Become an integrated company that combines
trading and manufacturing capabilities

ALCONIX CORPORATION

Listed on TSE First Section **Code 3036**

Financial Results Materials

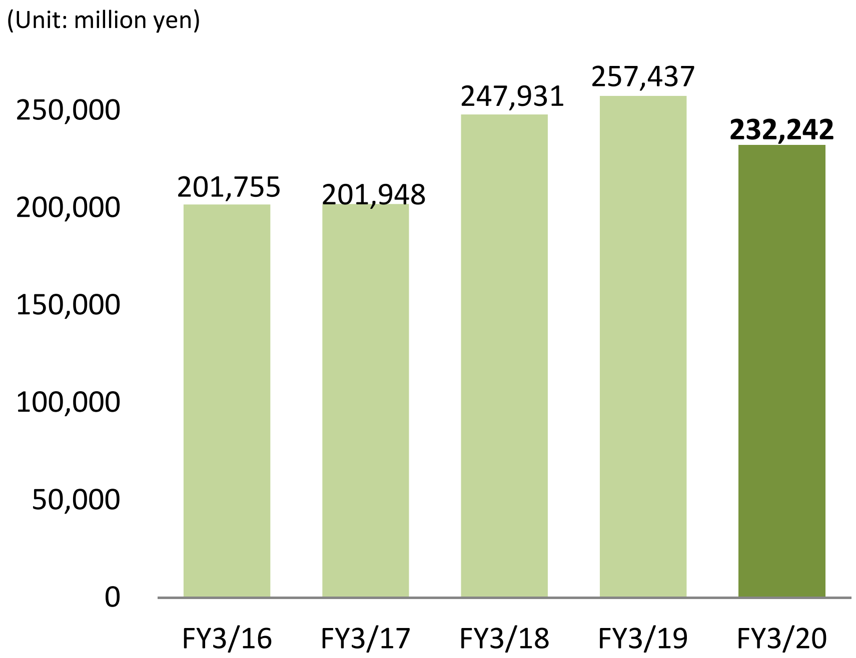
Fiscal Year Ended March 31, 2020

May 2020

Contents

Results highlights (FY3/20) Consolidated sales

Consolidated Sales

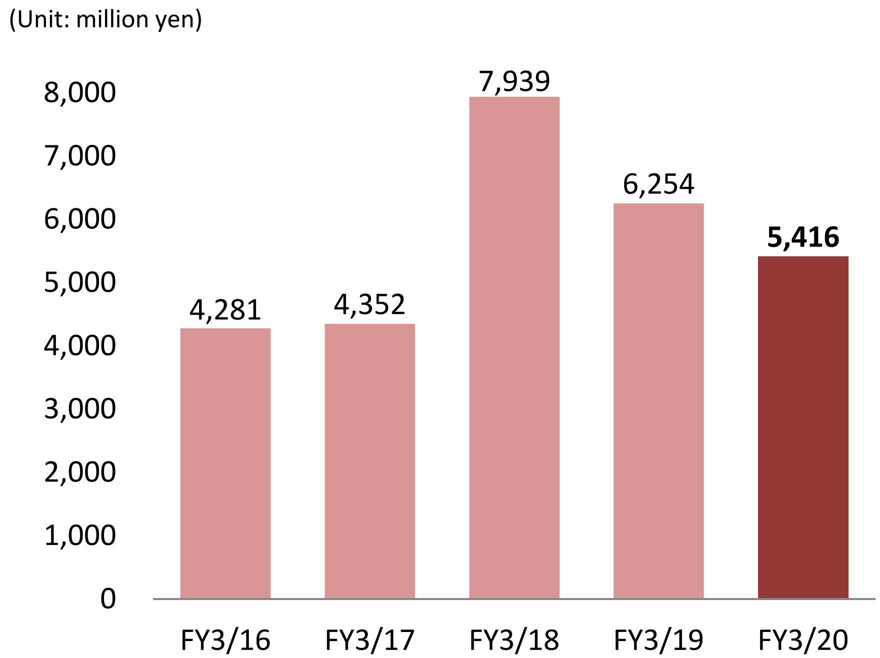


Down 9.8%YoY

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

Results highlights (FY3/20) Consolidated ordinary profit

Consolidated Ordinary Profit

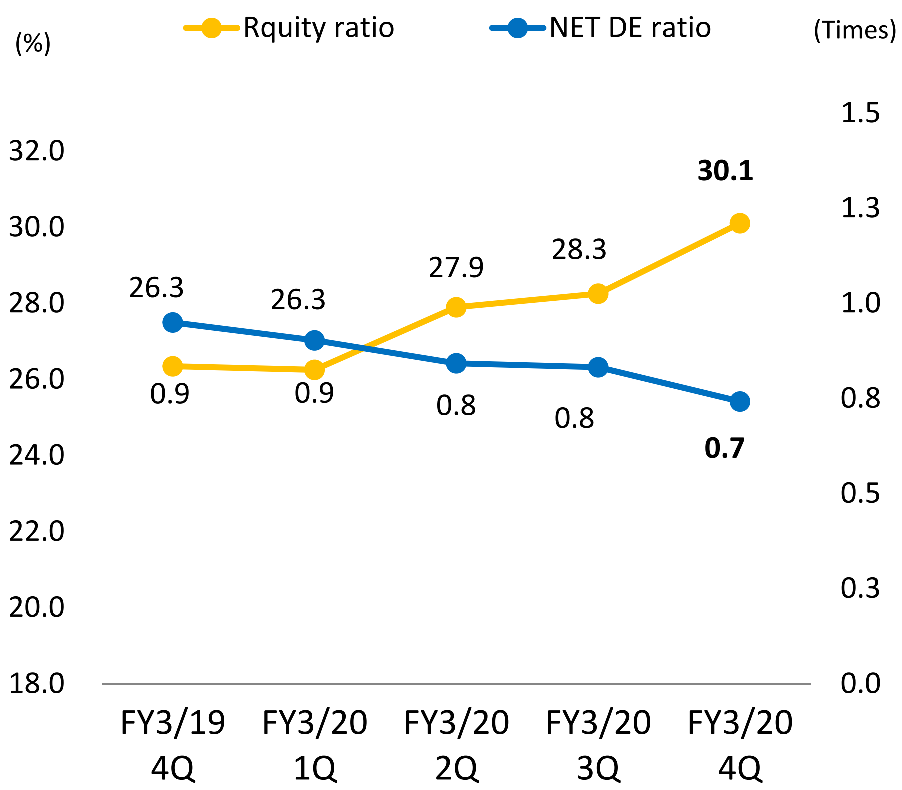


Down 13.4%YoY

Earnings decreased due to lower sales and a valuation loss on some minor metal inventories

Results highlights (FY3/20) Major consolidated financial indicators

Major Consolidated Financial Indicators



Equity Ratio
<u>Up 1.8 percentage points</u>

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

Net debt equity ratio (NetDER)
<u>0.7 times</u>

NetDER remained below 1.0 during the fiscal year

Topics

Stock repurchase (Approved March 27, 2020 and purchasing started on April 1, 2020)

Reason for stock repurchase	To increase the distribution of earnings to shareholders and enable ALCONIX to adopt a timely and flexible capital policy in response to changes in the business environment

Class of shares to be repurchased	Common stock of ALCONIX (Discretionary market purchases by securities companies)
Total number of shares to be repurchased	Up to 800,000 shares (3.1%of total number of shares outstanding, excluding treasury shares)
Total value of shares to be repurchased	Up to ¥800 million
Period for repurchase	April 1, 2020 to October 31, 2020
Progress	217,600 shares / ¥236 million / 29.5% (As of May 22, 2020)

Establishment of China joint venture (November 27, 2019)

ALCONIX approved a resolution to establish a company that will be jointly owned by ALCONIX, Shinwa Co., Ltd. and Guangdong Chuangfu Metal Products Co., Ltd. to launch a joint business. We aim to enter the Chinese market and create new value by combining the technology and know-how of Shinwa and Guangdong Chuangfu Metal Manufacturing's resources in manufacturing and sales.

Profile of the jointly owned company

Company name	Guangdong Rixin Chuangfu Construction New Material Co., Ltd.
Representative	Kurio Noritake (Director and Vice President of Shinwa Co., Ltd.)
Location	Foshan, Guangdong, China
Business	Import, manufacture and sale of scaffolding and equipment used at construction sites
Capital	25 million Chinese yuan* *Exchange rate as of November 27, 2019: 15.5 yen/1 yuan

Shinwa Co., Ltd.
Technologies/knowledge

+

ALCONIX
Overseas business know-how

+

Guangdong Chuangfu Metal Products Co., Ltd.
Manufacturing and sales of aluminum products

Guangdong Rixin Chuangfu Construction New Material Co., Ltd. (tentative)
Import, manufacture and sale of scaffolding used at construction sites

[Chinese market]
Construction industry trends
- Improve safety and efficiency at construction sites
- Consideration for environmental impact

FY3/20 Financial Results

Consolidated performance (4Q FY3/20)

- **Sales:** Sales increased in the Manufacturing segment as the metal processing sales were firm and a new consolidated subsidiary was included in the equipment and materials. However, total sales decreased because of a lower transaction volume of electronic materials and automotive parts in the Trading segment.
- **Earnings:** Earnings decreased because of the decline in sales and a valuation loss on some minor metal inventories.

(Unit: million yen)

	FY3/19	FY3/20	%to sales	Change
Net sales	257,437	**232,242**		**-9.8%**
Gross profit	19,207	**18,622**	**8.0%**	**-3.0%**
SG&A expenses	12,949	**13,445**	**5.8%**	**3.8%**
Operating profit	6,257	**5,176**	**2.2%**	**-17.3%**
Ordinary profit	6,254	**5,416**	**2.3%**	**-13.4%**
Profit attributable to owners of parent	4,009	**3,617**	**1.6%**	**-9.8%**

	FY3/19	FY3/20	%to sales	Change
Comprehensive income	2,570	**2,936**	**-**	**-**

(Unit: yen)

	FY3/19	FY3/20	%to sales	Change
Net income per share	155.20	**143.25**	**-**	**-**

(M): Manufacturing (T): Trading

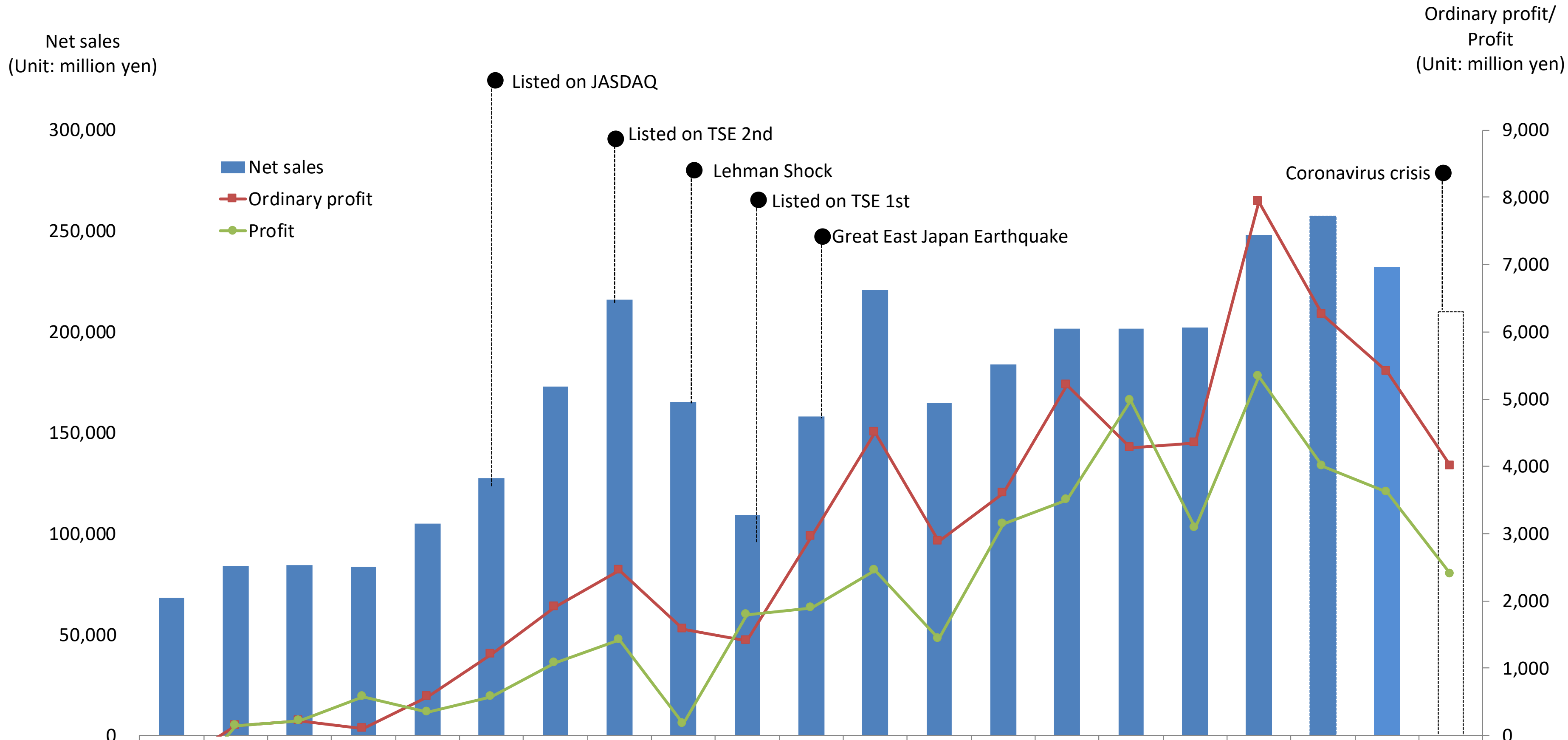
Trading sales decreased and Manufacturing sales benefited from newly consolidated subsidiaries and higher metal processing sales

[Net increase]
(M) Cashew resin products, radio wave absorbing materials
(M) Carbon brush parts for small motors
[Increase]
(T) Battery materials, electronic materials (for automotive applications, smartphones, etc.)
(T) Titanium products (export)
(M) Precision grinding processing parts (for chip mounters)
(M) Precision metal stamped parts (for automotive applications)
[Decrease]
(T) Minor metals and rare earths
(T) Aluminum rolled products, copper products, non-ferrous materials (copper scrap)
(M) Precision machining processing parts, plating materials

Earnings decreased due to lower sales on a consolidated basis

[Gross profit]
Lower because of a decline in earnings caused by lower sales mainly in Trading, and a valuation loss on some minor metal inventories
[Operating profit]
Lower due to a decline in sales and higher SG&A expenses
[Ordinary profit]
Lower due to a decline in sales although net non-operating income improved due to an increase in dividend income, a decrease in foreign exchange losses and other factors
[Profit attributable to owners of parent]
Profit decreased despite the contribution from a gain on sales of subsidiaries and affiliates' stocks that was recorded as extraordinary income, arising from the termination of a joint venture in Mexico

Performance trend (consolidated income statements)



	FY3/01	FY3/02	FY3/03	FY3/04	FY3/05	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	FY3/20	FY3/21
Net sales	68,221	83,823	84,671	83,622	105,011	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	257,437	232,242	210,000
Ordinary profit	(456)	144	221	102	580	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	6,254	5,416	4,000
Profit	(985)	145	217	581	343	583	1,076	1,427	181	1,799	1,901	2,450	1,430	3,144	3,505	4,977	3,083	5,336	4,009	3,617	2,400

Operating segment information (FY3/20 net sales/segment profit)

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

•Trading—Electronic and Advanced Materials

Sales were down while electronic and battery material sales were firm. 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 because of the spread of the COVID-19 pandemic.

•Manufacturing—Equipment and Materials

Plating material sales and earnings were weak at both U.S. and China bases. Sales of carbon brushes for small motors which have been included in the consolidated financial statements from FY3/20 were 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 because demand in the semiconductor industry continued to be slow. Shipments of precision metal stamped parts increased, mainly due to orders for new parts.

(Unit: million yen)

			FY3/19		FY3/20			
				Comp.		Comp.	Change (amount)	Change (%)
Net Sales	Trading	Electronic and advanced materials	83,952	32.6%	68,950	29.7%	-15,001	-17.9%
		Aluminum and copper products	131,341	51.0%	115,283	49.6%	-16,058	-12.2%
		Trading total	215,294	83.6%	184,234	79.3%	-31,060	-14.4%
	Manufacturing	Equipment and materials	21,439	8.3%	25,728	11.1%	4,288	20.0%
		Metal processing	20,703	8.0%	22,279	9.6%	1,576	7.6%
		Manufacturing total	42,142	16.4%	48,008	20.7%	5,865	13.9%
	Total		257,437		232,242		-25,194	-9.8%
Segment Profit	Trading	Electronic and advanced materials	721	11.5%	80	1.5%	-640	-88.8%
		Aluminum and copper products	1,024	16.4%	694	12.8%	-330	-32.3%
		Trading total	1,746	27.9%	774	14.3%	-971	-55.6%
	Manufacturing	Equipment and materials	607	9.7%	403	7.4%	-204	-33.7%
		Metal processing	3,916	62.6%	4,220	77.9%	303	7.7%
		Manufacturing total	4,524	72.3%	4,623	85.4%	98	2.2%
	Total		6,254		5,416		-837	-13.4%

Note 1. Segment profit is based on ordinary profit.

Note 2. Elimination or corporate for segment profit: FY3/20: 18; FY3/19: -16

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

(Unit: million yen)

	FY3/20	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	**68,950**	-15,001	-17.9%	29.7%
Segment profit	**80**	-640	-88.8%	1.5%
Segment profit to net sales	**0.1%**	-0.8%		

Sales of major products (YoY change)

Materials used in electronic components for smartphones: 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

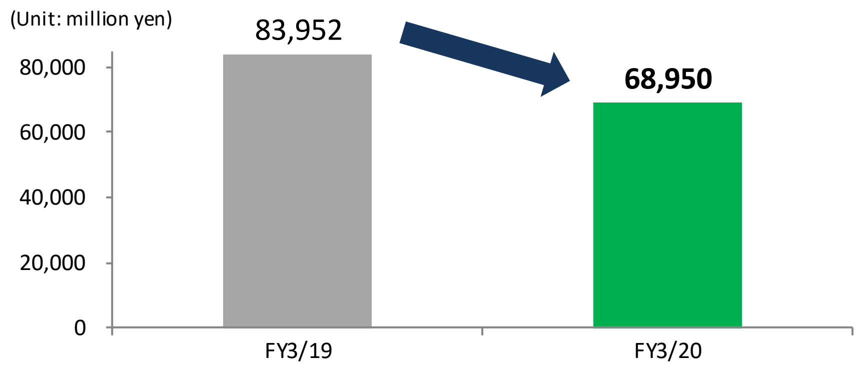
[Electronic materials and advanced materials]

- The transaction volume of materials used in smartphones and tablets started to recover following the end of inventory reductions at customers.
- There was a firm demand for nickel used in electronic materials chiefly for high-end components used for automotive applications and in smartphones.
- Exports of titanium and nickel products to Europe increased.

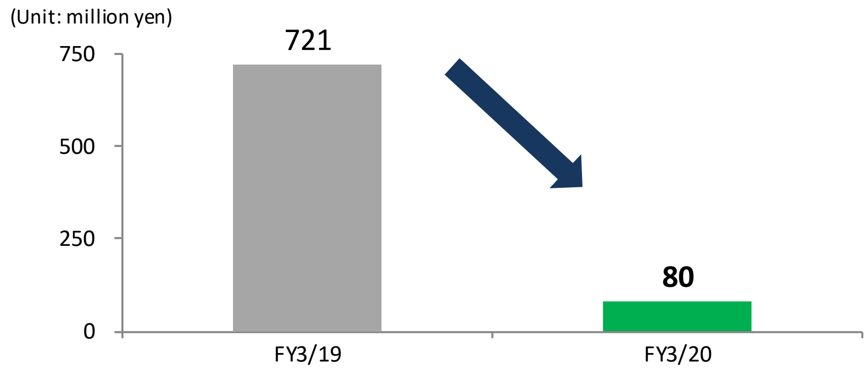
[Minor metals and rare earths]

- The transaction volumes of tungsten, rare earths and other metals were down sharply because of declining demand caused by slowing economic growth in China as well as the spread of the COVID-19 pandemic.
- Segment profit declined caused by lower sales volume and a valuation loss on some minor metal inventories.

Net Sales



Segment Profit



Aluminum and copper products
(ALCONIX, HEIWA KINZOKU, four domestic sales subsidiaries, overseas subsidiaries)

(Unit: million yen)

	FY3/20	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	**115,283**	-16,058	-12.2%	49.6%
Segment profit	**694**	-330	-32.3%	12.8%
Segment profit to net sales	**0.6%**	-0.2%		

Sales of major products (YoY change)

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

[Products]

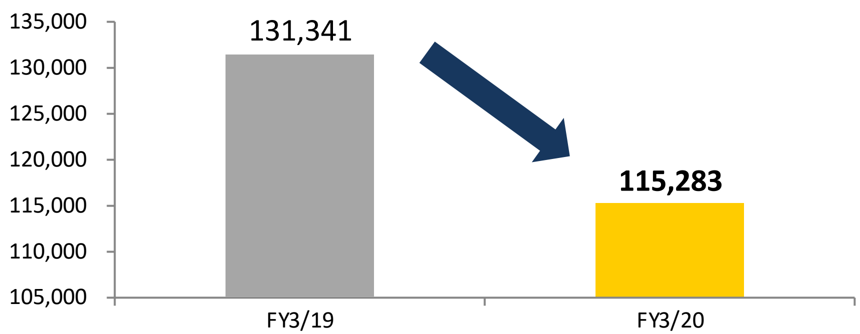
- Automotive companies continue to require aluminum rolled products to raise production of electric vehicles, reduce vehicle weight and use more electronic components but slowing economic growth in China lowered overall demand. Demand involving air conditioning equipment was soft because of unfavorable weather.
- 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 and recycled aluminum ingots decreased due to lower non-ferrous metal prices and weak demand for automotive applications in addition to deteriorated business sentiment due to the spread of the COVID-19 pandemic.
- A big increase in sales of zinc ingots by meeting demand from battery manufacturers.

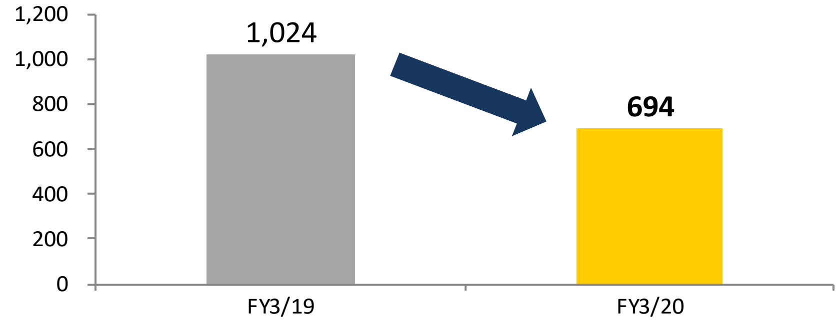
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Equipment and materials

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

(Unit: million yen)

	FY3/20	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	**25,728**	4,288	20.0%	11.1%
Segment profit	**403**	-204	-33.7%	7.4%
Segment profit to net sales	**1.6%**	-1.2%		

Sales of major products (YoY change)

(Materials) Cashew resin, radio wave absorbing materials: 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

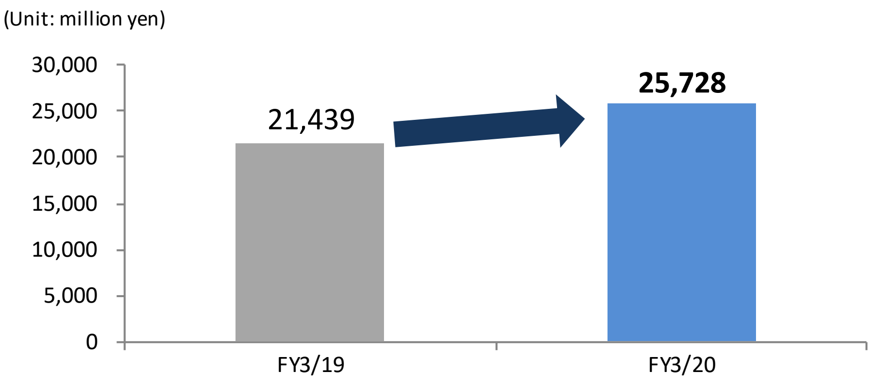
[Materials]

- Shipments of plating materials were weak at U.S. and China due to sluggish demand at major customers.
- Exports of welding rods and thermal spraying orders declined because of weak automotive-sector demand.
- Radio wave absorbing materials performed strong by meeting the demand for 5G. Sales and earnings of cashew resin products were sluggish due to weak demand in the automotive sector.
- Sales of carbon brushes for small motors which have been included in the consolidated financial statements beginning in FY3/20, contributed to higher segment sales but remained weak and below the estimate for subsidiaries in Japan and overseas because of declining automobile sector demand.

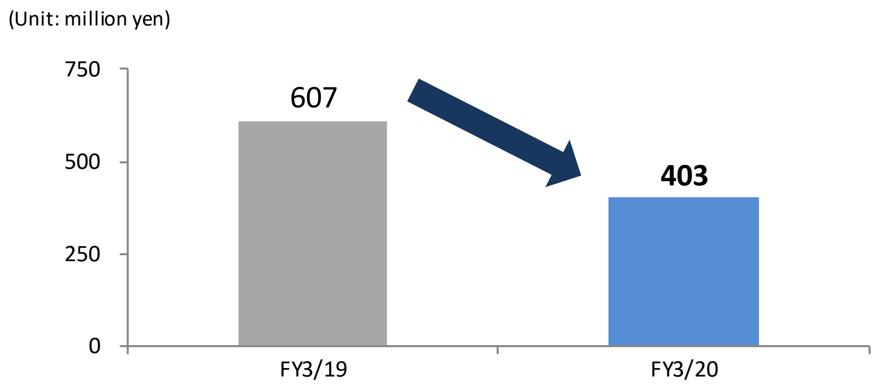
[Equipment]

- 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



Segment Profit



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

(Unit: million yen)

	FY3/20	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	**22,279**	1,576	7.6%	9.6%
Segment profit	**4,220**	303	7.7%	77.9%
Segment profit to net sales	**18.9%**	0.0%		

Sales of major products (YoY change)

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

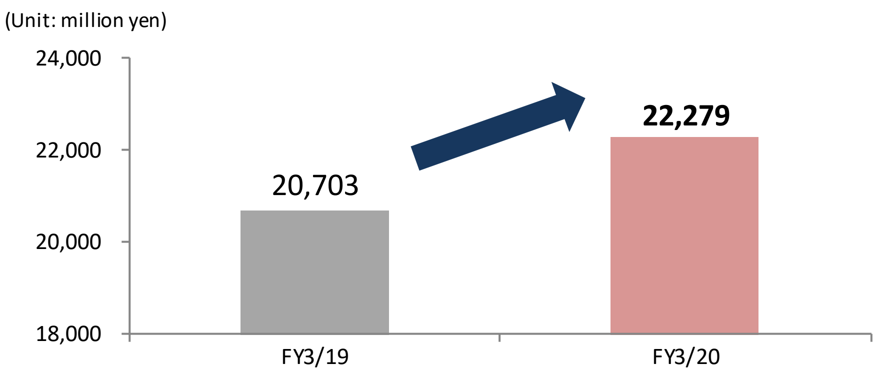
Precision grinding processing parts (for chip mounters): Increase (OHBA SEIKEN)

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

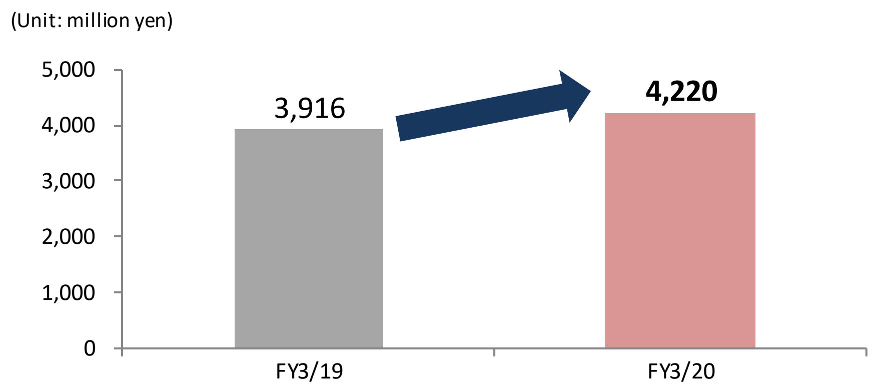
Precision metal stamped parts (for automotive powertrains, etc.): Increase (FUJI PRESS)

- 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.
- Recognized equity-method income.

Net Sales



Segment Profit



Consolidated balance sheets (FY3/20)

(Unit: million yen)

	FY3/19	FY3/20	Change	Major components
Current assets, total	104,230	**95,426**	-8,804	
Cash and deposits	23,600	**22,754**	-846	Refer to consolidated cash flows on page 16 (Increase in free cash flow (operating CF + investing CF))
Operating receivables	47,055	**44,162**	-2,893	Lower transactions (Trading segment)
Inventories	29,675	**26,100**	-3,574	Lower transactions (Trading segment)
Non-current assets, total	39,621	**39,036**	-584	
Property, plant and equipment	18,804	**20,905**	2,100	Consolidation of manufacturing subsidiaries; Capital investment > Depreciation
Intangible assets	7,750	**6,697**	-1,053	Amortization (including goodwill)
Investments and other assets	13,066	**11,433**	-1,632	Market value evaluation
Assets, total	143,851	**134,463**	-9,388	

	FY3/19	FY3/20	Change	Major components
Current liabilities, total	74,922	**65,533**	-9,389	
Operating debt	34,727	**30,920**	-3,806	Lower transactions (Trading segment)
Short-term borrowings	34,312	**28,959**	-5,352	Repayments
(including current portion of long-term borrowings/bonds payable)				
Non-current liabilities, total	29,255	**27,652**	-1,602	
Bonds payable	525	**375**	-149	Transfer to the current portion
Long-term borrowings	23,571	**22,313**	-1,257	Transfer to the current portion
Liabilities, total	104,177	**93,185**	-10,992	
Shareholders’ equity	35,166	**38,320**	3,153	
Retained earnings	30,725	**33,207**	2,481	Profit attributable to owners of parent – dividends paid
Accumulated other comprehensive income	2,734	**2,161**	-573	
Shareholders’ equity	37,901	**40,481**	2,579	Equity ratio: 30.1%
Net assets, total	39,673	**41,277**	1,603	
Liabilities and net assets, total	143,851	**134,463**	-9,388	

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

Consolidated cash flows (FY3/20)

(Unit: million yen)

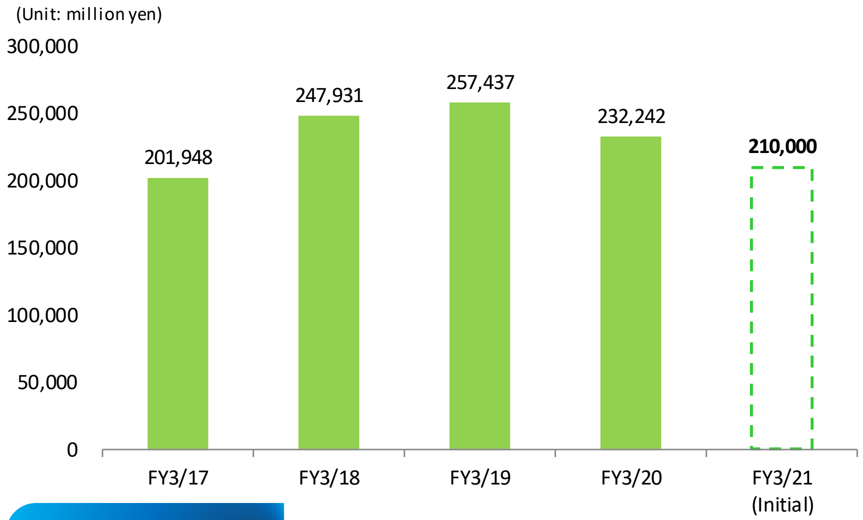
	FY3/20	Major items	FY3/19
Operating cash flows	**9,091**		5,279
	5,813	Profit before income taxes	6,460
	3,674	Depreciation (including amortization of goodwill)	3,070
	-270	Share of profit of entities accounted for using equity method (K' MAC, Guandon Chuangfu Metal Product)	-202
	2,428	Working capital (decrease)	-1,551
		(Item) / FY3/20 / FY3/19	
		Decrease (increase) in trade receivables / 2,666 / 2,119	
		Decrease (increase) in inventories / 3,504 / -3,799	
		Increase (decrease) in trade payables / -3,743 / 128	
	-2,242	Income taxes paid	-3,827
	-311	Other	1,329
Investing cash flows	**-3,171**		-10,770
	-3,316	Purchase of property, plant and equipment and intangible assets (capital expenditures at manufacturing subsidiaries)	-2,600
	-1,014	Purchase of investment securities	-466
	1,803	Proceeds from sales of investment securities	142
	-159	Loans of working capital for consolidated subsidiaries (Payment for loans - Proceeds from collection of loans)	-115
	-484	Other	-7,730
Financing cash flows	**-7,993**		9,625
	-3,927	Net decrease in short-term borrowings	1,115
	-2,462	Net decrease in long-term borrowings	10,223
	-149	Redemption of bonds	-149
	-	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)	-516
	-1,037	Cash dividends paid	-990
	-131	Other	-79
Effect of exchange rate change on cash and cash equivalents	**-14**		-299
Net increase (decrease) in cash and cash equivalents	**-2,088**		3,835
Cash and cash equivalents at beginning of period	**22,404**		18,569
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	**1,279**	Increase due to a change in scope of consolidation (Fuji Alconix Mexico)	-
Cash and cash equivalents at end of period	**21,595**		22,404
*Change: Numbers may not tally exactly due to rounding.			
Free cash flow	**5,919**		-5,490

FY3/21
Earnings Forecasts

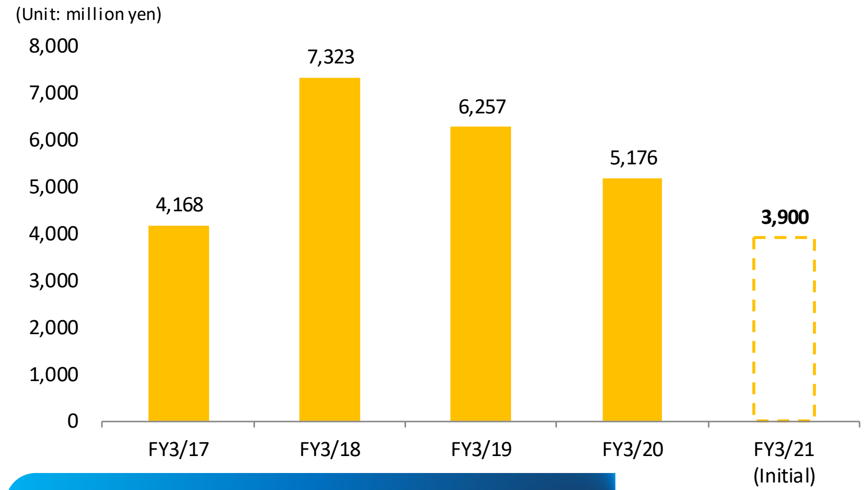
(Announced on May 26, 2020)

Trend in consolidated sales and earnings

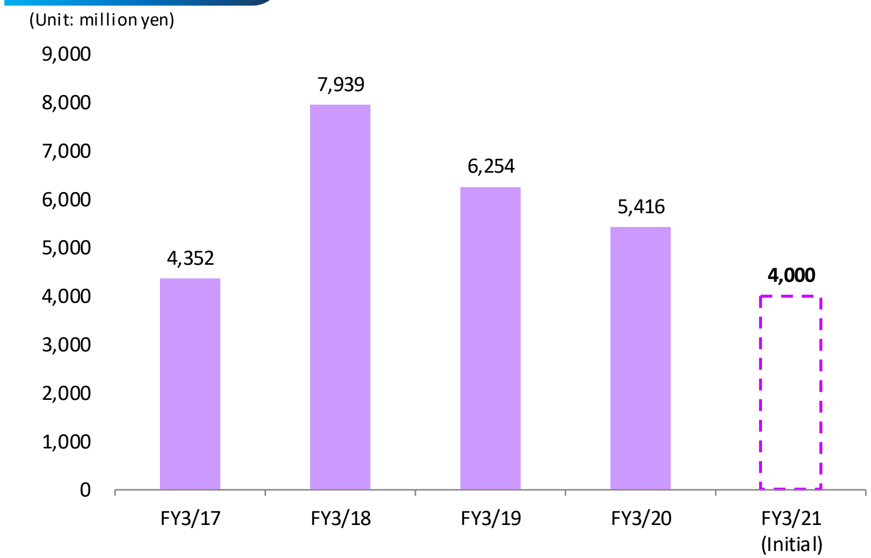
Net Sales



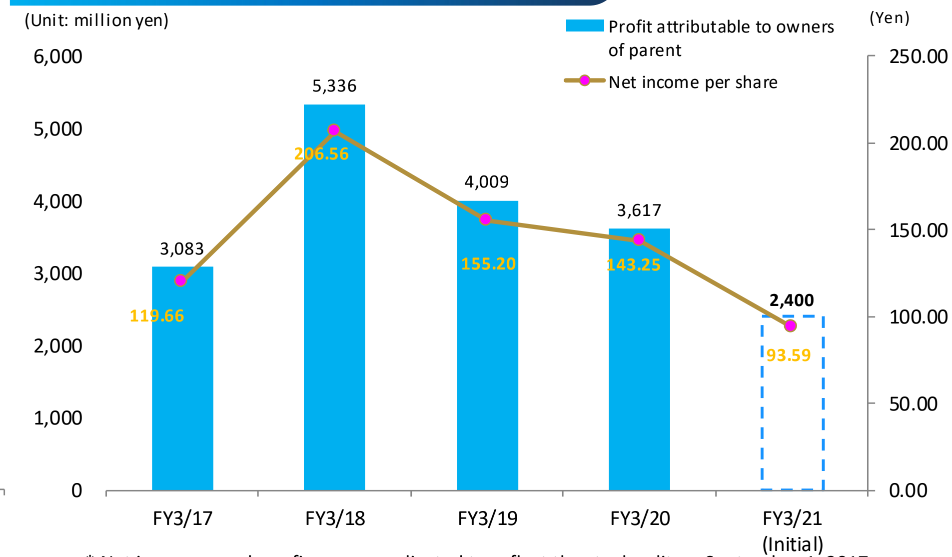
Operating Profit



Ordinary Profit



Profit Attributable to Owners of Parent



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

Forecast for FY3/21

- **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	
		%to sales	(Initial forecasts on May 26, 2020)	%to sales		%
Net sales	232,242		210,000		-22,242	-9.6%
Gross profit	18,622	8.0%	18,200	8.7%	-422	-2.3%
SG&A expenses	13,445	5.8%	14,300	6.8%	854	6.4%
Operating profit	5,176	2.2%	3,900	1.9%	-1,276	-24.7%
Ordinary profit	5,416	2.3%	4,000	1.9%	-1,416	-26.2%
Profit attributable to owners of parent	3,617	1.6%	2,400	1.1%	-1,217	-33.7%

Net income per share (yen)	143.25	93.59

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

Forecasts by segment (FY3/21)

■ 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 FY3/19, the outlook for demand is uncertain due to the spread of the COVID-19 pandemic.
- **Trading—Aluminum and Copper Products**
  Forecast a decline in segment sales and 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	
				Comp.		Comp.		%
Net sales	Trading	Electronic and advanced materials	68,950	29.7%	70,000	33.3%	1,049	1.5%
		Aluminum and copper products	115,283	49.6%	105,000	50.0%	-10,283	-8.9%
		Trading total	184,234	79.3%	175,000	83.3%	-9,234	-5.0%
	Manufacturing	Equipment and materials	25,728	11.1%	19,000	9.0%	-6,728	-26.2%
		Metal processing	22,269	9.6%	16,000	7.6%	-6,269	-28.2%
		Manufacturing total	47,998	20.7%	35,000	16.7%	-12,998	-27.1%
		Total	232,232		210,000		-22,232	-9.6%
Segment profit	Trading	Electronic and advanced materials	80	1.5%	1,100	27.5%	1,019	1263.5%
		Aluminum and copper products	694	12.8%	1,000	25.0%	305	44.1%
		Trading total	774	14.2%	2,100	52.5%	1,325	171.1%
	Manufacturing	Equipment and materials	403	7.4%	-400	-10.0%	-803	-199.2%
		Metal processing	4,243	78.0%	2,300	57.5%	-1,943	-45.8%
		Manufacturing total	4,646	85.4%	1,900	47.5%	-2,746	-59.1%
		Total	5,440		4,000		-1,440	-26.5%

*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.

Overall image of medium-term business plan

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

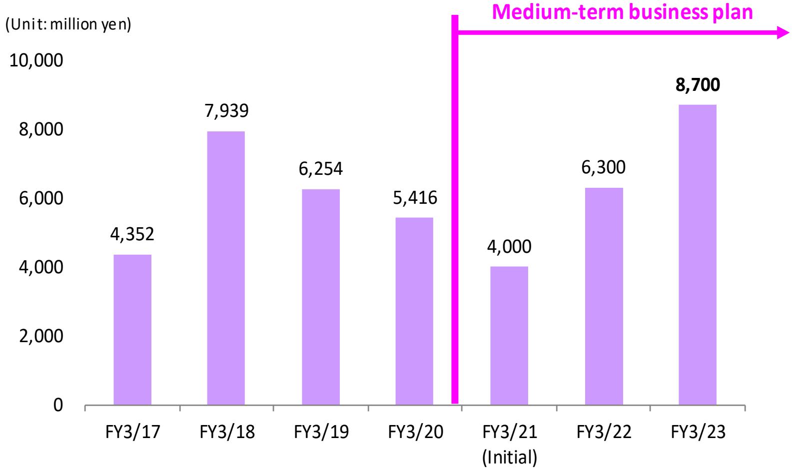
Attract, train and retain skilled people
Enhance the group governance system

Strengthen corporate infrastructure and internal governance

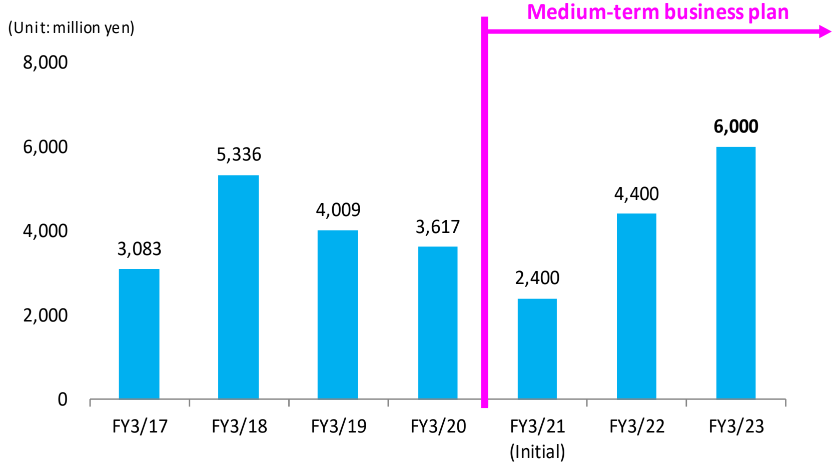
Performance targets (final year: end-March 2023)

Profit targets

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

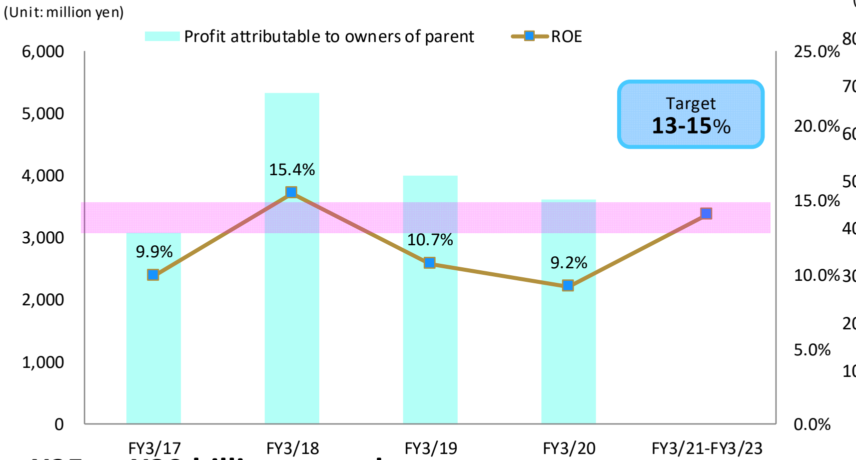


Profit attributable to owners of parent: Over ¥6.0 billion (FY3/23)

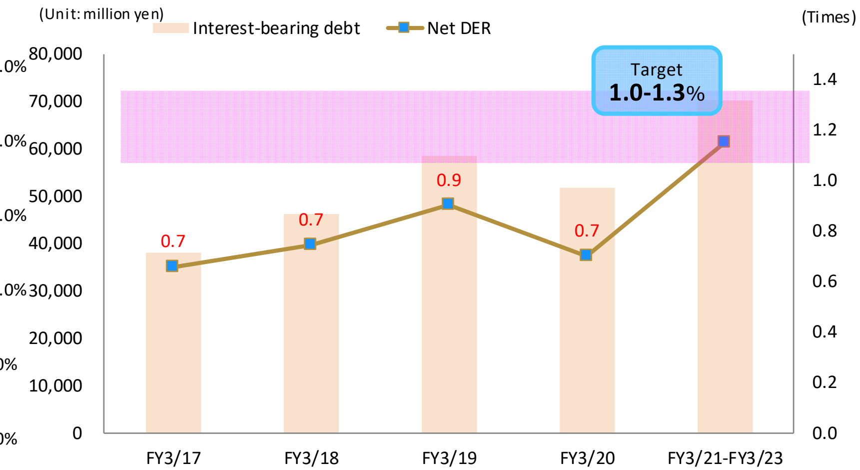


Management benchmarks

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 27 "Investment activities"

Strengthen operating revenue 1

Synergies of the ALCONIX group companies

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.

Equipment and Materials

Manufacture of plating, welding and other materials, specialty welding, and development and manufacture of non-destructive testing parts, marking systems and materials

Univertical
TOKAI YOGYO
MARKTEC
TCI

Metal Processing

Mass production, prototype, development of precision machining processing parts and grinding processing parts, metal stamped parts and other parts

OHKAWA
OHBA SEIKEN
FUJI PRESS
K’MAC
FUJI ALCONIX MEXICO
Guandon Chuangfu Metal Product

ALCONIX

Manufacturing segment

Trading segment

Adequate liquidity
Maintain financial soundness

Customer info sharing
More effective sales activities and provision of collaborative marketing solutions

Personnel/technology interaction
Strengthen and expand business operations

Electronic and Advanced Materials

Import/export of minor metals, electronic materials, compound semiconductors and titanium products and sale of these items in Japan

AMJ
Overseas subsidiaries

Aluminum and Copper Products

Sale of aluminum, copper and other non-ferrous metal products, processed products and ingots

HEIWA KINZOKU

ALCONIX SANSHIN
HAYASHI METAL
ALCONIX・MITAKA
ALUMINUM & COPPER RECYCLING CENTER
Overseas subsidiaries

Strengthen operating revenue 2

Three growth sectors

Making three growth sectors bigger and stronger

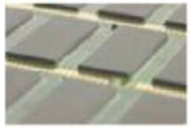
Three market sectors have been a major source of the rapid growth of the ALCONIX Group: electronic components, semiconductors and automobiles.

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

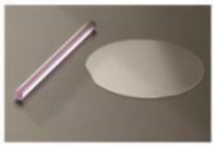
Automobiles

- 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



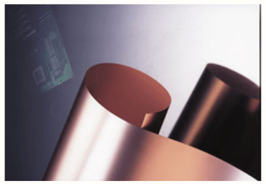
Semiconductor-related materials

LCD and battery materials

Metallic powder, advanced materials, others

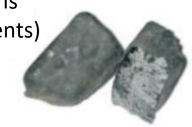
Minor metals (30 elements)

Titanium, Tungsten, Molybdenum, Indium, others



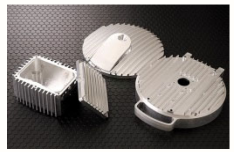
Copper products (electrolytic copper, copper sheets, etc.)

Rare earths (17 elements)



Neodymium, Dysprosium, Lanthanum, others

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)

Growth of the ALCONIX Group overseas network

Overseas network

ALCONIX advantages
High overseas trade ratio
Growing import/export and trilateral transactions
12 overseas subsidiaries,
15 locations

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

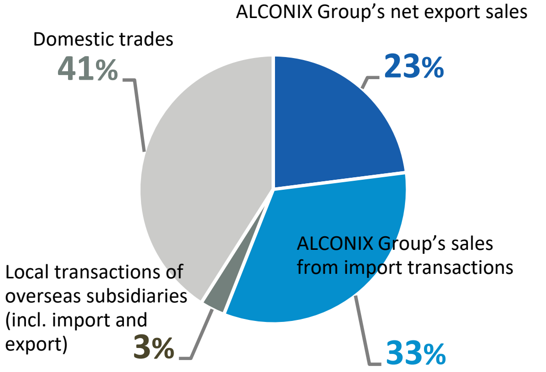
Growth of overseas operations, mainly for minor metals, at the Singapore subsidiary of ADVANCED MATERIAL JAPAN

3 Expand overseas network

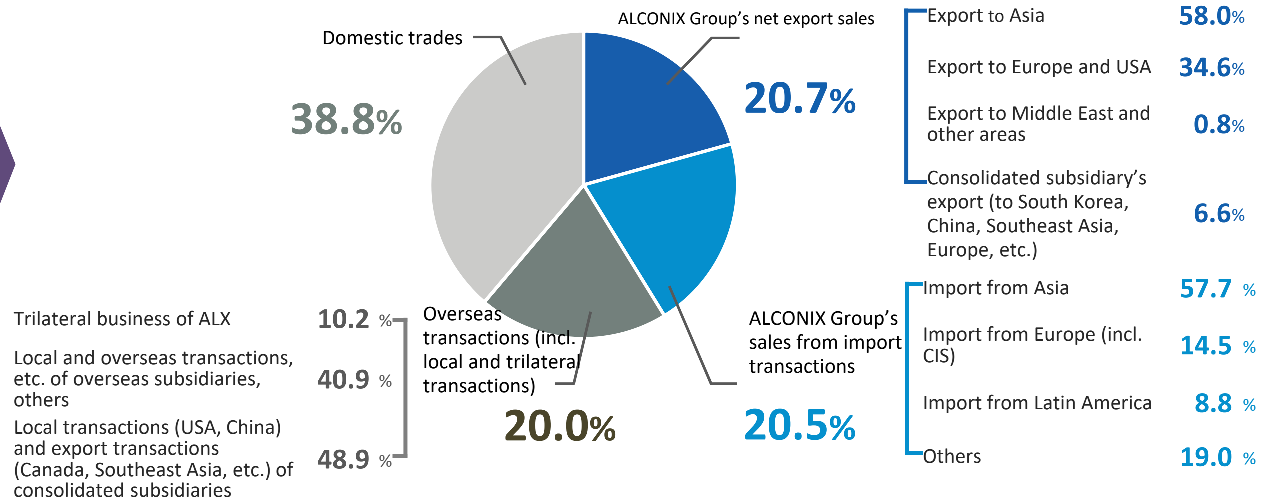
Plan to establish overseas branches in India and other countries to extend the overseas network

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

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 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

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**

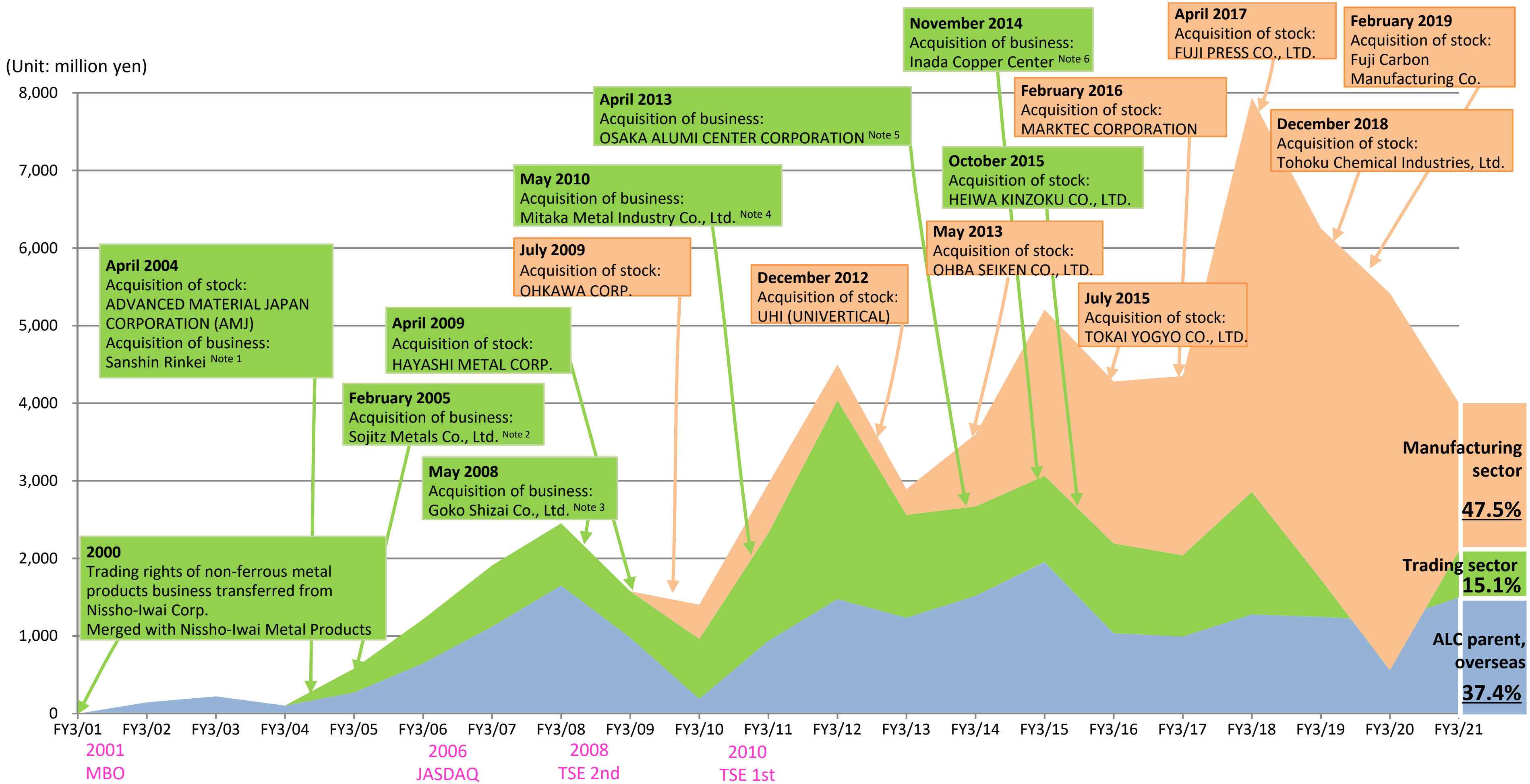
Date of stock acquisition: February 4, 2019
Manufactured products:
Carbon brushes for small motors
Company size: Head office (Aichi Pref.),
Overseas bases (China, Taiwan, Vietnam, India)

Sugaike factory

Investment activities 3

Changes in business composition

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

Investment activities 4

Significant investments

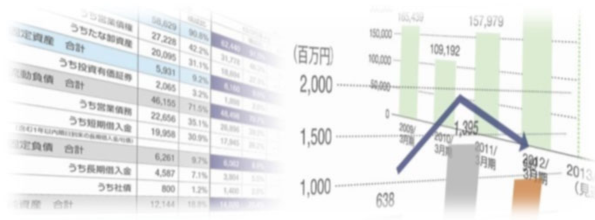
Almost all subsidiaries have higher sales, earnings and workforces than when they joined the ALCONIX Group because of additional investments following their acquisitions by ALCONIX.

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

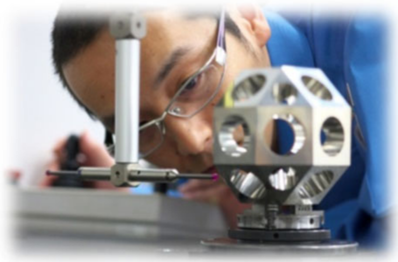
Finance, human resources and infrastructure

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

Strengths of the ALCONIX Group

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 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.
Akira Teranishi, Lawyer

Continue to appoint outside officers with diverse backgrounds and skills even after the General Meeting of Shareholders in June 2020

■ 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

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.