



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

ALCONIX CORPORATION

Listed on TSE First Section

Code 3036

Financial Results Materials

The First Quarter of the Fiscal Year Ending March 31, 2019

August 2018

Results Materials

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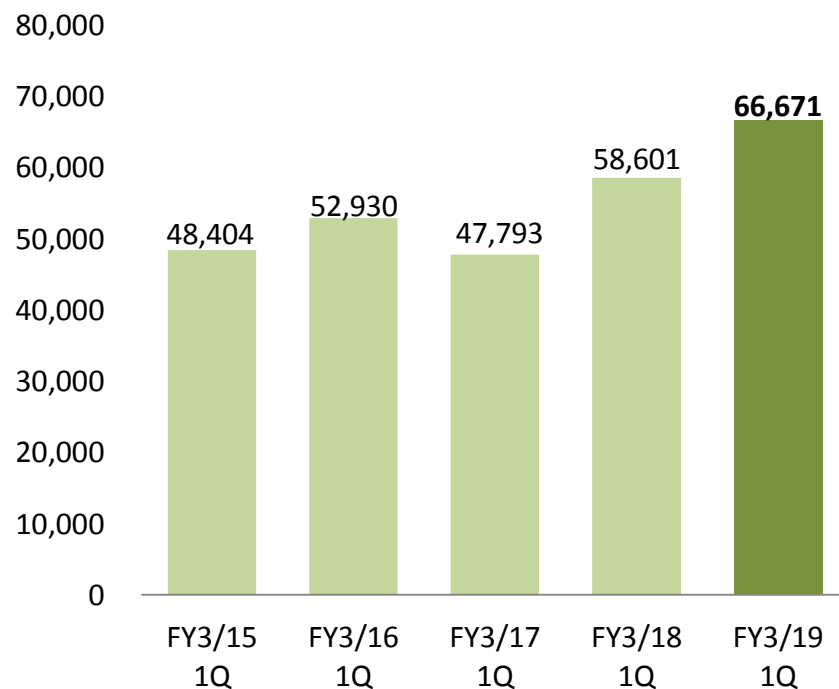
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Results highlights (1Q FY3/19) Consolidated sales

Consolidated Sales

(Unit: million yen)



Up **13.8%** YoY

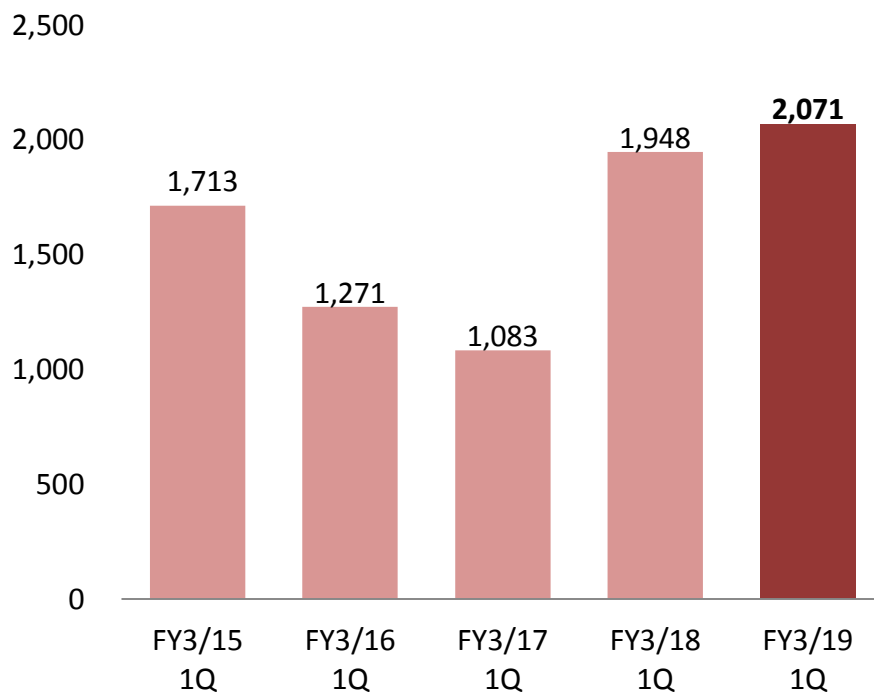



Growth in the volume of products backed by strong demand in the automobile and semiconductor industries.

Results highlights (1Q FY3/19) Consolidated ordinary profit

Consolidated Ordinary Profit

(Unit: million yen)

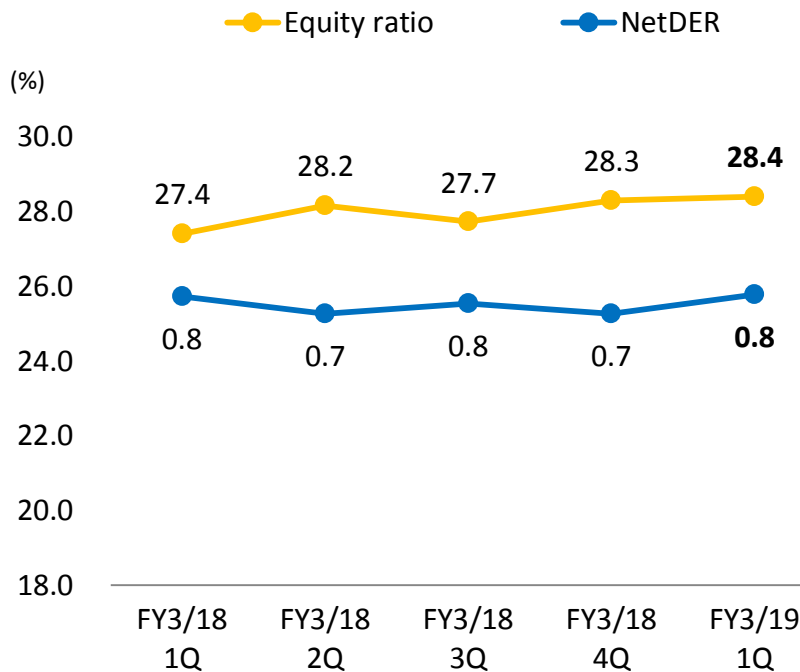


Up **6.3%** YoY 

Manufacturing subsidiaries in Japan and overseas continued to account for about two-thirds of ordinary profit. In the Trading segment, electronic and advanced materials earnings continued to increase.

Results highlights (1Q FY3/19) Major consolidated financial indicators

Major Consolidated Financial Indicators



Equity Ratio

(vs. March 31, 2018)

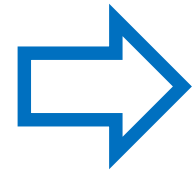


Up **0.1** percentage points

Increases in working capital and interest-bearing debt as the transaction volume grew were offset by higher retained earnings.

Net debt equity ratio (NetDER)
(vs. March 31, 2018)

0.8 times



NetDER remained below 1.0

M&A

● Decision to acquire Fuji Carbon Manufacturing Co. stock (August 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 manufactures carbon brushes, a core component of electric motors. Fuji Carbon's business model is based on earning the bulk of its profit from overseas facilities using its proprietary manufacturing knowhow and technological prowess in carbon brushes, the core component of small motors used in a broad range of applications from electric power tools to automobiles. This acquisition of shares will enable ALCONIX to enter the automobile industry while at the same time help leverage Fuji Carbon's overseas manufacturing and marketing networks to build new distribution channels.



Head office building

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



Carbon brushes for general industrial applications

Shareholder returns

● Establishment of shareholder benefit program (August 2018)

ALCONIX has established a shareholder benefit program starting with the fiscal year ending in March 2019. The purpose of our shareholder benefit program is increasing the number of shareholders, the number of long-term shareholders and the stock price. Shareholders of record on March 31, 2019 who have owned at least 100 shares for a minimum of one year will receive shareholder incentive gifts at the end of June.

Business Performance: 1Q FY3/19 Financial Results

Consolidated performance (1Q FY3/19)

- Sales were higher because of a favorable business climate as non-ferrous metal prices increased, growth in the volume of electronic materials and non-ferrous resources in the Trading segment as demand for these products increased in the automobile and semiconductor industries, and strong sales in the Manufacturing segment.

Earnings were much higher at manufacturing subsidiaries in Japan and overseas. Manufacturing segment ordinary profit continued to climb and accounted for about two-thirds of the total ordinary profit. Electronic materials in the Trading segment also contributed to the growth in first quarter earnings.

	1Q FY3/18	1Q FY3/19		Change
		% to sales		
Net sales	58,601	66,671		13.8%
Gross profit	4,530	5,199	7.8%	14.8%
SG&A expenses	2,833	3,181	4.8%	12.3%
Operating profit	1,697	2,018	3.0%	18.9%
Ordinary profit	1,948	2,071	3.1%	6.3%
Profit attributable to owners of parent	1,436	1,635	2.5%	13.9%
Comprehensive income	1,176	721	-	-
Net income per share	55.65	63.25	-	-

(Unit: million yen)

Trading segment electronic materials and non-ferrous resources and the Manufacturing segment were the primary sources of sales growth

[Increase]	Recycled aluminum ingots Non-ferrous materials (copper 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)

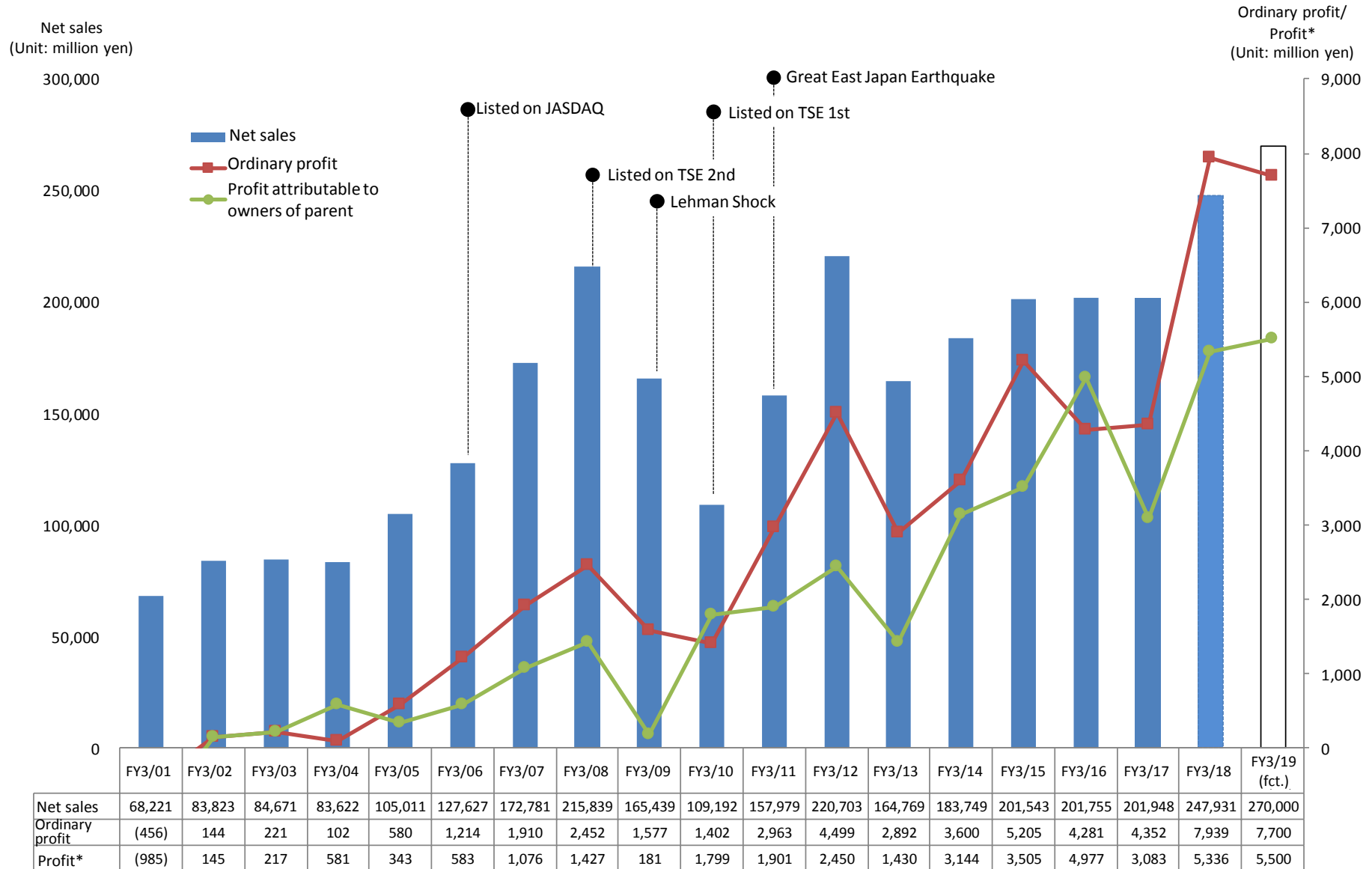
The Manufacturing segment and electronic materials were major components of earnings growth

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

Higher sales at manufacturing subsidiaries and in the electronic materials sector of the Trading segment contributed to earnings. This sales growth offset the increase in SG&A expenses in conjunction with business expansion at group companies, resulting in an increase in earnings at all levels.

Performance trend (consolidated income statements)

Financial results



* Profit attributable to owners of parent

■ Trading segment: Higher sales and 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.

• Trading—Aluminum and Copper Products

The transaction volume for aluminum and copper products used for construction and homebuilding materials and in air conditioning equipment was high. Also, transaction volumes 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. 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 increases in shipments of devices and consumables for major customers in Japan and overseas.

• Manufacturing—Metal Processing

Strong shipments of chip mounter parts raised sales but earnings decreased slightly because of an increase in the cost of manufacturing. 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.

(Unit: million yen)

		1Q FY3/18		1Q FY3/19				
			Comp.		Comp.	Change (amount)	Change (%)	
Net Sales	Trading	Electronic and advanced materials	16,299	27.8%	21,436	32.2%	5,136	31.5%
		Aluminum and copper products	32,732	55.9%	34,605	51.9%	1,872	5.7%
		Trading total	49,032	83.7%	56,041	84.1%	7,009	14.3%
	Manufacturing	Equipment and materials	4,626	7.9%	5,488	8.2%	861	18.6%
		Metal processing	4,942	8.4%	5,141	7.7%	199	4.0%
Manufacturing total		9,569	16.3%	10,629	15.9%	1,060	11.1%	
Total		58,601		66,671		8,070	13.8%	
Segment Profit	Trading	Electronic and advanced materials	283	14.4%	301	14.6%	18	6.5%
		Aluminum and copper products	406	20.9%	401	19.4%	-4	-1.2%
		Trading total	690	35.4%	703	34.0%	13	2.0%
	Manufacturing	Equipment and materials	155	8.0%	332	16.1%	177	114.1%
		Metal processing	1,099	56.4%	1,038	50.1%	-61	-5.6%
Manufacturing total		1,255	64.4%	1,371	66.2%	116	9.3%	
Total		1,948		2,071		123	6.3%	

Note 1. Segment profits are based on ordinary profit.

Note 2. Elimination or corporate for segment profit: -3 in 1Q FY3/19, 3 in 1Q FY3/18

(Unit: million yen)

	1Q FY3/19	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	21,436	5,136	31.5%	32.2%
Segment profit	301	18	6.5%	14.6%
Segment profit to net sales	1.4%	-0.3%		

Sales of major products (YoY change)

Materials used in electronic components for smartphones: Decrease

Titanium and nickel products: Decrease

Plating nickel ingot: Increase

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

Rare earths (used in magnetic materials): Increase

[Electronic materials and advanced materials]

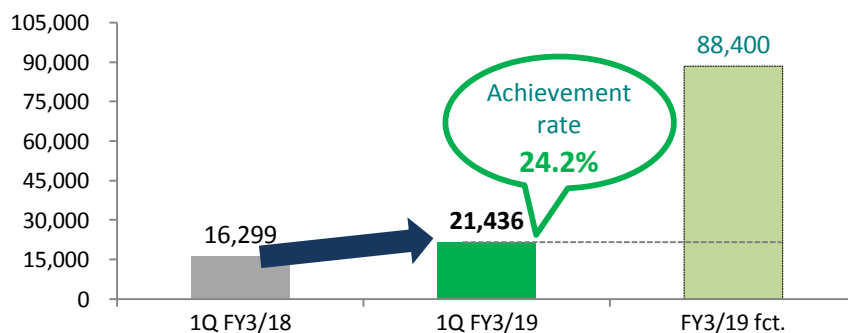
- The transaction volume of **materials used in smartphones and tablets** was generally firm while there were some inventory adjustments for some materials.
- Exports of **titanium and nickel products** to Europe remained firm.
- Demand for **secondary battery materials** was steady.

[Minor metals and rare earths]

- The transaction volume of **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.

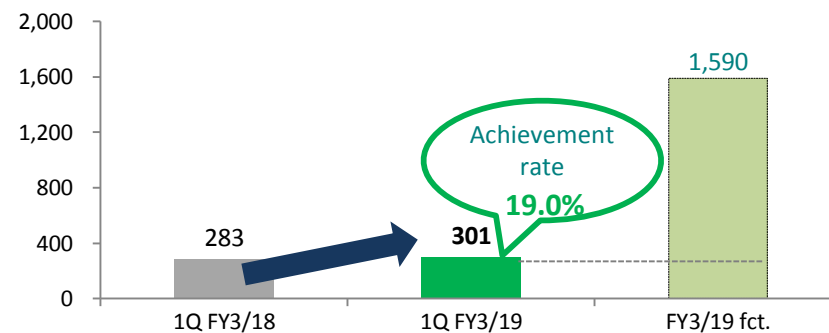
Net Sales

(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)

	1Q FY3/19	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	34,605	1,872	5.7%	51.9%
Segment profit	401	-4	-1.2%	19.4%
Segment profit to net sales	1.2%	0.0%		

Sales of major products (YoY change)

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

[Products]

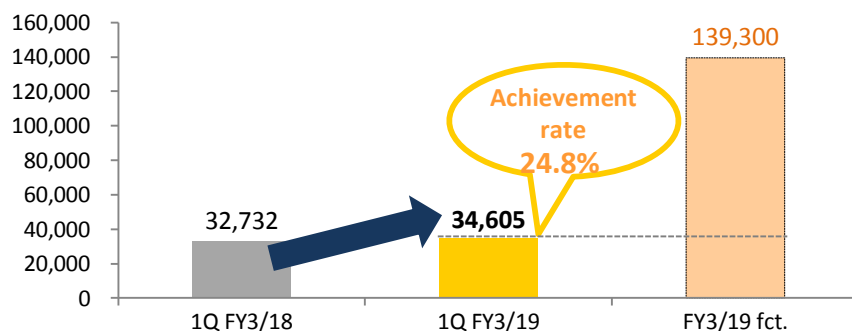
- Sales of **construction materials and homebuilding materials in Japan and air conditioning materials** were higher as non-ferrous metal prices increased.
- There was a brief slowdown in shipments of **materials used in automobile components** as automakers prepare to start producing new models.
- Sales at trading subsidiaries in Japan were higher as sales of **busbar for construction materials** and of other products increased. Performance benefited from higher non-ferrous metal prices and strong demand in Japan. The transaction volume of **can materials** decreased due to the shift from aluminum cans to PET beverage containers.

[Resources]

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

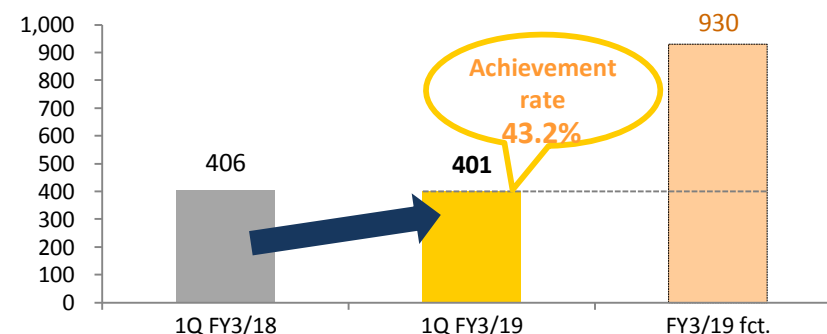
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Equipment and materials

(UNIVERTICAL, MARKTEC, TOKAI YOGYO)

(Unit: million yen)

	1Q FY3/19	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	5,488	861	18.6%	8.2%
Segment profit	332	177	114.1%	16.1%
Segment profit to net sales	6.1%	2.7%		

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.

● TOKAI YOGYO – Welding materials

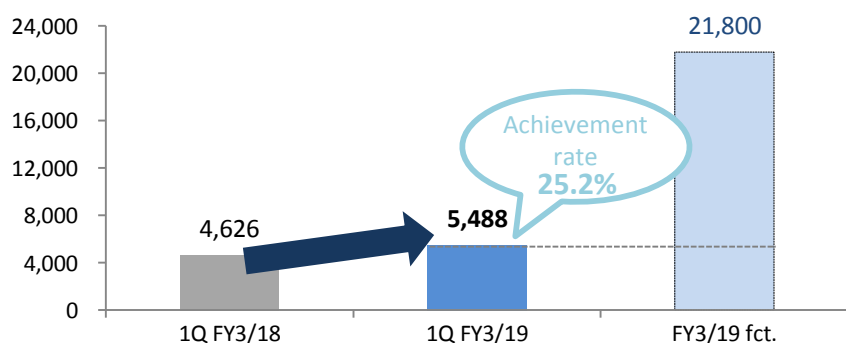
Shipments of welding rods to repair molds increased, mainly to companies in Japan's automobile industry, and there were consistent orders for **welding work**.

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

Earnings benefited from a large amount of shipments of **detection materials and replacement supplies** to companies in the automobile and steel industries in Japan and other countries.

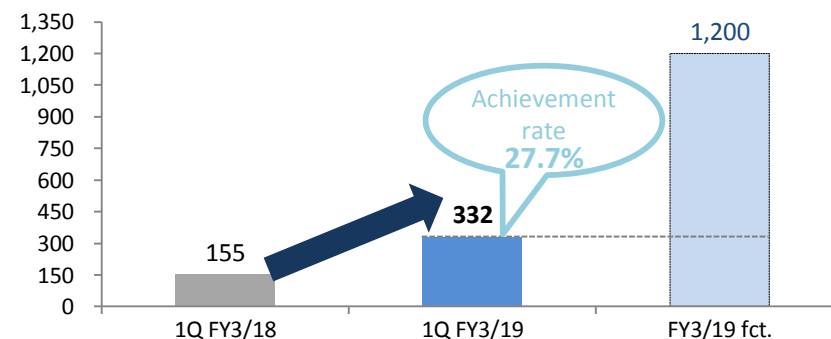
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Metal processing

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

Financial results

(Unit: million yen)

	1Q FY3/19	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	5,141	199	4.0%	7.7%
Segment profit	1,038	-61	-5.6%	50.1%
Segment profit to net sales	20.2%	-2.1%		

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): Decrease (OHBA SEIKEN)

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

● OHBA SEIKEN (Grinding processing parts)

Shipments of **parts for chip mounters** remained at a consistently high level due to robust demand. However, a number of factors caused a decrease in earnings. Depreciation expenses started at a factory completed in February 2018, and the cost of sales 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)

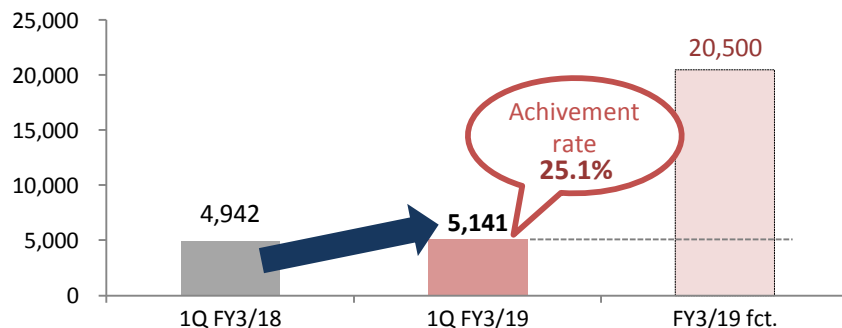
Shipments of **metal stamped parts for powertrains** increased due to strong automobile production in Japan.

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

A decrease in share of profit of entities accounted for using equity method because of the sale of stock of Shanghai Longyang Precise Compound Copper Tube.

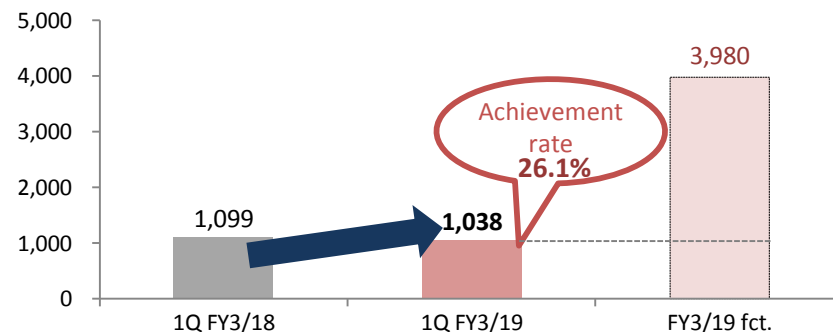
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Consolidated balance sheets (1Q FY3/19)

Financial results

(Unit: million yen)

	FY3/18	1Q FY3/19	Change	Major components
Current assets, total	95,028	96,356	1,327	
Cash and deposits	18,698	17,512	-1,186	
Operating receivables	47,495	49,037	1,541	Higher transactions in Trading segment
Inventories	24,070	24,919	848	Higher transactions in Trading segment
Non-current assets, total	35,168	34,118	-1,049	
Property, plant and equipment	14,811	14,777	-34	Depreciation
Intangible assets	7,710	7,216	-494	Amortization
Investments and other assets	12,646	12,125	-520	Decrease in valuation difference
Assets, total	130,197	130,475	278	
	FY3/18	1Q FY3/19	Change	
Current liabilities, total	72,393	73,181	787	
Operating debt	33,922	34,347	425	Higher transactions in Trading segment
Short-term loans payable (including current portion of long-term loans payable/bonds payable)	31,227	33,032	1,805	Working capital procurement
Non-current liabilities, total	19,178	18,474	-703	
Bonds payable	675	600	-74	
Long-term loans payable	14,150	13,586	-563	Transfer to the current portion
Liabilities, total	91,571	91,655	84	
Shareholders' equity	32,633	33,782	1,149	
Retained earnings	27,698	28,843	1,144	Higher earnings on a consolidated basis (profit attributable to owners of parent – dividends paid)
Accumulated other comprehensive income	4,193	3,258	-935	
Shareholders' equity	36,826	37,040	214	Equity Ratio: 28.4%
Net assets, total	38,626	38,819	193	
Liabilities and net assets, total	130,197	130,475	278	

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

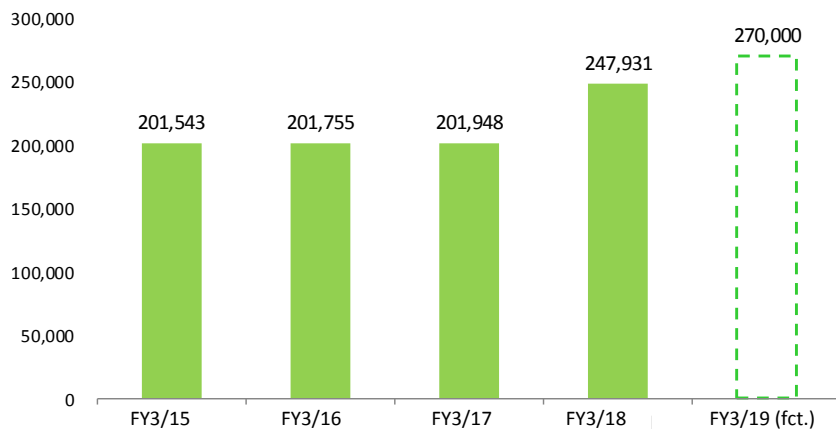
FY3/19 Earnings Forecasts

Trend in consolidated earnings

Earnings forecast

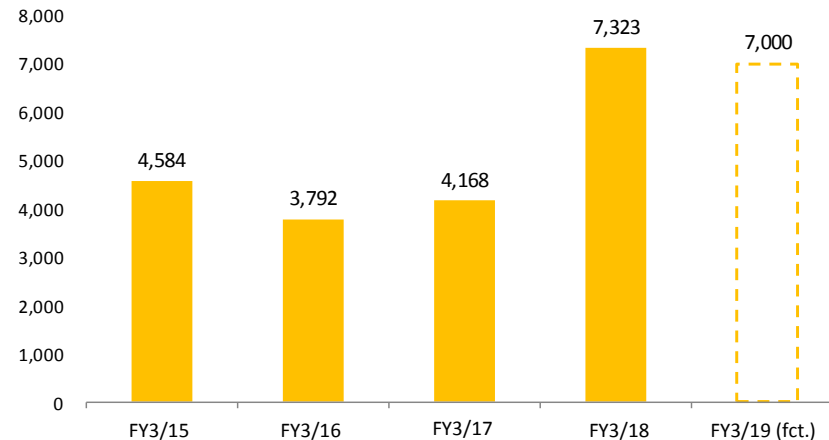
Net Sales

(Unit: million yen)



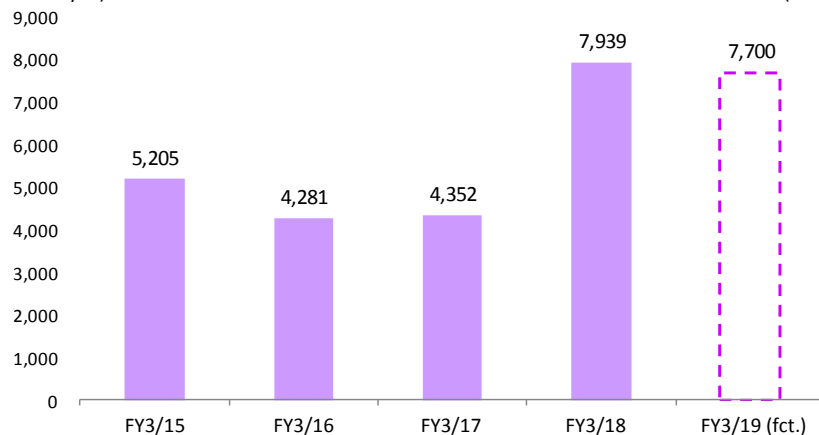
Operating Profit

(Unit: million yen)



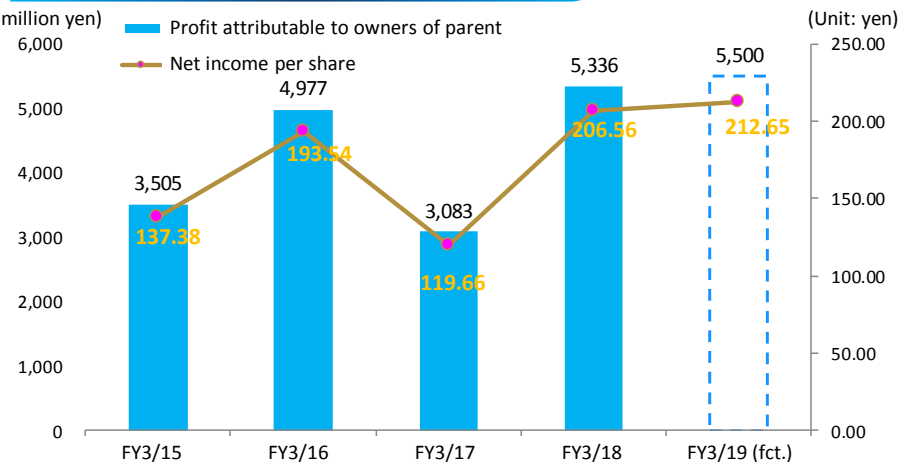
Ordinary Profit

(Unit: million yen)



Profit Attributable to Owners of Parent

(Unit: million yen)



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

- 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	1Q FY3/19	
		% to sales	Initial forecasts on May 15, 2018	% to sales			Progress ratio
Net sales	247,931		270,000		8.9%	66,671	24.7%
Gross profit	19,038	7.7%	19,500	7.2%	2.4%	5,199	26.7%
SG&A expenses	11,715	4.7%	12,500	4.6%	6.7%	3,181	25.4%
Operating profit	7,323	3.0%	7,000	2.6%	-4.4%	2,018	28.8%
Ordinary profit	7,939	3.2%	7,700	2.9%	-3.0%	2,071	26.9%
Profit attributable to owners of parent	5,336	2.2%	5,500	2.0%	3.1%	1,635	29.7%
Net income per share (yen)	206.56		212.60			63.25	-

■ 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	1Q FY3/19				
			Comp.		Comp.			Comp.	Progress ratio		
Net Sales	Trading	Electronic and advanced materials	73,857	29.8%	88,400	32.7%	19.7%	21,436	32.2%	24.2%	
		Aluminum and copper products	134,506	54.2%	139,300	51.6%	3.6%	34,605	51.9%	24.8%	
		Trading total	208,363	84.0%	227,700	84.3%	9.3%	56,041	84.1%	24.6%	
	Manufacturing	Equipment and materials	19,697	8.0%	21,800	8.1%	10.7%	5,488	8.2%	25.2%	
		Metal processing	19,870	8.0%	20,500	7.6%	3.2%	5,141	7.7%	25.1%	
		Manufacturing total	39,567	16.0%	42,300	15.7%	6.9%	10,629	15.9%	25.1%	
	Total		247,931		270,000		8.9%	66,671		24.7%	
	Segment Profit	Trading	Electronic and advanced materials	1,822	23.0%	1,590	20.6%	-12.7%	301	14.6%	19.0%
			Aluminum and copper products	1,033	13.0%	930	12.1%	-10.0%	401	19.4%	43.2%
			Trading total	2,855	36.0%	2,520	32.7%	-11.8%	703	34.0%	27.9%
Manufacturing		Equipment and materials	835	10.5%	1,200	15.6%	43.6%	332	16.1%	27.7%	
		Metal processing	4,244	53.5%	3,980	51.7%	-6.2%	1,038	50.1%	26.1%	
		Manufacturing total	5,080	64.0%	5,180	67.3%	2.0%	1,371	66.2%	26.5%	
Total		7,939		7,700		-3.0%	2,071		26.9%		

*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 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

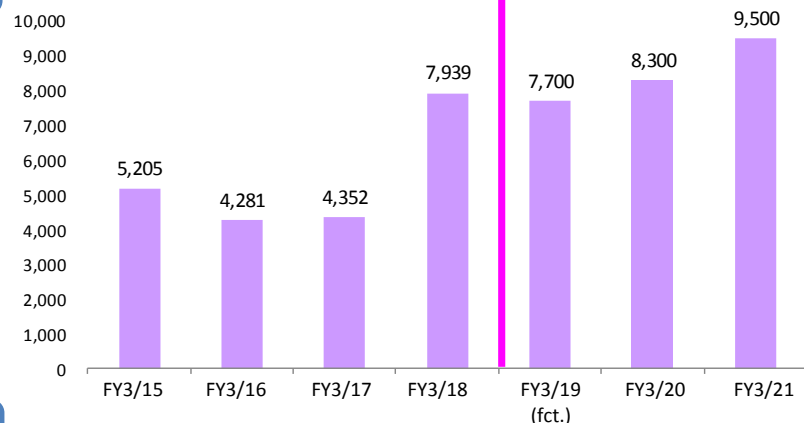
Attract, train and retain skilled people

Strengthen corporate infrastructure and internal governance

Profit targets

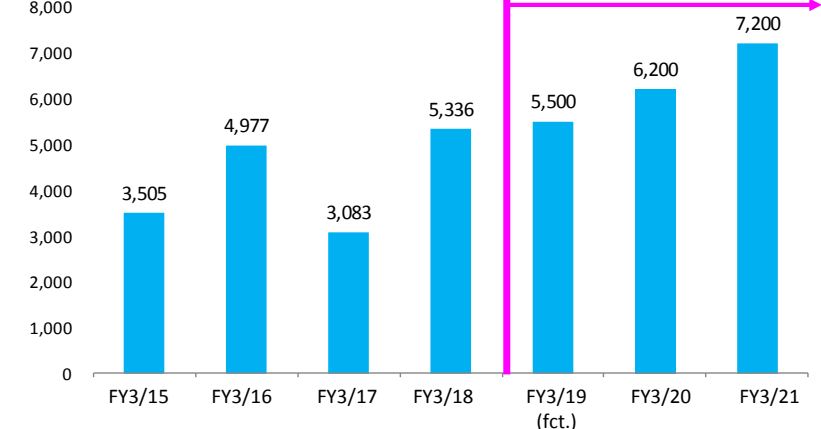
Consolidated ordinary profit: Over ¥9.5 billion (FY3/21)

(Unit: million yen)



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

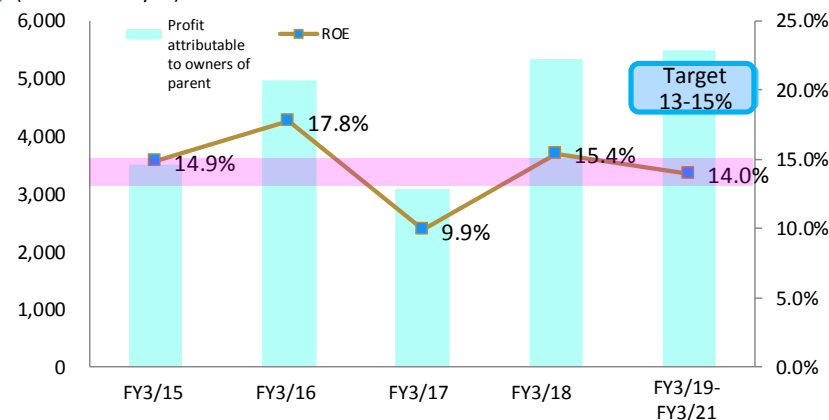
(Unit: million yen)



Management benchmarks

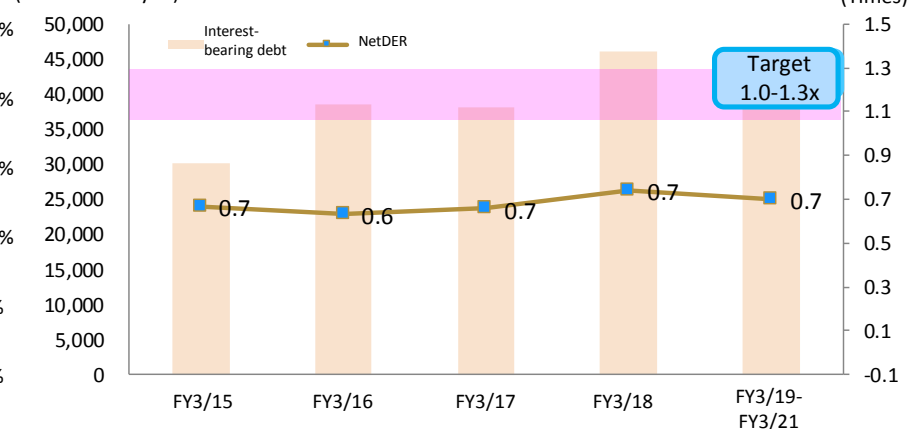
ROE: Around 13-15% (FY3/21)

(Unit: million yen)



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

(Unit: million yen)



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 26
“Investment activities”

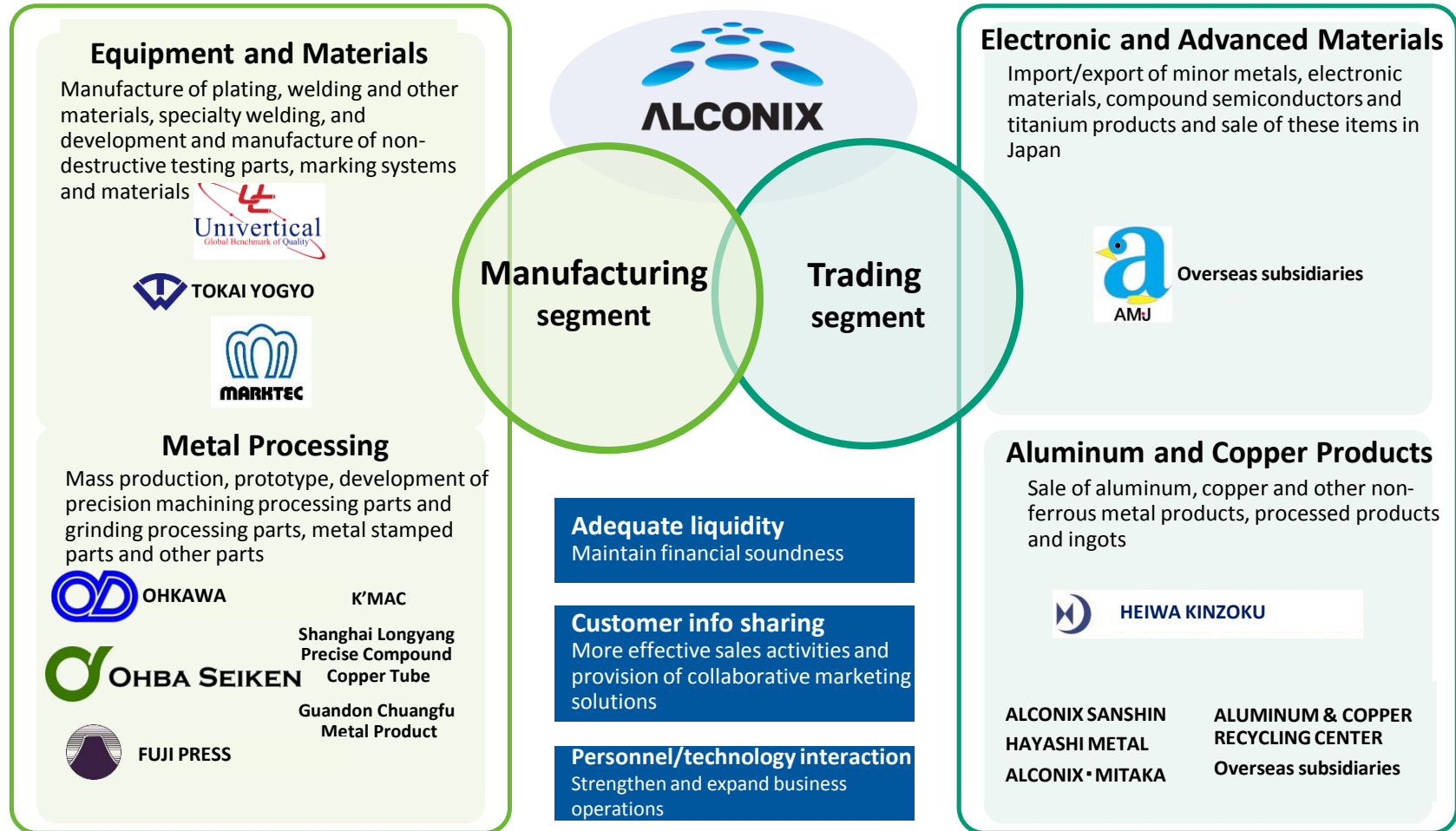
Strengthen operating revenue 1

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.

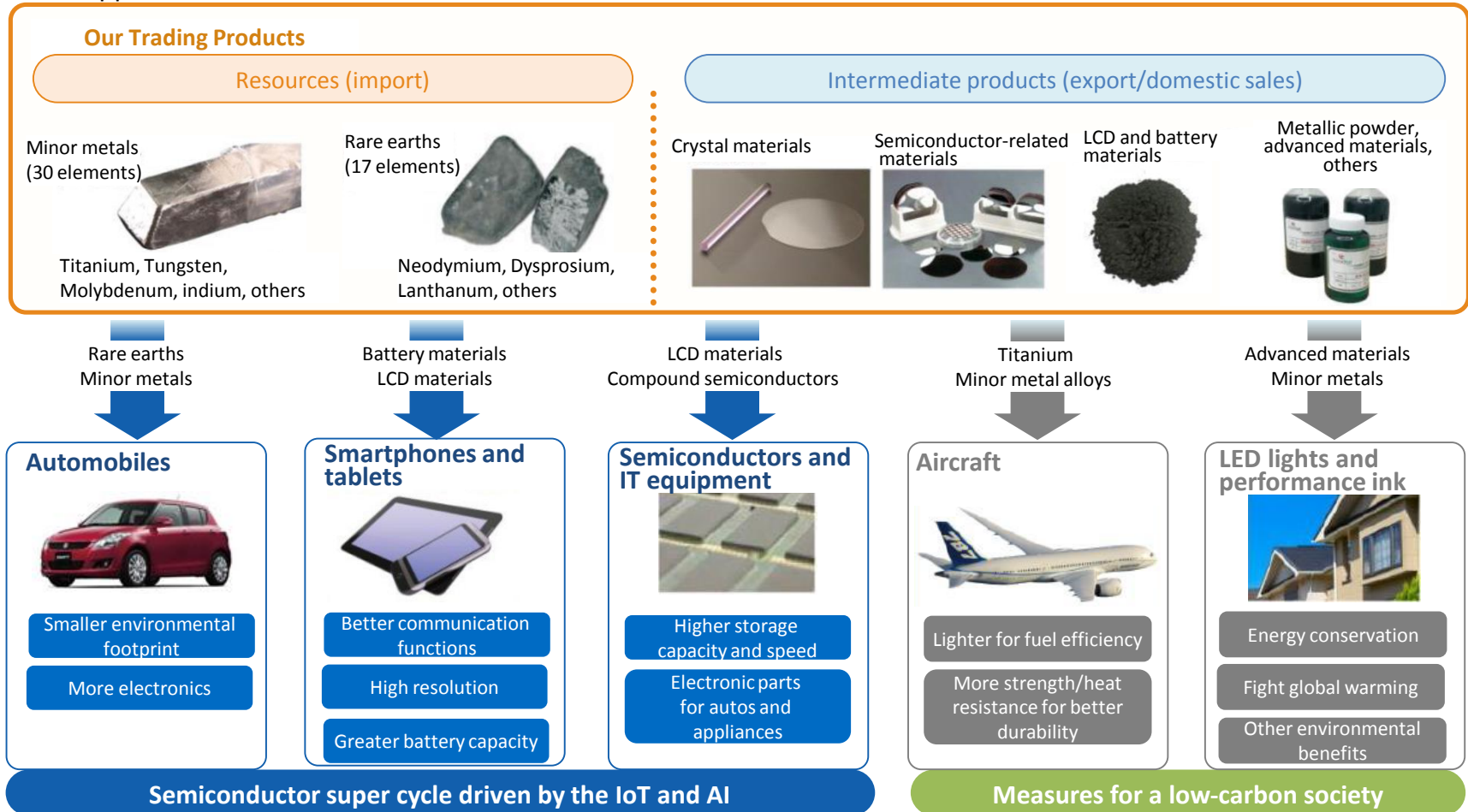


Initiatives for ALCONIX electronic and advanced materials business and subsidiary

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.



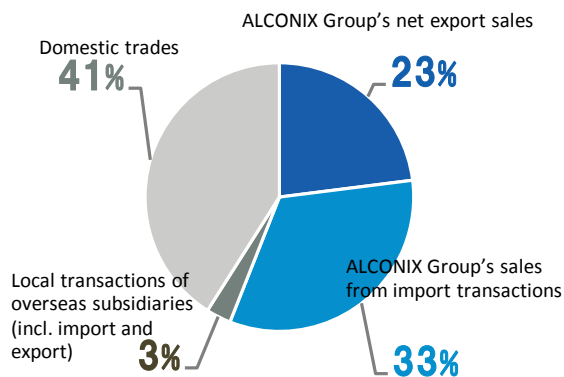
Expansion of areas covered by ALCONIX, ADVANCED MATERIAL JAPAN and overseas subsidiaries

Overseas network

ALCONIX advantages
 High overseas trade ratio
 Growing import/export and
 trilateral transactions

12 overseas subsidiaries,
 15 locations

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

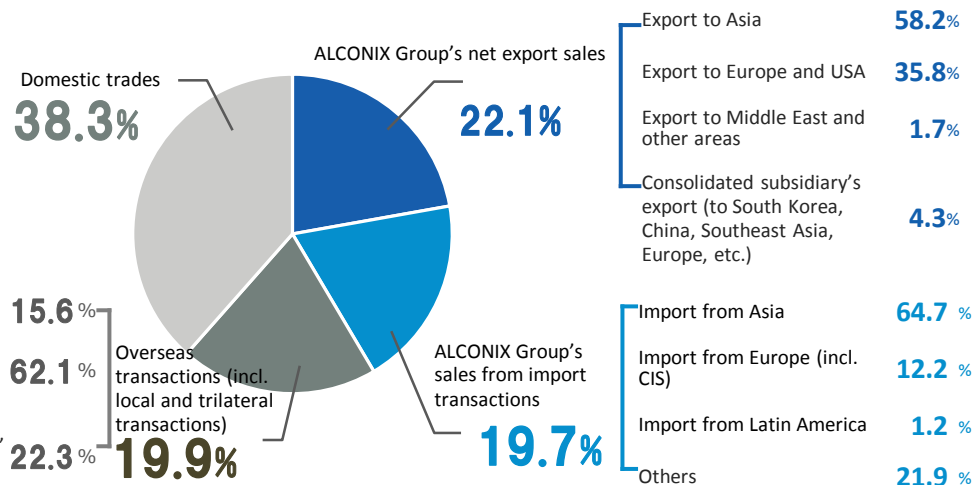
Growth of overseas operations, mainly for minor metals, at the Singapore subsidiary of ADVANCED MATERIAL JAPAN

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)



Local and overseas transactions, etc. of overseas subsidiaries, others
 Local transactions (USA, China) and export transactions (Canada, Southeast Asia, etc.) of consolidated subsidiaries

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

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)

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

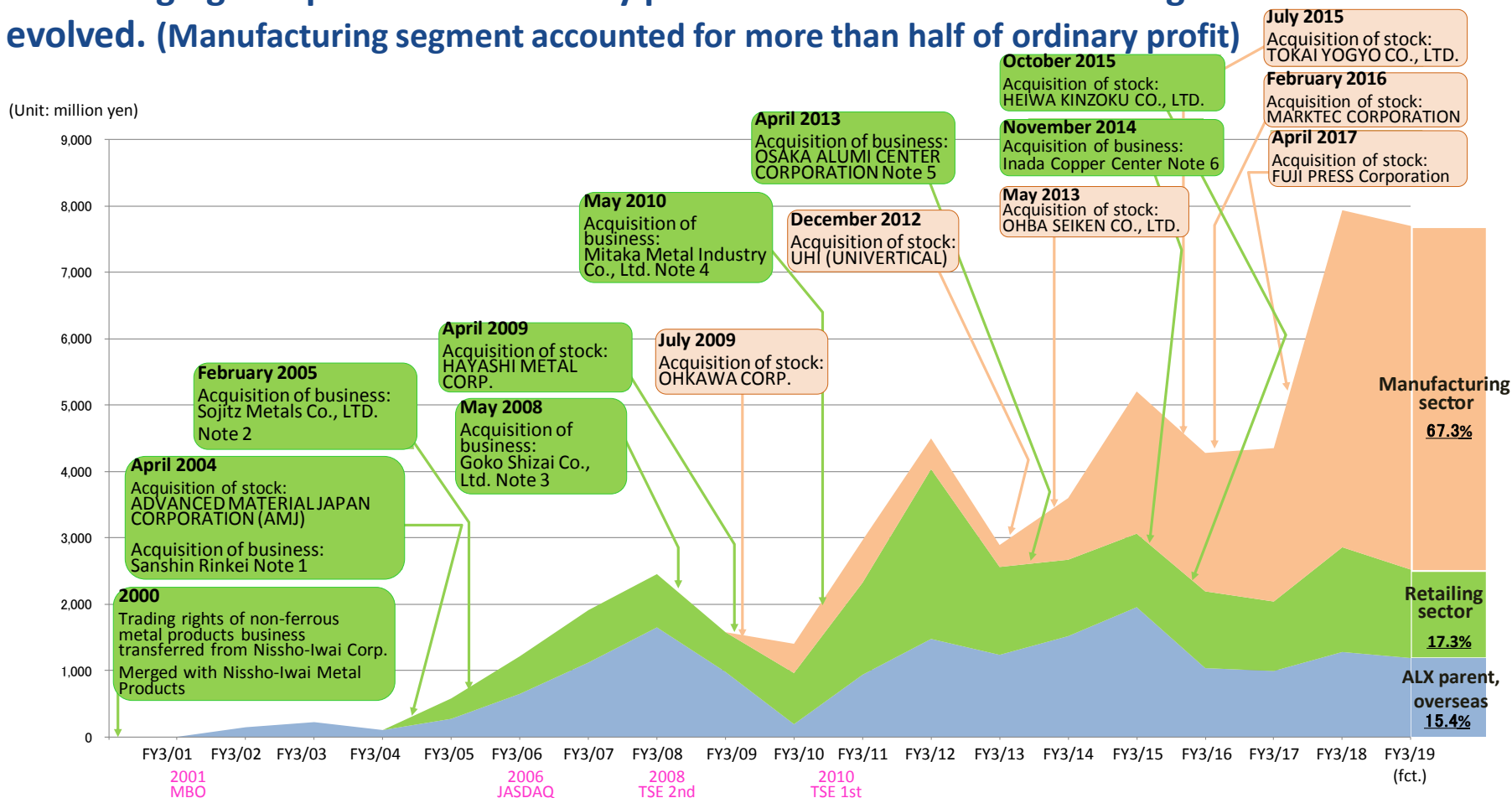
■ OHBA SEIKEN Completes Factory Expansion on February 5, 2018

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

The changing composition of ordinary profit shows how ALCONIX has grown and evolved. (Manufacturing segment accounted for more than half of ordinary profit)



Notes:

- Sanshin Rinkei started as a division of ALCONIX Group which acquired its operation. Later the division was separated to establish ALCONIX SANSHIN CORPORATION in 2008.
- Sojitz Metals Co., LTD. has started as a non-ferrous materials division of ALCONIX Group.
- Goko Shizai Co., Ltd. was established as Sapporo branch of materials sales dept. through mergers and acquisitions by ALCONIX SANSHIN CORPORATION.
- Acquired trading rights of Mitaka Metal Industry Co., Ltd. and transferred the rights to newly established ALCONIX-MITAKA CORPORATION.

- OSAKA ALUMI CENTER CORPORATION changed its name to ALUMINUM & COPPER RECYCLING CENTER CORPORATION in 2014.
- Inada Copper Center started its operation as Kitakyushu branch of ALUMINUM & COPPER RECYCLING CENTER.
- M&As in the Manufacturing sector includes earnings of equity-method affiliates.
- Reported only unconsolidated ordinary loss for FY3/01.

Investment activities 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

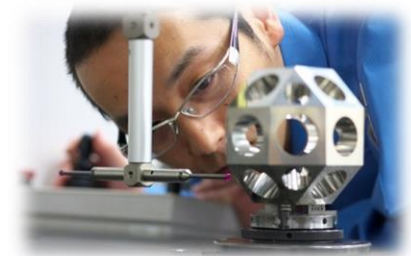
Reinforce the financial backbone

- 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



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.

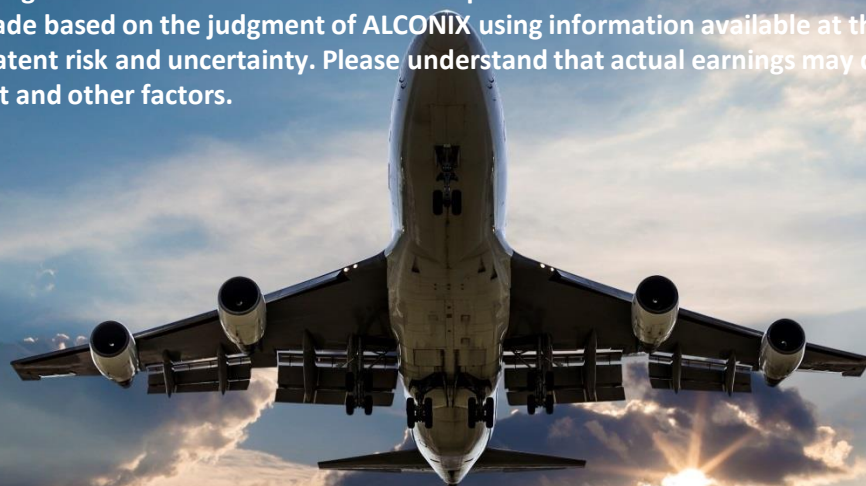
The ALCONIX Group has manufacturing subsidiaries in North America, China and Southeast Asia as well as its own sales channels.

A highly experienced and skilled workforce

Note

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ALCONIX