



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, 2021

August 2020

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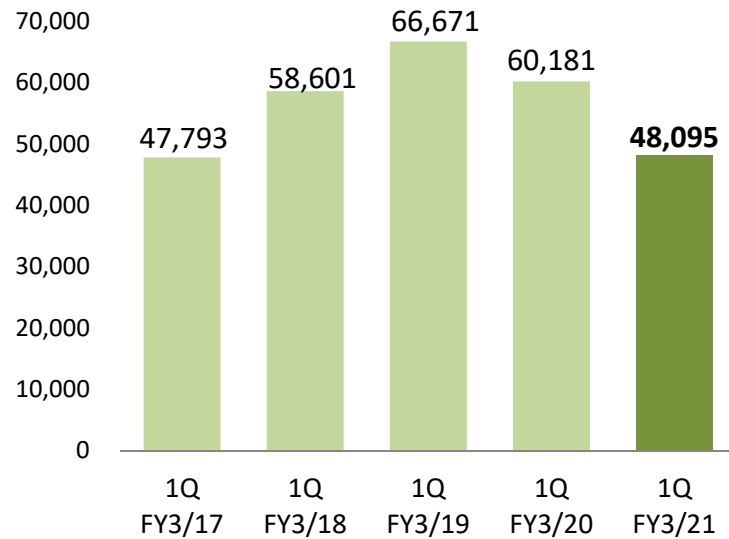
Results Materials

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Results highlights (1Q FY3/21) Consolidated sales

Consolidated Sales

(Unit: million yen)



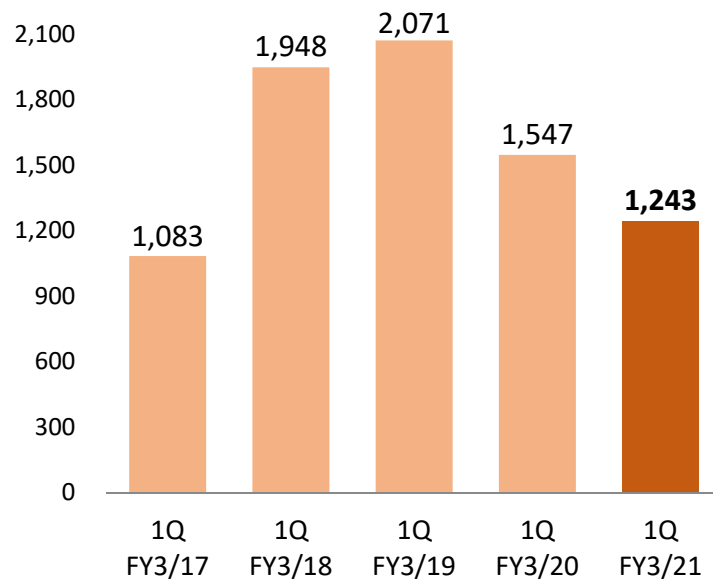
Down 20.1% YoY

Consolidated sales decreased due to the COVID-19 pandemic (down 24.0% in the Trading segment and down 3.0% in the Manufacturing segment)

Results highlights (1Q FY3/21) Consolidated ordinary profit

Consolidated Ordinary Profit

(Unit: million yen)



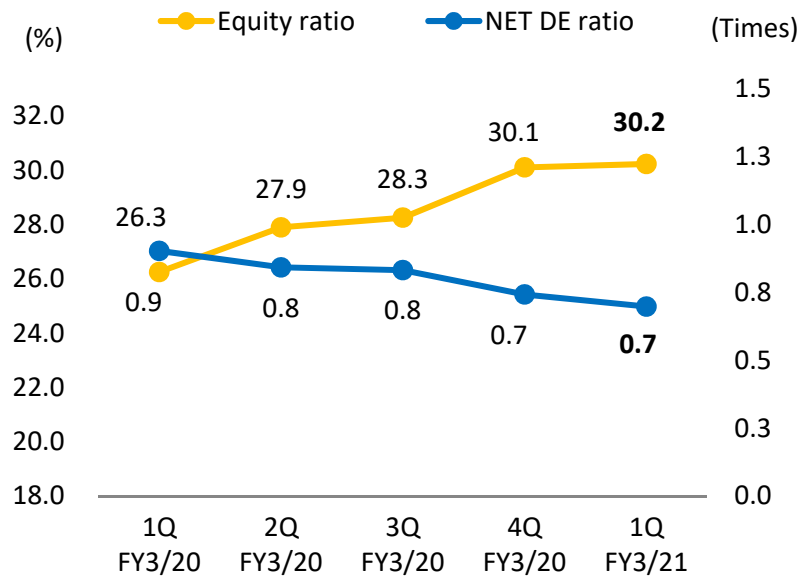
Down 19.6% YoY

Earnings decreased due to lower sales

(Earnings improved in the Electronic and Advanced Materials because demand increased in the semiconductor sector and a one-time loss recorded one year earlier was eliminated.)

Results highlights (1Q FY3/21) Major consolidated financial indicators

Major Consolidated Financial Indicators



Equity Ratio

Up 0.1 percentage point

A reduction in receivables and payables and higher profit

Net debt equity ratio (NetDER)

0.7 times

NetDER remained below 1.0 as in the previous fiscal year

Topics

Changes to Officers for Stronger Governance

The new governance framework

Approved at the 39th Ordinary General Meeting of Shareholders held on June 24, 2020



Officers

President and CEO: Masato Takei

Directors: Yasushi Miyazaki

Hiroshi Teshirogi

Takumi Suzuki

Sakutaro Tanino (Outside)

Masao Hisada (Outside)

Yukino Kikuma (Newly elected/Outside)

Audit & Supervisory Board Members:

Masahiko Nishimura

Shigeo Ogi (Newly elected/Outside)

Kimiko Oga (Newly elected/Outside)

Ryoko Takeda (Newly elected/Outside)

* Ms. Yukiko Imazu (lawyer) was elected as a Substitute Audit & Supervisory Board Member.

* Former Chairman Eiitsu Masaki was appointed as a Special Advisor following his retirement as a director.

Composition

11 members consist of 7 directors (including 3 outside directors) and 4 Audit & Supervisory Board Members (including 3 outside members)

Outside officer ratio: **55%** (6 of 11, previously 36%) / Women: **27%** (3 of 11, previously 0%)

Outside officer background: Diplomat (Mr. Tanino), Corporate executive (Mr. Hisada, Ms. Oga), Certified public accountant (Mr. Ogi), Lawyer (Ms. Kikuma, Ms. Takeda)

Effects of COVID-19 on the ALCONIX Group

- Earnings: See financial results (pages 7-15) and the forecasts (pages 16-19). The performance of semiconductor and electronic materials remained strong, automotive sector demand fell sharply and is expected to remain low throughout the remainder of this fiscal year.
- Operations: Most employees worked at home (ALCONIX) until the end of June due to requests to stay home associated with the April declaration of a state of emergency. Group company employees in Japan also mainly worked from home, except people involved with manufacturing. Outside Japan, some companies in the U.S. and other countries have extended working at home, but overall operations are stable and there have been no COVID-19 infections at a group company worldwide.
- Finance: The equity ratio is 30.2%, the NetDER is 0.7 and free cash flows increased 3 billion yen to place priority on liquidity on hand. All three financial indicators remained sound in the first quarter. Repurchases of stock have reached 62% of the target number (monetary basis), as of July 30 (open market purchases).

1Q FY3/21 Financial Results

Consolidated performance (1Q FY3/21)

Financial results

- **Sales:** Sales of semiconductor and electronic materials increased because of digital transformation in economic activity and widespread use of remote work caused by the spread of the COVID-19 pandemic. But automotive sector demand plummeted. As a result, sales were down in both the Trading and Manufacturing segments.
- **Earnings:** Earnings benefited from higher semiconductor and electronic material demand and earnings one year earlier were held down by a one-time loss. Although Electronic and Advanced Materials earnings improved as a result, first quarter earnings were lower at all levels because of the overall decrease in sales.

(Unit: million yen)

	1Q FY3/20	1Q FY3/21		
			% to sales	Change
Net sales	60,181	48,095		-20.1%
Gross profit	4,568	4,243	8.8%	-7.1%
SG&A expenses	3,336	3,085	6.4%	-7.5%
Operating profit	1,232	1,157	2.4%	-6.0%
Ordinary profit	1,547	1,243	2.6%	-19.6%
Profit attributable to owners of parent	901	555	1.2%	-38.4%
Comprehensive income	998	618	-	-
				(Unit: yen)
Net income per share	35.67	21.82	-	-

Consolidated sales decreased due to sales decline in the automotive sector

[Increase]
 (T) Battery materials, electronic materials (for smartphones, etc.)
 (T) Rare earths (for magnetic materials)
 (M) Precision grinding processing parts (semiconductor chip mounting equipment)
 (M) Precision machining processing parts (for telecommunications and semiconductor manufacturing equipment)
 (M) Non-destructive testing and marking equipment
 [Decrease]
 (T) Aluminum rolled products, copper products, non-ferrous materials
 (M) Plating materials
 (M) Precision metal stamped parts

Earnings decreased due to lower sales

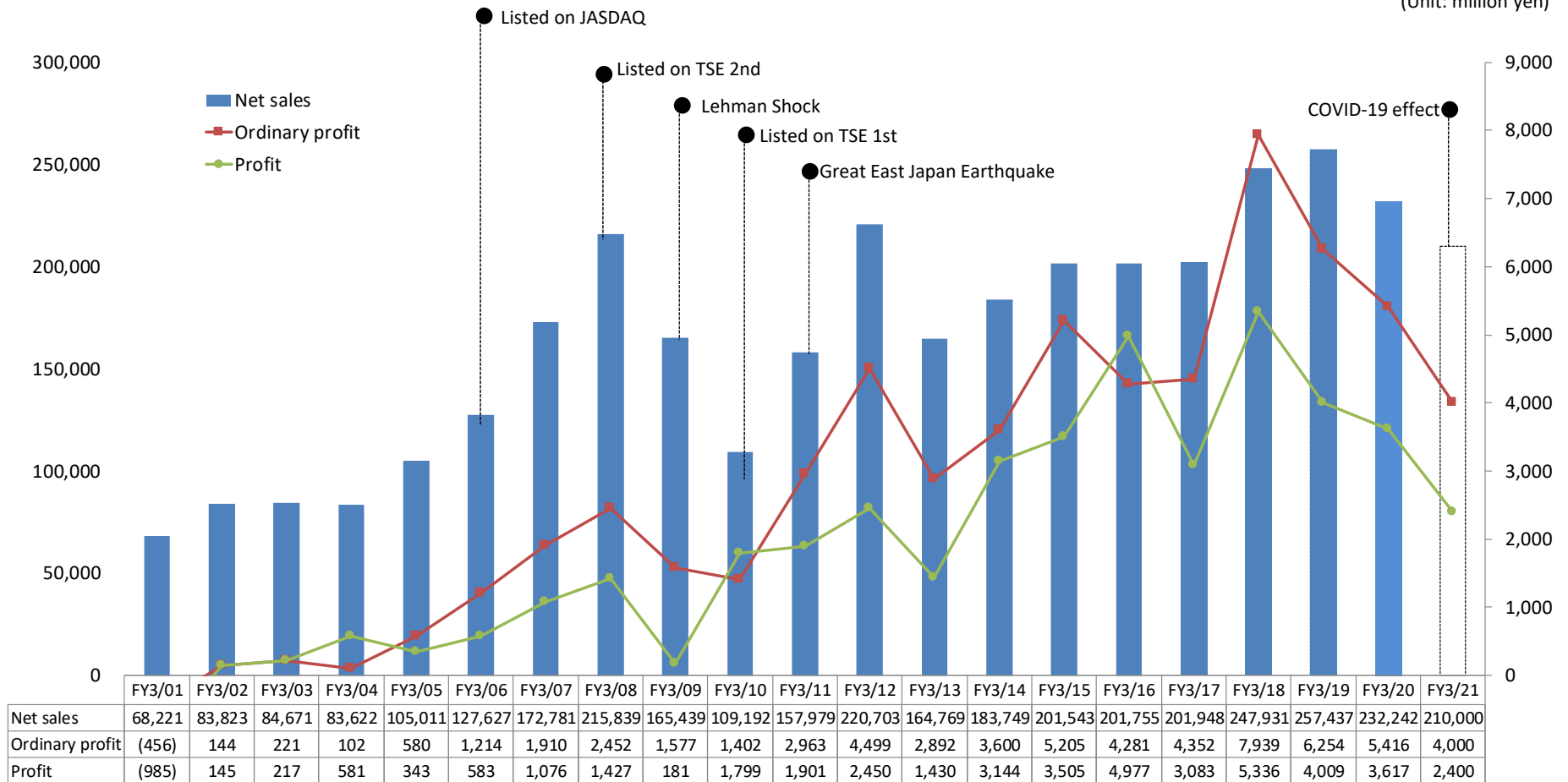
[Gross profit]
 Lower due to a decline in sales on a consolidated basis (gross profit improved in the Trading segment mainly because valuation losses on minor metal inventories recorded in 1Q FY3/20 were mostly eliminated.)
 [Operating profit]
 Lower due to a decline in sales
 [Ordinary profit]
 Decreases in dividend income and share of profit of entities accounted for using equity method
 [Profit attributable to owners of parent]
 Lower due to a decline in sales

Performance trend (consolidated income statements)

Financial results

Net sales
(Unit: million yen)

Ordinary profit/
Profit
(Unit: million yen)



Operating segment information (1Q FY3/21 net sales/segment profit) Financial results

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

•Trading—Electronic and Advanced Materials

The transaction volume of electronic and battery materials and rare earths was steady as the digital shift expanded economic activity and remote work became widespread. But minor metal transaction volume was down because of a sharp decline in automotive sector demand due to the severe impact of COVID-19.

•Trading—Aluminum and Copper Products

In the products sector, the transaction volume of beverage can aluminum and semiconductor materials increased. But the transaction volume of aluminum rolled products and, in the resources sector, recycled aluminum ingots and aluminum scrap decreased because of a sharp decline in automotive sector demand due to the severe impact of COVID-19.

•Manufacturing—Equipment and Materials

Plating material shipments were down slightly from one year earlier and, for small motor carbon brushes, cashew resin and welding rods, shipments were down because of a sharp decline in automotive sector demand due to the severe impact of COVID-19. Meanwhile, shipments of large non-destructive testing and marking equipment increased.

•Manufacturing—Metal Processing

Sales of precision grinding processing parts were supported by solid demand involving chip mounters and sales of precision machining processing parts benefited from higher demand involving semiconductor manufacturing equipment. Shipments of precision metal stamped parts were down because of a big drop in automotive sector demand due to the severe impact of COVID-19.

(Unit: million yen)

		1Q FY3/20		1Q FY3/21				
			Comp.	Comp.	Change (amount)	Change (%)		
Net sales	Trading	Electronic and advanced materials	18,247	30.3%	14,163	29.4%	-4,083	-22.4%
		Aluminum and copper products	30,651	50.9%	22,986	47.8%	-7,665	-25.0%
		Trading total	48,899	81.3%	37,150	77.2%	-11,748	-24.0%
	Manufacturing	Equipment and materials	6,050	10.1%	5,927	12.3%	-122	-2.0%
		Metal processing	5,232	8.7%	5,017	10.5%	-215	-4.1%
		Manufacturing total	11,282	18.7%	10,945	22.8%	-337	-3.0%
Total		60,181		48,095		-12,086	-20.1%	
Segment profit	Trading	Electronic and advanced materials	-14	-0.9%	314	25.3%	329	-
		Aluminum and copper products	306	19.8%	186	15.0%	-119	-39.1%
		Trading total	292	18.9%	501	40.3%	209	71.6%
	Manufacturing	Equipment and materials	25	1.7%	-7	-0.6%	-33	-
		Metal processing	1,214	78.5%	751	60.4%	-463	-38.2%
		Manufacturing total	1,240	80.2%	744	59.8%	-496	-40.0%
Total		1,547		1,243		-303	-19.6%	

Note 1. Segment profit is based on ordinary profit.

Note 2. Elimination or corporate for segment profit: 1Q FY3/21: -2

1Q FY3/20: 14

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

(Unit: million yen)

	1Q FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	14,163	-4,083	-22.4%	29.4%
Segment profit	314	329	-	25.3%
Segment profit to net sales	2.2%	2.3%		

Sales of major products (YoY change)

Materials used in electronic components for smartphones: Increase
 Battery materials (for smartphones and IT devices): Increase
 Titanium and nickel products (exports): Decrease
 Nickel ingots (for melting): Decrease
 Minor metals (nickel, tungsten, etc.): Decrease
 Rare earths: Increase

[Electronic materials and advanced materials]

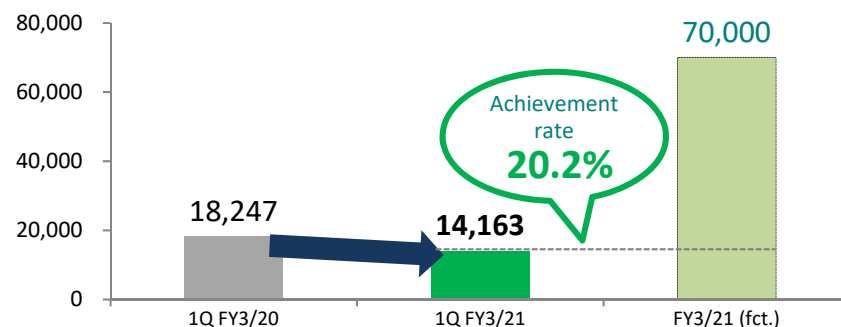
- The transaction volume of materials used in smartphones and tablets increased because of expanded economic activity caused by the digital shift and the widespread use of remote work as people stayed home because of COVID-19.
- Demand for nickel used in electronic materials was firm but the transaction volume of materials used for automotive applications decreased because of COVID-19.
- Exports of titanium and nickel products to Europe remained steady.

[Minor metals and rare earths]

- Transaction volume increased for rare earths used in magnetic materials but decreased for tungsten and other minor metals due to COVID-19.
- Earnings improved because demand increased for semiconductor and electronic materials and a minor metal inventory valuation loss that held down earnings one year earlier was eliminated.

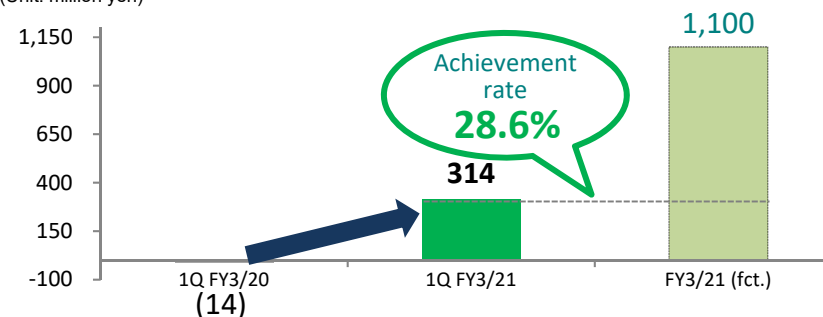
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Aluminum and copper products

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

(Unit: million yen)

	1Q FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	22,986	-7,665	-25.0%	47.8%
Segment profit	186	-119	-39.1%	15.0%
Segment profit to net sales	0.8%	-0.2%		

Sales of major products (YoY change)

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

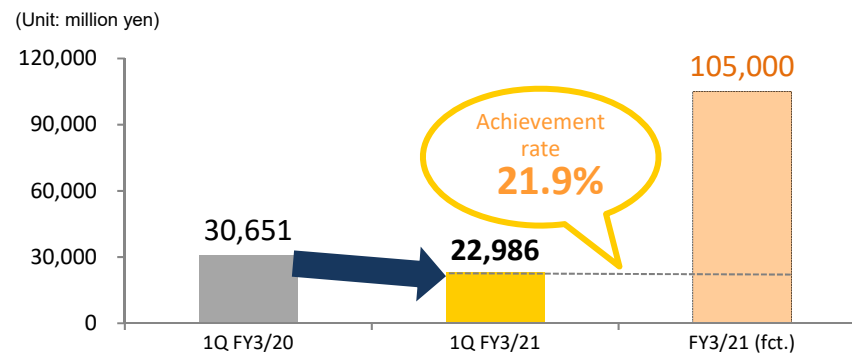
[Products]

- Automotive companies continue to require aluminum rolled products to raise production of electric vehicles, reduce vehicle weight and use more electronic components but the trading volume of aluminum rolled products and copper products decreased following a sharp decline in automotive sector demand due to COVID-19.
- The transaction volume increased for beverage can aluminum and semiconductor materials for PCs and other IT products as COVID-19 forced people to make more purchases from home and increased remote work.

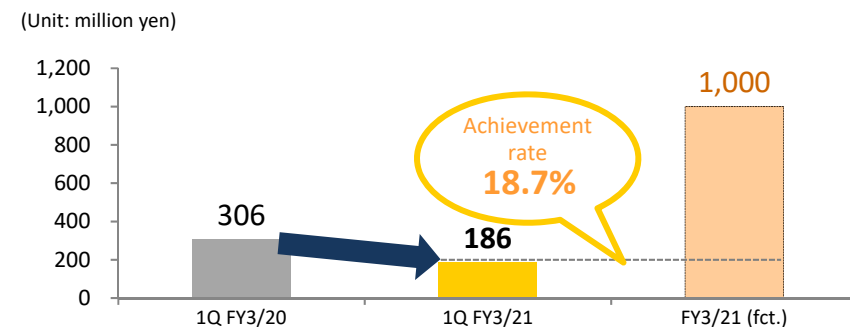
[Resources]

- The trading volume of aluminum scrap and recycled aluminum ingots decreased following a sharp decline in demand for automotive applications due to COVID-19.

Net Sales



Segment Profit



Equipment and materials

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

Financial results

(Unit: million yen)

	1Q FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	5,927	-122	-2.0%	12.3%
Segment profit	-7	-33	-	-0.6%
Segment profit to net sales	-0.1%	-0.5%		

Sales of major products (YoY change)

- (Materials) Plating materials (copper anode, nickel sulfate, etc.): Decrease
- (Materials) Mold building-up welding rods/Thermal spraying: Decrease
- (Equipment) Non-destructive testing equipment and marking systems (equipment and consumables): Increase
- (Materials) Cashew resin, radio wave absorbing materials: Decrease
- (Materials) Carbon brushes for small motors: Decrease

[Materials]

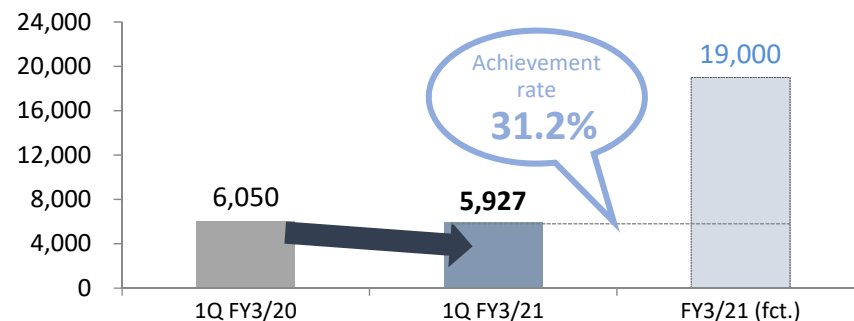
- Shipments of plating materials slightly decreased as COVID-19 lowered demand and forced factories to reduce operations in China while U.S. demand involving semiconductor and electronic materials increased.
- Welding rod sales decreased because COVID-19 sharply reduced automotive sector demand.
- Shipments of radio wave absorbing materials increased along with higher demand associated with 5G. Cash resin shipments were down because of much lower automotive sector demand caused by COVID-19.
- Shipments of carbon brushes for small motors decreased in Japan and China because of the big drop in automotive sector demand caused by COVID-19.

[Equipment]

- Non-destructive testing equipment and marketing systems contributed to earnings because of increased shipments of large testing equipment to companies in the plant and energy sector.

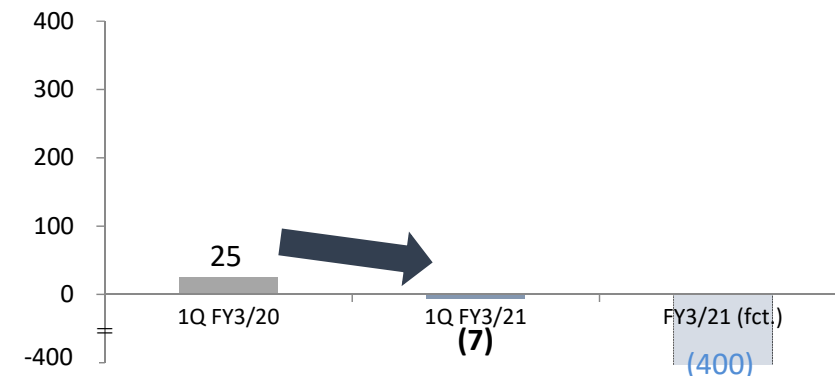
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Metal processing

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

Financial results

(Unit: million yen)

	1Q FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	5,017	-215	-4.1%	10.4%
Segment profit	751	-463	-38.2%	60.4%
Segment profit to net sales	15.0%	-8.2%		

- Shipments of precision grinding processing parts increased as demand for semiconductor chip mounting equipment remained strong.
- Shipments of precision machining processing parts for semiconductor manufacturing equipment increased mainly because of boosting demand involving 5G infrastructure equipment and the growth of remote work.
- Orders for precision metal stamped parts from major customers were down significantly as COVID-19 greatly reduced automotive sector demand. In the Mexico joint venture, sluggish automotive sector demand in Mexico and upfront investments during the current start-up phase of this business held down profitability.

Sales of major products (YoY change)

Precision machining processing parts (semiconductor manufacturing equipment, etc.):

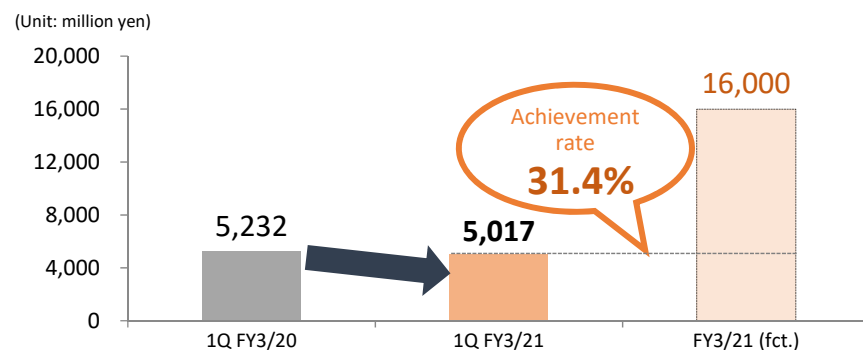
Increase

Precision grinding processing parts (for semiconductor chip mounting equipment): Increase

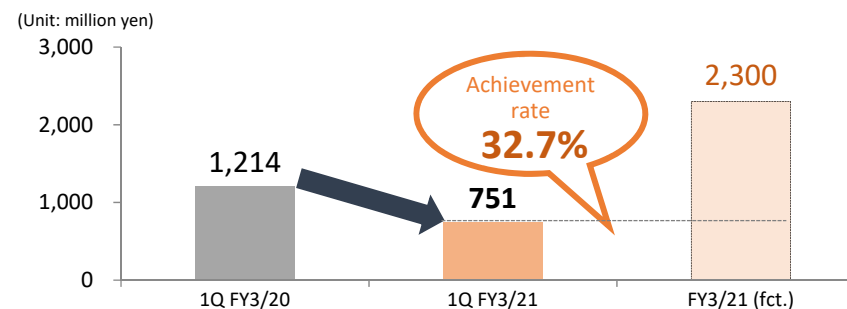
Precision grinding processing parts (prototype items for automotive applications): Decrease

Precision metal stamped parts (for automotive powertrains, etc.): Decrease

Net Sales



Segment Profit



Consolidated balance sheets (1Q FY3/21)

Financial results

(Unit: million yen)

	FY3/20	1Q FY3/21	Change	Major components
Current assets, total	95,426	93,543	-1,883	
Cash and deposits	22,754	26,880	4,126	Free cash flow +3.0 billion yen (priority on liquidity on hand)
Operating receivables	44,162	39,296	-4,865	Lower transactions (Trading segment)
Inventories	26,100	25,178	-922	Lower transactions (Trading segment)
Non-current assets, total	39,036	39,346	310	
Property, plant and equipment	20,905	20,615	-289	Amortization
Intangible assets	6,697	6,634	-63	Amortization (including goodwill)
Investments and other assets	11,433	12,096	662	Market value evaluation
Assets, total	134,463	132,890	-1,572	
	FY3/20	1Q FY3/21	Change	Major components
Current liabilities, total	65,533	64,671	-862	
Operating debt	30,920	27,040	-3,880	Lower transactions (Trading segment)
Short-term borrowings	28,959	31,100	2,141	Increase in borrowings
(Including current portion of long-term borrowings/bonds payable)				
Non-current liabilities, total	27,652	27,244	-408	Includes a decrease in provision for retirement benefits for directors (and other officers)
Bonds payable	375	300	-74	Transfer to the current portion
Long-term borrowings	22,313	22,407	94	Increase in borrowings
Liabilities, total	93,185	91,915	-1,270	
Shareholders' equity	38,320	37,965	-355	
Retained earnings	33,207	33,275	67	Profit attributable to owners of parent – dividends paid
Accumulated other comprehensive income	2,161	2,216	55	
Shareholders' equity	40,481	40,181	-299	Equity ratio: 30.2%
Net assets, total	41,277	40,974	-302	
Liabilities and net assets, total	134,463	132,890	-1,572	

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

FY3/21

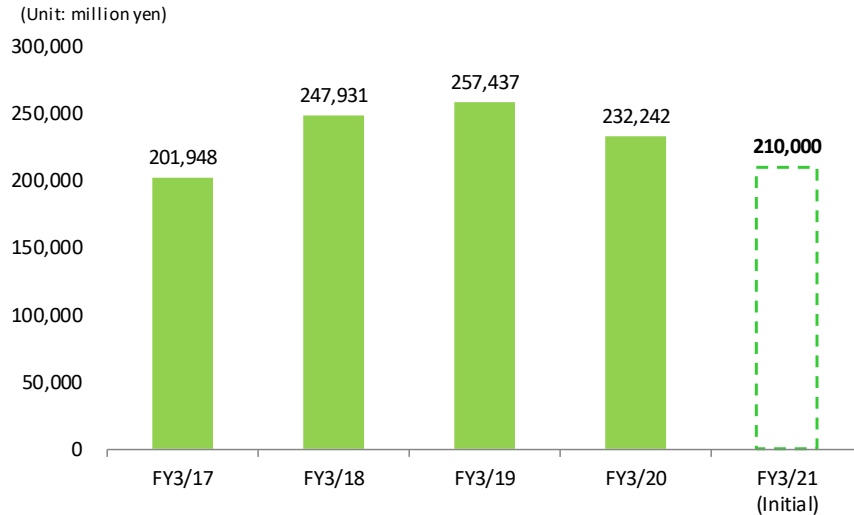
Earnings Forecasts

- *Announced on May 26, 2020**
- *Unchanged as of June 30, 2020**

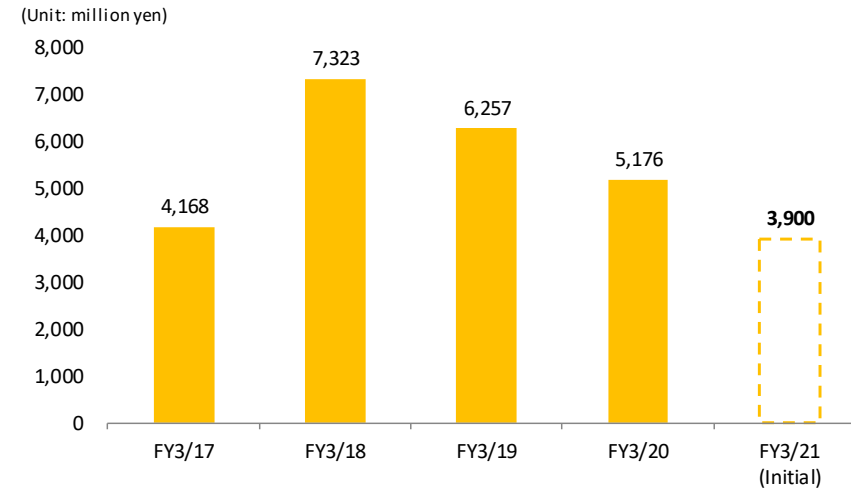
Trend in consolidated sales and earnings

Earnings forecast

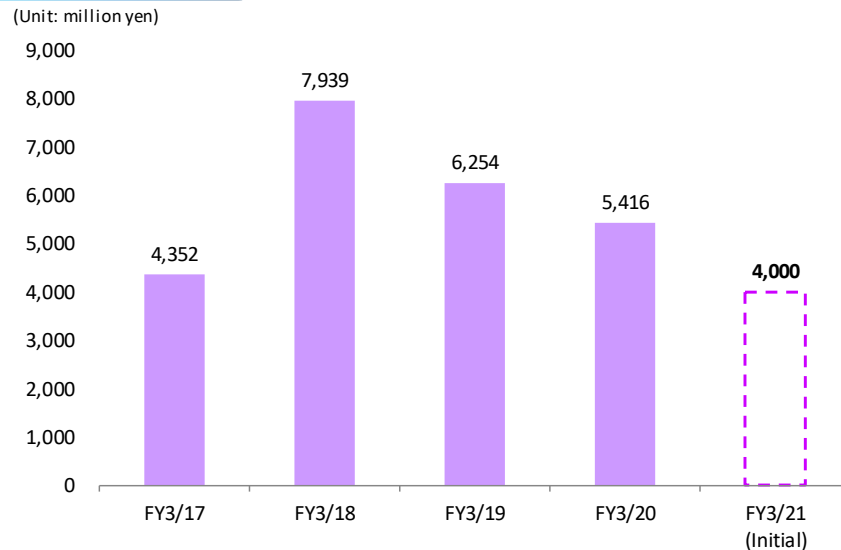
Net Sales



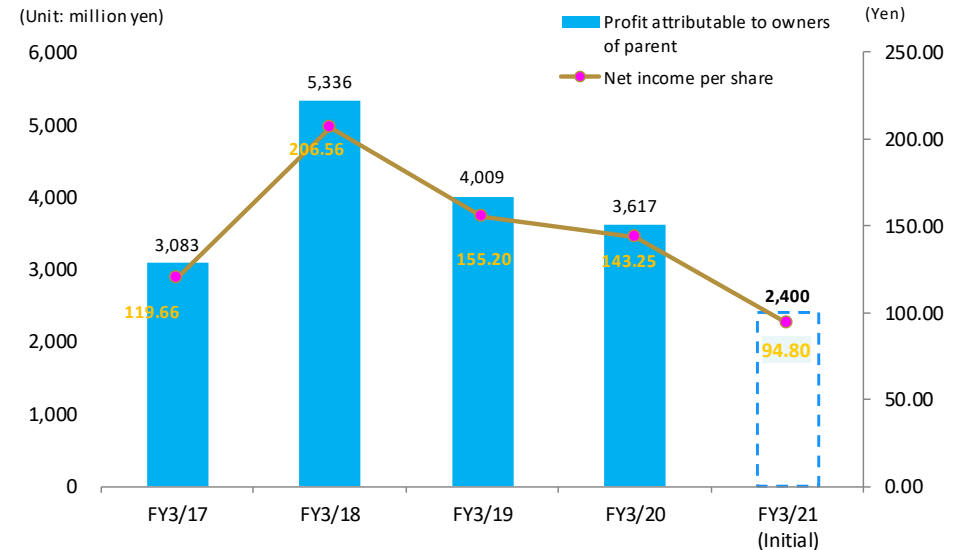
Operating Profit



Ordinary Profit



Profit Attributable to Owners of Parent



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

- Demand for semiconductors and electronic components is expected to continue to increase as 5G networks are more widely deployed and automakers increase the use of electronic components, reduce the weight of vehicles and expand into electric vehicles. However, the prolonged U.S.-China trade friction, the slowdown of the Chinese economy and the global spread of COVID-19 infections is likely to cause a temporary economic slowdown. Under this challenging environment, the ALCONIX Group expects medium to long-term growth in the Manufacturing segment and in the Trading segment, mainly for electronic materials. Meanwhile, there are concerns that domestic and overseas economic activities and demand may be affected due to lockdowns and restrictions on business activities caused by the spread of the COVID-19 pandemic. Consequently, we forecast lower sales and profit in FY3/21.

(Unit: million yen)

	FY3/20		FY3/21		YoY change	1Q FY3/21	
		% to sales	(Initial forecasts on May 26, 2020)	% to sales			Progress ratio
Net sales	232,242		210,000		-9.6%	48,095	22.9%
Gross profit	18,622	8.0%	18,200	8.7%	-2.3%	4,243	23.3%
SG&A expenses	13,445	5.8%	14,300	6.8%	6.4%	3,085	21.6%
Operating profit	5,176	2.2%	3,900	1.9%	-24.7%	1,157	29.7%
Ordinary profit	5,416	2.3%	4,000	1.9%	-26.2%	1,243	31.1%
Profit attributable to owners of parent	3,617	1.6%	2,400	1.1%	-33.7%	555	23.1%
Net income per share (yen)	143.25		94.80			21.82	-

Forecasts by segment (FY3/21)

Earnings forecast

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

• Trading—Electronic and Advanced Materials

Forecast an increase in the transaction volume of electronic materials as demand related to smartphones and tablets recovers and 5G networks start full-scale operations. Although the minor metals and rare earths are expected to recover from the effects of lower transaction volume and a valuation loss on inventories in FY3/20, the outlook for demand is uncertain due to the spread of the COVID-19 pandemic.

• Trading—Aluminum and Copper Products

Forecast lower sales and higher profit due to lower transaction volume of products and resources used mainly for automotive parts. This is due mainly to the deterioration of business sentiment as a result of the spread of the COVID-19 pandemic, slowdown of the Chinese economy caused by the U.S.-China trade friction and slump in the non-ferrous metals market.

• Manufacturing—Equipment and Materials

Demand for plating materials is expected to remain weak both in the United States and China. Forecast a decline in shipments of non-destructive testing equipment and marking systems as well as carbon brushes for small motors as demand from the automotive sector is sluggish because of the spread of the COVID-19 pandemic and the slowdown of the Chinese economy.

• Manufacturing—Metal Processing

Demand for 5G-related infrastructure and semiconductors is projected to grow over the medium to long term, but there is concern over a temporary economic downturn due to the spread of the COVID-19 pandemic. Forecast a decrease in shipments of precision grinding processing parts for semiconductor chip mounting equipment and precision machining processing parts for semiconductor manufacturing equipment. Shipments of precision metal stamped parts will be sluggish due to slowdown of global demand from the automobile sector. In the Mexico joint venture business, start-up expenses have incurred in advance of earnings contribution, which is expected to start next fiscal year.

(Unit: million yen)

		FY3/20		FY3/21		Change	1Q FY3/21			
			Comp.		Comp.		Comp.	Progress ratio		
Net sales	Trading	Electronic and advanced materials	68,950	29.7%	70,000	33.3%	1.5%	14,163	29.4%	20.2%
		Aluminum and copper products	115,283	49.6%	105,000	50.0%	-8.9%	22,986	47.8%	21.9%
		Trading total	184,234	79.3%	175,000	83.3%	-5.0%	37,150	77.2%	21.2%
	Manufacturing	Equipment and materials	25,728	11.1%	19,000	9.0%	-26.2%	5,927	12.4%	31.2%
		Metal processing	22,269	9.6%	16,000	7.6%	-28.2%	5,017	10.4%	31.4%
		Manufacturing total	47,998	20.7%	35,000	16.7%	-27.1%	10,945	22.8%	31.3%
Total		232,232		210,000		-9.6%	48,095		22.9%	
Segment profit	Trading	Electronic and advanced materials	80	1.5%	1,100	27.5%	1263.5%	314	25.3%	28.6%
		Aluminum and copper products	694	12.8%	1,000	25.0%	44.1%	186	15.0%	18.7%
		Trading total	774	14.2%	2,100	52.5%	171.1%	501	40.3%	23.9%
	Manufacturing	Equipment and materials	403	7.4%	-400	-10.0%	-199.2%	-7	-0.6%	-
		Metal processing	4,243	78.0%	2,300	57.5%	-45.8%	751	60.4%	32.7%
		Manufacturing total	4,646	85.4%	1,900	47.5%	-59.1%	744	59.8%	39.2%
Total		5,440		4,000		-26.5%	1,243		31.1%	

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

Medium-term Business Plan

for the Three-year Period from FY3/21 to FY3/23

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

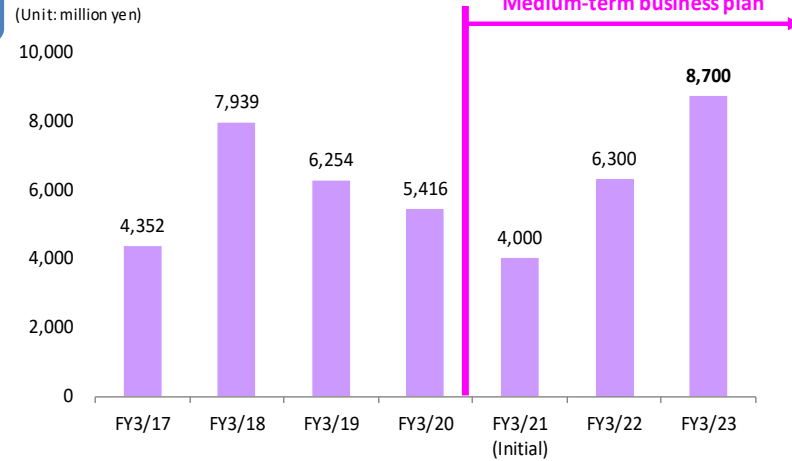
Strengthen corporate infrastructure and internal governance

Performance targets (final year: end-March 2023)

Medium-term business plan

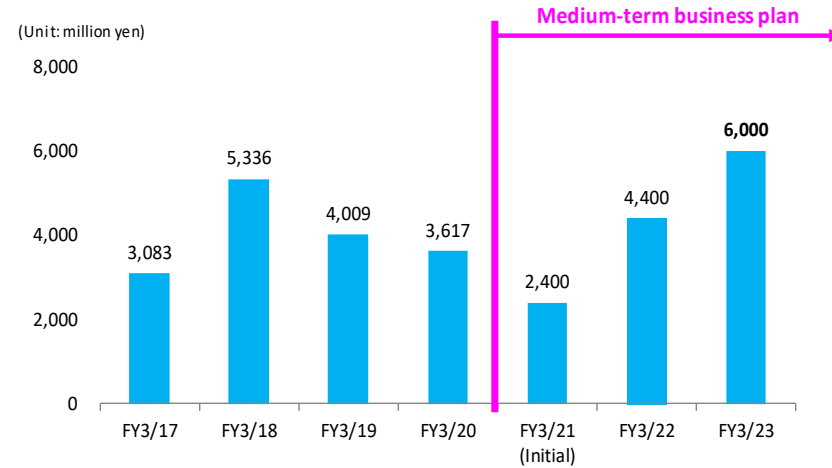
Profit targets

Consolidated ordinary profit: Over ¥8.7 billion (FY3/23)



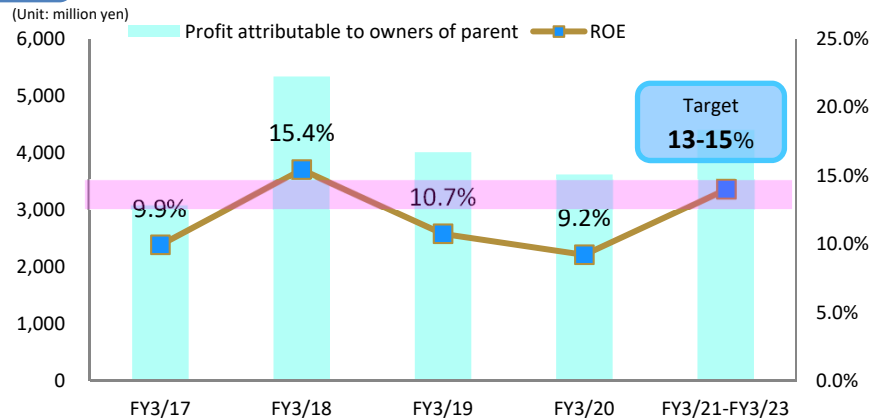
Profit attributable to owners of parent:

Over ¥6.0 billion (FY3/23)

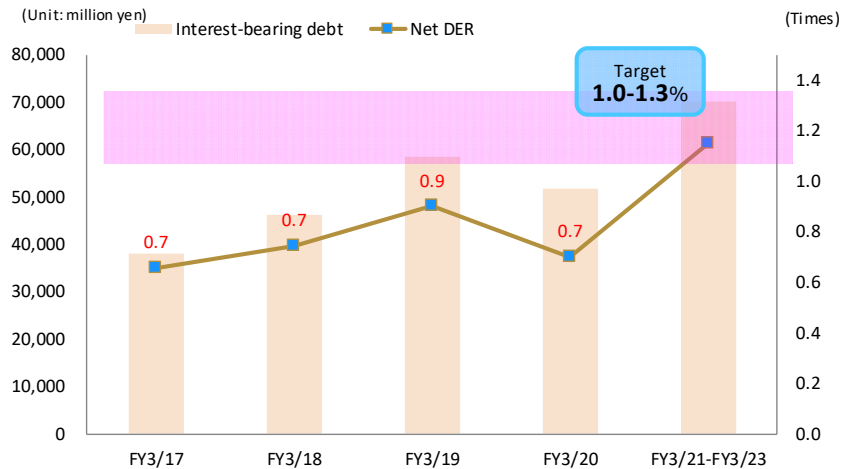


Management benchmarks

ROE: Around 13-15% (FY3/23)



NetDER: Around 1.0-1.3x (FY3/23)



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 26 "Investment activities"

Strengthen operating revenue 1

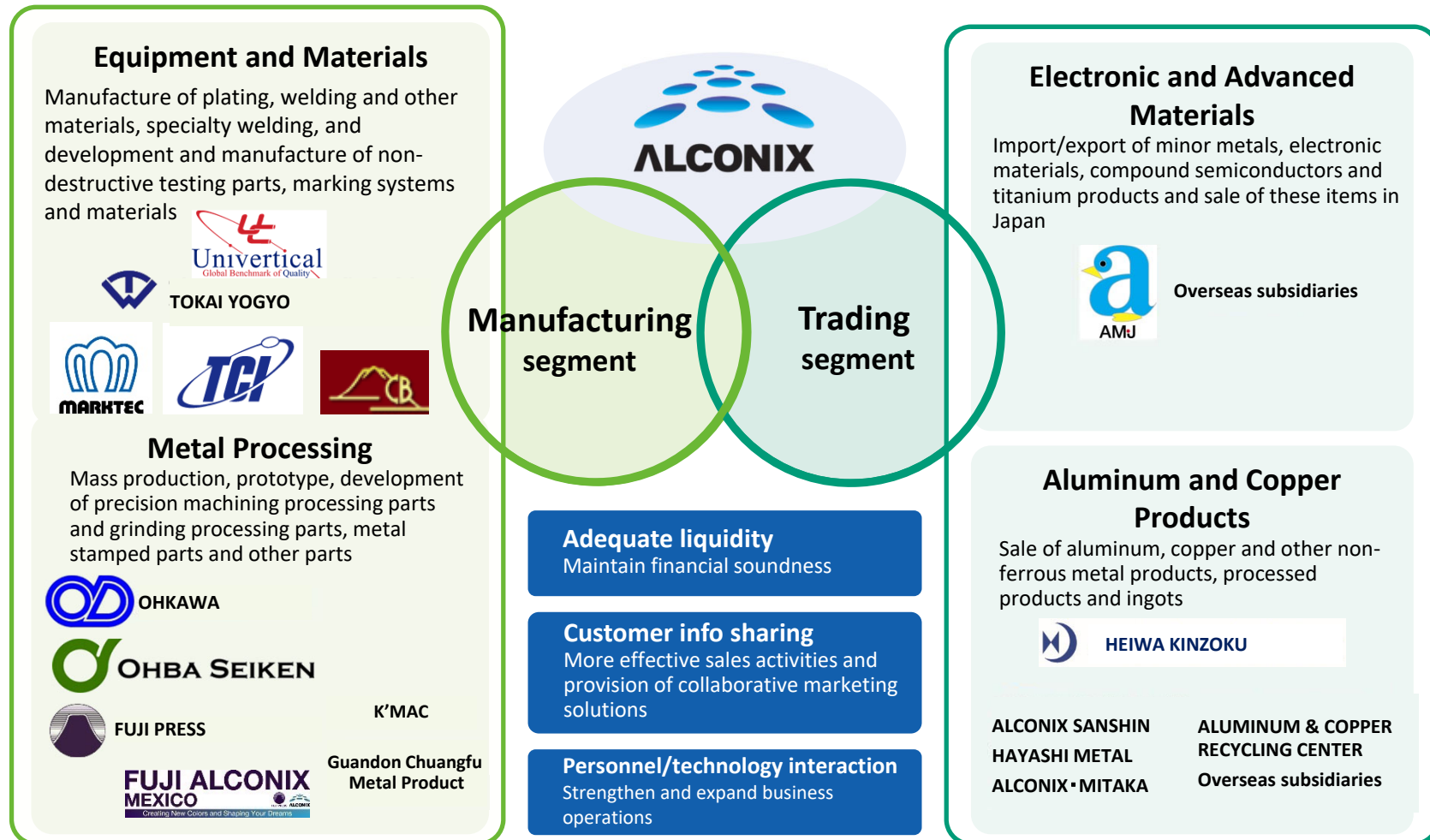
Synergies of the ALCONIX group companies

Action plan/Medium-term business plan

Create synergies within the ALCONIX Group; from point to surface

Build a seamless organization by using “face-to-face” relationships among consolidated subsidiaries and with ALCONIX.

Aim for dynamic growth in profitability by creating synergies between Trading and Manufacturing.



Strengthen operating revenue 2

Three growth sectors

Action plan/Medium-term business plan

Making three growth sectors bigger and stronger

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

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

Electronic materials and components

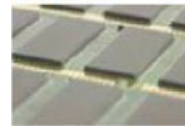


Spread of 5G

Next-generation vehicles

Progress with AI and IoT

Semiconductors



Higher storage capacity and speed

More electronics in autos and appliances

Automobiles



Electric vehicle (EV)

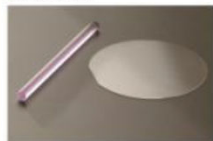
Hybrid car

Fuel cell vehicle (FCV)

Our Trading Materials and Products

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

Crystal materials



LCD and battery materials



Semiconductor-related materials



Metallic powder, advanced materials, others



Minor metals (30 elements)



Titanium, Tungsten, Molybdenum, Indium, others

Rare earths (17 elements)



Neodymium, Dysprosium, Lanthanum, others



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



Parts for semiconductor chip mounting equipment



Precision machining processing parts



Prototype items for automotive applications



Precision stamped automotive parts

Strengthen operating revenue 3

Overseas business (Trading and Manufacturing businesses)

Action plan/Medium-term business plan

Growth of the ALCONIX Group overseas network

Overseas network



1 Expand local transactions

Expand local transactions with Japanese companies overseas and foreign companies

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

2 Expand trilateral business

Increase earnings from consolidated management backed by global growth

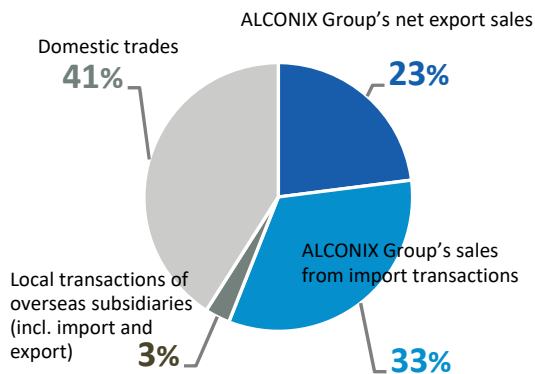
Growth of overseas operations, mainly for minor metals, at the Singapore subsidiary of ADVANCED MATERIAL JAPAN

3 Expand overseas network

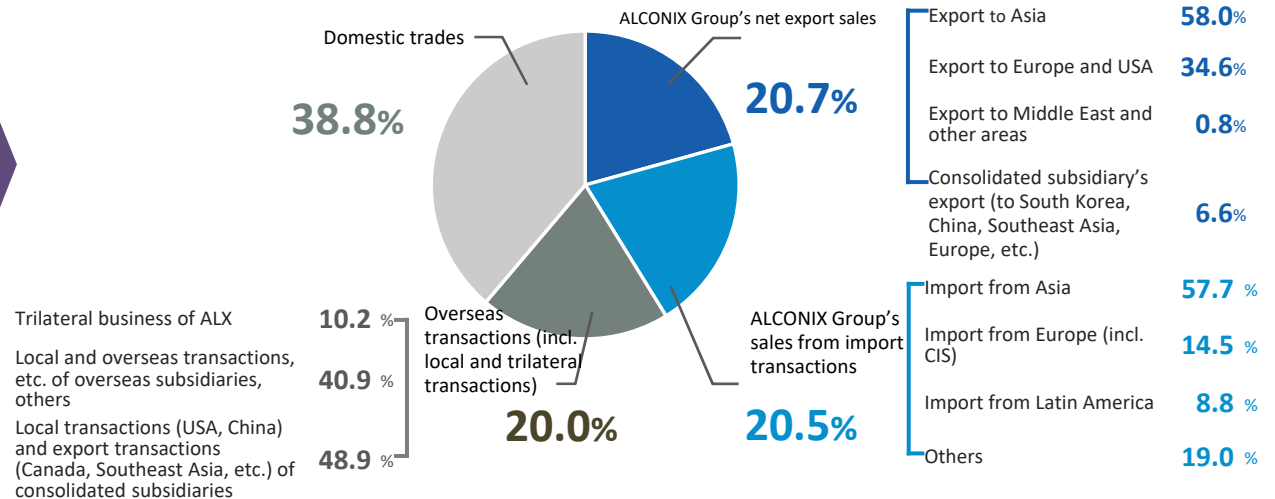
Plan to establish overseas branches in India and other countries to extend the overseas network

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 (FY3/11, consolidated)



Trade Category Sales Composition (FY3/20, consolidated)



Investment activities 1

M&A Basic Policy/Plan

Action plan/Medium-term business plan

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%**

FY3/21 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 and the metal processing segments 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)

- PMI activities to reinforce the profit structure of the stamped parts business in Mexico
- 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)

Investment activities 2

Track records

Action plan/Medium-term business plan

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

■ **Tohoku Chemical Industries**
(Manufacturing—Equipment and Materials)

Date of stock acquisition: December 25, 2018
Manufactured products:
Cashew resin products, radio wave absorbing materials
Company size: Head office (Tochigi Pref.)
Overseas base (Vietnam)



Head office/factory

■ **Fuji Carbon Manufacturing Co. (Manufacturing—Equipment and Materials)**

Date of stock acquisition: February 4, 2019
Manufactured products:
Carbon brushes for small motors
Company size: Head office (Aichi Pref.),
Overseas bases (China, Taiwan, Vietnam, India)



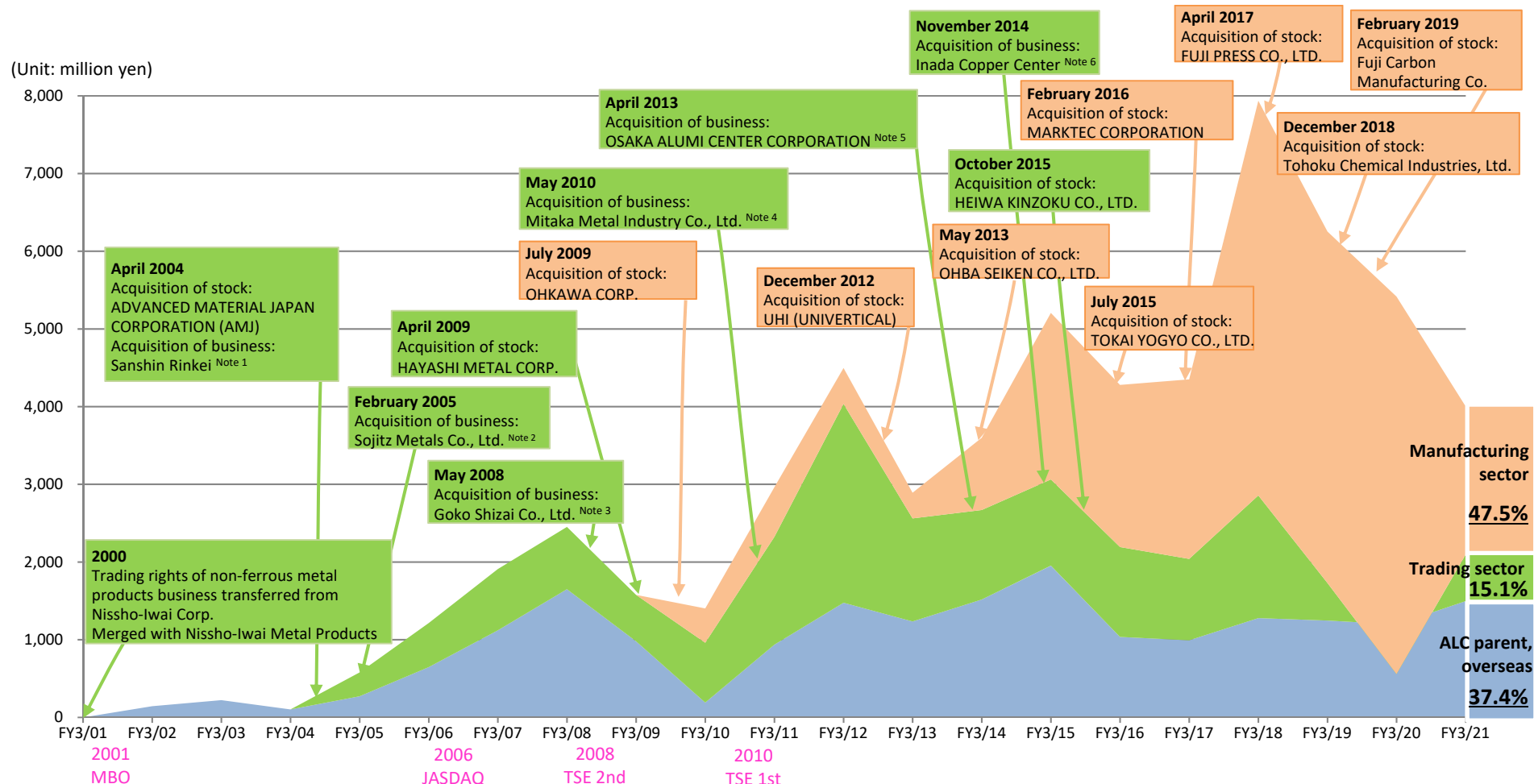
Sugaike factory

Investment activities 3

Changes in business composition

Action plan/Medium-term business plan

The changing composition of ordinary profit shows how ALCONIX has grown and evolved.



- 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. Reported ordinary loss (-4.8%) in the Trading sector for FY3/20.

Investment activities 4

Significant investments

Action plan/Medium-term business plan

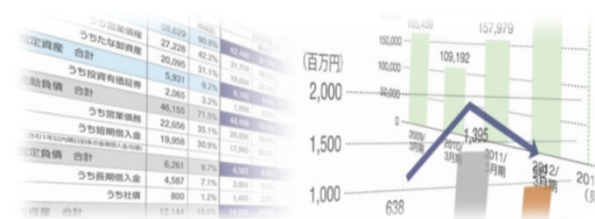
Almost all subsidiaries have higher sales, earnings and workforces than when they joined the ALCONIX Group because of additional investments following their acquisitions by ALCONIX.

Major capital expenditures

M&A year	Company name	Segment	Category	Capital expenditures after M&A
2009	OHKAWA CORP.	Manufacturing—Metal Processing	Consolidated subsidiary	Constructed the second plant in April 2016; expanded the plant in May 2018
2012	UNIVERTICAL HOLDINGS INC.	Manufacturing—Equipment and Materials	Consolidated subsidiary	Expanded a chemical product manufacturing line in Suzhou, China, in April 2016
2012	Guandon Chuangfu Metal Product (Hengji Chuangfu)	Manufacturing—Metal Processing	Equity-method affiliate	Made investments in construction scaffolding joint venture in 2019
2013	ALUMINUM & COPPER RECYCLING CENTER	Trading—Aluminum and Copper Products	Consolidated subsidiary	Expanded the Osaka Aluminum Center scrap yard
2013	OHBA SEIKEN CO., LTD.	Manufacturing—Metal Processing	Consolidated subsidiary	Constructed a new factory in February 2018; planning on a factory enlargement
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 (FAM)
2018	Tohoku Chemical Industries, Ltd.	Manufacturing—Equipment and Materials	Consolidated subsidiary	Post-merger integration activities are under way
2019	Fuji Carbon Manufacturing Co.	Manufacturing—Equipment and Materials	Consolidated subsidiary	Post-merger integration activities are under way
2019	Fuji Alconix Mexico (FAM)	Manufacturing—Metal Processing	Consolidated subsidiary	Started operations in July 2019; received stamped parts business and made capital expenditures as part of Mexico business reorganization activities

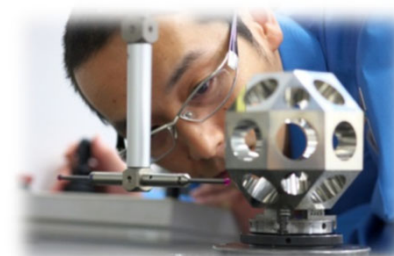
Reinforce the financial backbone

- 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
- Develop and expand BCP plans for telework and remote work in preparation for natural disasters and emergence of new infectious diseases
- 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/SDGs 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 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.
Six outside officers include a diplomat, corporate executives, a certified public accountant and a 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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