



Become an integrated company that combines  
trading and manufacturing capabilities

# ALCONIX CORPORATION

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**Code 3036**

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Financial Results Materials  
The Second Quarter of the Fiscal Year  
Ending March 31, 2020

November 2019

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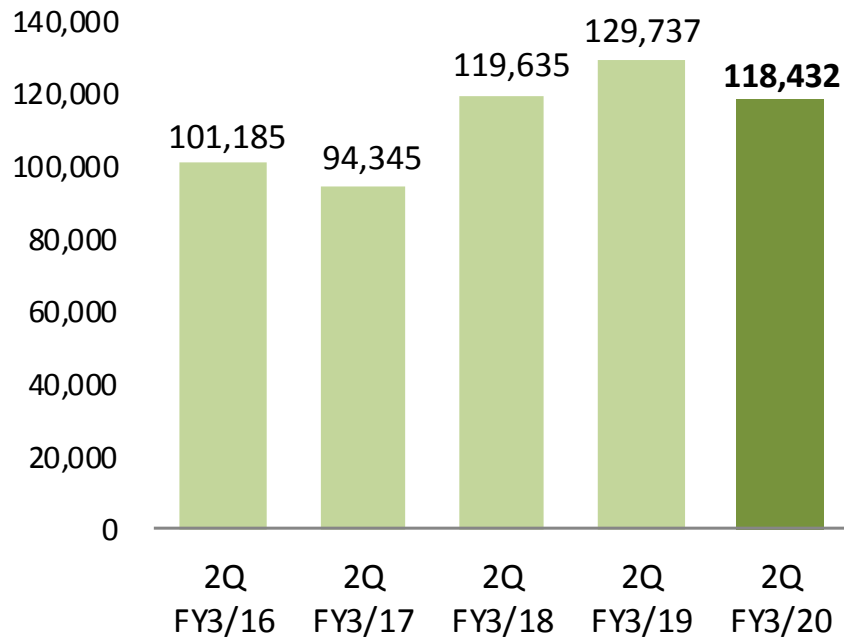
## Results Materials

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# Results highlights (2Q FY3/20) Consolidated sales

## Consolidated Sales

(Unit: million yen)



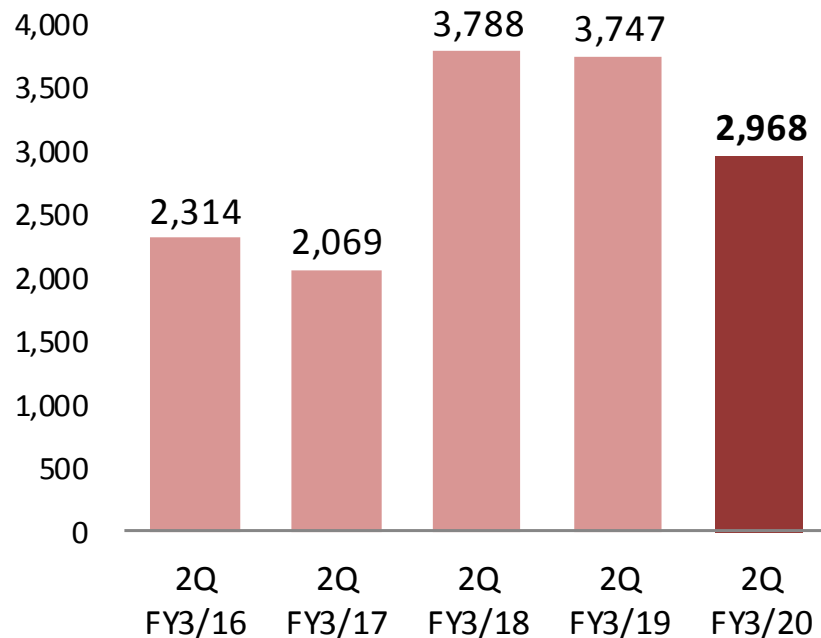
Down 8.7% YoY

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

# Results highlights (2Q FY3/20) Consolidated ordinary profit

## Consolidated Ordinary Profit

(Unit: million yen)

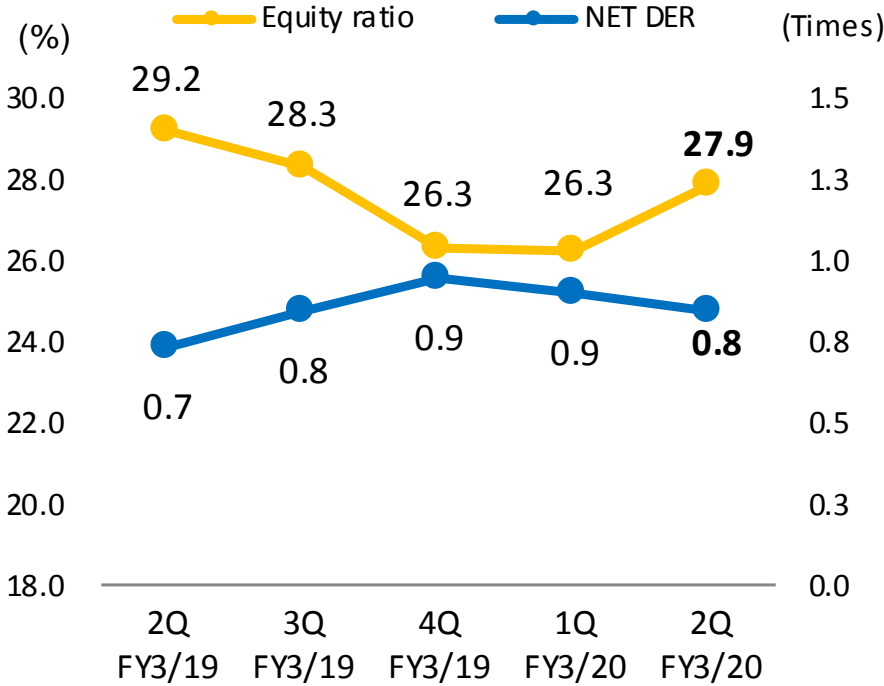


Down 20.6% YoY

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

# Results highlights (2Q FY3/20) Major consolidated financial indicators

## Major Consolidated Financial Indicators



### Equity Ratio

Up 1.6 percentage points

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

### Net debt equity ratio (NetDER)

0.8 times

NetDER remained below 1.0

## Earnings Forecast

### Revision to the FY3/20 Consolidated Earnings Forecast (announced on October 29, 2019)

#### Full-year forecasts (initial)

Net sales	266,000 million yen
Operating profit	6,800 million yen
Ordinary profit	7,000 million yen
Profit attributable to owners of parent	4,700 million yen
EPS	184.36 yen



#### Full-year forecasts (revised) (Percentages show the change vs. the previous forecast)

Net sales	<b>232,000 million yen (-12.8%)</b>
Operating profit	<b>5,300 million yen (-22.1%)</b>
Ordinary profit	<b>6,000 million yen (-14.3%)</b>
Profit attributable to owners of parent	<b>4,400 million yen (- 6.4%)</b>
EPS	<b>174.23 yen</b>

ALCONIX revised its forecast due to declines in the transaction volume of electronic materials and automotive parts in the Trading segment.

→ See p.17 for details.

→ Interim and year-end dividend forecasts are unchanged.

Interim dividend: 21 yen per share; Year-end dividend: 21 yen per share;

Annual dividend: 42 yen per share

## Business Investments

### Establishment of Lithium Ion Battery Materials JV in Hong Kong (announced on October 10, 2019)

Following the announcement in February 2019 regarding the establishment of this business, the company established a jointly owned company on October 10, 2019 after obtaining the required clearances for the joint venture from the local administrative authorities. Going forward, we plan to meet the lithium ion battery related demand which is expected to increase in China and establish new business channels.

Company name: Hong Kong Andex Electronic Material Co.,Ltd.

Business: Operation of battery materials business for automotive and smartphones

Shareholders: ALCONIX 60%, Dai Nippon Printing Co., Ltd. 25.1%, Dongguan ALI System Co., Ltd. 14.9%

\* As our consolidated subsidiary, the joint venture is expected to contribute to consolidated earnings from FY12/21.

# 2Q FY3/20 Financial Results

- **Sales:** Manufacturing-metal processing sales increased but total sales decreased because of a lower transaction volume of electronic materials and automotive parts in the Trading segment, and weak shipment in the Manufacturing-equipment and materials segment.
- **Earnings:** Earnings decreased because of the decline in sales, higher SG&A expenses and a valuation loss on some minor metal inventories.

(M): Manufacturing (T) Trading

	2Q FY3/19	(Unit: million yen)		
		2Q FY3/20		Change
		% to sales		
Net sales	129,737	<b>118,432</b>		<b>-8.7%</b>
Gross profit	9,960	<b>9,286</b>	<b>7.8%</b>	<b>-6.8%</b>
SG&A expenses	6,127	<b>6,587</b>	<b>5.6%</b>	<b>7.5%</b>
Operating profit	3,833	<b>2,699</b>	<b>2.3%</b>	<b>-29.6%</b>
Ordinary profit	3,747	<b>2,968</b>	<b>2.5%</b>	<b>-20.8%</b>
Profit attributable to owners of parent	2,767	<b>1,912</b>	<b>1.6%</b>	<b>-30.9%</b>
Comprehensive income	2,205	<b>1,381</b>	-	-
Net income per share	106.96	<b>75.71</b>	-	-

### 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) Precision grinding processing parts (for chip mounters)  
 [Decrease]  
 (T) Minor metals and rare earths  
 (T) Aluminum rolled products, copper products  
 (M) Precision machining processing parts, plating materials

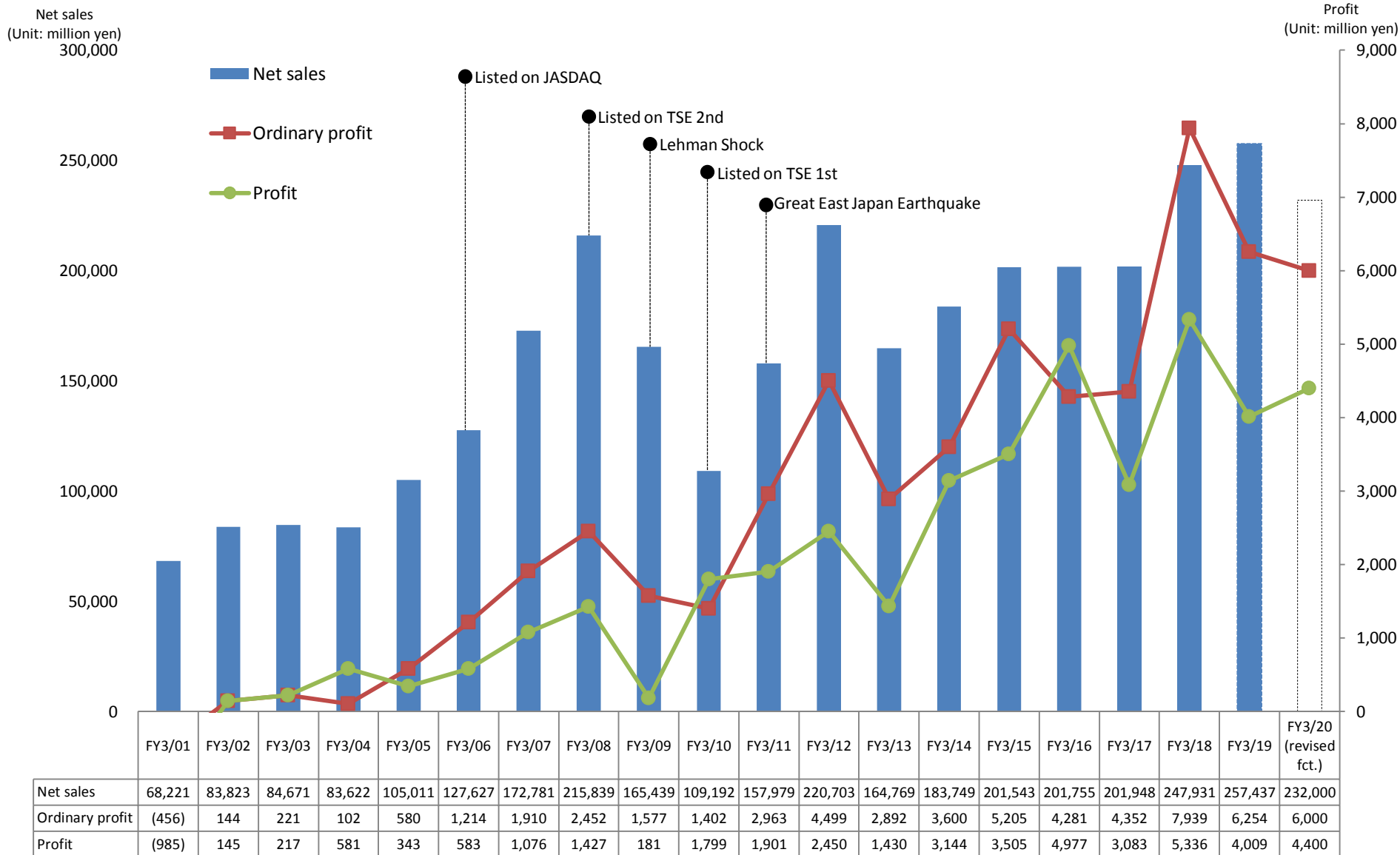
### Earnings decreased due to lower sales, a valuation loss of inventories, higher SG&A expenses, and other factors

[Gross profit]  
 Lower because of a decline in earnings caused by 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, a decrease in foreign exchange losses and other factors



# 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. Earnings declined sharply mainly due to a valuation loss on some minor metal inventories.

### •Trading—Aluminum and Copper Products

Sales decreased in the products sector due to slower demand in automobiles and semiconductor sectors and weak 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 deteriorating business sentiment.

### •Manufacturing—Equipment and Materials

Plating material sales and earnings were down at U.S. and China sites. The performance of Fuji Carbon, which was consolidated beginning in FY3/20, was below the estimate due to decreasing demand in the automobile industry. In the non-destructive testing and marking system sectors, sales of detection materials and other products were weak at overseas subsidiaries.

### •Manufacturing—Metal Processing

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

(Unit: million yen)

		2Q FY3/19		2Q FY3/20		Change (amount)	Change (%)	
			Comp.		Comp.			
Net Sales	Trading	Electronic and advanced materials	41,966	32.3%	35,908	30.3%	-6,057	-14.4%
		Aluminum and copper products	66,861	51.5%	59,478	50.2%	-7,382	-11.0%
		Trading total	108,828	83.9%	95,387	80.5%	-13,440	-12.4%
	Manufacturing	Equipment and materials	10,585	8.2%	12,306	10.4%	1,721	16.3%
		Metal processing	10,323	8.0%	10,738	9.1%	414	4.0%
		Manufacturing total	20,908	16.1%	23,045	19.5%	2,136	10.2%
Total		129,737		118,432		-11,304	-8.7%	
Segment Profit	Trading	Electronic and advanced materials	615	16.4%	88	3.0%	-526	-85.6%
		Aluminum and copper products	550	14.7%	435	14.7%	-114	-20.8%
		Trading total	1,166	31.1%	524	17.7%	-641	-55.0%
	Manufacturing	Equipment and materials	536	14.3%	69	2.4%	-466	-87.0%
		Metal processing	2,057	54.9%	2,363	79.6%	306	14.9%
		Manufacturing total	2,593	69.2%	2,432	82.0%	-160	-6.2%
Total		3,747		2,968		-779	-20.8%	

Note 1. Segment profit is based on ordinary profit.

Note 2. Elimination or corporate for segment profit: 2Q FY3/20: 10; 2Q FY3/19: -12

# Electronic and advanced materials

(ALCONIX, AMJ, overseas subsidiaries)

Financial results

(Unit: million yen)

	2Q FY3/20	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	35,908	-6,057	-14.4%	30.3%
Segment profit	88	-526	-85.6%	3.0%
Segment profit to net sales	-	-	-	-

## Sales of major products (YoY change)

Materials used in electronic components for smartphones: Slight increase  
 Battery materials (for automotive applications and smartphones): Increase  
 Titanium and nickel products: Increase  
 Nickel ingots (for melting): Increase  
 Minor metals (nickel, tungsten, etc.): Decrease

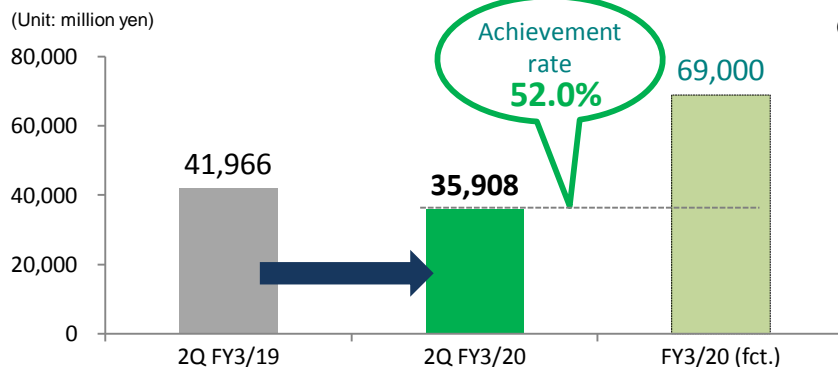
## [Electronic materials and advanced materials]

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

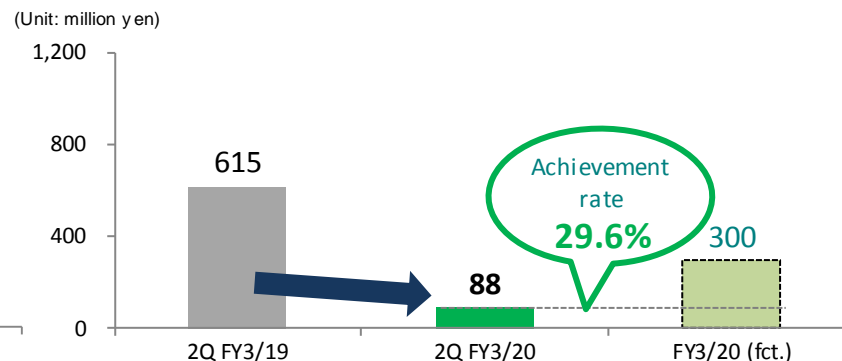
## [Minor metals and rare earths]

- The transaction volumes of tungsten, rare earths and other metals were down sharply because of declining demand caused by slowing economic growth in China.
- Segment profit declined caused by lower sales volume and 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)

	2Q FY3/20	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	59,478	-7,382	-11.0%	50.2%
Segment profit	435	-114	-20.8%	14.7%
Segment profit to net sales	0.7%	-0.1%		

## 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: Decrease

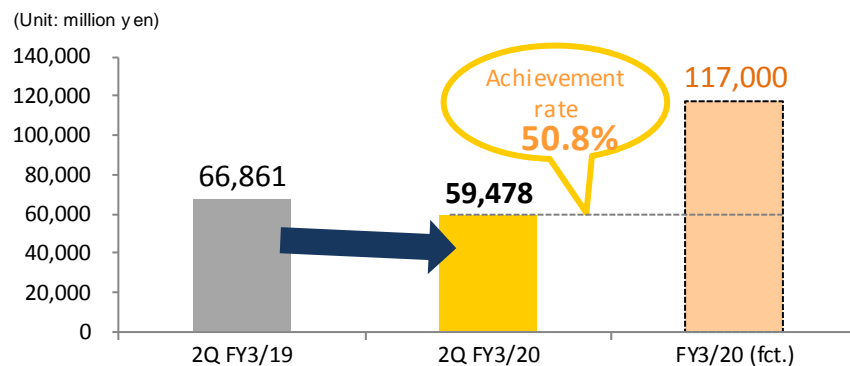
[Products]

- 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 lowered overall demand. Demand involving air conditioning equipment was soft because of unfavorable weather. As a result, the transaction volume was down for plates, fins and other aluminum rolled 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.

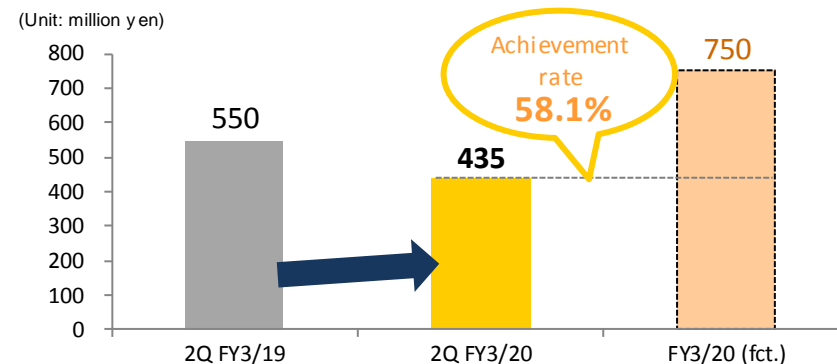
[Resources]

- 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 weak demand for automotive applications.
- A big increase in 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)

	2Q FY3/20	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	12,306	1,721	16.3%	10.4%
Segment profit	69	-466	-87.0%	2.4%
Segment profit to net sales	0.6%	-4.5%		

## 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]

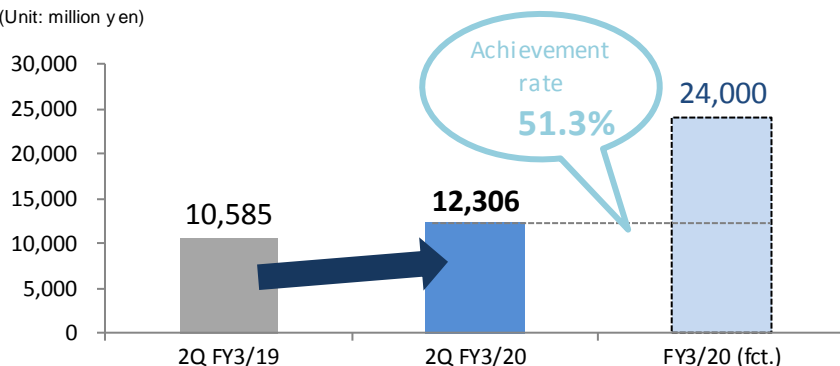
- Plating materials sales and earnings were down at U.S. and China as demand declined at major customers due to slowing economic growth in China.
- Exports and other shipments of welding rods decreased because of weak automotive-sector demand. In addition, thermal spraying orders declined.
- The performance of cashew resin products, which have been included in consolidated performance since the previous 4Q, was generally on target, while there was a weak demand in the automotive sector.
- At Fuji Carbon, which was consolidated beginning in FY3/20, sales of carbon brushes for small motors were below the estimate for subsidiaries in Japan and overseas because of declining automobile 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.

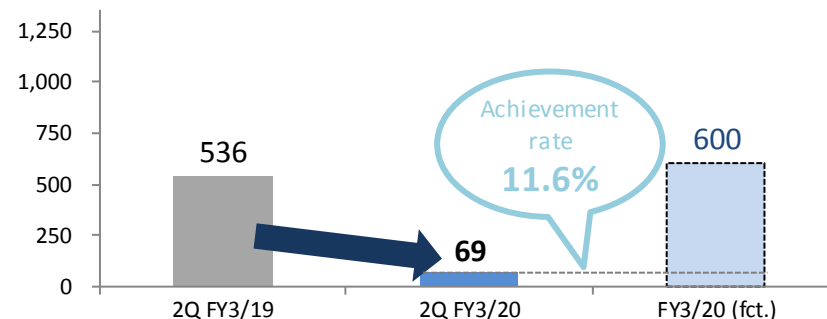
## Net Sales

(Unit: million yen)



## Segment Profit

(Unit: million yen)



# Metal processing

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

Financial results

(Unit: million yen)

	2Q FY3/20	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	<b>10,738</b>	414	4.0%	9.1%
Segment profit	<b>2,363</b>	306	14.9%	79.6%
Segment profit to net sales	<b>22.0%</b>	2.1%		

## Sales of major products (YoY change)

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

Precision grinding processing parts (for chip mounters): Increase (OHBA SEIKEN)

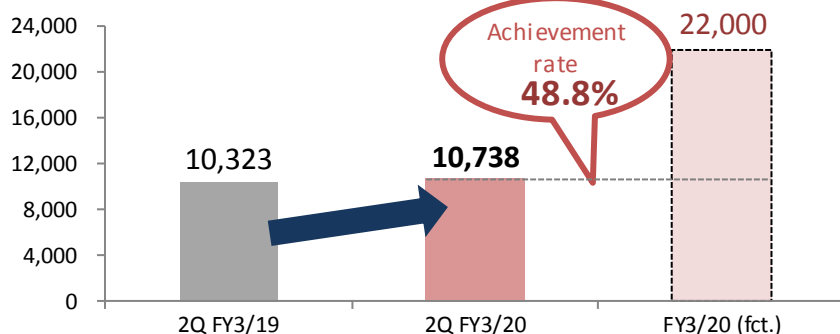
Precision grinding processing parts (prototype items for automotive applications): Decrease (OHBA SEIKEN)

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

- Shipments of precision grinding processing parts increased as demand for semiconductor chip mounting equipment remained strong.
- Shipments of precision machining processing parts were lower than one year earlier due to weaker demand from major customers in the semiconductor manufacturing equipment and aircraft component material industries.
- In the precision metal stamped parts category, orders from major customers increased for new parts and prototypes.
- Equity-method income was 62.9% higher than one year earlier.

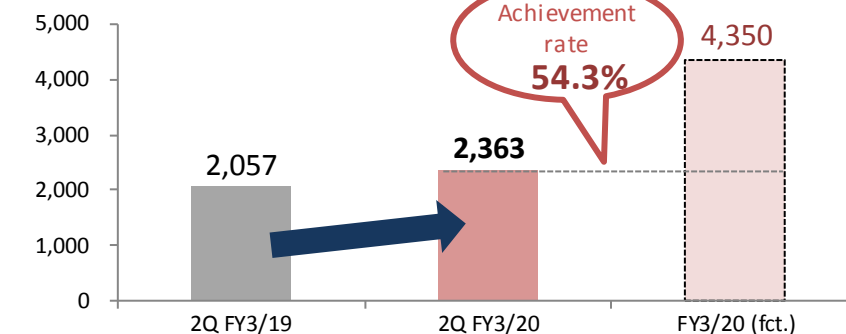
## Net Sales

(Unit: million yen)



## Segment Profit

(Unit: million yen)



# Consolidated balance sheets (2Q FY3/20)

Financial results

(Unit: million yen)

	FY3/19	2Q FY3/20	Change	Major components
Current assets, total	104,230	<b>98,010</b>	-6,219	
Cash and deposits	23,600	<b>24,170</b>	569	Increase in free cash flow (operating CF + investing CF)
Operating receivables	47,055	<b>44,156</b>	-2,898	Lower transactions (Trading segment)
Inventories	29,675	<b>27,312</b>	-2,362	Lower transactions (Trading segment)
Non-current assets, total	39,621	<b>40,090</b>	469	
Property, plant and equipment	18,804	<b>19,013</b>	208	Capital investment in manufacturing subsidiaries > Depreciation
Intangible assets	7,750	<b>7,097</b>	-652	Amortization (including goodwill)
Investments and other assets	13,066	<b>13,979</b>	913	Market value evaluation
Assets, total	143,851	<b>138,101</b>	-5,750	
	FY3/19	2Q FY3/20	Change	Major components
Current liabilities, total	74,922	<b>69,948</b>	-4,974	
Operating debt	34,727	<b>31,368</b>	-3,359	Lower transactions (Trading segment)
Short-term borrowings	34,312	<b>32,406</b>	-1,905	Transfer from long-term
(including current portion of long-term borrowings/bonds payable)				
Non-current liabilities, total	29,255	<b>27,870</b>	-1,385	
Bonds payable	525	<b>450</b>	-74	Transfer to the current portion
Long-term borrowings	23,571	<b>22,418</b>	-1,152	Transfer to the current portion
Liabilities, total	104,177	<b>97,818</b>	-6,359	
Shareholders' equity	35,166	<b>36,329</b>	1,162	
Retained earnings	30,725	<b>32,129</b>	1,403	Profit attributable to owners of parent – dividends paid
Accumulated other comprehensive income	2,734	<b>2,200</b>	-534	
Shareholders' equity	37,901	<b>38,530</b>	628	Equity ratio: 27.9%
Net assets, total	39,673	<b>40,282</b>	608	
Liabilities and net assets, total	143,851	<b>138,101</b>	-5,750	

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

# Consolidated cash flows (2Q FY3/20)

Financial results

Consolidated cash flows					(Unit: million yen)
	2Q FY3/20	Major items			2Q FY3/19
<b>Operating cash flows</b>	<b>5,212</b>				1,283
	2,976	Profit before income taxes			3,939
	1,752	Depreciation (including amortization of goodwill)			1,429
	-146	Share of profit of entities accounted for using equity method (K' MAC, Guandon Chuangfu Metal Product)			-89
	1,506	Working capital (decrease)			-2,141
		(Item)	2Q FY3/20	2Q FY3/19	
		Decrease (increase) in trade receivables	2,505	1,072	
		Decrease (increase) in inventories	2,155	-2,652	
		Increase (decrease) in trade payables	-3,154	-561	
	-1,168	Income taxes paid			-2,297
	292	Other			444
<b>Investing cash flows</b>	<b>-813</b>				-1,379
	-1,217	Purchase of property, plant and equipment and intangible assets (capital expenditures at manufacturing subsidiaries)			-1,534
	-677	Purchase of investment securities			-11
	1,360	Proceeds from sales of investment securities			76
	-163	Loans of working capital for subsidiaries and associates			-17
	-115	Other			108
<b>Financing cash flows</b>	<b>-3,753</b>				2,124
	-1,183	Net decrease in short-term borrowings			4,096
	-1,627	Net decrease in long-term borrowings			-1,364
	-74	Redemption of bonds			-74
	-	Issuance of common shares due to the exercise of share acquisition rights			22
	-283	Stock repurchase (Period for repurchase: Apr. to May 2019 *Purchase completed on May 15, 2019)			-
	-503	Cash dividends paid			-490
	-79	Other			-63
Effect of exchange rate change on cash and cash equivalents	-237				-175
Net increase (decrease) in cash and cash equivalents	408				1,854
Cash and cash equivalents at beginning of period	22,404				18,569
Cash and cash equivalents at end of period	22,812				20,423
*Change: Numbers may not tally exactly due to rounding.					
Free cash flow	4,399				-95



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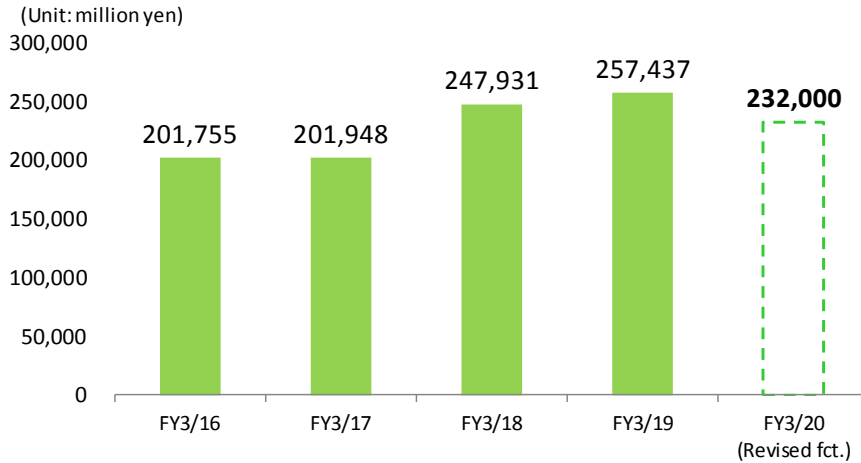
# **FY3/20 Earnings Forecasts**

**(Announced forecast revision on October 29, 2019)**

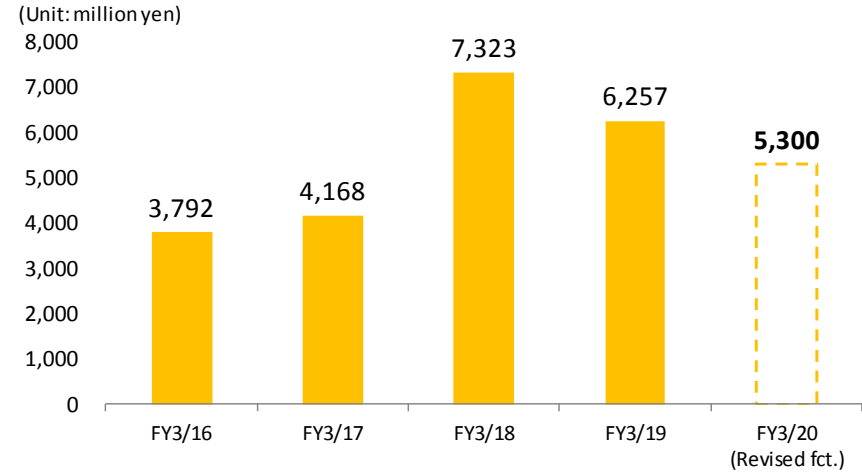
# Trend in consolidated sales and earnings

Earnings forecast

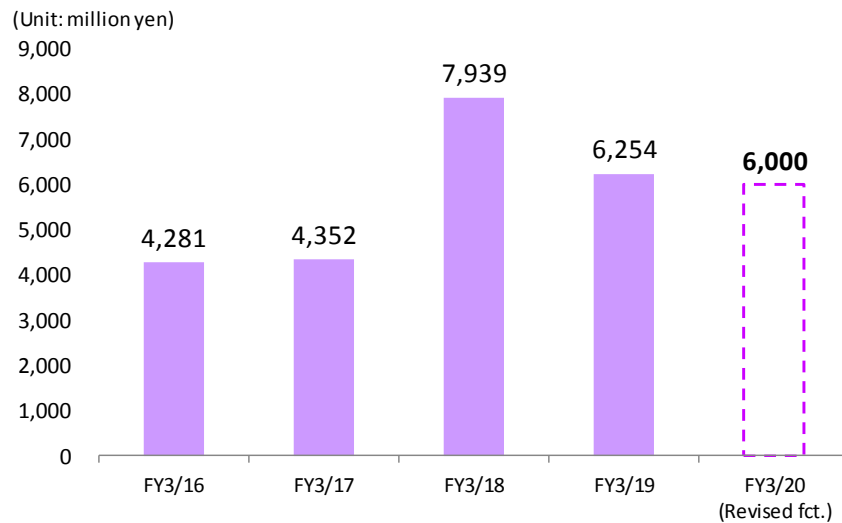
## Net Sales



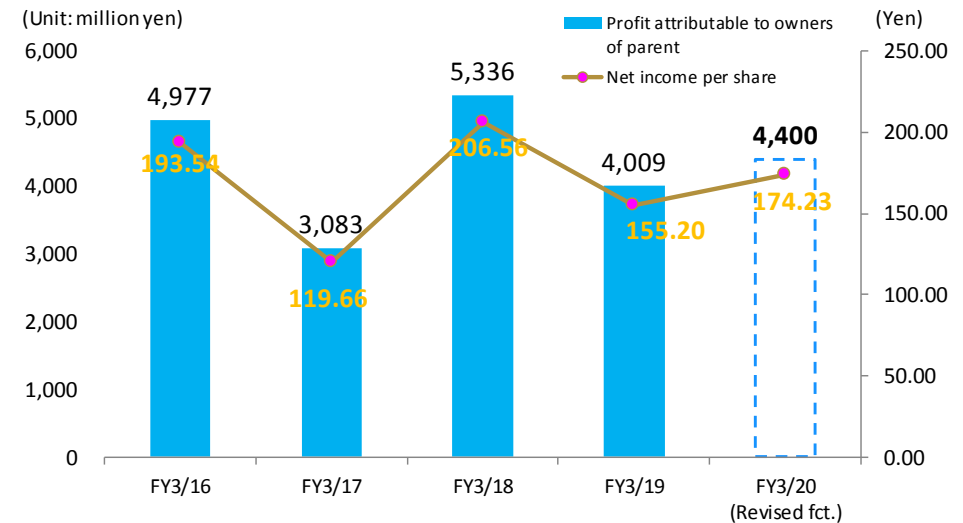
## Operating Profit



## 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, reduce the weight of vehicles and raise production of electric vehicles. However, concerns are increasing about adjustments caused by prolonged U.S.-China trade friction and slowing economic growth in China. Due to this business climate, first half transaction volume was down from one year earlier, mainly for electronic materials and automotive parts in the Trading segment, and this trend is expected to continue in the fiscal year's second half.

(Unit: million yen)

	FY3/19		FY3/20		YoY change	FY3/20		YoY change	2Q FY3/20	
		% to sales	(Initial forecasts on May 17, 2019)	% to sales		(Revised forecasts on Oct. 29, 2019)	% to sales			Progress ratio
Net sales	257,437		266,000		3.3%	232,000		-9.9%	118,432	51.0%
Gross profit	19,207	7.5%	21,700	8.2%	13.0%	19,200	8.3%	0.0%	9,286	48.4%
SG&A expenses	12,949	5.0%	14,900	5.6%	15.1%	13,900	6.0%	7.3%	6,690	48.1%
Operating profit	6,257	2.4%	6,800	2.6%	8.7%	5,300	2.3%	-15.3%	2,596	49.0%
Ordinary profit	6,254	2.4%	7,000	2.6%	11.9%	6,000	2.6%	-4.1%	2,974	49.6%
Profit attributable to owners of parent	4,009	1.6%	4,700	1.8%	17.2%	4,400	1.9%	9.7%	1,918	43.6%
Net income per share (yen)	155.20		186.36			174.23			75.96	

# Forecasts by segment (FY3/20)

Earnings forecast

## ■ Trading segment: Lower sales and 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 slower demand for smartphones and tablets. Furthermore, profits are expected to decline significantly due to a valuation loss on some minor metal inventories.

### • Trading—Aluminum and Copper Products

Forecast a decrease in the transaction volume of aluminum rolled products and aluminum resources mainly used for automotive parts, semiconductor and electronic materials, affected by the slowdown in the Chinese economy due to the prolonged U.S.-China trade friction. However, the transaction volume of can materials at domestic subsidiaries are expected to be firm.

### • Manufacturing—Equipment and Materials

Plating material sales and profits are expected to decrease in China due to the slowdown in the Chinese economy. Shipments of non-destructive testing equipment and marking systems at an overseas subsidiary are expected to remain weak. The performance of Fuji Carbon Manufacturing, which was included in the consolidation in FY3/20, is estimated to be below the initial forecast.

### • Manufacturing—Metal Processing

Forecast higher shipments of precision grinding processing parts supported by solid demand involving chip mounters, but anticipate weak shipments of precision machining processing parts due to declining demand in the semiconductor industry. Shipments of precision metal stamped parts are expected to increase, mainly due to orders for new parts and prototypes. In the Mexico joint venture business owned by FUJI PRESS and ALCONIX, start-up expenses have incurred in advance of earnings contribution, which is expected to start next fiscal year.

		FY3/19		FY3/20		FY3/20		Change	(Unit: million yen)			
			Comp.	(Initial forecasts on May 17, 2019)	Comp.	(Revised forecasts on Oct. 29, 2019)	Comp.		2Q FY3/20			
									Comp.	Progress ratio		
Net Sales	Trading	Electronic and advanced materials	83,952	32.6%	79,000	29.7%	69,000	29.8%	-17.8%	35,908	30.3%	52.0%
		Aluminum and copper products	131,341	51.0%	136,100	51.2%	117,000	50.4%	-10.9%	59,478	50.2%	50.8%
		Trading total	215,294	83.6%	215,100	80.9%	186,000	80.2%	-13.6%	95,387	80.5%	51.3%
	Manufacturing	Equipment and materials	21,439	8.3%	29,900	11.2%	24,000	10.3%	11.9%	12,306	10.4%	51.3%
		Metal processing	20,703	8.1%	21,000	7.9%	22,000	9.5%	6.3%	10,738	9.1%	48.8%
		Manufacturing total	42,142	16.4%	50,900	19.1%	46,000	19.8%	9.2%	23,045	19.5%	50.1%
Total		257,437		266,000		232,000		-9.9%	118,432		51.0%	
Segment Profit	Trading	Electronic and advanced materials	721	11.5%	1,150	16.4%	300	5.0%	-58.4%	88	3.0%	29.6%
		Aluminum and copper products	1,024	16.4%	1,100	15.7%	750	12.5%	-26.8%	435	14.7%	58.1%
		Trading total	1,746	27.9%	2,250	32.1%	1,050	17.5%	-39.9%	524	17.7%	50.0%
	Manufacturing	Equipment and materials	607	9.7%	1,250	17.9%	600	10.0%	-1.3%	69	2.4%	11.6%
		Metal processing	3,916	62.6%	3,500	50.0%	4,350	72.5%	11.1%	2,363	79.6%	54.3%
		Manufacturing total	4,524	72.3%	4,750	67.9%	4,950	82.5%	9.4%	2,432	82.0%	49.1%
Total		6,254		7,000		6,000		-4.1%	2,968		49.5%	

\*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.

- \* On October 29, 2019, the full-year earnings forecast for the fiscal year ending March 31, 2020 was revised. The numerical targets both for the next and for the final year of the plan are unchanged because they are currently under review.

## 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

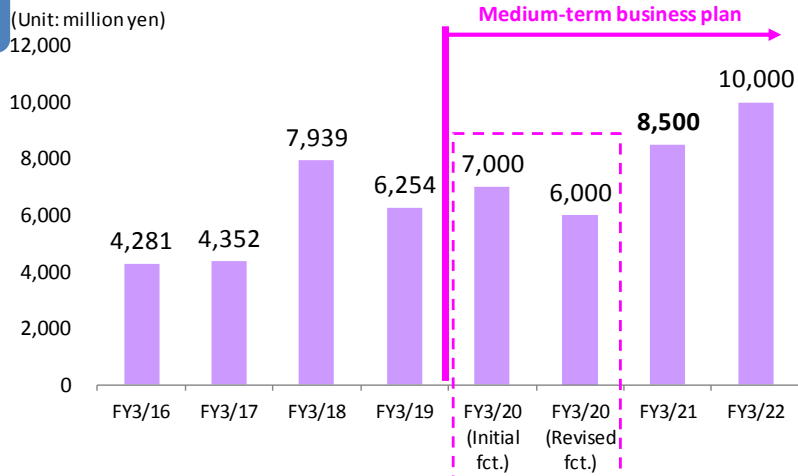
#### Strengthen corporate infrastructure and internal governance

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

Medium-term business plan

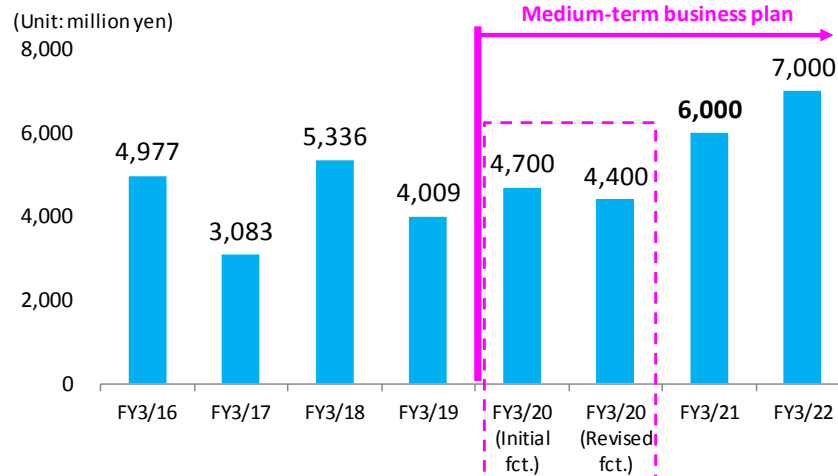
## Profit targets

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



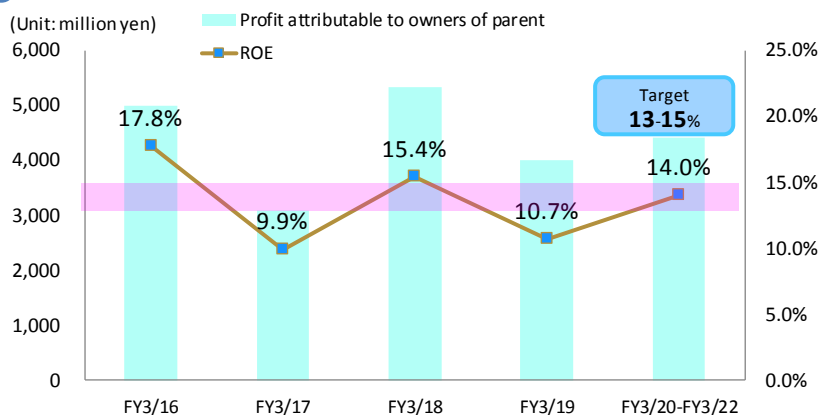
### Profit attributable to owners of parent:

### Over ¥7.0 billion (FY3/22)

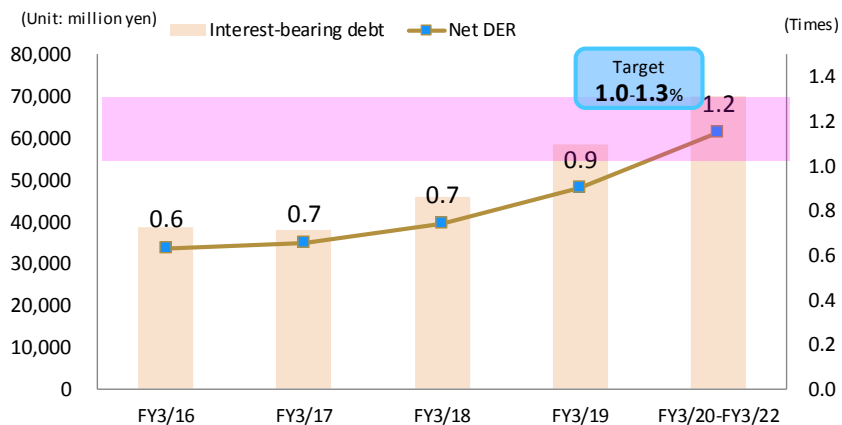


## Management benchmarks

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



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



## Investment plans

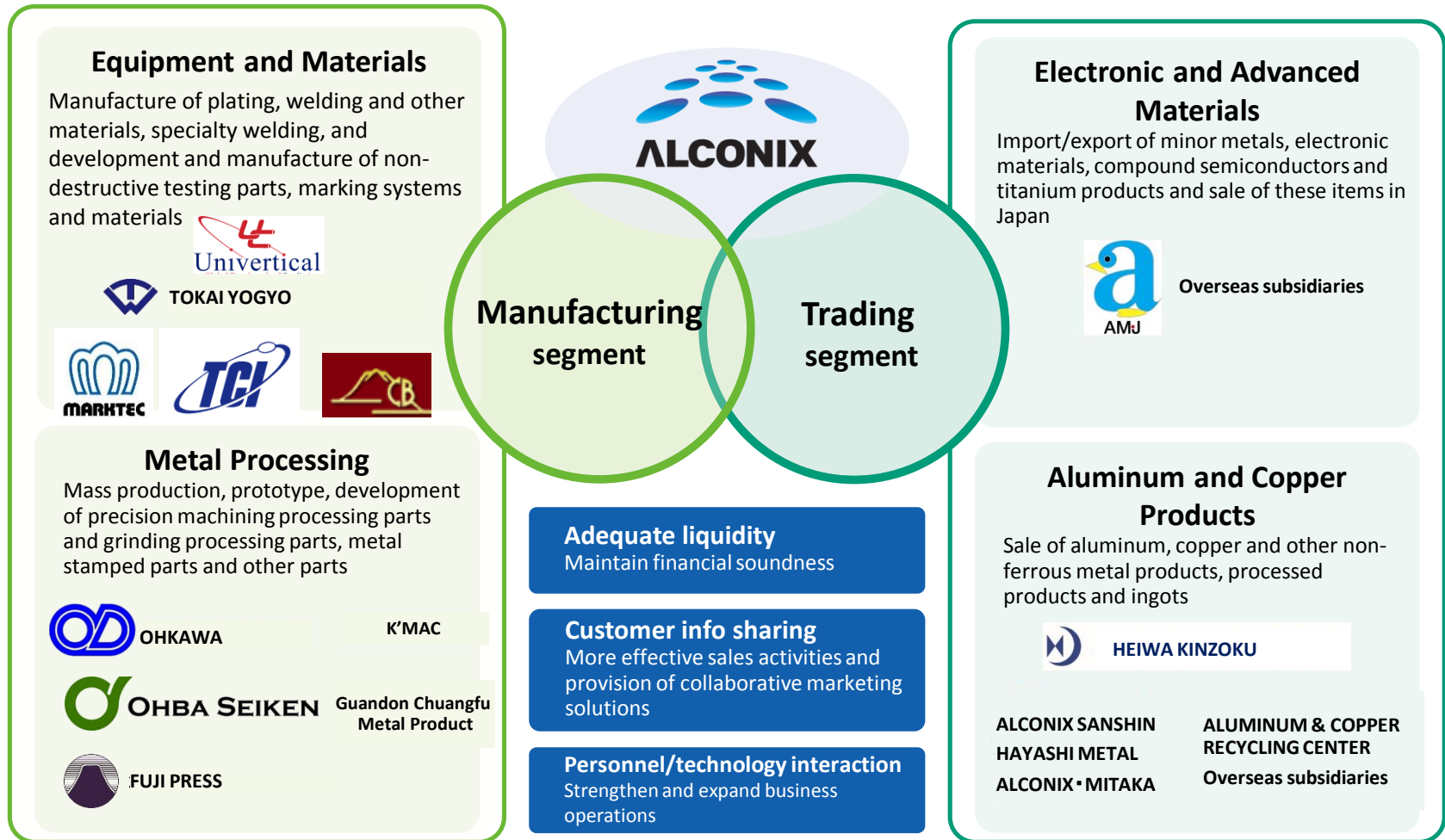
### ¥25 to ¥30 billion over three years

Target: M&As (including investments currently under consideration; business investments; net capital expenditure (capital expenditure – depreciation)

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.**


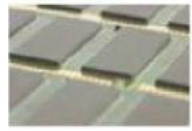
**Electronic materials and components**



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

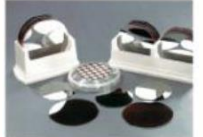
Crystal materials



LCD and battery materials



Semiconductor-related materials



Metallic powder, advanced materials, others



Minor metals (30 elements)

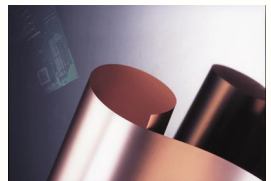


Titanium, Tungsten, Molybdenum, Indium, others

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)

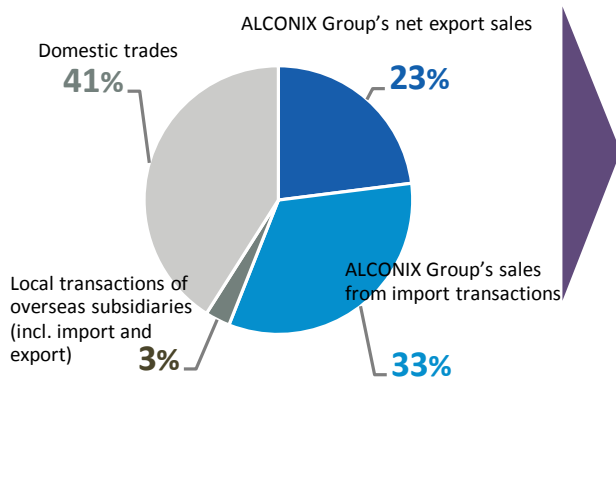
Action plan/Medium-term business plan

### 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

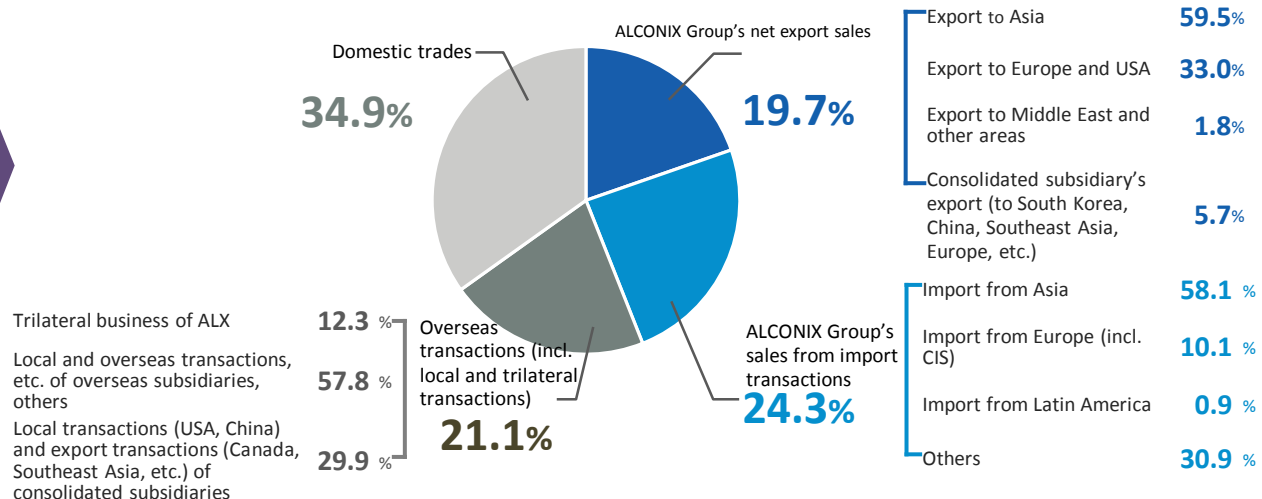
Plan to establish overseas branches in Mexico and India to extend the overseas network

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 **18** cases (actual)

(Manufacturing segment: **9** cases

Trading segment: **9** cases)

#### Recent activities

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

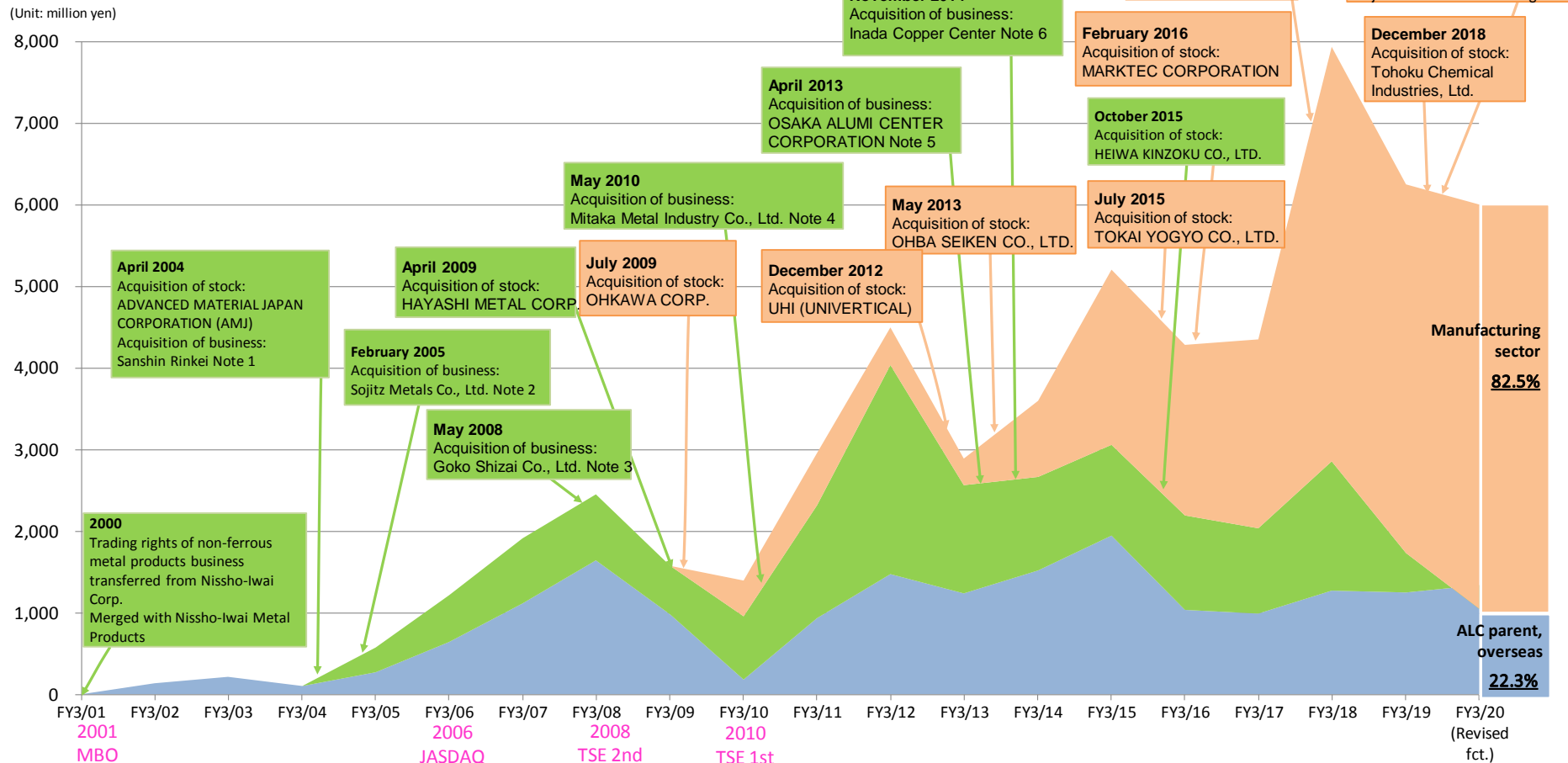
Date of stock acquisition: December 25, 2018  
 Affiliated segment: Manufacturing—Equipment and Materials  
 Capital: ¥120 million  
 Recent results: Net sales: ¥1,700 million; Ordinary profit: ¥130 million (As of March 31, 2018)

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



Head office building

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.
9. Expect ordinary loss in the Trading sector for FY3/20 (Revised forecast)

**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	

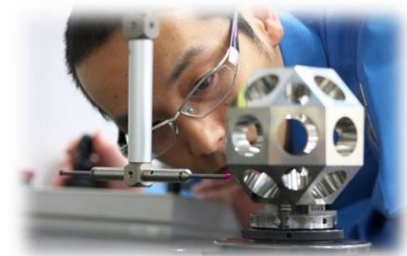
## Reinforce the financial backbone

- 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



## 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 18 cases      Manufacturing segment: 9 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



# Our ESG Initiatives

Aim to further increase corporate value by addressing ESG issues and fulfilling our social responsibilities.

| One Example of an ALCONIX Initiative

## Environment

[Trading segment]

### ■ Non-ferrous scrap recycling

Highly recyclable aluminum and copper scrap materials are collected, recycled and sold to refining companies as renewable raw materials.



### ■ Trading in minor metals and rare earths

Sales of minor metals such as gallium, which is the main raw material for LEDs, and of the rare earths that are indispensable for the production of eco-cars and other hybrid vehicles.



[Manufacturing segment]

### ■ Manufacturing products using naturally derived raw materials

Mainly using cashew particles extracted from cashew nut shells to manufacture friction control materials for automobile brakes.

\* Manufactured by Tohoku Chemical Industries (Manufacturing - equipment materials)



## Governance



### ■ Appointment of outside officers with diverse backgrounds and skills

Realize further enhancement of corporate value by revitalizing the Board of Directors and making quick and accurate decisions.

Sakutaro Tanino, Former Ambassador to China

Masao Hisada, Former Executive Director, Hitachi, Ltd.

Kyo Komita, Certified Public Accountant

Akira Teranishi, Lawyer



### ■ Constructive dialogue with investors (improvement of IR) and enhancement of shareholder returns (continuous and stable dividends)



## Social



### ■ Promoting the active participation of women in the workforce and strengthening the development of diversity and global human resources



### ■ Group company OHKAWA CORP. (Manufacturing - metal processing) selected as “The Driving Company for the Regional Future”\* by the Ministry of Economy, Trade and Industry

#### → Recognized for regional employment and industrial development

\* A core company that has a great influence on the local economy, and is expected to grow, and lead the local economy.



地域未来牽引企業  
The Driving Company for  
the Regional Future

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