



Become an integrated 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, 2020

August 2019

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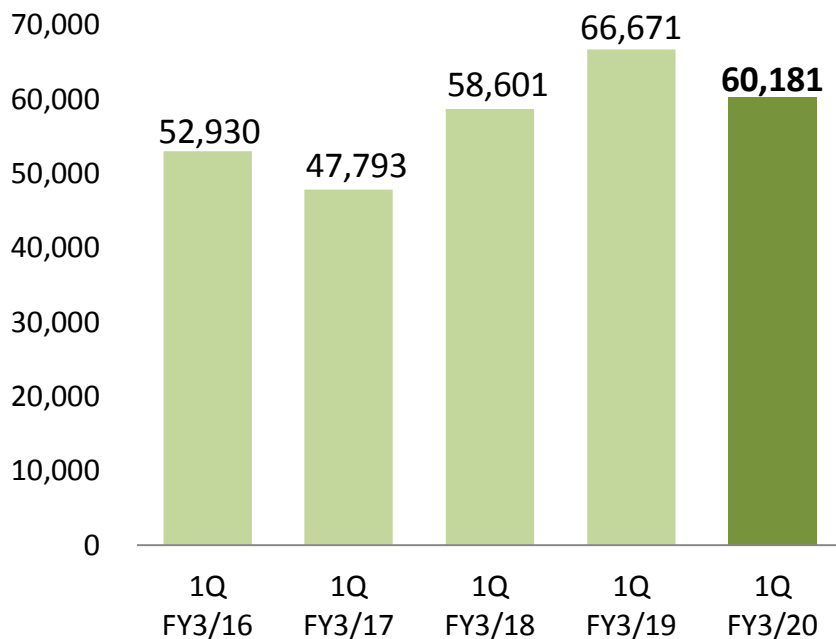
Results Materials


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Results highlights (1Q FY3/20) Consolidated sales

Consolidated Sales

(Unit: million yen)



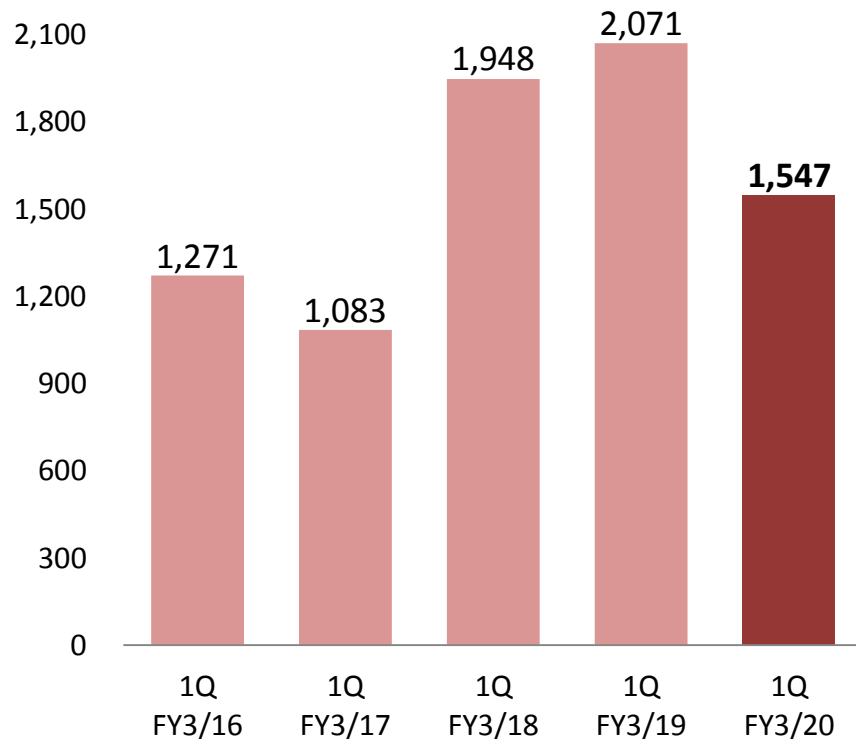
Down **9.7%** YoY 

Sales decreased mainly in the Trading segment (only Manufacturing-metal processing achieved sales growth)

Results highlights (1Q FY3/20) Consolidated ordinary profit

Consolidated Ordinary Profit

(Unit: million yen)

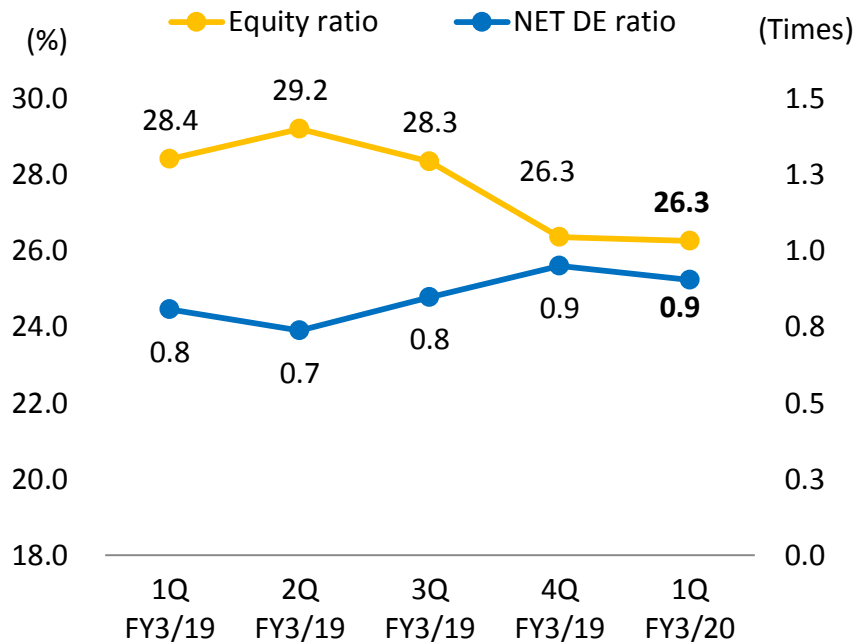


Down **25.3%** YoY 

Earnings decreased due to lower sales, higher SG&A expenses, and a valuation loss on some minor metal inventories

Results highlights (1Q FY3/20) Major consolidated financial indicators

Major Consolidated Financial Indicators



Equity Ratio

± 0 percentage points 

A decrease in receivables and payables due to lower transactions in the Trading segment and an increase in retained earnings

Net debt equity ratio (NetDER)

0.9 times 

NetDER remained below 1.0

M&A / Business Investments

Completion of transfer of Mexico stamped metal parts business and start of operations at FUJI ALCONIX Mexico S.A. de C.V.

Overseas subsidiary Manufacturing—Metal Processing

On July 1, 2019, the Mexico joint venture of ALCONIX group company FUJI PRESS (Manufacturing—metal processing) was dissolved and its related operations, including equipment, were transferred from a partner company. On the same day, FUJI ALCONIX Mexico S.A. de C.V. took over this business and started operations as a company that specializes in precision stamped metal parts. The new company will use Mexico, where there are many automotive parts manufacturers, as the base for growth in North, Central and South America.



Company name	FUJI ALCONIX Mexico S.A. de C.V.
Business	Manufacture of precision stamped automotive parts
Overview	Head office and manufacturing base: San Luis Potosi, Mexico
Shareholders	FUJI PRESS: 80% ALCONIX: 20% (a consolidated subsidiary of ALCONIX Group)
Contribution to consolidated performance	Starting in FY3/20; fiscal year ends in December, resulting in a 3-month difference vs. the consolidated fiscal year



Shareholder Distributions

Revision to FY3/20 dividend forecast (Increase)

Based on the performance and financial condition of the ALCONIX Group and the outlook, the forecast for the interim and year-end dividends for FY3/20 has been increased by ¥1 to **¥21** per share each, resulting in a FY3/20 dividend forecast of **¥42** per share compared with the previous forecast of ¥40.

(Ref.) Before revision: Interim ¥20, Year-end ¥20, Annual ¥40 per share

FY3/19 dividends: Interim ¥19, Year-end ¥20, Annual ¥39 per share

1Q FY3/20 Financial Results

- **Sales:** Manufacturing-metal processing sales increased but total sales decreased because of a lower transaction volume, mainly in the Trading segment, caused by sluggish demand in the automobiles and semiconductor sectors.
- **Earnings:** Earnings decreased because of the decline in sales, higher SG&A expenses and a valuation loss on some minor metal inventories.

(Unit: million yen)

	1Q FY3/19	1Q FY3/20		
			% to sales	Change
Net sales	66,671	60,181		-9.7%
Gross profit	5,199	4,568	7.6%	-12.1%
SG&A expenses	3,181	3,336	5.5%	4.9%
Operating profit	2,018	1,232	2.0%	-38.9%
Ordinary profit	2,071	1,547	2.6%	-25.3%
Profit attributable to owners of parent	1,635	901	1.5%	-44.9%
Comprehensive income	721	998	-	-

(Unit: yen)

Net income per share	63.25	35.67	-	-
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(M): Manufacturing (T) Trading

Trading sales decreased and Manufacturing sales benefited from newly consolidated subsidiaries and higher metal processing sales

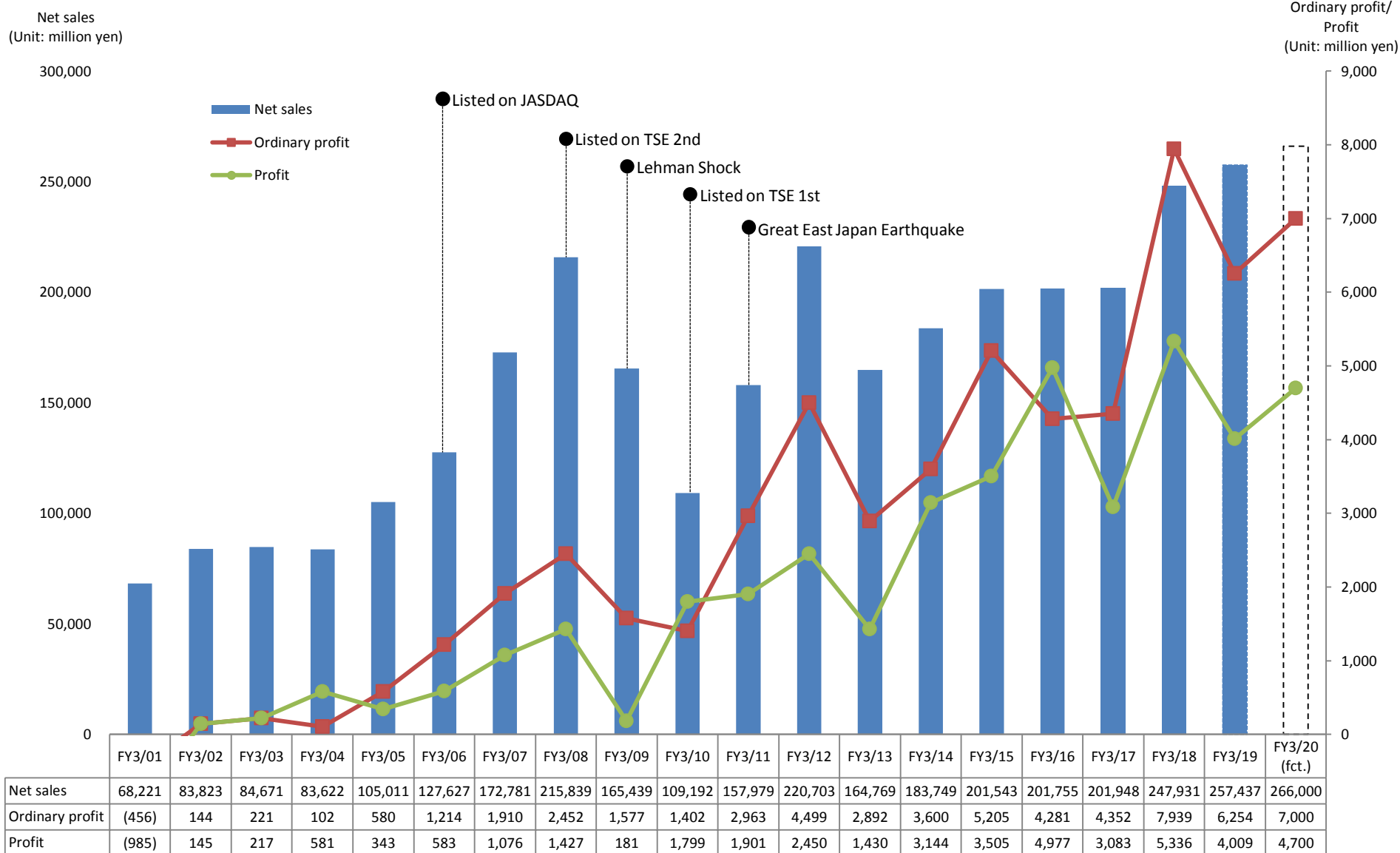
[Net increase]
 (M) Products using cashew-based materials (brake friction materials)
 (M) Carbon brush parts for motors
 [Increase]
 (T) Non-ferrous materials (copper scrap)
 (T) Battery materials (for automotive applications, smartphones, etc.)
 (T) Titanium products (export)
 (M) Grinding processing parts (for chip mounters)
 [Decrease]
 (T) Materials used in smartphones and tablets
 (T) Aluminum rolled products, copper products
 (M) Machining processing parts, plating materials

Earnings decreased due to lower sales, a valuation loss of inventories, higher SG&A expenses, and other factors

[Gross profit]
 Lower because of a decline in earnings caused by lower ALCONIX Group sales, mainly in Trading, and a valuation loss on some minor metal inventories
 [Operating profit]
 Lower due to higher SG&A expenses resulting from the consolidation of two manufacturing companies
 [Ordinary profit]
 A small decrease as net non-operating income improved due to dividend income, higher equity-method income and foreign exchange gains

Performance trend (consolidated income statements)

Financial results



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

• Trading—Electronic and Advanced Materials

Sales were down as electronic and battery material sales were firm but there was a big downturn in the transaction volume of minor metals and rare earths. A valuation loss was recorded on some minor metal inventories.

• Trading—Aluminum and Copper Products

Sales decreased in the products sector. Major reasons are lower sales due to weak demand in automobiles and semiconductor sectors and sluggish sales of air conditioning materials due to unfavorable weather. In the resources sector, there was a decrease in the transaction volume of recycled aluminum ingots, the primary material, due to lower non-ferrous metal prices and weaker business sentiment.

• Manufacturing—Equipment and Materials

Plating material sales and earnings were down because of slowing economic growth in China. The performance of Fuji Carbon, which was consolidated beginning in FY3/20, was below the estimate due to decreasing demand in the automobile industry.

• Manufacturing—Metal Processing

Sales of grinding processing parts were supported by solid demand involving chip mounters. Shipments of machining processing parts decreased due to declining demand in the semiconductor industry. Shipments of metal stamped parts increased, mainly due to orders for new parts.

(Unit: million yen)

		1Q FY3/19		1Q FY3/20				
			Comp.		Comp.	Change (amount)	Change (%)	
Net Sales	Trading	Electronic and advanced materials	21,436	32.2%	18,247	30.3%	-3,189	-14.9%
		Aluminum and copper products	34,605	51.9%	30,651	50.9%	-3,953	-11.4%
		Trading total	56,041	84.1%	48,899	81.2%	-7,142	-12.7%
	Manufacturing	Equipment and materials	5,488	8.2%	6,050	10.1%	562	10.2%
		Metal processing	5,141	7.7%	5,232	8.7%	90	1.8%
		Manufacturing total	10,629	15.9%	11,282	18.8%	652	6.1%
Total		66,671		60,181		-6,489	-9.7%	
Segment Profit	Trading	Electronic and advanced materials	301	14.6%	-14	-0.9%	-316	-
		Aluminum and copper products	401	19.4%	306	19.8%	-95	-23.8%
		Trading total	703	34.0%	292	18.9%	-411	-58.5%
	Manufacturing	Equipment and materials	332	16.1%	25	1.7%	-306	-92.2%
		Metal processing	1,038	50.1%	1,214	78.5%	175	16.9%
		Manufacturing total	1,371	66.2%	1,240	80.2%	-131	-9.6%
Total		2,071		1,547		-524	-25.3%	

Note 1. Segment profit is based on ordinary profit.

Note 2. Elimination or corporate for segment profit: 1Q FY3/20: 14; 1Q FY3/19: -3

Electronic and advanced materials

(ALCONIX, AMJ, overseas subsidiaries)

Financial results

(Unit: million yen)

	1Q FY3/20	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	18,247	-3,189	-14.9%	30.3%
Segment profit	(14)	-316	-	-0.9%
Segment profit to net sales	-	-	-	-

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: Increase

Nickel ingots (for melting): Increase

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

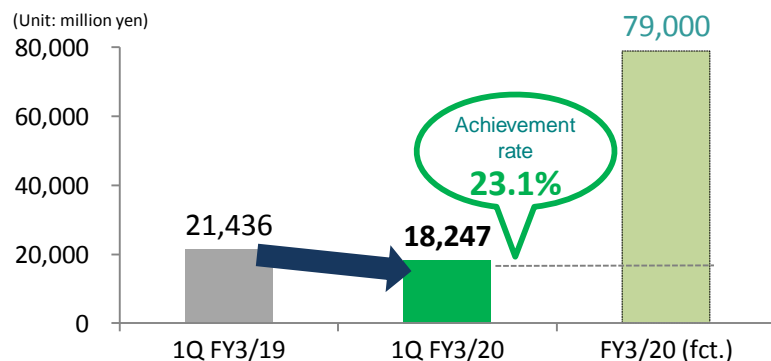
[Electronic materials and advanced materials]

- Although demand has been consistently weak, the transaction volume of materials used in smartphones and tablets increased slightly.
- The transaction volume of nickel increased because of firm demand for electronic materials chiefly for high-end components used in smartphones.
- Sales of titanium and nickel products for export to Europe increased.

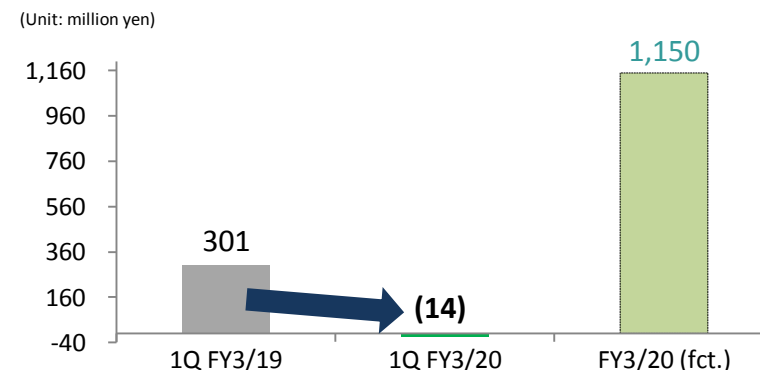
[Minor metals and rare earths]

- The transaction volumes of tungsten, a major component of this category, and other metals were down sharply because of declining demand for minor metals caused by slowing economic growth in China.
- There was a loss in this segment in the first quarter caused by lower sales as the transaction volume decreased and by a valuation loss on some minor metal inventories due to a drop in market prices.

Net Sales



Segment Profit



Aluminum and copper products

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

(Unit: million yen)

	1Q FY3/20	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	30,651	-3,953	-11.4%	50.9%
Segment profit	306	-95	-23.8%	19.8%
Segment profit to net sales	1.0%	-0.2%		

[Products]

- In the aluminum category, automotive companies continue to require aluminum to reduce vehicle weight and use more electronic components but slowing economic growth in China brought down overall demand. Demand involving air conditioning equipment was soft even during the first quarter, when this demand normally peaks, because of unfavorable weather. As a result, the transaction volume was down for plates, fins and other rolled products and other aluminum products.
- In copper products category, the transaction volume of copper strip decreased due to weakening demand in the semiconductor sector.
- The transaction volume of aluminum used for beverage cans increased due to higher demand from major beverage can manufacturers.

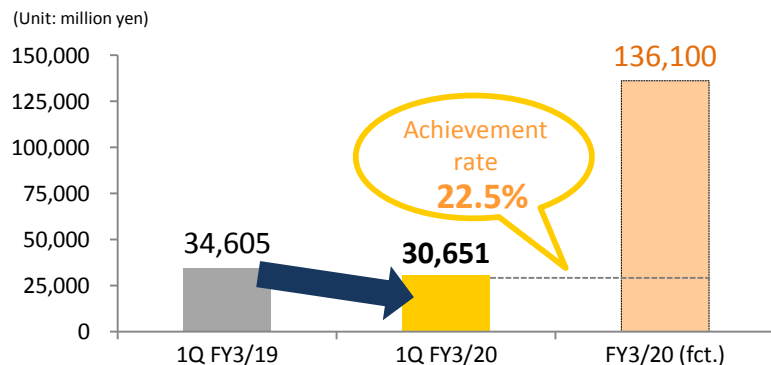
Sales of major products (YoY change)

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

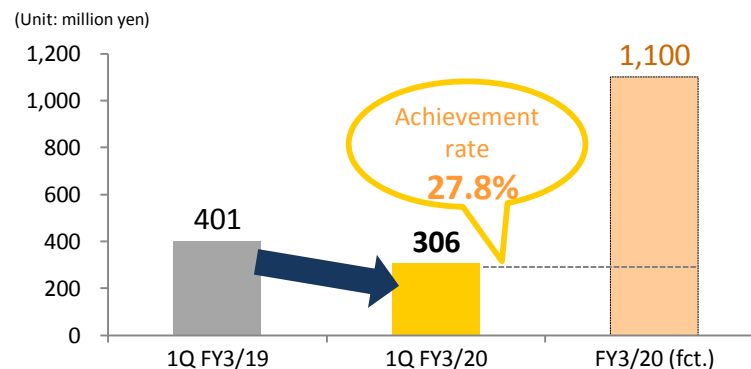
[Resources]

- The transaction volume of copper scrap increased for copper refining industry.
- The transaction volume of recycled aluminum ingots decreased due to lower non-ferrous metal prices and soft demand for automotive applications.
- A big increase in zinc ingot transaction volume due to higher sales of zinc by meeting demand from battery manufacturers.

Net Sales



Segment Profit



Equipment and materials

(UHI, MARKTEC, TOKAI YOGYO, Tohoku Chemical Industries, Fuji Carbon)

Financial results

(Unit: million yen)

	1Q FY3/20	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	6,050	562	10.2%	10.1%
Segment profit	25	-306	-92.2%	1.7%
Segment profit to net sales	0.4%	-5.7%		

Sales of major products (YoY change)

(Materials) Cashew resin: Net increase

(Materials) Carbon brushes for small motors: Net increase

(Materials) Plating materials (copper anode, nickel sulfate, etc.): Decrease

(Materials) Mold building-up welding rods/Thermal spraying: Decrease

(Equipment) Non-destructive testing equipment and detection materials: Decrease

(Equipment) Marking systems and paints and other consumables: Decrease

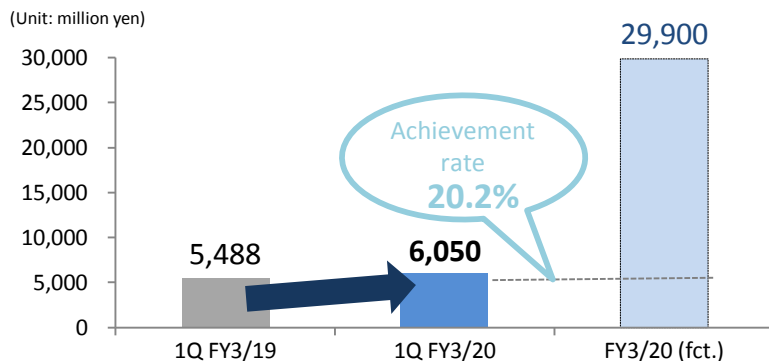
[Materials]

- Plating materials sales and earnings were down at U.S. and China sites as demand declined at major customers due to slowing economic growth in China.
- Exports and other shipments of welding rods decreased because of weak automotive-sector demand. In addition, thermal spraying orders declined.
- The performance of cashew resin products, which have been included in consolidated performance since January 2019, was generally on target.
- Sales at Fuji Carbon, which was consolidated beginning in FY3/20, of carbon brushes for small motors were below the estimate because of declining automotive-sector demand.

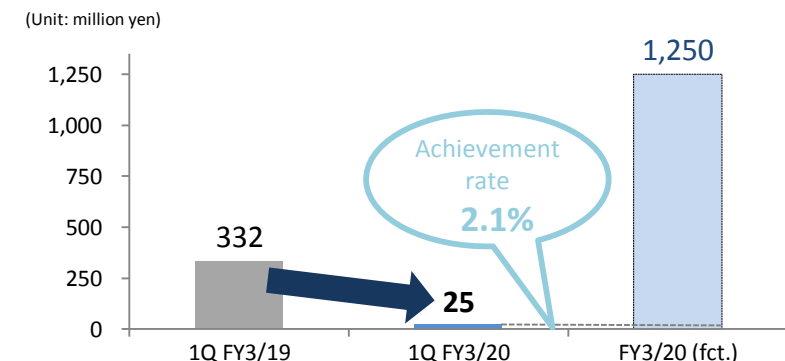
[Equipment]

- Sales and earnings of non-destructive testing equipment and marking systems were down because of a decrease in shipments of non-destructive testing detection materials at an overseas subsidiary to a major customer.

Net Sales



Segment Profit



Metal processing

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

Financial results

(Unit: million yen)

	1Q FY3/20	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	5,232	90	1.8%	8.7%
Segment profit	1,214	175	16.9%	78.5%
Segment profit to net sales	23.2%	3.0%		

- Shipments of grinding processing parts increased as demand for semiconductor chip mounting equipment remained strong.
- Shipments of machining processing parts were lower than one year earlier due to soft demand from major customers in the semiconductor manufacturing equipment and aircraft industries.
- In the precision metal stamped parts category, orders from major customers increased for new parts and prototypes.
- Equity-method income was 34.8% higher than one year earlier.

Sales of major products (YoY change)

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

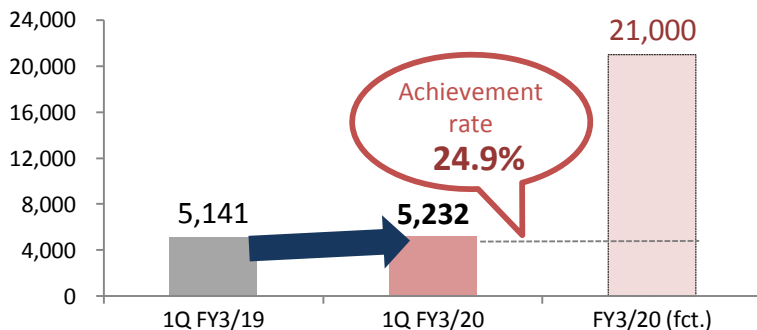
Grinding processing parts (for chip mounters): Increase (OHBA SEIKEN)

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

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

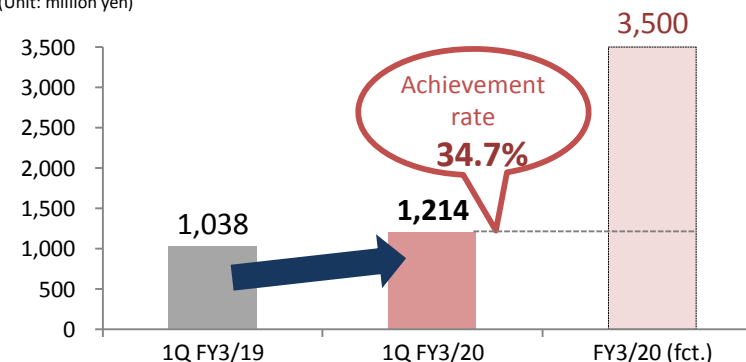
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Consolidated balance sheets (1Q FY3/20)

Financial results

(Unit: million yen)

	FY3/19	1Q FY3/20	Change	Major components
Current assets, total	104,230	104,904	674	
Cash and deposits	23,600	25,440	1,839	Increase in free cash flow (operating CF + investing CF)
Operating receivables	47,055	46,986	-69	Lower transactions (Trading segment)
Inventories	29,675	29,143	-531	Lower transactions (Trading segment)
Non-current assets, total	39,621	40,174	552	
Property, plant and equipment	18,804	18,634	-169	Depreciation
Intangible assets	7,750	7,471	-279	Amortization
Investments and other assets	13,066	14,068	1,001	Acquisition of companies, market value evaluation
Assets, total	143,851	145,079	1,227	
Current liabilities, total	74,922	76,175	1,253	
Operating debt	34,727	34,446	-280	Lower transactions (Trading segment)
Short-term borrowings	34,312	34,683	370	Transfer from long-term
(including current portion of long-term borrowings/bonds payable)				
Non-current liabilities, total	29,255	29,030	-225	
Bonds payable	525	450	-74	Transfer to the current portion
Long-term borrowings	23,571	23,415	-155	Transfer to the current portion
Liabilities, total	104,177	105,206	1,028	
Shareholders' equity	35,166	35,275	109	
Retained earnings	30,725	31,118	392	Profit attributable to owners of parent – dividends paid
Accumulated other comprehensive income	2,734	2,814	79	
Shareholders' equity	37,901	38,090	188	Equity ratio: 26.3%
Net assets, total	39,673	39,873	199	
Liabilities and net assets, total	143,851	145,079	1,227	

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

FY3/20

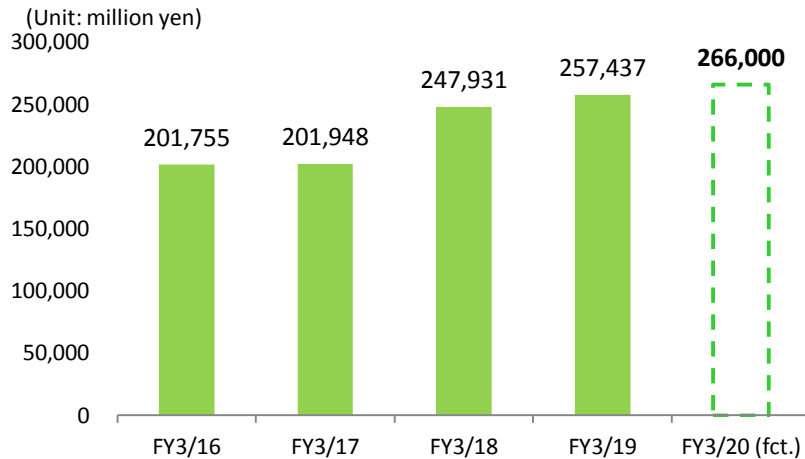
Earnings Forecasts

(Announced on May 17, 2019)

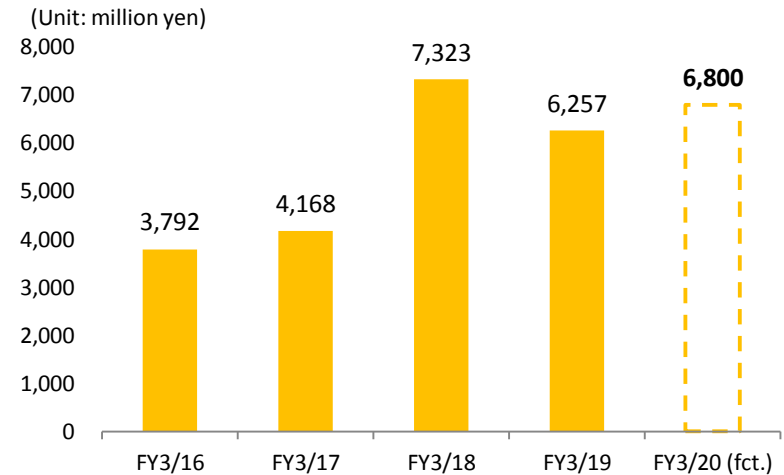
Trend in consolidated sales and earnings

Earnings forecast

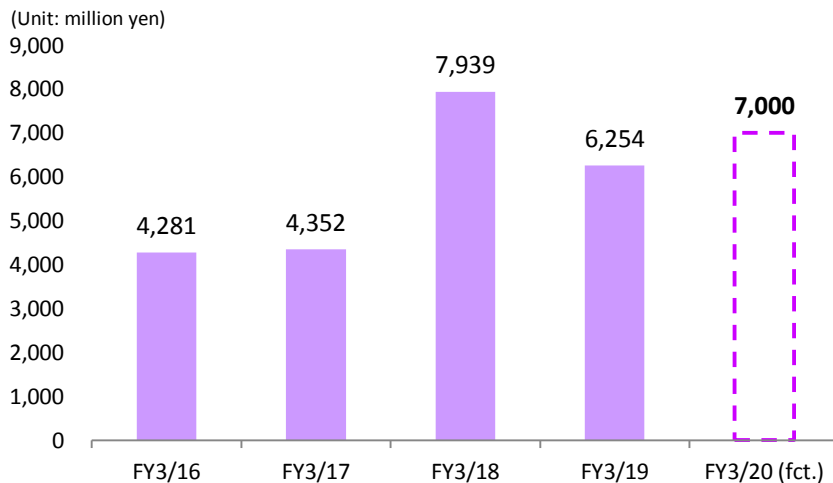
Net Sales



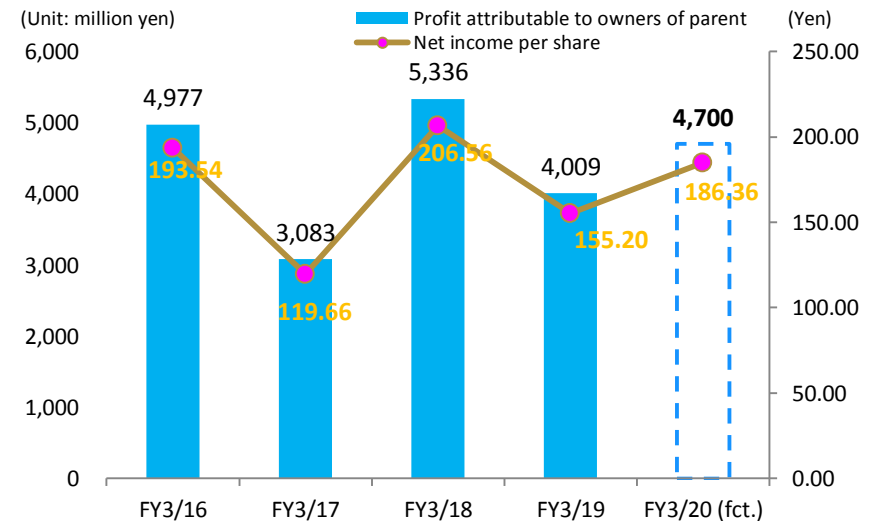
Operating Profit



Ordinary Profit



Profit Attributable to Owners of Parent



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

- 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	1Q FY3/20	
		% to sales	(Initial forecasts on May 17, 2019)	% to sales			Progress ratio
Net sales	257,437		266,000		3.3%	60,181	22.6%
Gross profit	19,207	7.5%	21,700	8.2%	13.0%	4,568	21.1%
SG&A expenses	12,949	5.0%	14,900	5.6%	15.1%	3,336	22.4%
Operating profit	6,257	2.4%	6,800	2.6%	8.7%	1,232	18.1%
Ordinary profit	6,254	2.4%	7,000	2.6%	11.9%	1,547	22.1%
Profit attributable to owners of parent	4,009	1.6%	4,700	1.8%	17.2%	901	19.2%
Net income per share (yen)	155.20		186.36			35.67	-

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 for automotive applications. 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 started operations in July 2019.

(Unit: million yen)

		FY3/19		FY3/20		Change	1Q FY3/20			
			Comp.		Comp.		Comp.	Progress ratio		
Net Sales	Trading	Electronic and advanced materials	83,952	32.6%	79,000	29.7%	-5.9%	18,247	30.3%	23.1%
		Aluminum and copper products	131,341	51.0%	136,100	51.2%	3.6%	30,651	50.9%	22.5%
		Trading total	215,294	83.6%	215,100	80.9%	-0.1%	48,899	81.3%	22.7%
	Manufacturing	Equipment and materials	21,439	8.3%	29,900	11.2%	39.5%	6,050	10.1%	20.2%
		Metal processing	20,703	8.1%	21,000	7.9%	1.4%	5,232	8.7%	24.9%
		Manufacturing total	42,142	16.4%	50,900	19.1%	20.8%	11,282	18.8%	22.2%
Total		257,437		266,000		3.3%	60,181		22.6%	
Segment Profit	Trading	Electronic and advanced materials	721	11.5%	1,150	16.4%	59.4%	-14	-0.9%	-
		Aluminum and copper products	1,024	16.4%	1,100	15.7%	7.3%	306	19.8%	27.8%
		Trading total	1,746	27.9%	2,250	32.1%	28.9%	292	18.9%	13.0%
	Manufacturing	Equipment and materials	607	9.7%	1,250	17.9%	105.7%	25	1.7%	2.1%
		Metal processing	3,916	62.6%	3,500	50.0%	-10.6%	1,214	78.5%	34.7%
		Manufacturing total	4,524	72.3%	4,750	67.9%	5.0%	1,240	80.2%	26.1%
Total		6,254		7,000		11.9%	1,547		22.1%	

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

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

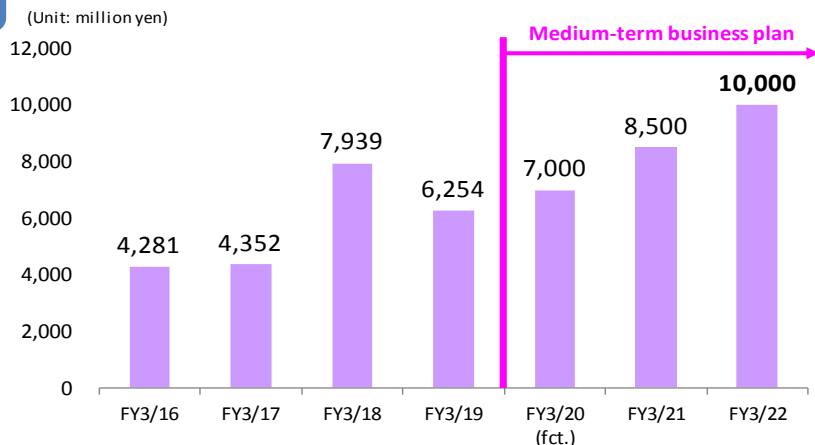
Strengthen corporate infrastructure and internal governance

Performance targets (final year: end-March 2022)

Medium-term business plan

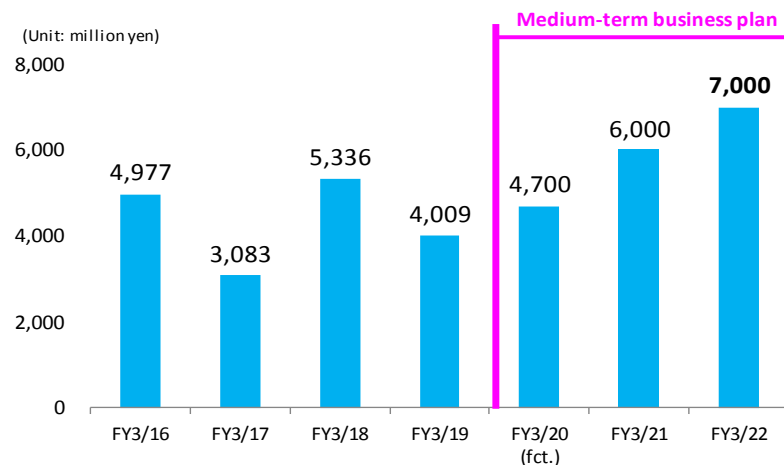
Profit targets

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



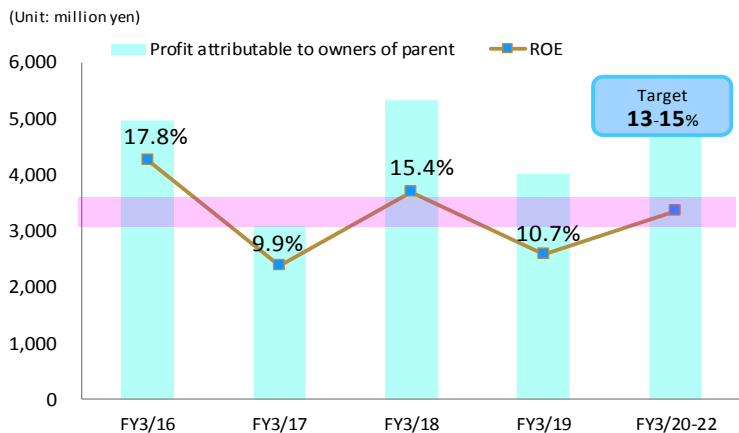
Profit attributable to owners of parent:

Over ¥7.0 billion (FY3/22)

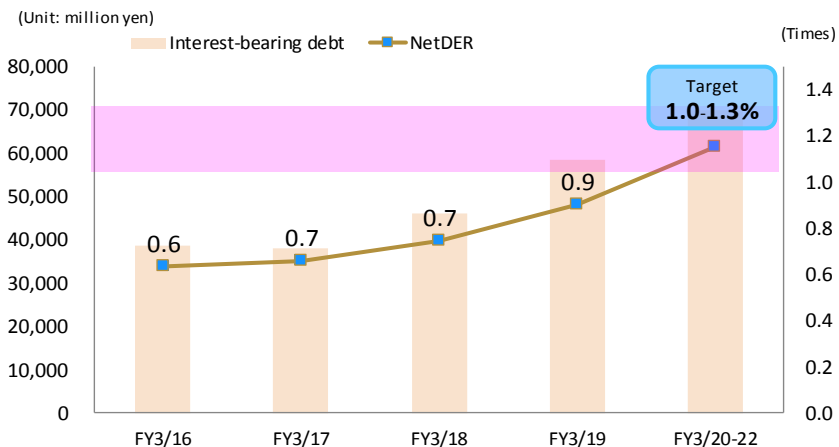


Management benchmarks

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



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



Investment plans

¥25 to ¥30 billion over three years

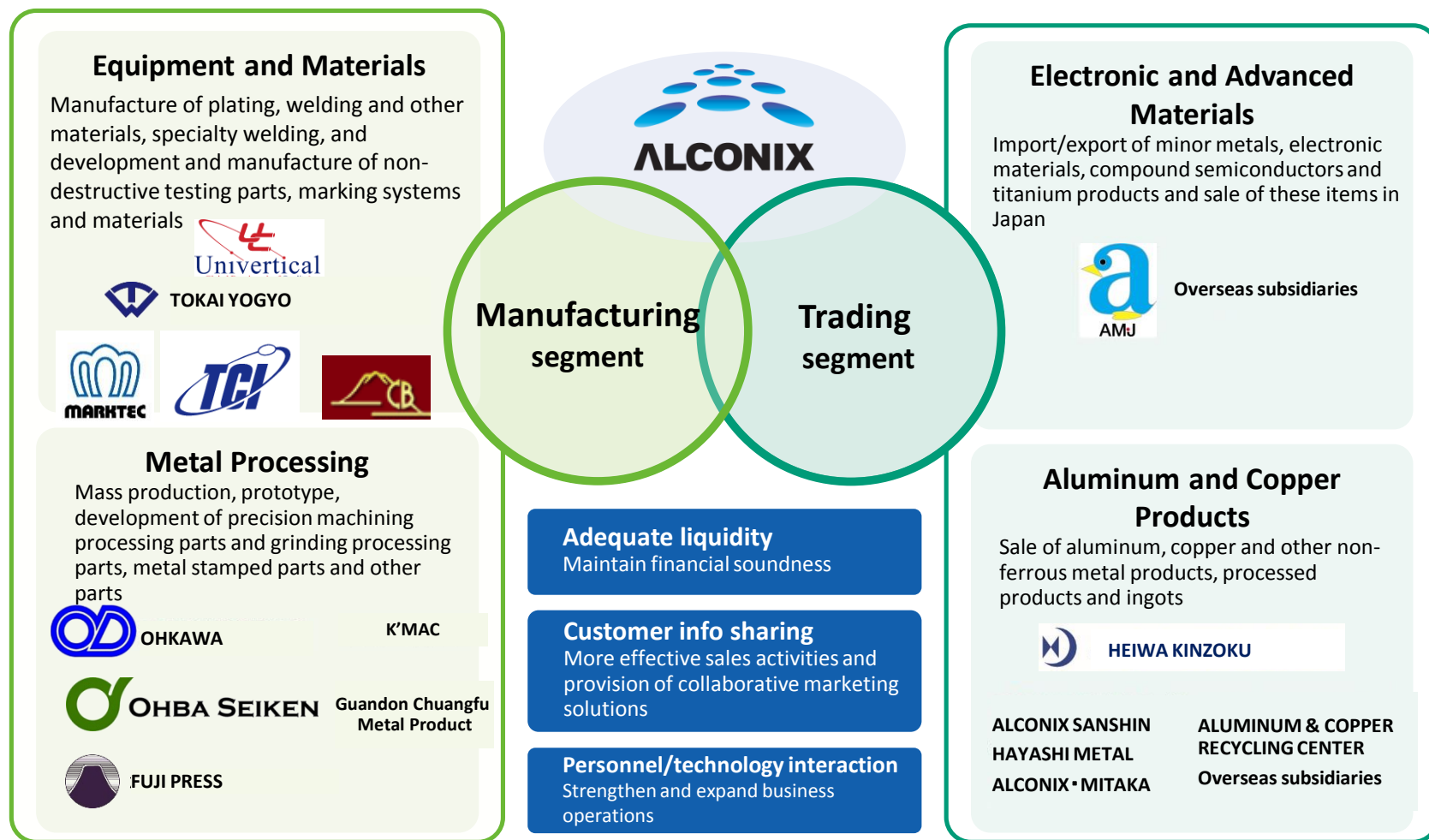
Target: M&As (including investments currently under consideration; business investments; net increase in capital expenditure (capital expenditure – amount written off))

For more details, please see page 27 "Investment activities"

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.



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

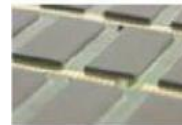


Spread of 5G

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

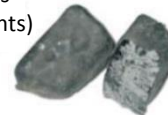


Minor metals (30 elements)

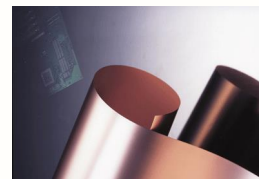


Titanium, Tungsten, Molybdenum, Indium, others

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)

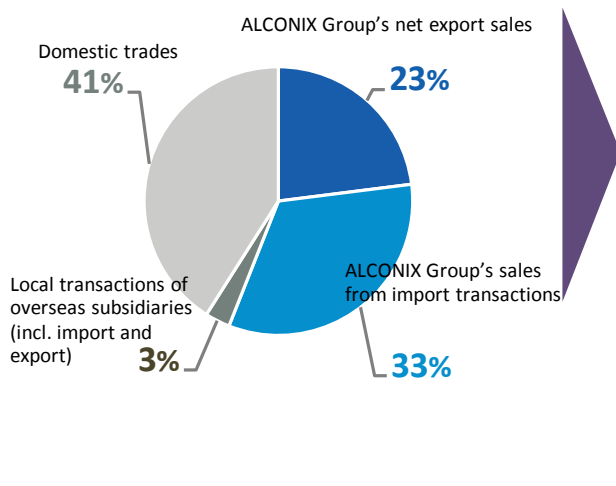
Action plan/Medium-term business plan

Growth of the ALCONIX Group overseas network

Overseas network



Trade Category Sales Composition (FY3/11, consolidated)



1 Expand local transactions

Expand local transactions with Japanese companies overseas and foreign companies

2 Expand trilateral business

Increase earnings from consolidated management backed by global growth

3 Expand overseas network

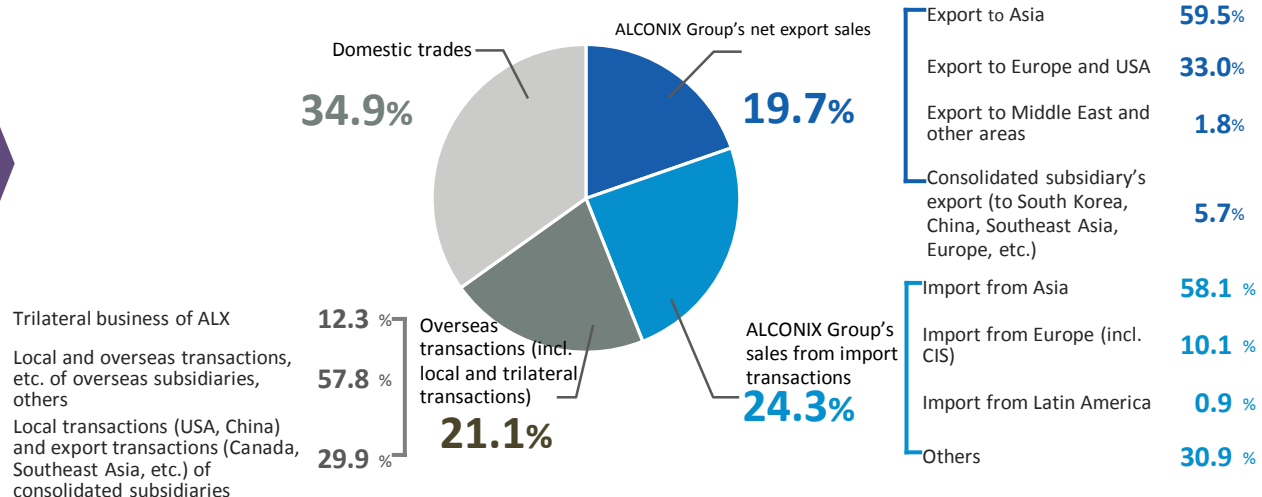
Plan to establish overseas branches in Mexico and India to extend the overseas network

ALCONIX (SHANGHAI) CORP. is enlarging its sales network in China by opening offices in Guangzhou and Shenzhen.

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

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

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 primarily for M&A

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

FY3/20 Plan

M&A

- Seek opportunities for mergers and acquisitions of manufacturers
- Implement PMI for Fuji Carbon Manufacturing and Tohoku Chemical Industries and make capital expenditures at the equipment and materials segment and the metal processing and wholesale businesses to create new trade channels and corporate value
- M&A activity at subsidiaries as well for growth and adding new capabilities

Business investments (Investments and loans)

- Growth of business activities in Mexico (Manufacture of stamped parts)
- Make investments and loans for securing and recycling natural resources
- Support for subsidiaries' overseas operations and other overseas growth in order to create supply chains for customers

Capital expenditures

- Enlarge production equipment and purchase new equipment with priority on the efficient use of investments (at all manufacturing subsidiaries)

Our core strategies for investment activities are as follows: **M&A**, which is effective for **short-term business expansion**; **business investments** 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.



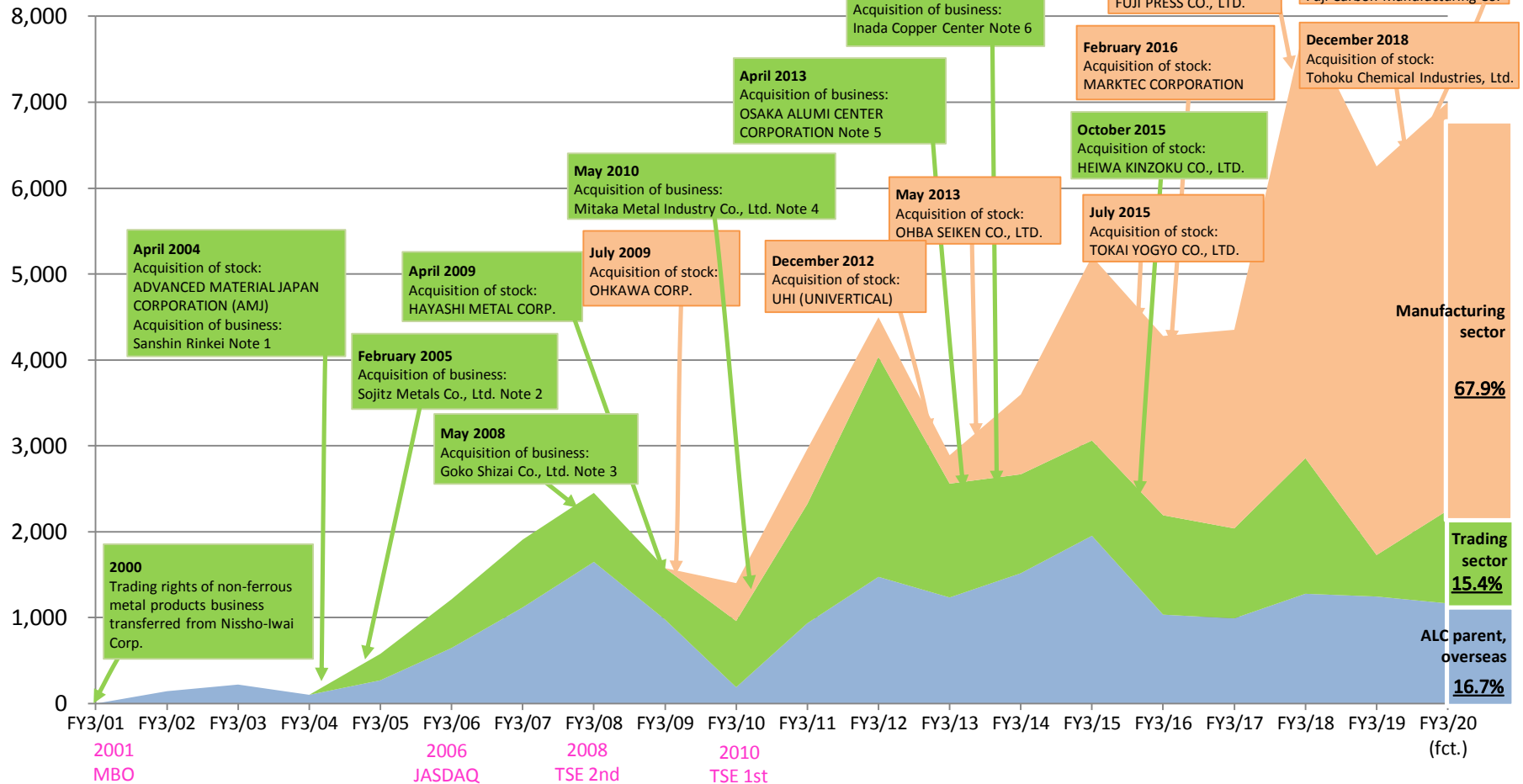
Head office building

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)

(Unit: million yen)



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.

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	

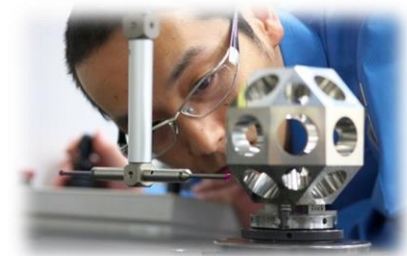
Reinforce the financial backbone

- 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

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