacturing—Metal Processing	Equity-method affiliate	
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 CO., LTD.	Manufacturing—Metal Processing	Consolidated subsidiary	Established a new company to reconstruct a joint venture business in Mexico
2018	Tohoku Chemical Industries, Ltd.	Manufacturing—Equipment and Materials	Consolidated subsidiary	
2019	Fuji Carbon Manufacturing Co.	Manufacturing—Equipment and Materials	Consolidated subsidiary	

## 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
- Strive to optimize working capital and move free cash flow into the black



## Upgrade the skills of employees

- Following acquisitions, recruit attorneys, accountants, tax accountants and other professionals needed for post-merger integration
- 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
- Place priority on ESG (environmental, social, governance) management with emphasis on corporate social responsibility – ALCONIX's ESG activities: Environmental: Handle environmentally responsible products; Social: Increase diversity and empower women in the workplace; Governance: more outside directors and separation of the roles of overseeing management and operating businesses





## Powerful organizational skills capable of linking demand and supply, centered on ALCONIX

The ALCONIX Group is an integrated 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 17 cases    Manufacturing segment: 8 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 18 horizontal dotted lines for writing notes.

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