



Become an integrated company that combines  
trading and manufacturing capabilities

# ALCONIX CORPORATION

Listed on TSE First Section **Code 3036**

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

Company Overview / Appendix

November 2019

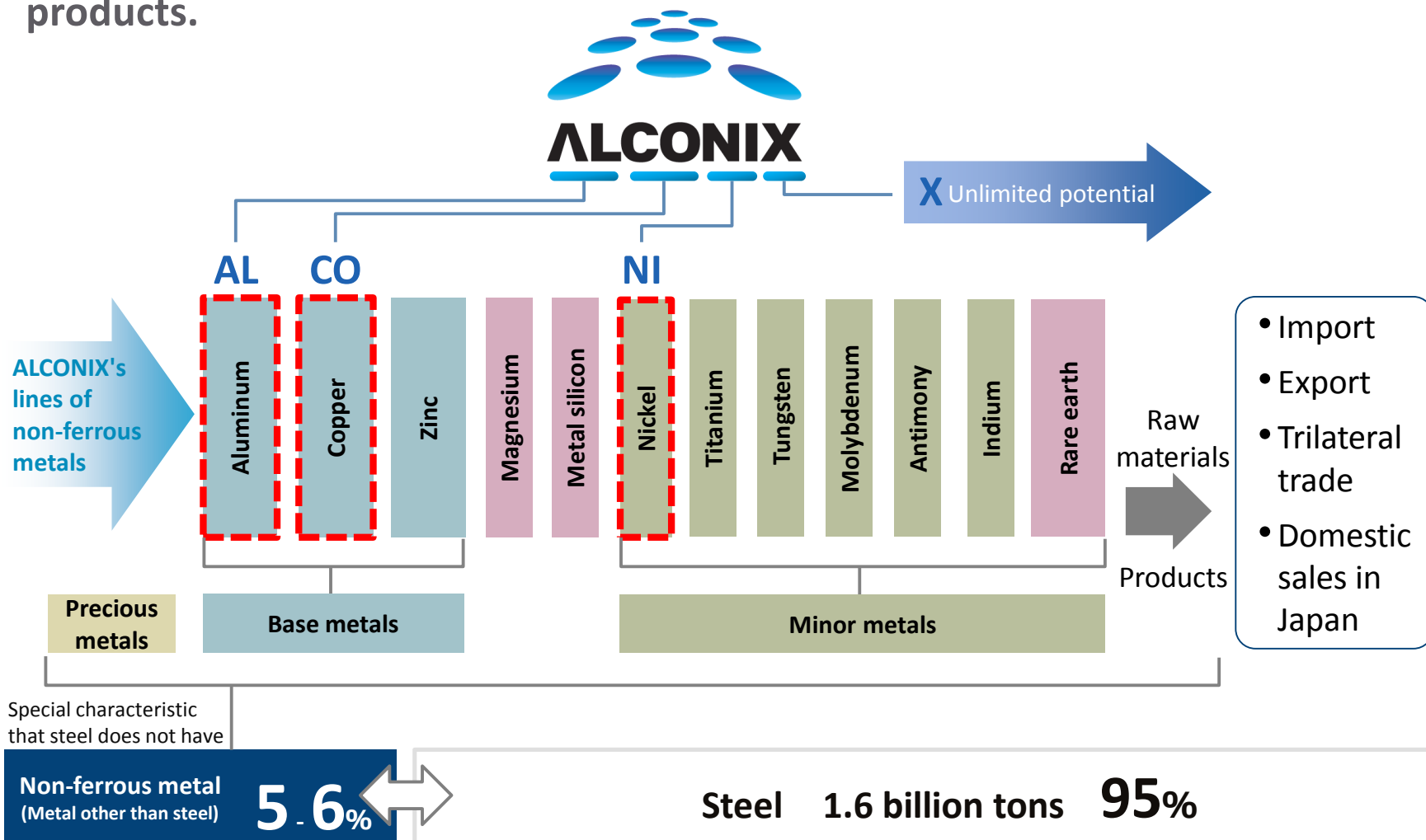
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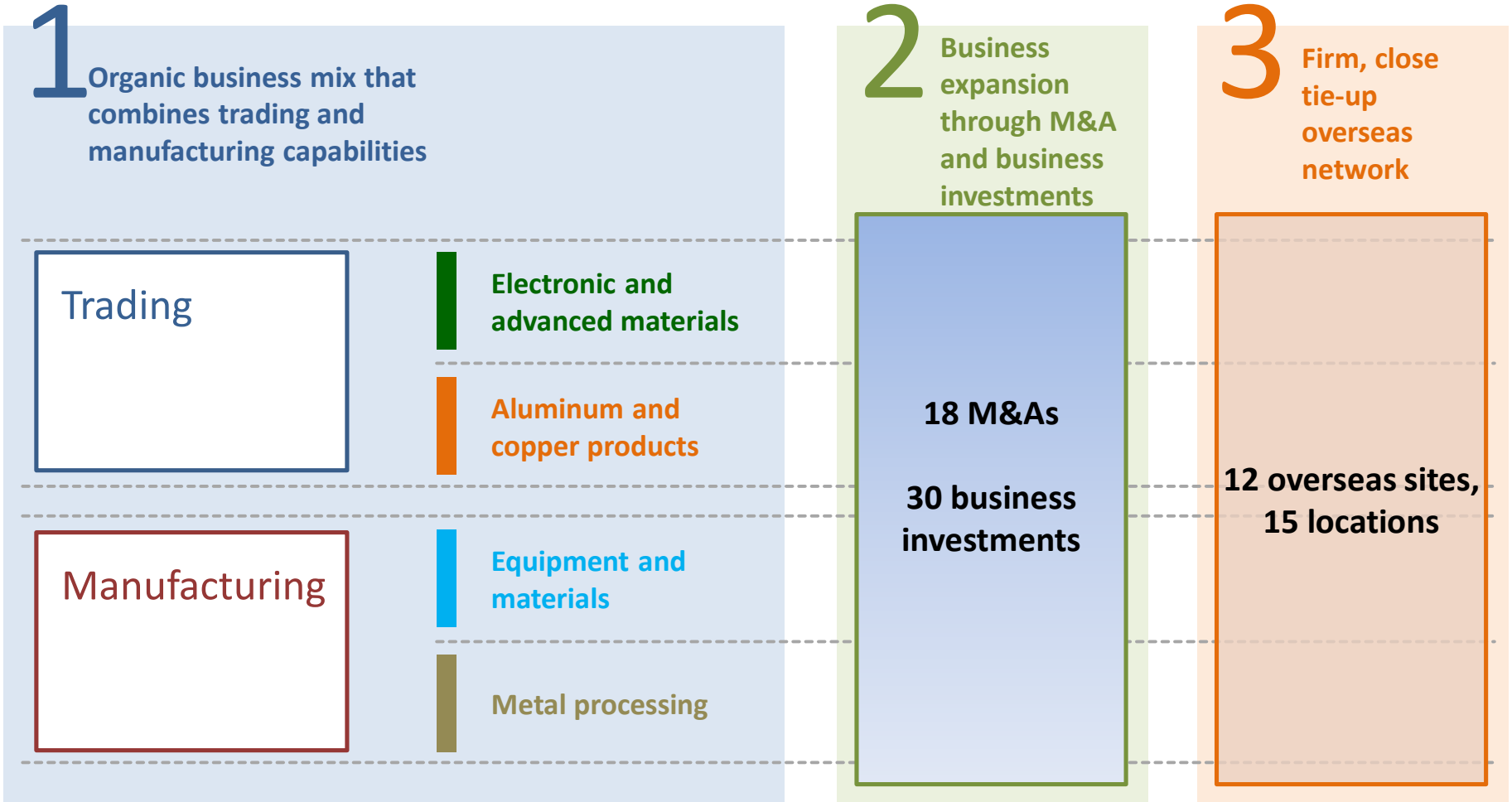
# About ALCONIX

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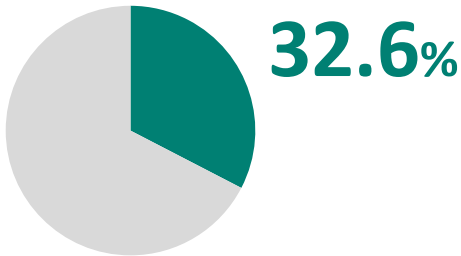













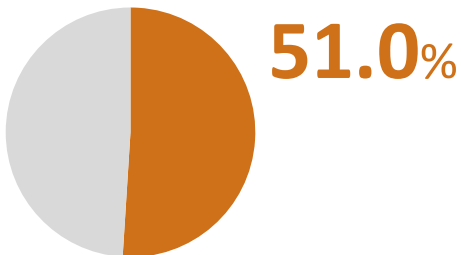










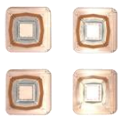

# Business Summary

ALCONIX is an integrated company that encompasses everything from the distribution and sale of non-ferrous metals to the manufacture of metal products.

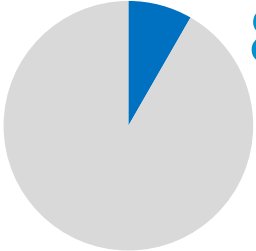







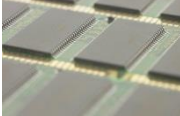


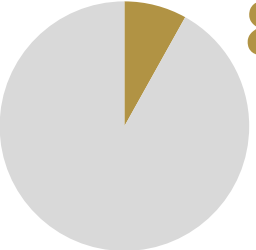












(As of March 31, 2019)

Businesses	Our trading products	End products	Main business areas
<h3 data-bbox="88 239 701 279">Electronic and advanced materials</h3> <div data-bbox="137 311 372 368"> <p>Segment weighting (sales)</p> </div> <div data-bbox="137 391 600 644">  <p data-bbox="401 405 600 468"><b>32.6%</b></p> </div> <div data-bbox="137 672 372 743"> <p>Segment weighting (profits)</p> </div> <div data-bbox="137 668 558 743">  <p data-bbox="388 672 558 735"><b>11.5%</b></p> </div>	<p data-bbox="826 168 1078 197">Our trading products</p> <div data-bbox="749 225 915 358">  <p data-bbox="765 382 900 405">Titanium coils</p> </div> <div data-bbox="954 225 1120 358">  <p data-bbox="948 358 1137 444">Compound semiconductors and other electronic materials</p> </div> <div data-bbox="739 476 908 572">  <p data-bbox="745 576 902 599">Rare earth strips</p> </div> <div data-bbox="962 476 1128 572">  <p data-bbox="967 576 1122 599">Titanium sponge</p> </div> <div data-bbox="745 619 904 711">  <p data-bbox="780 715 886 753">Rare earth compounds</p> </div> <div data-bbox="981 619 1108 711">  <p data-bbox="973 715 1128 738">Rare earth ingots</p> </div>	<p data-bbox="1325 168 1483 197">End products</p> <div data-bbox="1186 225 1373 344">  <p data-bbox="1199 348 1379 434">Automobiles (magnetic and battery materials for various motors)</p> </div> <div data-bbox="1425 215 1619 334">  <p data-bbox="1456 344 1599 429">Tablet PCs, smartphones (battery materials, etc.)</p> </div> <div data-bbox="1219 448 1348 568">  <p data-bbox="1251 572 1360 595">LCD panels</p> </div> <div data-bbox="1412 448 1591 568">  <p data-bbox="1406 568 1605 615">Wind power generation (turbines)</p> </div> <div data-bbox="1213 605 1360 725">  <p data-bbox="1199 729 1373 772">Titanium products (heat exchangers)</p> </div> <div data-bbox="1406 619 1580 725">  <p data-bbox="1412 729 1586 772">Window materials (coating agents)</p> </div>	<p data-bbox="1669 154 1843 205">Main business areas</p> <p data-bbox="1638 282 1837 372">Japan, North America, Europe, China, Asia</p> <p data-bbox="1628 448 1879 515">Consolidated subsidiaries</p> <p data-bbox="1638 591 1881 711">ADVANCED MATERIAL JAPAN, overseas subsidiaries, etc.</p>
<h3 data-bbox="88 815 658 858">Aluminum and copper products</h3> <div data-bbox="137 872 355 929"> <p>Segment weighting (sales)</p> </div> <div data-bbox="137 948 600 1200">  <p data-bbox="401 962 600 1025"><b>51.0%</b></p> </div> <div data-bbox="137 1243 355 1300"> <p>Segment weighting (profits)</p> </div> <div data-bbox="137 1225 558 1300">  <p data-bbox="388 1229 558 1292"><b>16.4%</b></p> </div>	<p data-bbox="826 815 1078 843">Our trading products</p> <div data-bbox="749 805 915 911">  <p data-bbox="765 915 900 938">Aluminum coils</p> </div> <div data-bbox="954 805 1120 911">  <p data-bbox="962 915 1116 938">Copper products</p> </div> <div data-bbox="749 948 915 1105">  <p data-bbox="780 1109 904 1132">Metal scraps</p> </div> <div data-bbox="954 948 1120 1105">  <p data-bbox="954 1109 1108 1152">Aluminum alloy ingots</p> </div> <div data-bbox="761 1148 915 1282">  <p data-bbox="765 1286 923 1309">Brass copper rod</p> </div>	<p data-bbox="1325 815 1483 843">End products</p> <div data-bbox="1213 791 1418 911">  <p data-bbox="1251 915 1406 958">Aircrafts (used in structural parts)</p> </div> <div data-bbox="1437 805 1591 911">  <p data-bbox="1431 911 1605 968">Motorcycles (aluminum frames, etc.)</p> </div> <div data-bbox="1193 976 1418 1096">  <p data-bbox="1251 1100 1367 1138">Automobiles (bodies)</p> </div> <div data-bbox="1456 962 1580 1068">  <p data-bbox="1445 1072 1591 1115">Air conditioners (copper tubes)</p> </div> <div data-bbox="1238 1148 1360 1268">  <p data-bbox="1213 1272 1387 1309">Lead frames (for semiconductor)</p> </div> <div data-bbox="1425 1133 1591 1282">  <p data-bbox="1437 1286 1586 1309">Aluminum cans</p> </div>	<p data-bbox="1628 801 1879 829">Main business areas</p> <p data-bbox="1638 862 1850 952">Japan, China, Asia, Europe, Latin America</p> <p data-bbox="1628 976 1879 1043">Consolidated subsidiaries</p> <p data-bbox="1638 1048 1862 1315">ALCONIX SANSHIN, HAYASHI METAL, ALCONIX•MITAKA, HEIWA KINZOKU, ALUMINUM &amp; COPPER RECYCLING CENTER, overseas subsidiaries</p>

(As of March 31, 2019)

Businesses	Our trading products	End products	Main business areas
<h3>Equipment and materials</h3> <div data-bbox="137 305 355 361"> <p>Segment weighting (sales)</p> </div>  <p><b>8.3%</b></p> <div data-bbox="137 668 355 723"> <p>Segment weighting (profits)</p> </div> <p><b>9.7%</b></p>	<p>Our trading products</p>  <p>Plating materials</p>  <p>Welding rods</p>  <p>Non-destructive testing (equipment)</p>  <p>Non-destructive testing (detection materials)</p>  <p>Cashew products</p>	<p>End products</p>  <p>Vehicle (plating, metal mold building-up welding rods, non-destructive testing)</p>  <p>Steel (marking)</p>  <p>Semiconductor (PWB plating)</p>  <p>Construction materials (plating)</p>  <p>Power generation plant (non-destructive testing)</p>	<p>Main business areas</p> <p>Japan, China, North America, Europe, Asia</p> <p>Consolidated subsidiaries</p> <p>UNIVERETICAL, TOKAI YOGYO, MARKTEC, Tohoku Chemical Industries, Fuji Carbon Manufacturing</p>
<h3>Metal processing</h3> <div data-bbox="137 922 343 978"> <p>Segment weighting (sales)</p> </div>  <p><b>8.1%</b></p> <div data-bbox="137 1253 343 1309"> <p>Segment weighting (profits)</p> </div> <p><b>62.6%</b></p>	<p>Our trading products</p>  <p>Precision fabricated parts</p>  <p>Precision grinding processing parts</p>  <p>High precision stamped parts</p>	<p>End products</p>  <p>Aircrafts (engine parts)</p>  <p>Artificial satellite (communication parts)</p>  <p>Chip mounters</p>  <p>Tablet PCs, smartphones (PWBs)</p>  <p>Automobiles (driving parts, trial parts)</p>	<p>Main business areas</p> <p>Japan, China, Asia</p> <p>Consolidated subsidiaries</p> <p>OHKAWA CORP., OHBA SEIKEN, FUJI PRESS, FUJI ALCONIX DE MEXICO, K'MAC* Guandon Chuangfu Metal Product*</p> <p>* Equity-method affiliates</p>

# Business Expansion

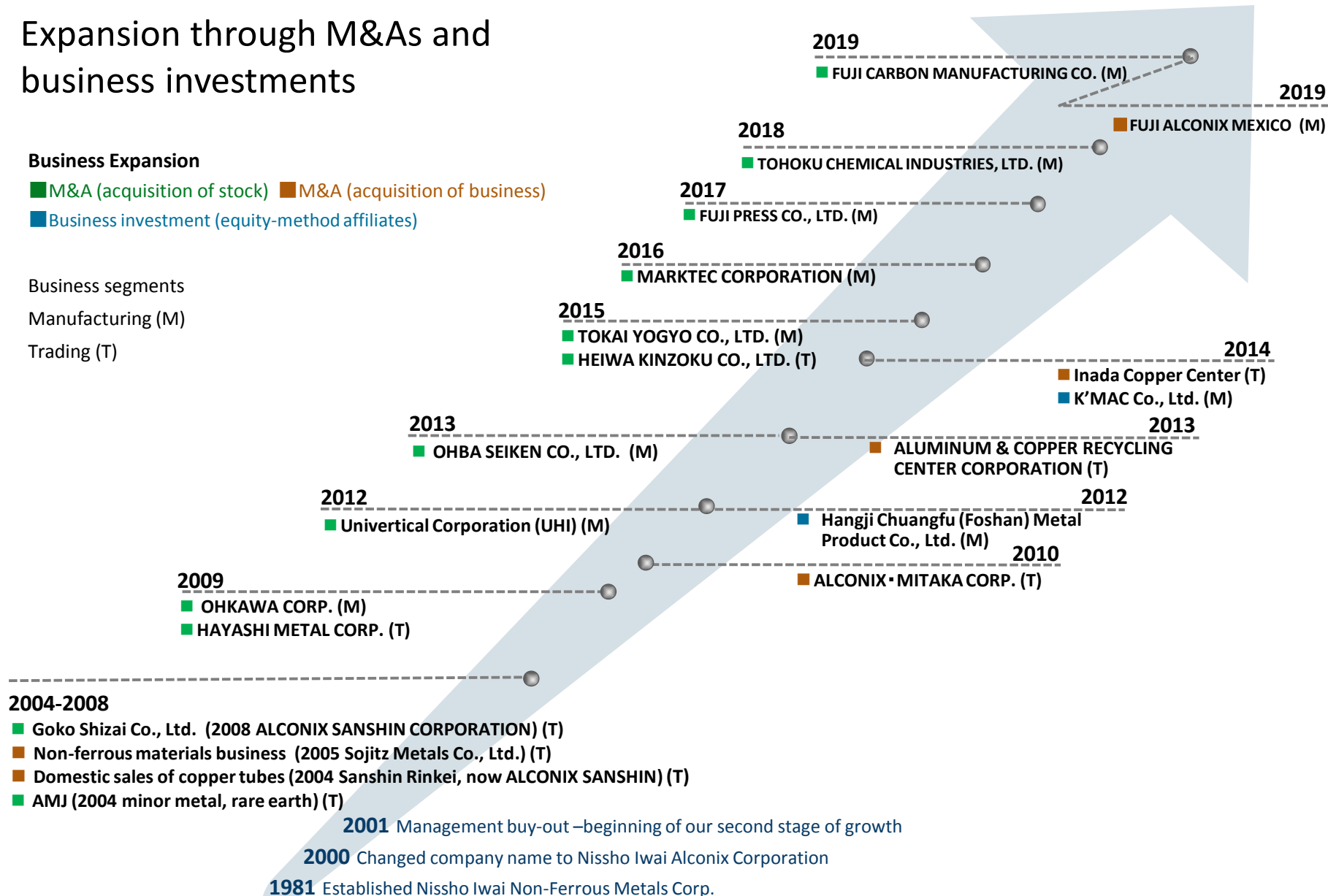
## Expansion through M&As and business investments

### Business Expansion

- M&A (acquisition of stock)
- M&A (acquisition of business)
- Business investment (equity-method affiliates)

### Business segments

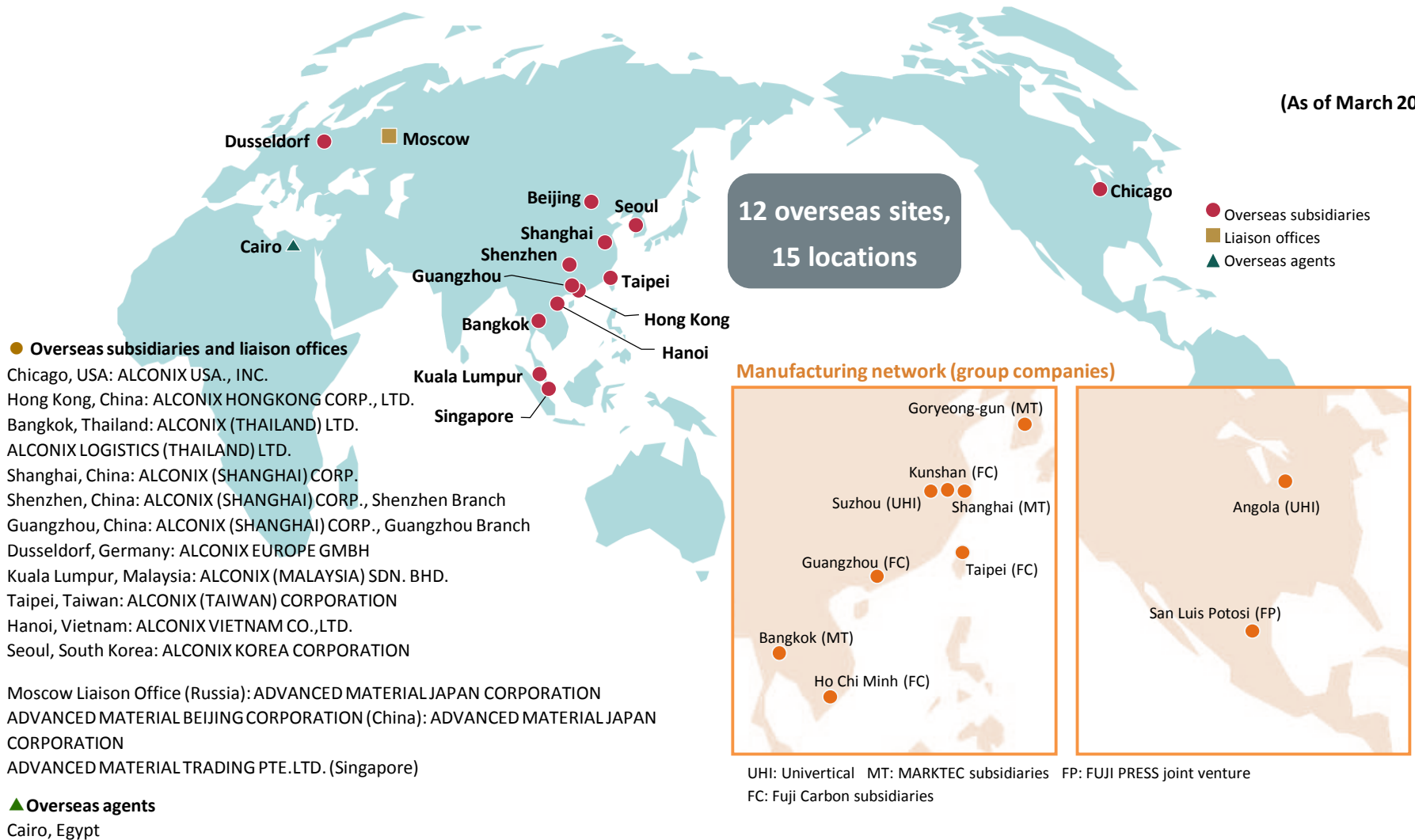
- Manufacturing (M)
- Trading (T)





The ALCONIX Group has a unique overseas network that emphasized profitability

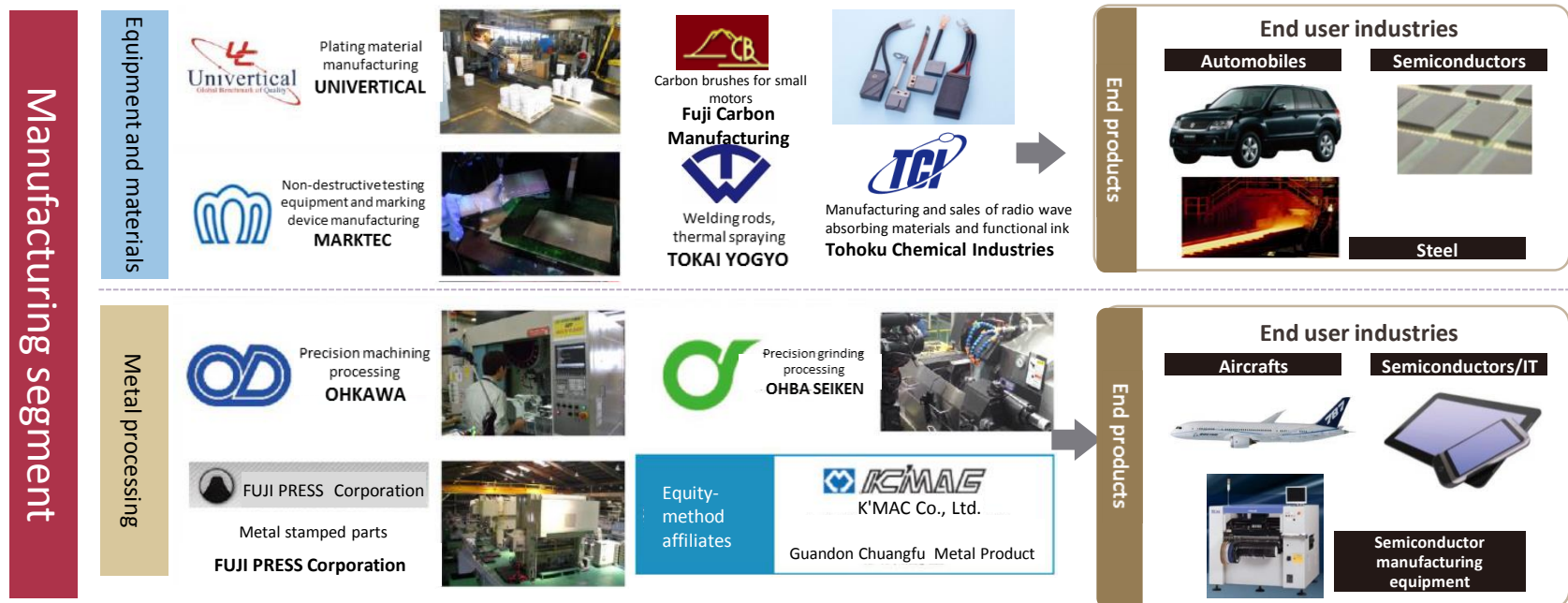
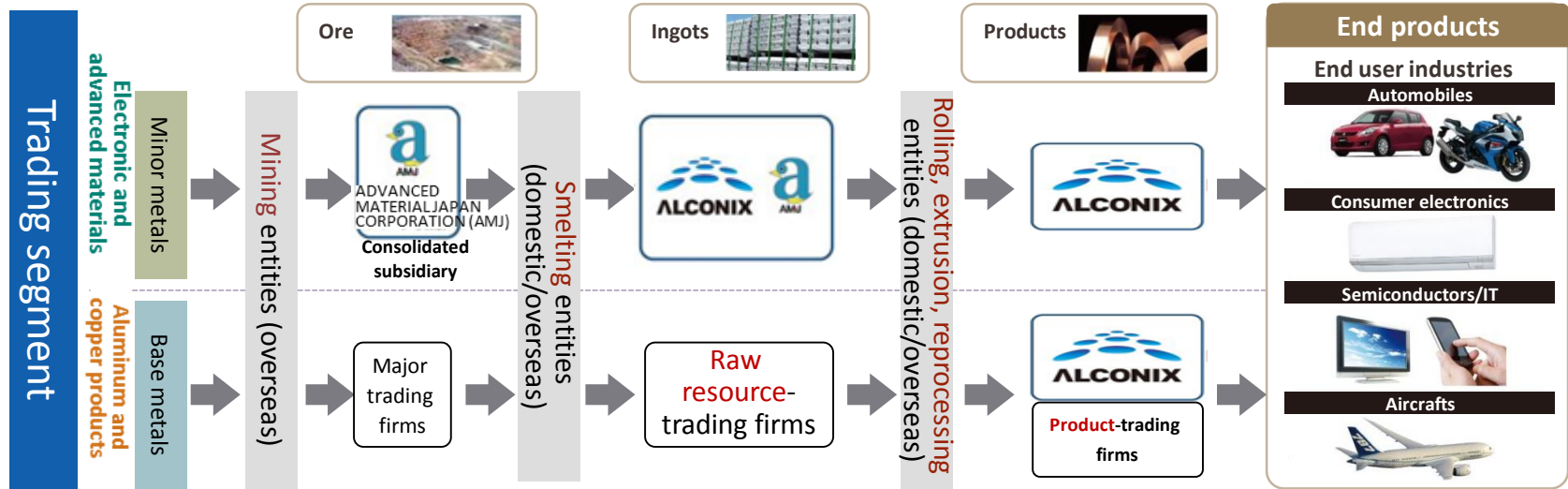
(As of March 2019)



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# Business Model

# Business fields



Business style	Business flow	Inventory	Profitability	Profit source	When market prices rise	
					Amount of profit	Profit margin
Intermediary	<ul style="list-style-type: none"> <li>ALCONIX concludes each contract with clients or supplier individually</li> <li>ALCONIX facilitates and controls distribution</li> </ul>	No inventory	<ul style="list-style-type: none"> <li>No inventory risk</li> <li>Profitability tends to be relatively high</li> </ul>	Margin/ commission	○ (Eager to purchase)	○
Direct	<ul style="list-style-type: none"> <li>Contract conditions (price, delivery date, amount) are concluded between our client and supplier</li> <li>Supplier delivers directly to our client</li> </ul>	No inventory	<ul style="list-style-type: none"> <li>No inventory risk</li> <li>Profitability tends to be low</li> </ul>	Commission (fixed amount) Commission (transaction price x fixed rate) Commission (processing costs x fixed rate)	○(Eager to purchase) ○(Eager to purchase) ○(Eager to purchase)	Slightly ○ - Slightly △
Inventory-1 (Already contracted)	<ul style="list-style-type: none"> <li>ALCONIX takes an order from specific client, holds inventory and delivers just in time</li> </ul>	Hold inventory	<ul style="list-style-type: none"> <li>No inventory risk</li> <li>Profitability tends to be average</li> </ul>	Margin/ commission	○(Eager to purchase)	-
Inventory-2 (No sales contract)	<ul style="list-style-type: none"> <li>ALCONIX controls, and holds inventory regardless of any clients order</li> </ul>	Hold inventory	<ul style="list-style-type: none"> <li>Existence of inventory risk</li> <li>Profitability tends to be high</li> </ul>	Margin	○(Eager to purchase)	○

○: Positive △: Negative —: Neutral

- Market price rise → expansion of client demand; Market price drop → restraint in client demand
- Relatively small impact of market volatility on our transactions
  - Some "Intermediary" and "Inventory-2" transactions are directly impacted by the market.
  - "Inventory-2" transactions account for only 5% of total transactions. This limits the direct impact of market volatility on our profits.

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# Corporate Data

(Unit: million yen)

	FY3/06	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Net sales	127,627	172,781	215,839	165,439	109,192	157,979	220,703	164,769	183,749	201,543	201,755	201,948	247,931	<b>257,437</b>
Cost of sales	122,968	166,668	208,571	159,582	103,259	149,710	210,060	156,010	172,754	189,452	189,574	187,472	228,892	<b>238,230</b>
Gross profit	4,659	6,112	7,268	5,857	5,932	8,268	10,642	8,759	10,995	12,091	12,181	14,476	19,038	<b>19,207</b>
SG&A expenses	3,175	3,631	4,195	4,212	4,395	5,191	5,955	5,473	7,510	7,506	8,388	10,307	11,715	<b>12,949</b>
Operating profit	1,483	2,480	3,072	1,645	1,537	3,077	4,687	3,286	3,484	4,584	3,792	4,168	7,323	<b>6,257</b>
Ordinary profit	1,214	1,910	2,452	1,577	1,402	2,963	4,499	2,892	3,600	5,205	4,281	4,352	7,939	<b>6,254</b>
Profit before income taxes	1,133	1,903	2,512	564	2,456	3,376	4,453	2,594	4,509	5,213	5,103	4,446	7,482	<b>6,460</b>
Profit	583	1,076	1,427	181	1,799	1,901	2,450	1,430	3,144	3,505	4,977	3,083	5,336	<b>4,009</b>
Total assets	36,660	49,973	54,290	39,137	40,219	64,561	68,600	70,382	85,664	89,848	111,570	113,647	130,197	<b>143,851</b>
Net assets	3,533	5,263	7,152	7,325	9,157	12,144	14,020	15,818	21,368	26,951	31,323	34,119	38,626	<b>39,673</b>
Interest-bearing debt	7,562	10,520	14,505	13,175	11,915	25,345	23,148	26,926	29,913	30,130	38,611	38,091	46,053	<b>58,408</b>

Listed on  
JASDAQ

Listed on TSE  
2nd Section

Designated for  
listing on TSE  
1st Section

	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Net assets per share (cons.) (yen)	466.99	535.85	603.74	819.11	1,026.91	1,155.66	1,255.62	1,423.87	1,489.59
Net income per share (cons.) (yen)	84.83	96.43	56.29	123.69	137.38	193.54	119.66	206.56	155.20
Dividend per share (yen)	12.50	15.00	15.00	16.25	20.00	22.00	22.00	32.00	39.00
(of which commemorative dividend)	1.25								
(of which interim dividend)		(6.25)	(7.50)	(7.50)	(9.00)	(11.00)	(11.00)	(16.00)	(19.00)
Dividend payout ratio	14.7%	15.6%	26.6%	13.1%	14.6%	11.4%	18.4%	15.5%	25.1%
Number of shares outstanding	25,391,200	25,412,800	25,420,800	25,435,200	25,626,400	25,751,200	25,788,000	25,864,800	25,882,200
Return on equity (cons.)	18.3%	19.2%	9.9%	17.4%	14.9%	17.8%	9.9%	15.4%	10.7%
Return on assets (cons.)	5.7%	6.8%	4.2%	4.6%	5.9%	4.3%	3.9%	6.5%	4.6%
Equity ratio (cons.)	18.4%	19.8%	21.8%	24.3%	29.3%	26.7%	28.5%	28.3%	26.3%
Net debt equity ratio	1.45	0.93	1.03	0.82	0.67	0.63	0.66	0.74	0.95
Number of employees (cons.)	402	411	511	752	797	1,132	1,148	1,424	2,417

Note: ALCONIX conducted a 2-for-1 stock split on September 1, 2017. The per share figures before FY3/17 was assumed that the stock split was previously conducted.

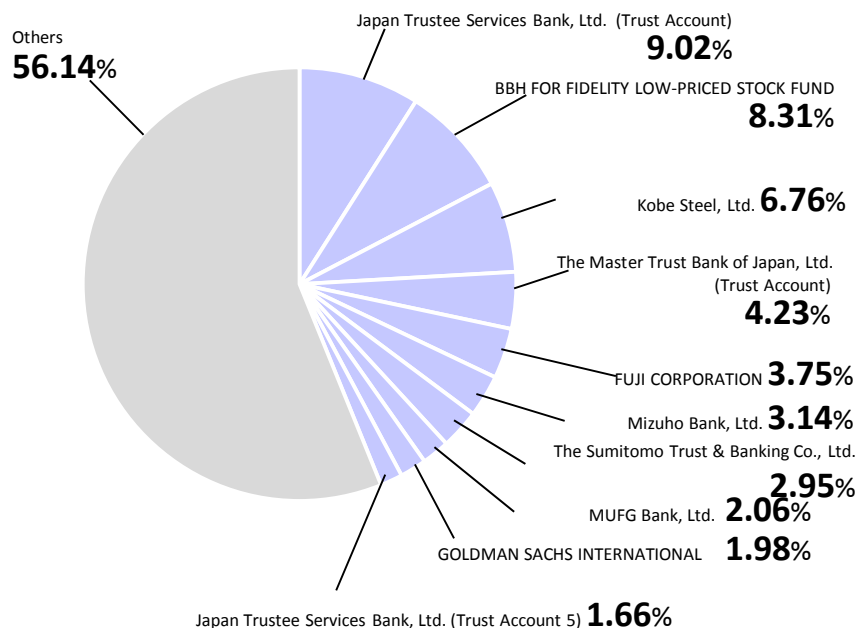
- Net income per share: Not considered potential stock
- Return on assets = Ordinary profit / (Average of year-start and year-end total assets of FY)
- Return on equity = Profit / (Average of year-start and year-end net assets of FY, excluding non-controlling interests and subscription rights to shares)
- Net debt equity ratio = (Interest-bearing debt - Cash and deposits) / Net assets
- Number of employees: Excludes directors of the Company and employees dispatched from temporary staff agencies, but includes seconded employees dispatched from the Company to other companies, contract staff, and staff dispatched from other companies. All figures are based on the securities report (“Yukashoken Hokokusho”).

### Shareholder Distribution by Type of Shareholders

(As of September 30, 2019)

Category	Number of shares held	Shareholding ratios	Number of shareholders	Composition
Financial institutions	7,840,300	30.25%	26	0.29%
Securities companies	243,377	0.94%	33	0.37%
Other Japanese entities	5,413,068	20.89%	87	0.97%
Overseas entities (of which, 8,005 foreigners)	5,017,431	19.36%	87	0.97%
Individual investors, others	6,739,755	26.01%	8,751	97.39%
Treasury shares	661,769	2.55%	1	0.01%
<b>Total</b>	<b>25,915,700</b>	<b>100.00%</b>	<b>8,985</b>	<b>100.00%</b>

Note: Above shares include shares less than one unit for holders of shares less than one unit.



### Shareholders

(As of September 30, 2019)

Name of shareholders	Number of shares held	Shareholding ratios
Japan Trustee Services Bank, Ltd. (Trust Account)	2,276,700	9.02%
BBH FOR FIDELITY LOW-PRICED STOCK FUND	2,098,400	8.31%
Kobe Steel, Ltd.	1,707,200	6.76%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,067,200	4.23%
FUJI CORPORATION	948,000	3.75%
Mizuho Bank, Ltd.	792,000	3.14%
The Sumitomo Trust & Banking Co., Ltd.	744,000	2.95%
MUFG Bank, Ltd.	520,000	2.06%
GOLDMAN SACHS INTERNATIONAL	499,278	1.98%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	418,000	1.66%
Others	14,844,922	56.14%
<b>Total</b>	<b>25,915,700</b>	<b>100.00%</b>

Note: Shareholding ratios are calculated after deducting treasury shares (661,769 shares) from the total number of shares outstanding.

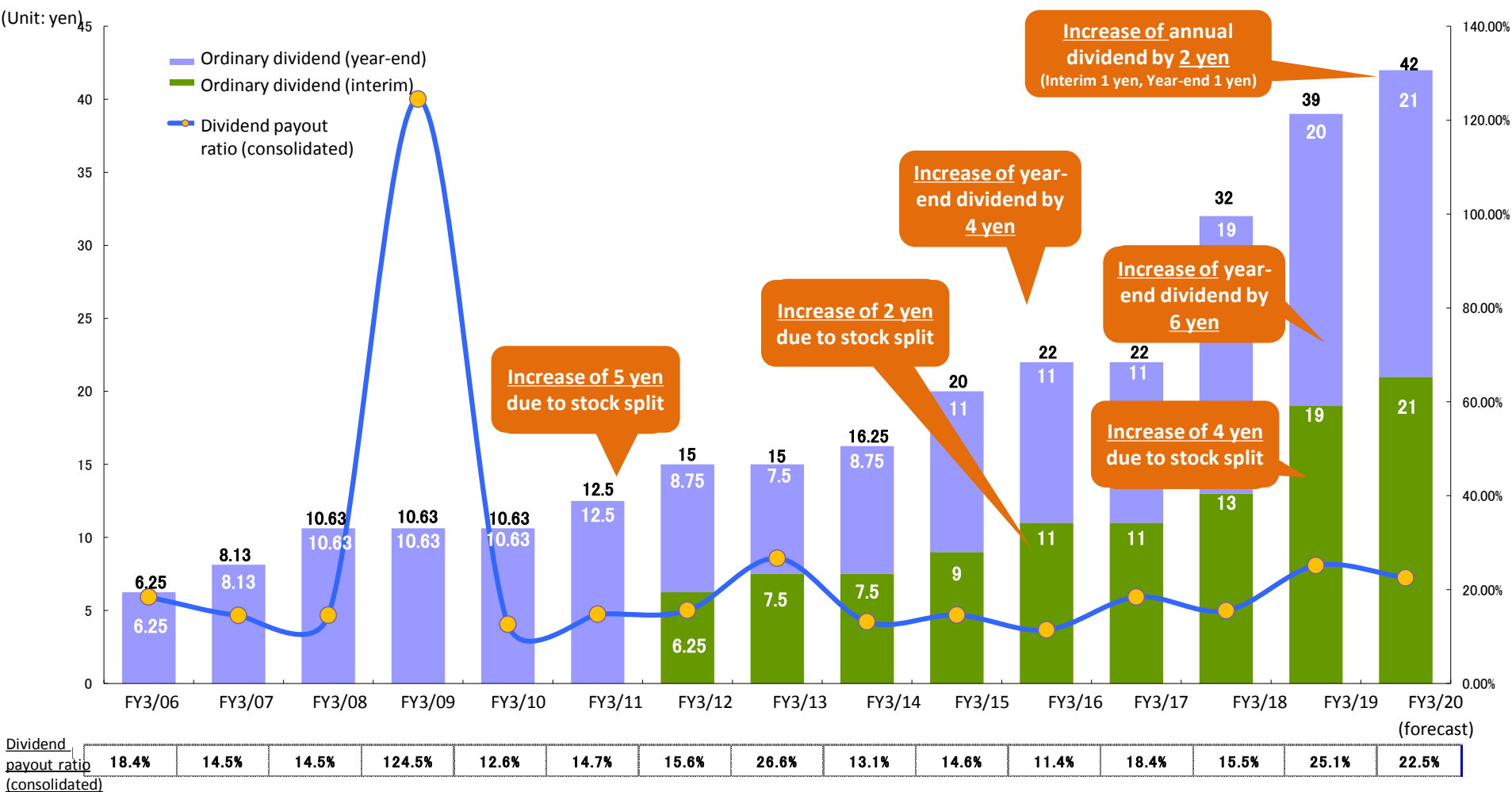


# Shareholder returns:

## Trend in dividend per share and dividend payout ratio

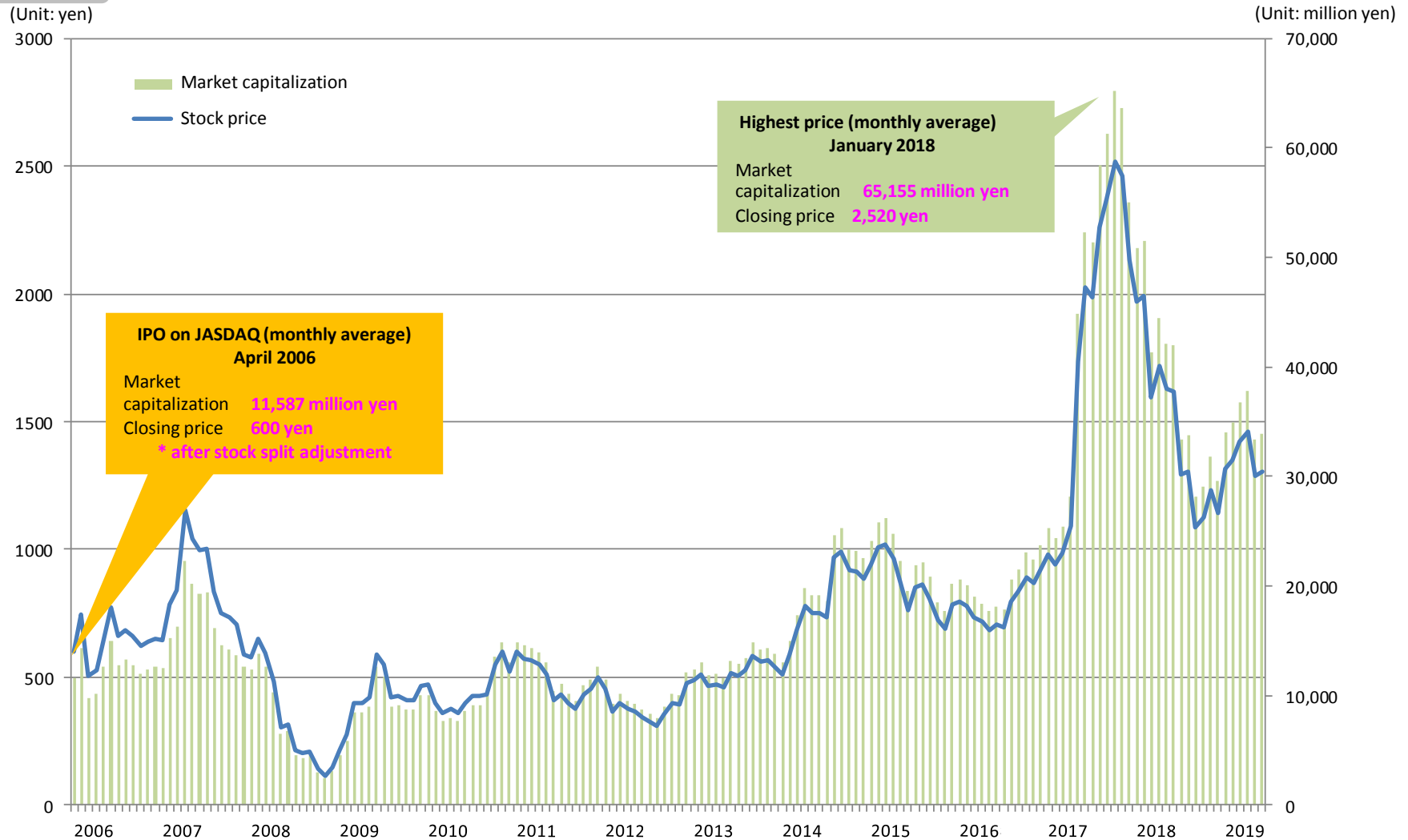
Corporate data

\* Stock split:  
Aug. 2010, Sep. 2014, Sep. 2017



Notes: 1. FY3/19 interim dividend is the actual amount paid while FY3/19 year-end dividend is based on forecast.  
2. ALCONIX has conducted three 2-for-1 common stock splits in the past. The dividend per share for FY3/16 and before has been adjusted to reflect the stock split.

## Stock price April 2006 – September 2019



Notes: 1. Adjusted closing price and market capitalization represent monthly average.  
 2. Adjusted closing price has been adjusted to reflect the stock splits conducted in prior years.

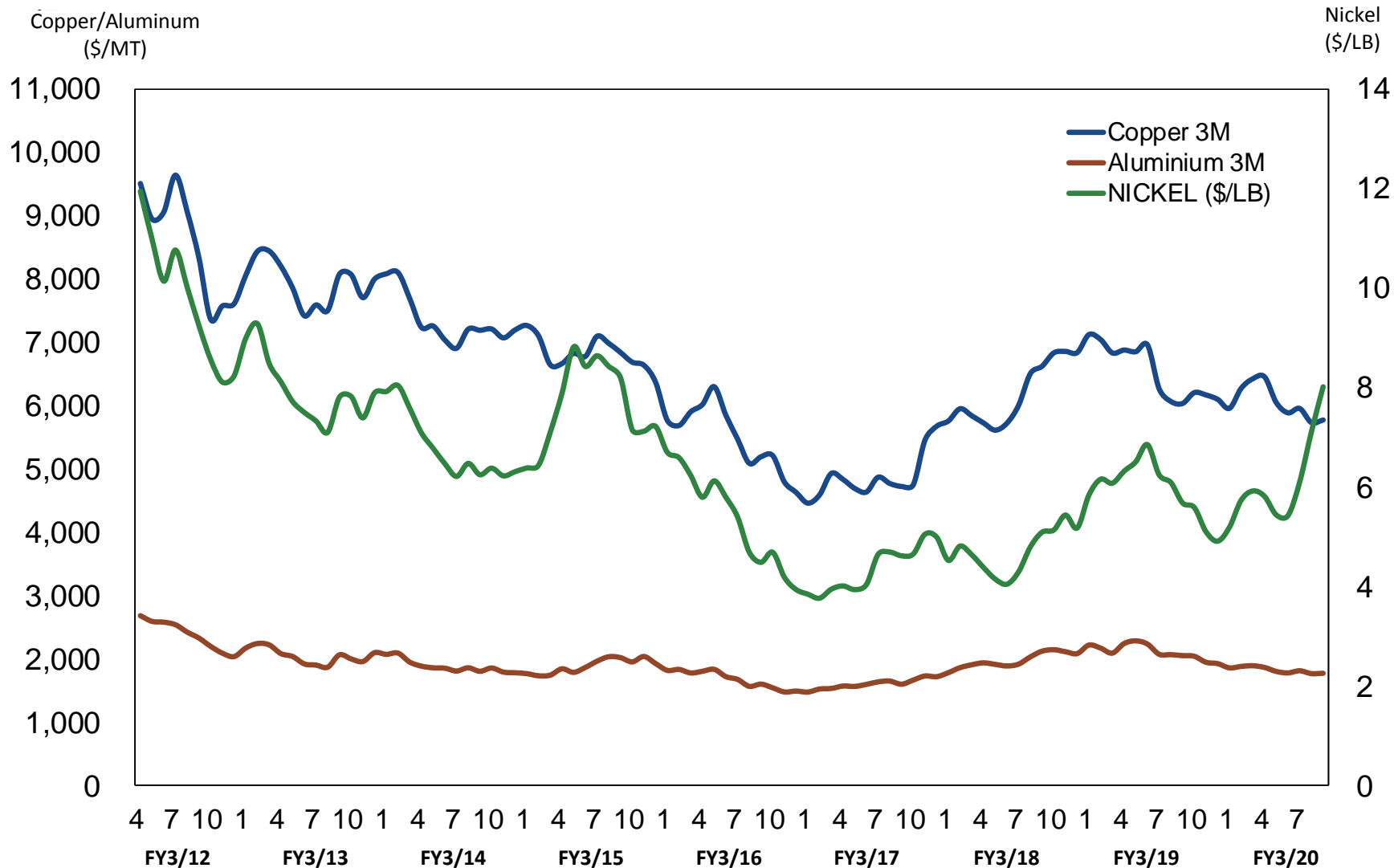
# Market Chart (Reference Materials)

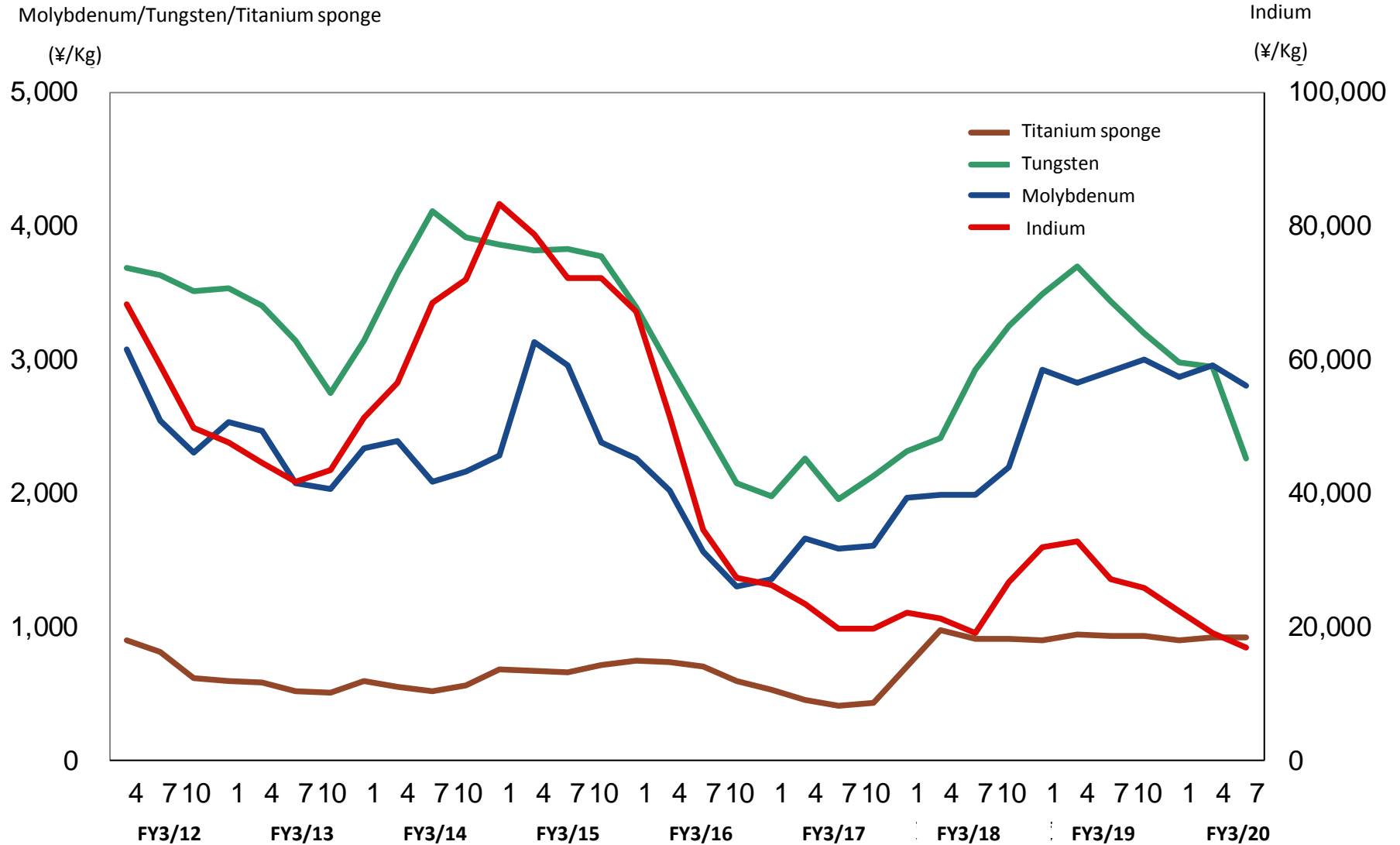
# Market trends

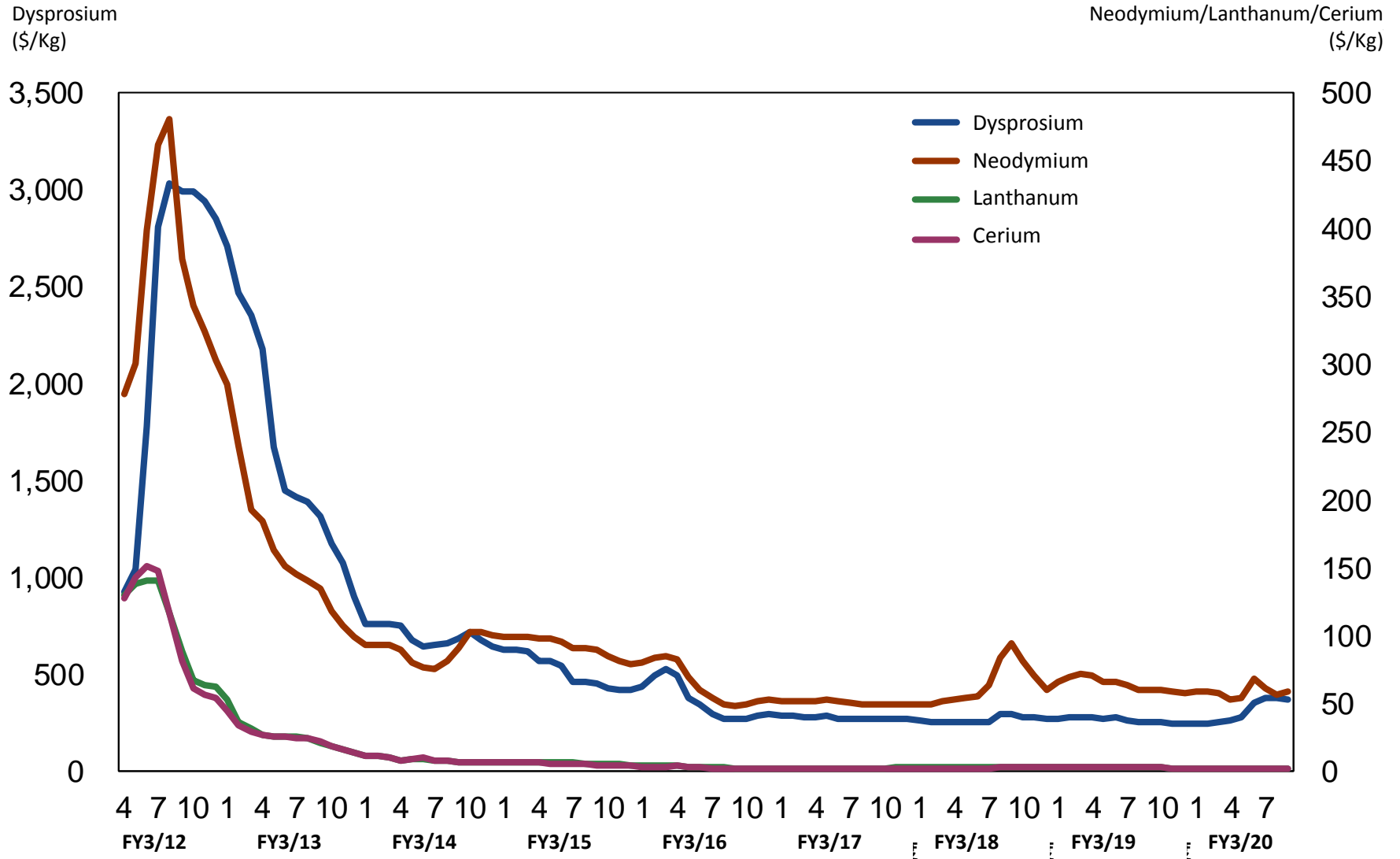
## (main non-ferrous metals: copper, aluminum and nickel)

Market chart (reference materials)

\* Based on London Metal Exchange (LME)

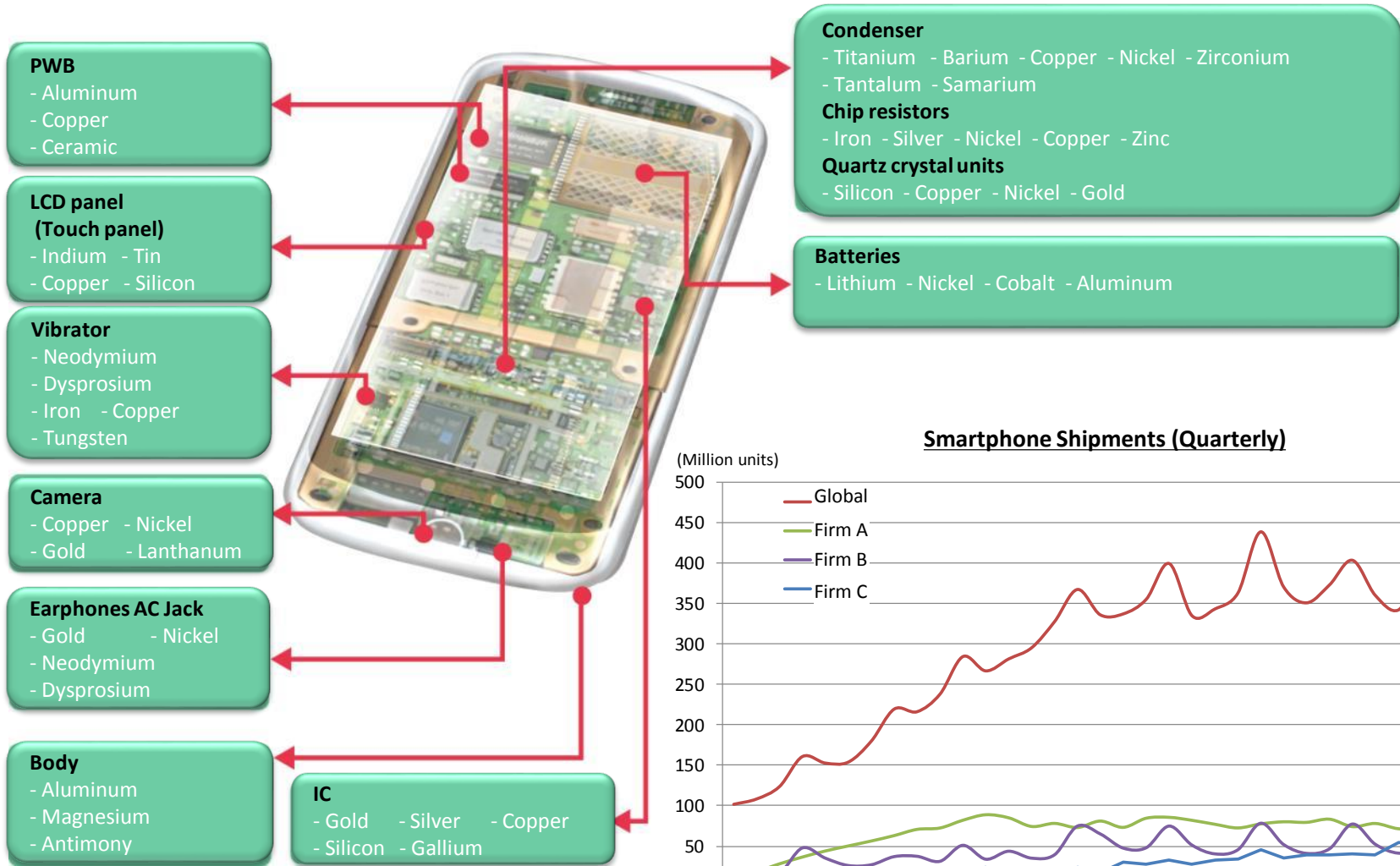




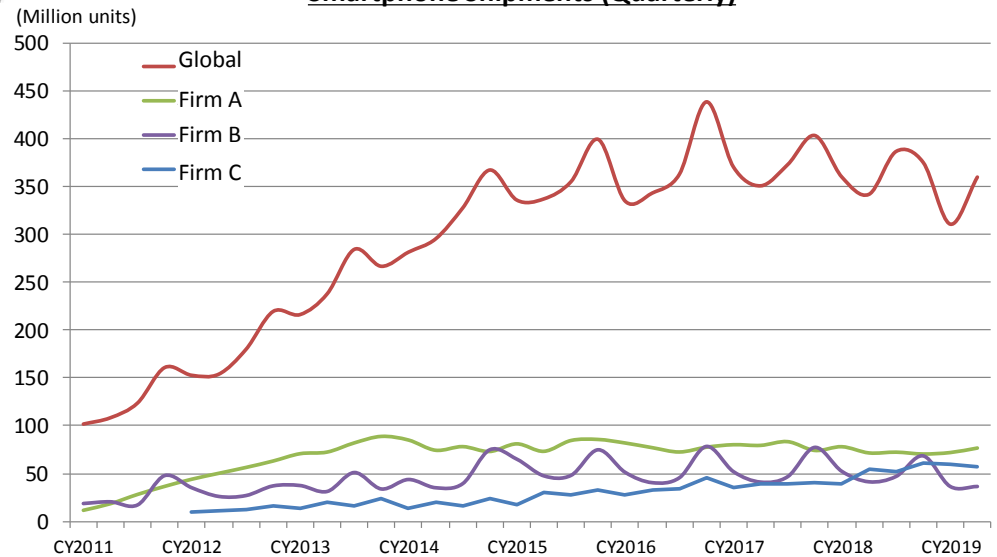


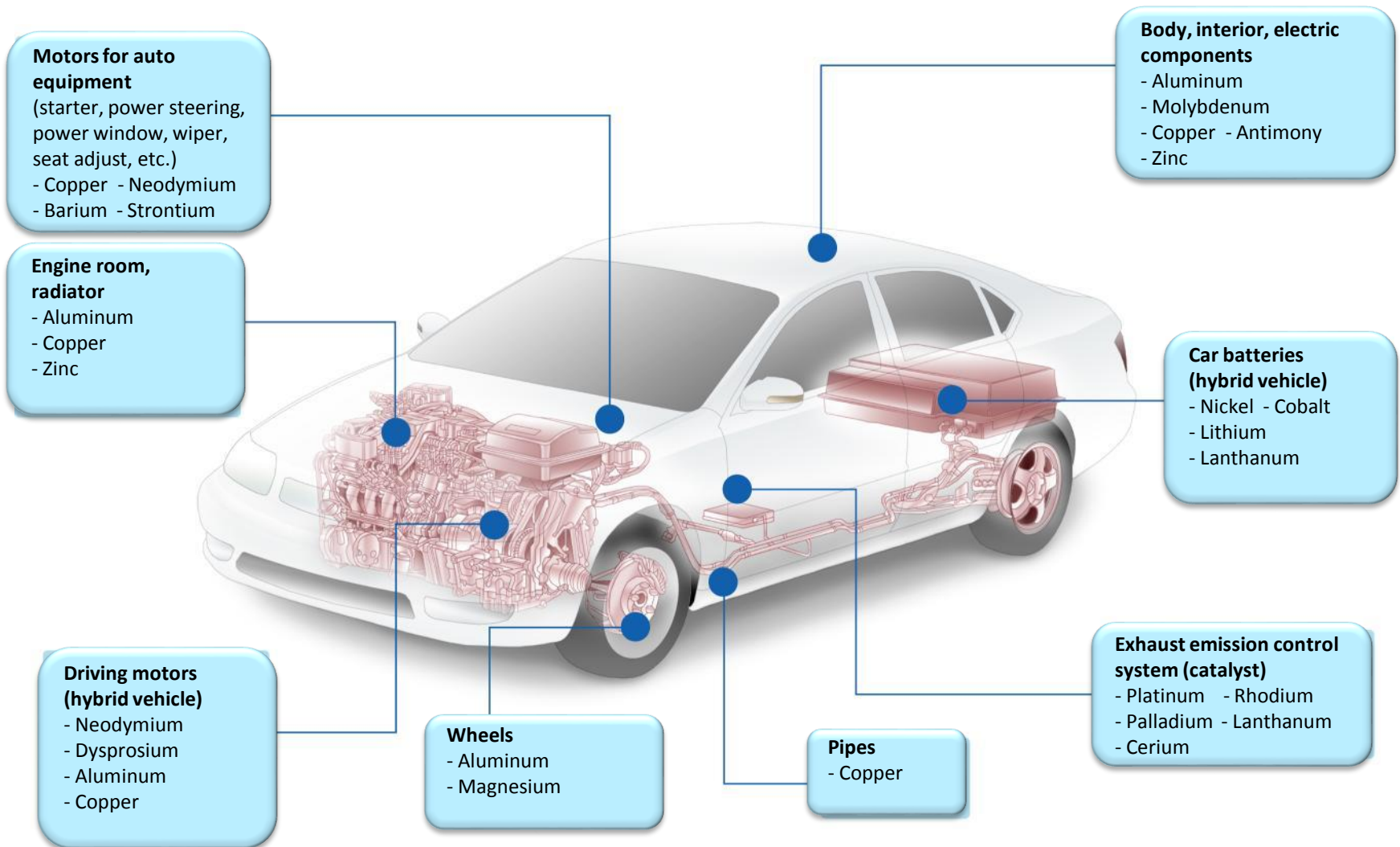
# Non-ferrous metal application 1 (smartphones)

Market chart (reference materials)



**Smartphone Shipments (Quarterly)**









These materials were prepared to help investors understand ALCONIX and were not intended as a solicitation for investment in ALCONIX. These materials were prepared carefully for accuracy, but the completeness of these materials cannot be guaranteed. ALCONIX will not be held responsible for any problems or damages that result from the information provided in these materials. Earnings forecasts and other future forecasts in these materials were made based on the judgment of ALCONIX using information available at the time these materials were prepared. These forecasts embody latent risk and uncertainty. Please understand that actual earnings may differ from these forecasts due to changes in the business environment and other factors.

