



Become an integrated company that combines
trading and manufacturing capabilities

ALCONIX CORPORATION

Listed on TSE First Section

Code 3036

Financial Results Materials
The Second Quarter of the Fiscal Year
Ending March 31, 2021

November 2020

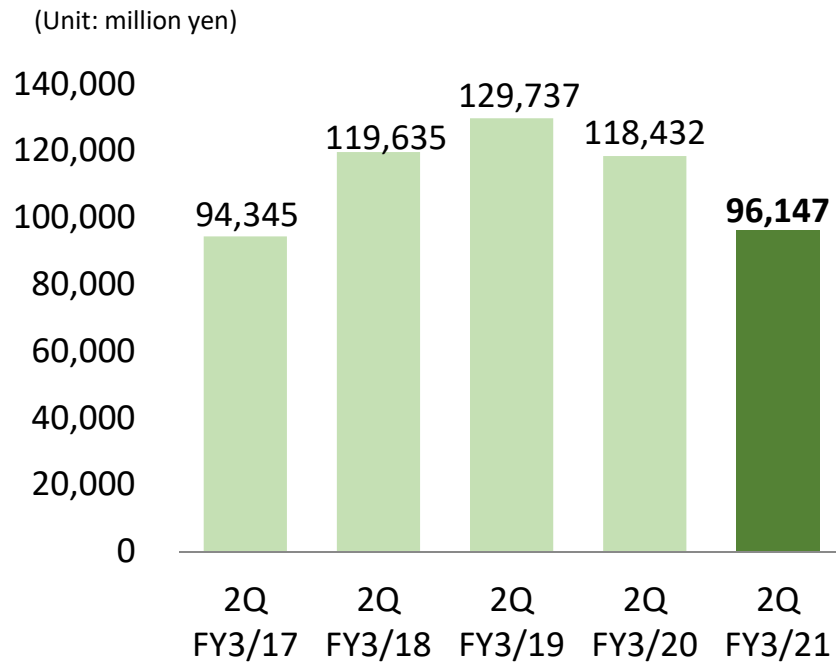
Contents

Results Materials

Results Highlights	3
Topics	6
2Q FY3/21 Financial Results	7
FY3/21 Earnings Forecasts	17
Medium-term Business Plan	21

Results highlights (2Q FY3/21) Consolidated sales

Consolidated Sales

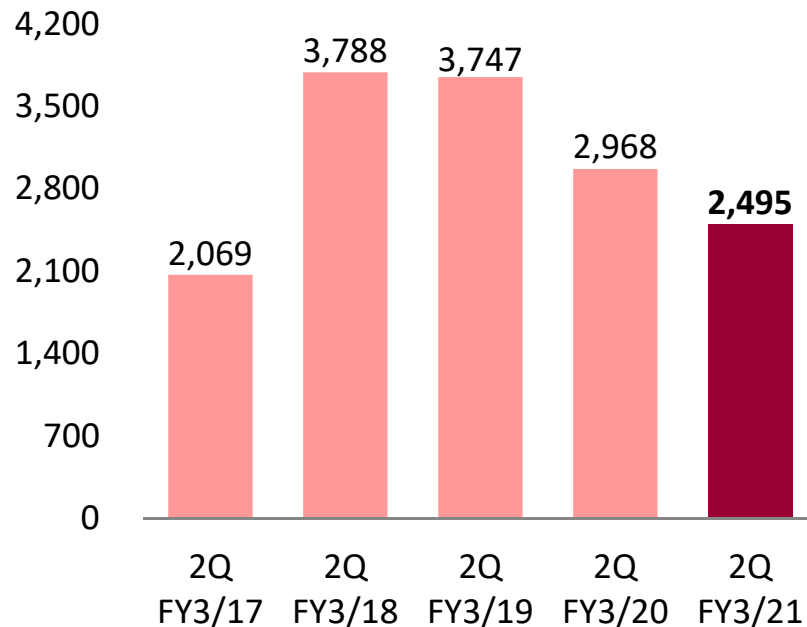


Down 18.8% YoY
Consolidated sales decreased due to the COVID-19 pandemic (down 21.9% in the Trading segment and down 6.2% in the Manufacturing segment)

Results highlights (2Q FY3/21) Consolidated ordinary profit

Consolidated Ordinary Profit

(Unit: million yen)



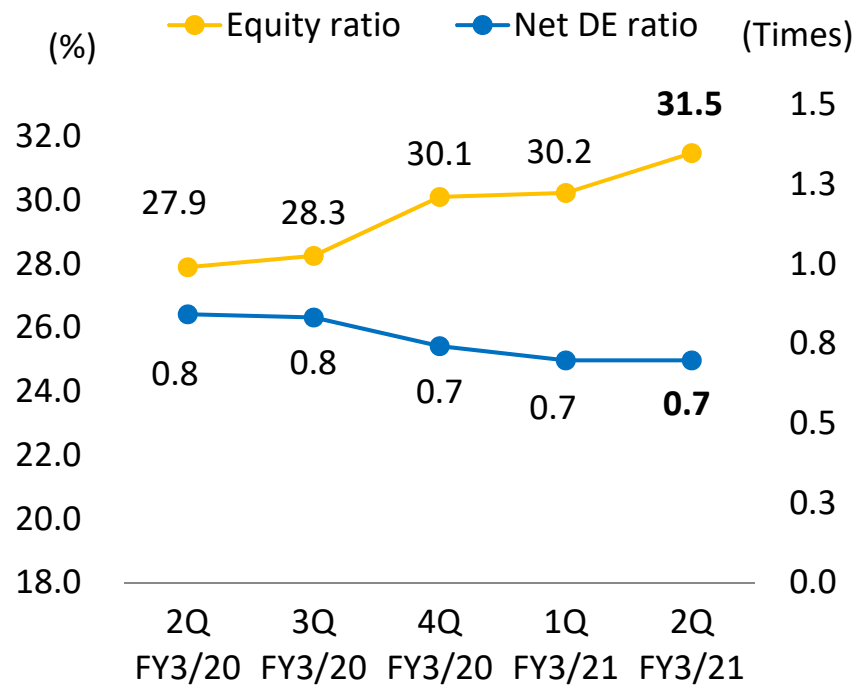
Down 15.9% YoY

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 (2Q FY3/21) Major consolidated financial indicators

Major Consolidated Financial Indicators



Equity Ratio

Up 1.4 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

Earnings Forecast

Revision to the FY3/21 Consolidated Earnings Forecast (announced on October 27, 2020)

(Unit: million yen)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	EPS
Previous forecast (A) May 26, 2020	210,000	3,900	4,000	2,400	94.80 yen
Revised forecast (B) October 27, 2020	190,000	4,500	4,600	2,400	95.58 yen
Change (B-A)	-20,000	600	600	0	
Percentage change (%)	-9.5%	+15.4%	+15.0%	+0.0%	

Earnings Forecast

Please see page 19 "Forecast for FY3/21"

Investments by a Consolidated Subsidiary (announced on August 25, 2020)

ALCONIX consolidated subsidiary ADVANCED MATERIAL JAPAN CORPORATION (AMJ) made an investment in Lianyou Metals Co.,Ltd., a manufacturer of tungsten compounds in Taiwan. The market for carbide tools is growing. This investment in Lianyou Metals makes the best use of the tungsten supply chain strengths of AMJ to jointly establish a unified system of production and sales bases.

Profile of Lianyou Metals

Company name: Lianyou Metals Co.,Ltd.
 Location: Pingdong, Taiwan
 Business: Manufacture and sales of tungsten compounds
 Shareholders: Lianyou Metals management team (Chairman, General Manager, Director and other four members): 80%
 AMJ: 20%



Tungsten compounds



The Lianyou Metals factory

2Q FY3/21 Financial Results

Consolidated performance (2Q FY3/21)

Financial results

- **Sales:** Sales of semiconductor and electronic materials increased due to the accelerated digital transformation and growth of remote work because of COVID-19. In the automotive sector, signs of recovery were seen after a big drop in automotive sector demand caused by COVID-19. But all segment sales were down because of the big downturn at the beginning of FY3/21.
- **Earnings:** Earnings benefited from higher semiconductor and electronic material demand and a one-time loss recorded one year earlier was mostly eliminated. Although Electronic and Advanced Materials earnings improved as a result, first half earnings were lower at all levels because of the overall decrease in sales.

(Unit: million yen)

	2Q FY3/20	2Q FY3/21	
		% to sales	Change
Net sales	118,432	96,147	-18.8%
Gross profit	9,286	8,616	9.0% -7.2%
SG&A expenses	6,587	6,156	6.4% -6.5%
Operating profit	2,699	2,459	2.6% -8.9%
Ordinary profit	2,968	2,495	2.6% -15.9%
Profit attributable to owners of parent	1,912	1,212	1.3% -36.6%
Comprehensive income	1,381	1,496	- -
Net income per share	75.71	47.89	- -

(Unit: yen)

Consolidated sales were down as steady semiconductor/IT sector sales were outweighed by the big drop of sales at the beginning of FY3/21 in the automotive sector, although sales of automotive materials are currently recovering

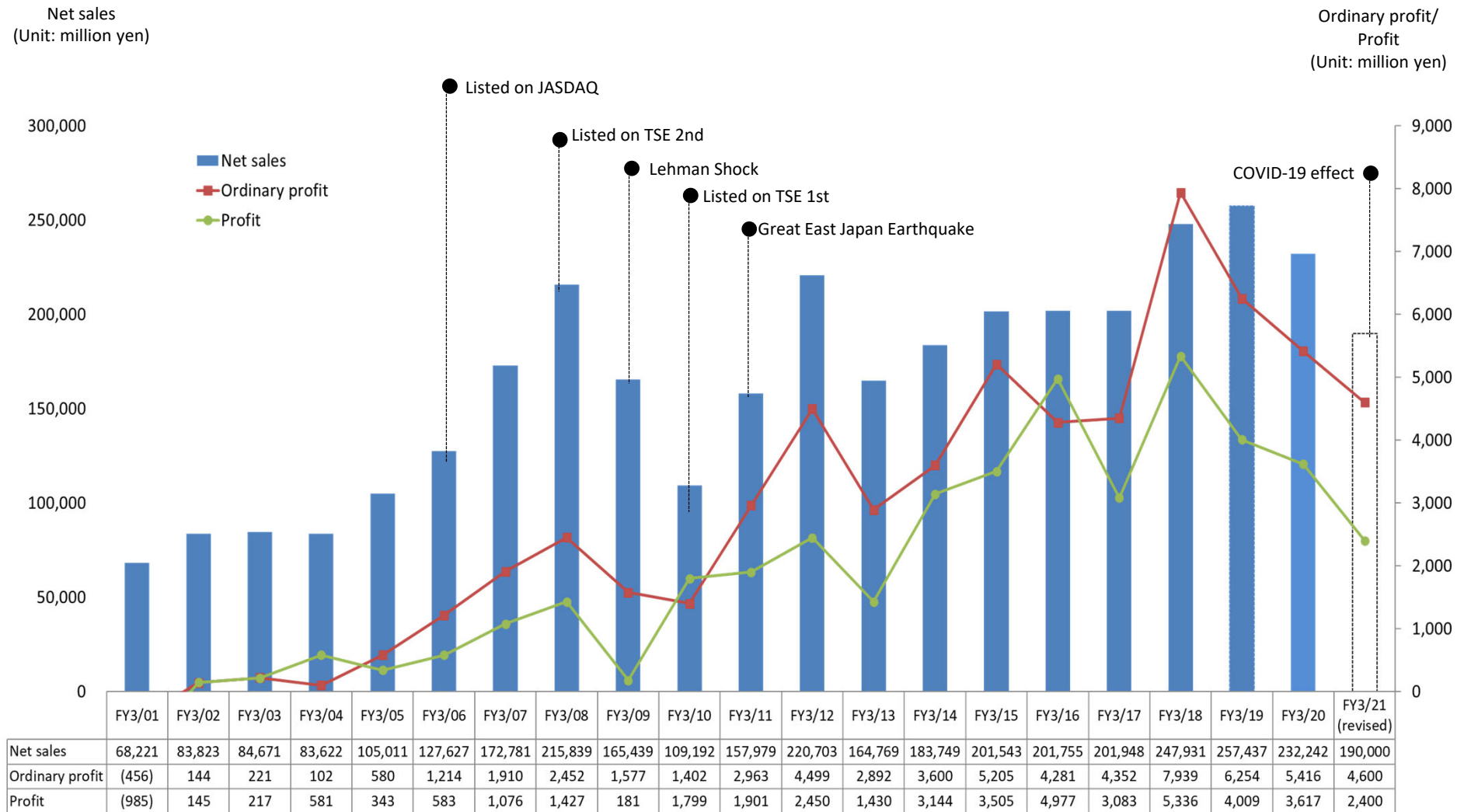
[Increase]
 (T) Battery materials, electronic materials (for smartphones, etc.)
 (T) Rare earths (for magnetic materials)
 (M) Precision grinding processing parts (semiconductor chip mounting equipment)
 (M) Precision machining processing parts (for telecommunications and semiconductor manufacturing equipment)
 (M) Non-destructive testing and marking equipment
 [Decrease]
 (T) Aluminum rolled products, copper products, non-ferrous materials
 (T) Titanium products
 (M) Plating materials, carbon brushes, cashew resin
 (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 1H 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



Operating segment information (2Q 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 automotive sector demand was severely impacted by COVID-19.

•Trading—Aluminum and Copper Products

The automotive sector demand started to recover after a sharp decline due to the impact of COVID-19. But the demand recovery could not cover the big drop at the beginning of FY3/21 and as a result, the transaction volume of aluminum rolled products in the products sector and, in the resources sector, recycled aluminum ingots and aluminum scrap decreased.

•Manufacturing—Equipment and Materials

Plating materials, small motor carbon brushes, cashew resin and welding rod shipments fell short of full recovery from a sharp decline in automotive sector demand due to the 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 show slow recovery from a big drop in automotive sector demand caused by COVID-19.

(Unit: million yen)

		2Q FY3/20		2Q FY3/21				
			Comp.	Comp.	Change (amount)	Change (%)		
Net sales	Trading	Electronic and advanced materials	35,908	30.3%	26,763	27.8%	-9,145	-25.5%
		Aluminum and copper products	59,478	50.2%	47,764	49.7%	-11,713	-19.7%
		Trading total	95,387	80.5%	74,528	77.5%	-20,858	-21.9%
	Manufacturing	Equipment and materials	12,306	10.4%	11,219	11.7%	-1,087	-8.8%
		Metal processing	10,738	9.1%	10,399	10.8%	-338	-3.2%
		Manufacturing total	23,045	19.5%	21,618	22.5%	-1,426	-6.2%
Total		118,432		96,147		-22,285	-18.8%	
Segment profit	Trading	Electronic and advanced materials	88	3.0%	830	33.3%	741	833.9%
		Aluminum and copper products	435	14.7%	326	13.1%	-109	-25.2%
		Trading total	524	17.7%	1,156	46.4%	631	120.4%
	Manufacturing	Equipment and materials	69	2.4%	-118	-4.8%	-188	-
		Metal processing	2,363	79.6%	1,460	58.5%	-903	-38.2%
		Manufacturing total	2,432	82.0%	1,341	53.7%	-1,091	-44.9%
Total		2,968		2,495		-472	-15.9%	

Note 1. Segment profit is based on ordinary profit. Note 2. Elimination or corporate for segment profit: 2Q FY3/21: -2 2Q FY3/20: 10

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

(Unit: million yen)

	2Q FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	26,763	-9,145	-25.5%	27.8%
Segment profit	830	741	833.9%	33.3%
Segment profit to net sales	3.1%	2.9%		

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

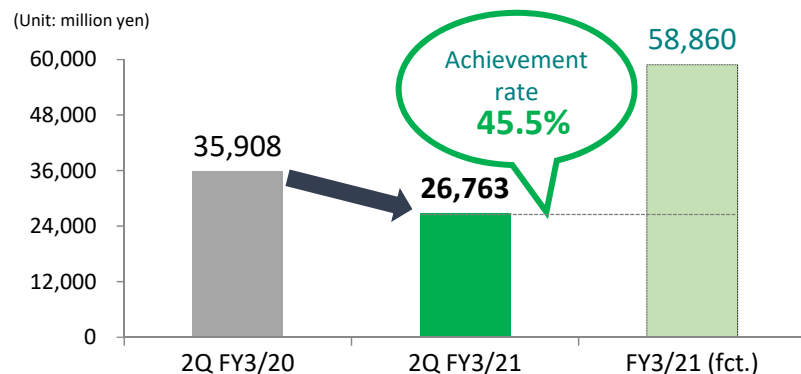
[Electronic materials and advanced materials]

- The transaction volume of materials used in smartphones and tablets was higher than one year earlier because of the faster pace of 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 were weak due to spread of COVID-19 again in Europe.

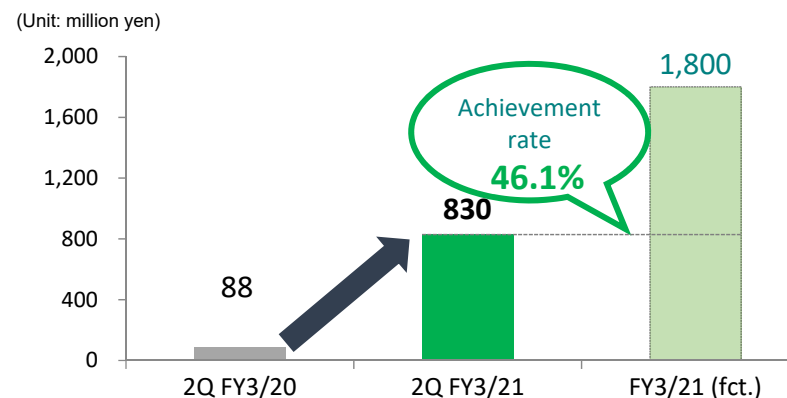
[Minor metals and rare earths]

- 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 recorded one year earlier was mostly eliminated.

Net Sales



Segment Profit



Aluminum and copper products

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

Financial results

(Unit: million yen)

	2Q FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	47,764	-11,713	-19.7%	49.7%
Segment profit	326	-109	-25.2%	13.1%
Segment profit to net sales	0.7%	0.0%		

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: Decrease

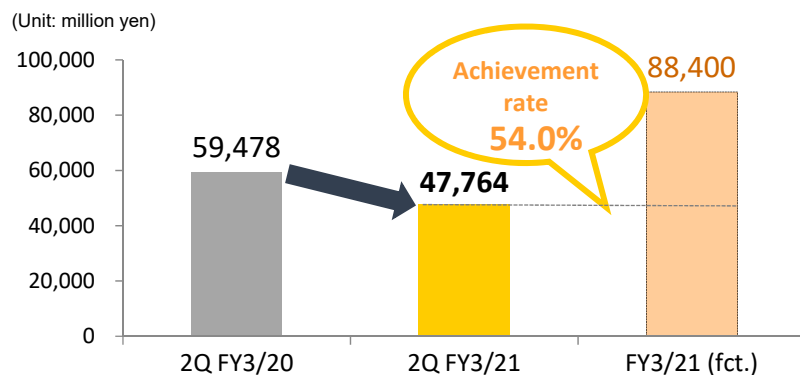
[Products]

- Automotive companies continue to require aluminum rolled products and copper products to raise production of electric vehicles, reduce vehicle weight and use more electronic components. But the trading volume of these products decreased because a recovery of automotive sector demand was not enough to cover the sharp decline caused by COVID-19 at the beginning of FY3/21.
- As COVID-19 forced people to make more purchases from home and increased remote work, the transaction volume was steady for beverage can aluminum and semiconductor materials for PCs and other IT products, but was unable to reach the level one year earlier

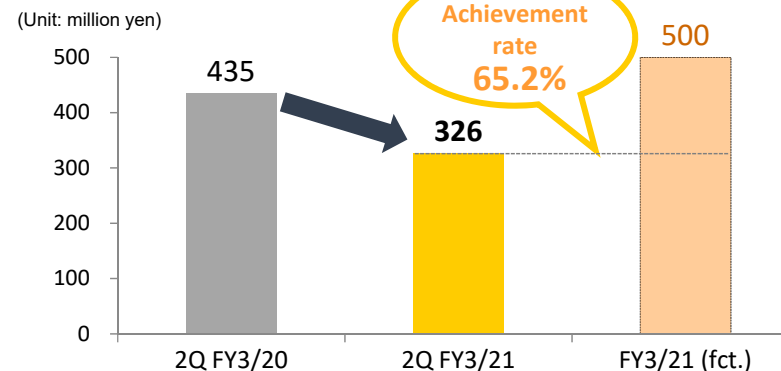
[Resources]

- The trading volume of aluminum scrap and recycled aluminum ingots decreased because a recovery of automotive sector demand was not enough to cover the sharp decline caused by COVID-19 at the beginning of FY3/21.

Net Sales



Segment Profit



Equipment and materials

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

Financial results

(Unit: million yen)

	2Q FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	11,219	-1,087	-8.8%	11.7%
Segment profit	-118	-188	-	-4.8%
Segment profit to net sales	-	-	-	-

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

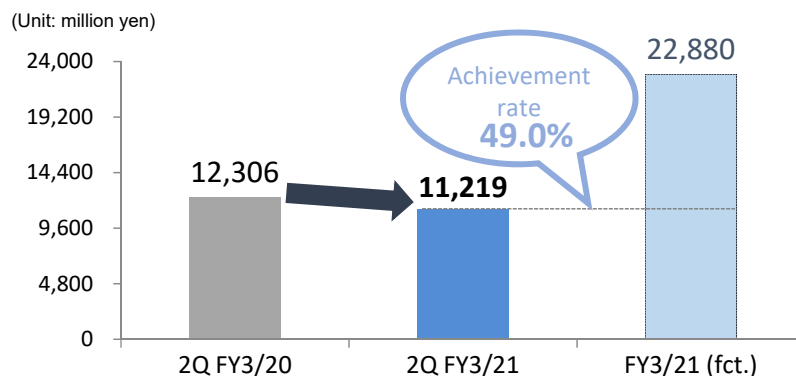
[Materials]

- Shipments of plating materials decreased as COVID-19 lowered demand in the United States and China and forced factories to reduce operations especially in China.
- Shipments of welding rods decreased sharply because a recovery of automotive sector demand was not enough to cover the sharp decline caused by COVID-19 at the beginning of FY3/21.
- Shipments of radio wave absorbing materials increased along with higher demand associated with 5G. Cash resin shipments were down sharply because a recovery of automotive sector demand was not enough to cover the sharp decline caused by COVID-19 at the beginning of FY3/21.
- Shipments of carbon brushes for small motors decreased due to slow recovery of demand in Japan despite higher shipments in China where some signs of recovery were seen after a big drop in automotive sector demand caused by COVID-19.

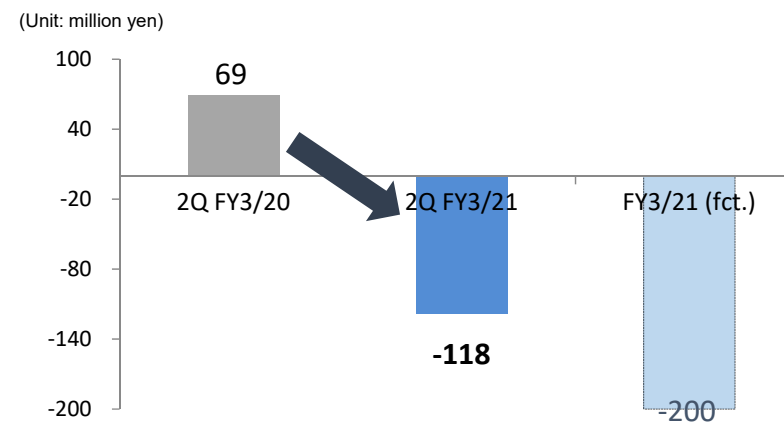
[Equipment]

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

Net Sales



Segment Profit



Metal processing

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

Financial results

(Unit: million yen)

	2Q FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	10,399	-338	-3.2%	10.8%
Segment profit	1,460	-903	-38.2%	58.5%
Segment profit to net sales	14.0%	-8.0%		

Sales of major products (YoY change)

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

Increase

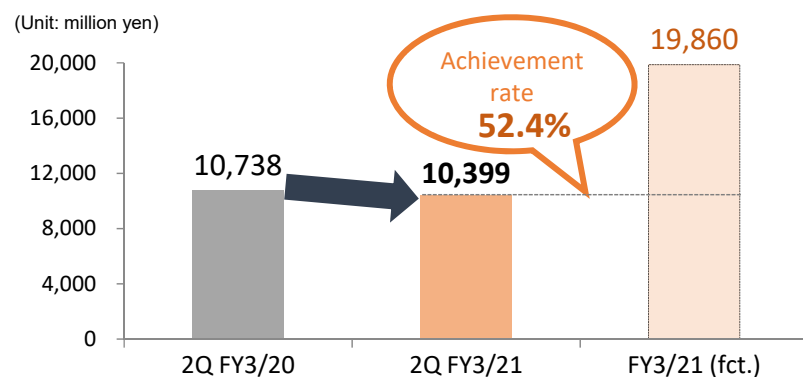
Precision grinding processing parts (for semiconductor chip mounting equipment): Increase

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

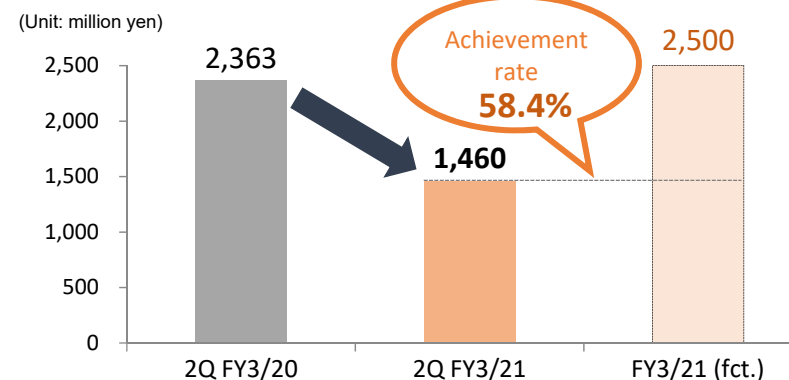
Precision metal stamped parts (for automotive powertrains, etc.): Decrease

- Shipments of precision grinding processing parts increased as demand for semiconductor chip mounting equipment remained firm but rising raw material costs held down profitability.
- Shipments of precision machining processing parts for semiconductor manufacturing equipment increased because of boosting demand involving 5G infrastructure equipment and the growth of remote work.
- Orders for precision metal stamped parts from major customers increased in the latter first half due to a stop on the sharp decline in automotive sector demand due to COVID-19 but the recovery was weak. Sluggish automotive sector demand in Mexico and upfront investments during the current startup phase of this business held down the Mexico project's profitability.

Net Sales



Segment Profit



Consolidated balance sheets (2Q FY3/21)

Financial results

(Unit: million yen)

	FY3/20	2Q FY3/21	Change	Major components
Current assets, total	95,426	89,821	-5,604	
Cash and deposits	22,754	24,690	1,935	Free cash flow +3.3 billion yen (see page 16; priority on liquidity on hand)
Operating receivables	44,162	38,239	-5,922	Lower transactions (Trading segment)
Inventories	26,100	24,344	-1,756	Lower transactions (Trading segment)
Non-current assets, total	39,036	39,673	636	
Property, plant and equipment	20,905	20,762	-142	Amortization
Intangible assets	6,697	6,312	-384	Amortization (including goodwill)
Investments and other assets	11,433	12,598	1,164	Market value evaluation
Assets, total	134,463	129,495	-4,968	
	FY3/20	2Q FY3/21	Change	Major components
Current liabilities, total	65,533	61,519	-4,014	
Operating debt	30,920	26,493	-4,427	Lower transactions (Trading segment)
Short-term borrowings (including current portion of long-term borrowings/commercial papers/ bonds payable)	28,959	29,911	-48	Repayments
Non-current liabilities, total	27,652	26,683	-968	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	21,589	-724	Transfer to the current portion
Liabilities, total	93,185	88,202	-4,982	
Shareholders' equity	38,320	38,338	18	
Retained earnings	33,207	33,932	725	Profit attributable to owners of parent – dividends paid
Accumulated other comprehensive income	2,161	2,417	256	
Shareholders' equity	40,481	40,756	274	Equity ratio: 31.5%
Net assets, total	41,277	41,292	14	
Liabilities and net assets, total	134,463	129,495	-4,968	

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

Consolidated cash flows (2Q FY3/21)

Financial results

(Unit: million yen)

	2Q FY3/21	Major items			2Q FY3/20
Operating cash flows	5,378				5,212
	2,502	Profit before income taxes			2,976
	1,896	Depreciation (including amortization of goodwill)			1,752
	-66	Share of profit of entities accounted for using equity method (K' MAC, Guandon Chuangfu Metal Product)			-146
	3,007	Working capital (decrease)			1,506
			(Item)	2Q FY3/21	2Q FY3/20
			Decrease (increase) in trade receivables	5,569	2,505
			Decrease (increase) in inventories	1,687	2,155
			Increase (decrease) in trade payables	-4,249	-3,154
	-1,298	Income taxes paid			-1,168
	-662	Other			292
Investing cash flows	-2,126				-813
	-1,518	Purchase of property, plant and equipment and intangible assets (capital expenditures at manufacturing subsidiaries)			-1,217
	-103	Purchase of investment securities			-677
	1	Proceeds from sales of investment securities			1,415
	-292	Loans of working capital for consolidated subsidiaries (Payment for loans - Proceeds from collection of loans)			-163
	-212	Other			-170
Financing cash flows	-1,157				-3,753
	-165	Net decrease in short-term borrowings			-1,183
	-350	Net decrease in long-term borrowings			-1,627
	-74	Redemption of bonds			-74
	-687	Stock repurchase (Period for repurchase: Apr. to Oct 2020 *Purchase completed on October 30, 2020)			-
	-538	Cash dividends paid			-503
	-				-
	660	Other			-363
Effect of exchange rate change on cash and cash equivalents	-180				-237
Net increase (decrease) in cash and cash equivalents	1,914				408
Cash and cash equivalents at beginning of period	21,595				22,404
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-				-
Cash and cash equivalents at end of period	23,509				22,812
*Change: Numbers may not tally exactly due to rounding.					
Free cash flow	3,252				4,399

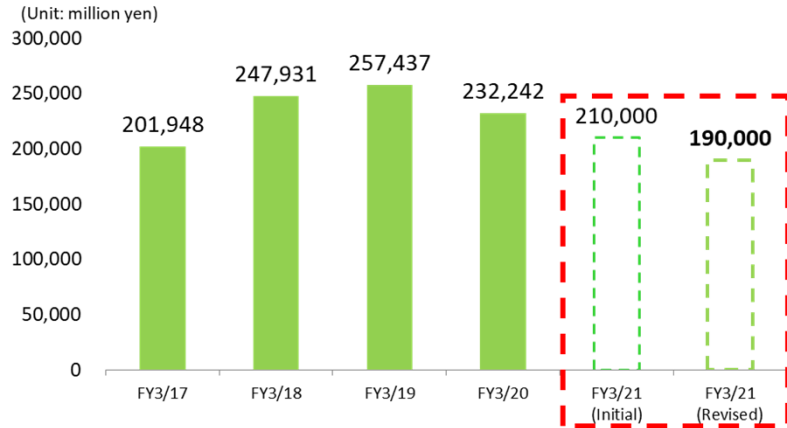
FY3/21 Earnings Forecasts

*Announced forecast revision on October 27, 2020

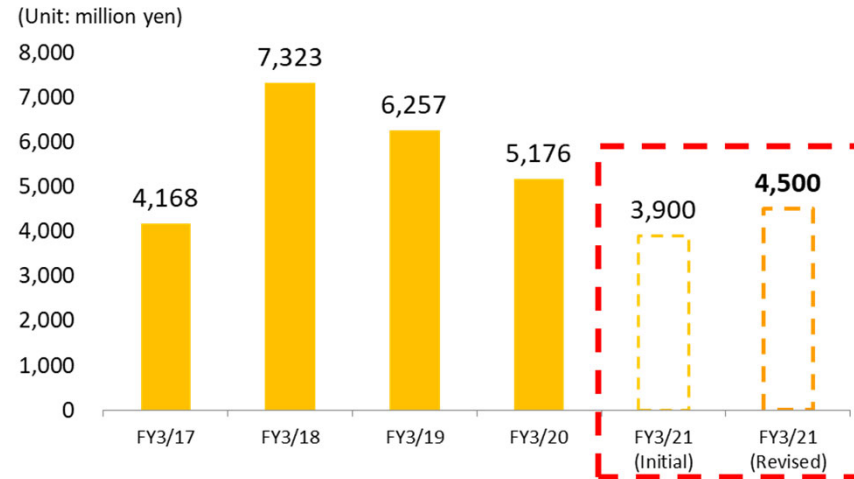
Trend in consolidated sales and earnings

Earnings forecast

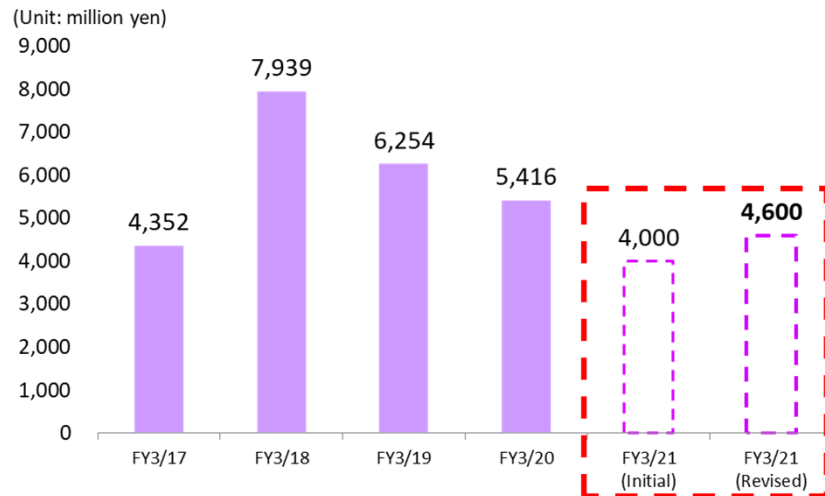
Net Sales



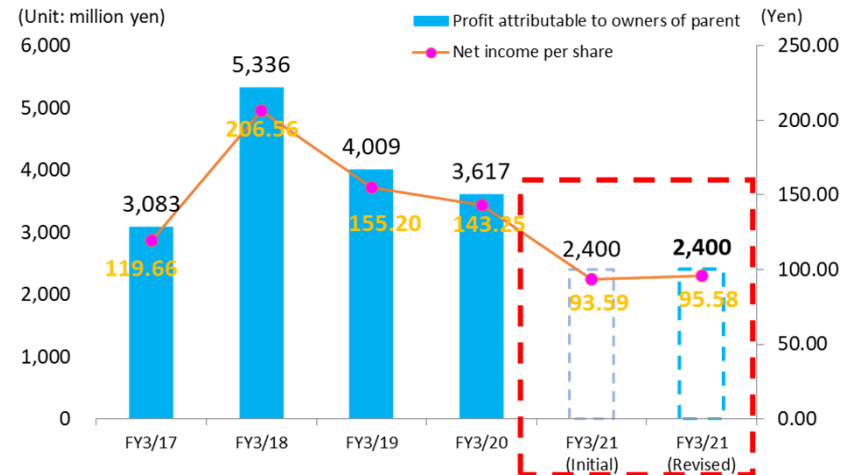
Operating Profit



Ordinary Profit



Profit Attributable to Owners of Parent



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

Forecast for FY3/21

Earnings forecast

- Demand for materials for IT equipment and semiconductors increased because of the growth of remote and online work due to COVID-19. Demand for automotive materials plummeted at the beginning of FY3/21 and then started to come back with the worldwide recovery in automobile production and sales. All of these trends are expected to continue in the second half of FY3/21 and afterward. In Europe, however, there are concerns about the re-spread of infections. The economic impact of COVID-19 and the business climate for the ALCONIX Group are uncertain at this time. For these reasons, the revised sales and earnings forecasts are still lower than in FY3/20.

(Unit: million yen)

	FY3/20		FY3/21		YoY change	FY3/21		YoY change	2Q FY3/21	
	% to sales		(Initial forecasts on May 26, 2020)	% to sales		(Revised forecasts on Oct. 27, 2020)	% to sales		Progress ratio	
Net sales	232,242		210,000		-9.6%	190,000		-18.2%	96,147	50.6%
Gross profit	18,622	8.0%	18,200	8.7%	-2.3%	17,500	9.2%	-6.0%	8,616	49.2%
SG&A expenses	13,445	5.8%	14,300	6.8%	6.4%	13,000	6.8%	-3.3%	6,156	47.4%
Operating profit	5,176	2.2%	3,900	1.9%	-24.7%	4,500	2.4%	-13.1%	2,459	54.7%
Ordinary profit	5,416	2.3%	4,000	1.9%	-26.2%	4,600	2.4%	-15.1%	2,495	54.2%
Profit attributable to owners of parent	3,617	1.6%	2,400	1.1%	-33.7%	2,400	1.3%	-33.7%	1,212	50.5%
Net income per share (yen)	143.25		94.80			95.58			47.89	

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. Earnings from minor metals and rare earths are expected to be higher due to a recovery from the effects of lower sales and a valuation loss on inventories in FY3/20, but lower sales are expected due to uncertainty involving the spread of the COVID-19 pandemic.

• Trading—Aluminum and Copper Products

Forecast an increase in the transaction volume of products and resources in the second half because of the recovery in prices of non-ferrous metals and the recovery in automotive sector demand. However, sales and earnings are expected to decrease due to the big downturn in the first half caused by COVID-19.

• Manufacturing—Equipment and Materials

Demand for plating materials is expected to remain weak both in the United States and China. Shipments of non-destructive testing equipment and marking systems are expected to remain firm and the automobile demand recovery is expected to stop the decline in the performance of carbon brushes for small motors. But forecast a decrease in total shipments because of the big first half drop in this sector's performance.

• Manufacturing—Metal Processing

Demand involving 5G infrastructures and semiconductor demand are remaining steady. But forecast a decrease in shipments of precision grinding processing parts for semiconductor chip mounting equipment and precision machining processing parts for semiconductor manufacturing equipment because of concerns over an economic downturn due to the spread of COVID-19 again. Anticipate sluggish demand for precision metal stamped parts because a full-scale recovery of the automotive sector demand is unlikely to happen in the near future. In the Mexico project, there were start-up expenses in advance of earnings which is expected to start in FY3/22.

(Unit: million yen)

		FY3/20		FY3/21		FY3/21		Change	2Q FY3/21			
			Comp.	(Initial forecasts on May 26, 2020)	Comp.	(Revised forecasts on Oct. 27, 2020)	Comp.		Comp.	Progress ratio		
Net sales	Trading	Electronic and advanced materials	68,950	29.7%	70,000	33.3%	58,860	31.0%	-14.6%	26,763	27.8%	45.5%
		Aluminum and copper products	115,283	49.6%	105,000	50.0%	88,400	46.5%	-23.3%	47,764	49.7%	54.0%
		Trading total	184,234	79.3%	175,000	83.3%	147,260	77.5%	-20.1%	74,528	77.5%	50.6%
	Manufacturing	Equipment and materials	25,728	11.1%	19,000	9.0%	22,880	12.0%	-11.1%	11,219	11.7%	49.0%
		Metal processing	22,269	9.6%	16,000	7.6%	19,860	10.5%	-10.8%	10,399	10.8%	52.4%
		Manufacturing total	47,998	20.7%	35,000	16.7%	42,740	22.5%	-11.0%	21,618	22.5%	50.6%
Total	232,232		210,000		190,000		-18.2%	96,147		50.6%		
Segment profit	Trading	Electronic and advanced materials	80	1.5%	1,100	27.5%	1,800	39.1%	2131.2%	830	33.3%	46.1%
		Aluminum and copper products	694	12.8%	1,000	25.0%	500	10.9%	-28.0%	326	13.1%	65.2%
		Trading total	774	14.2%	2,100	52.5%	2,300	50.0%	196.9%	1,156	46.4%	50.3%
	Manufacturing	Equipment and materials	403	7.4%	-400	-10.0%	-200	-4.3%	-149.6%	-118	-4.7%	-
		Metal processing	4,243	78.0%	2,300	57.5%	2,500	54.3%	-41.1%	1,460	58.5%	58.4%
		Manufacturing total	4,646	85.4%	1,900	47.5%	2,300	50.0%	-50.5%	1,341	53.6%	58.3%
Total	5,440		4,000		4,600		-15.4%	2,495		54.2%		

*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

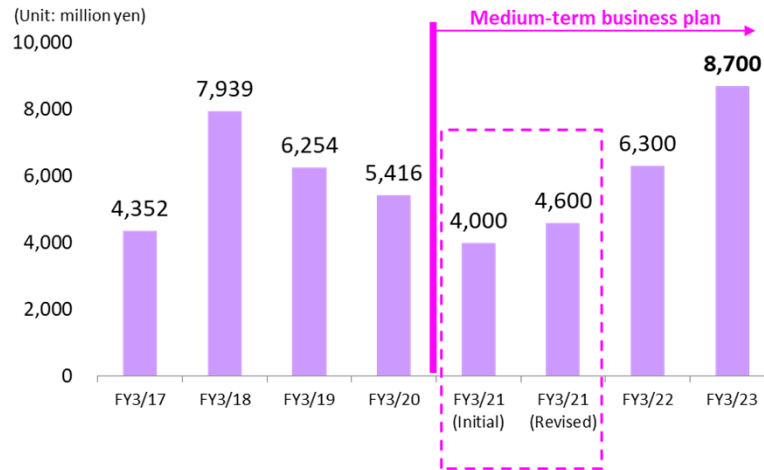
Strengthen corporate infrastructure and internal governance

Performance targets (final year: end-March 2023)

Medium-term business plan

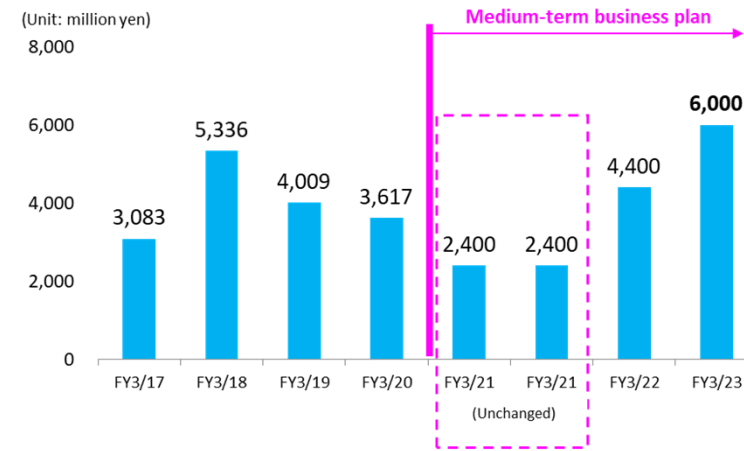
Profit targets

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



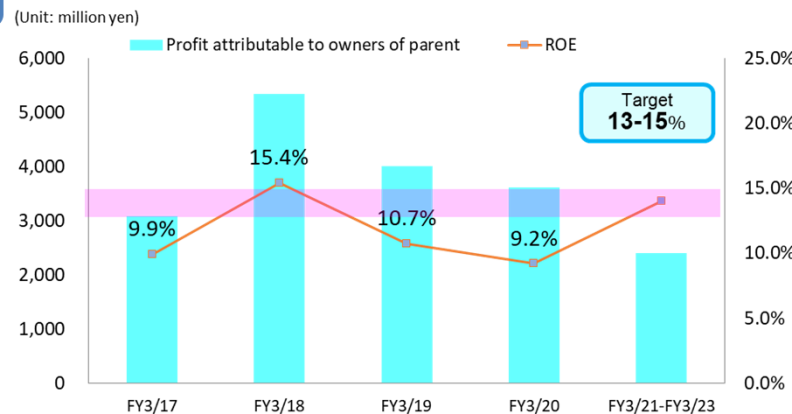
Profit attributable to owners of parent:

Over ¥6.0 billion (FY3/23)

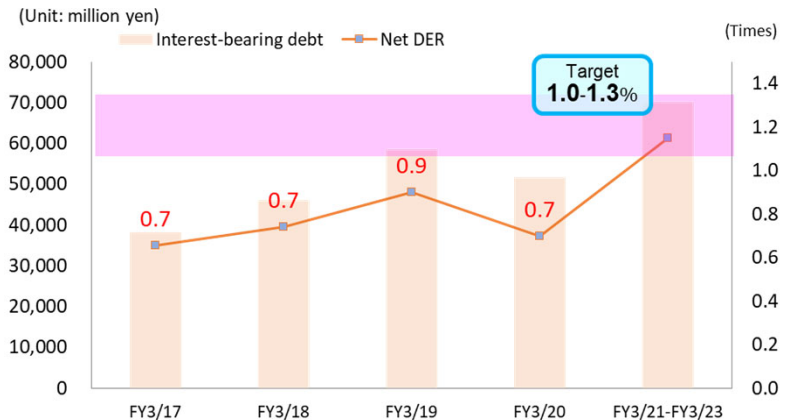


Management benchmarks

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 27 "Investment activities"

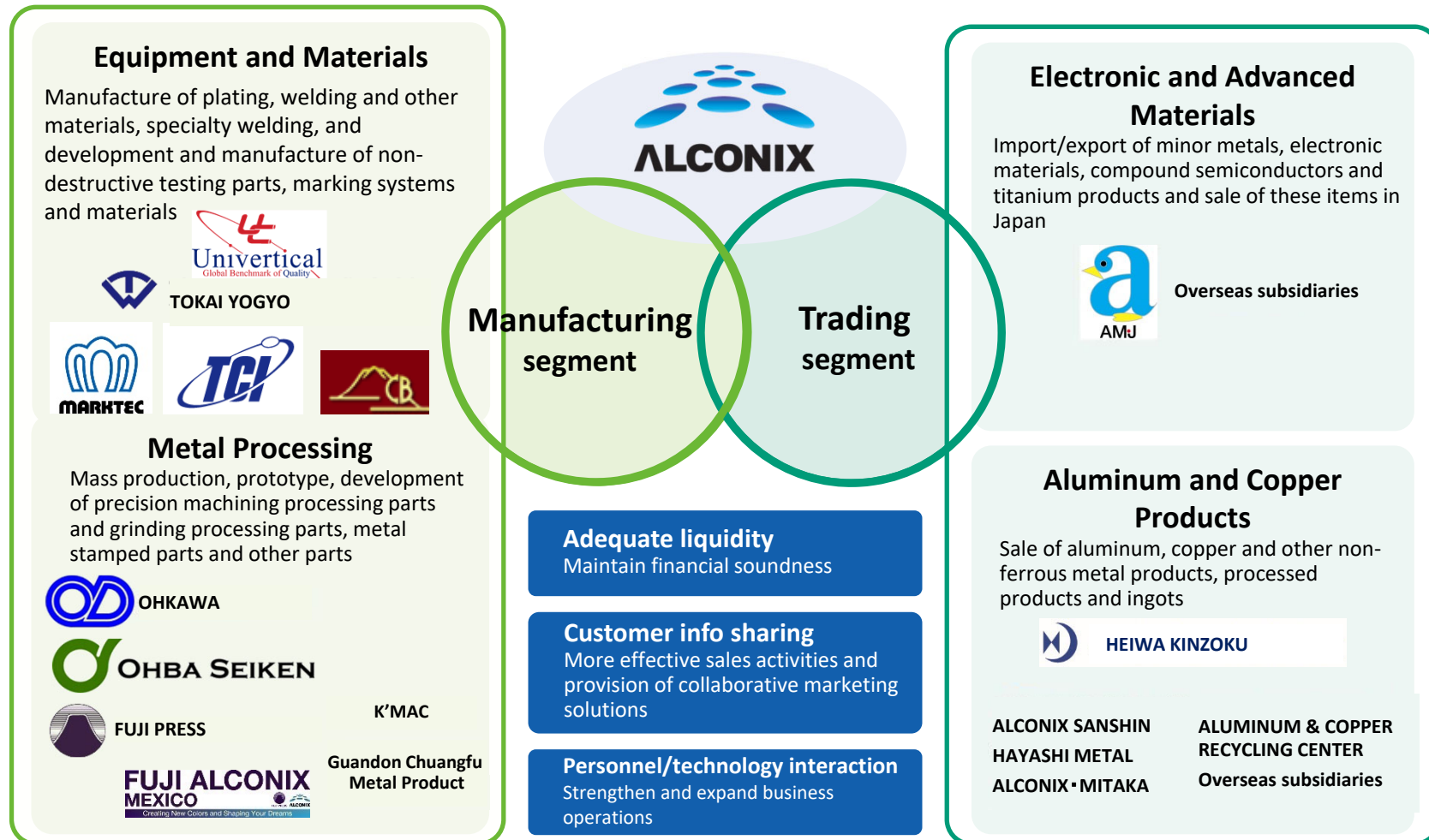
Strengthen operating revenue 1

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

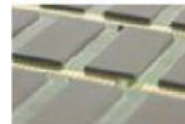


Spread of 5G

Next-generation vehicles

Progress with AI and IoT

Semiconductors



Higher storage capacity and speed

More electronics in autos and appliances

Automobiles



Electric vehicle (EV)

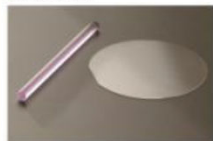
Hybrid car

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)

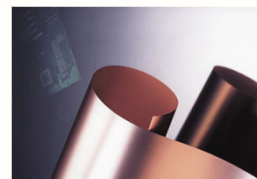


Titanium, Tungsten, Molybdenum, Indium, others

Rare earths (17 elements)



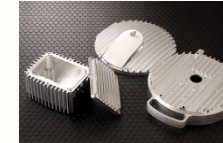
Neodymium, Dysprosium, Lanthanum, others



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

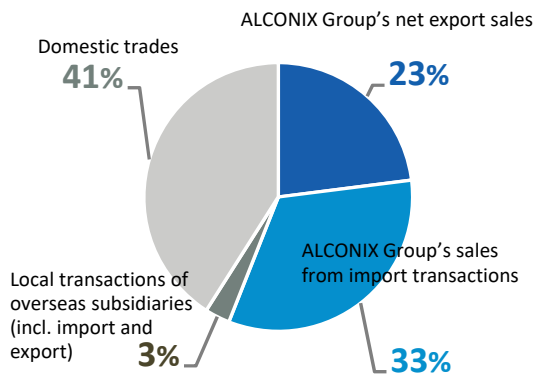
Growth of overseas operations, mainly for minor metals, at the Singapore subsidiary of ADVANCED MATERIAL JAPAN

3 Expand overseas network

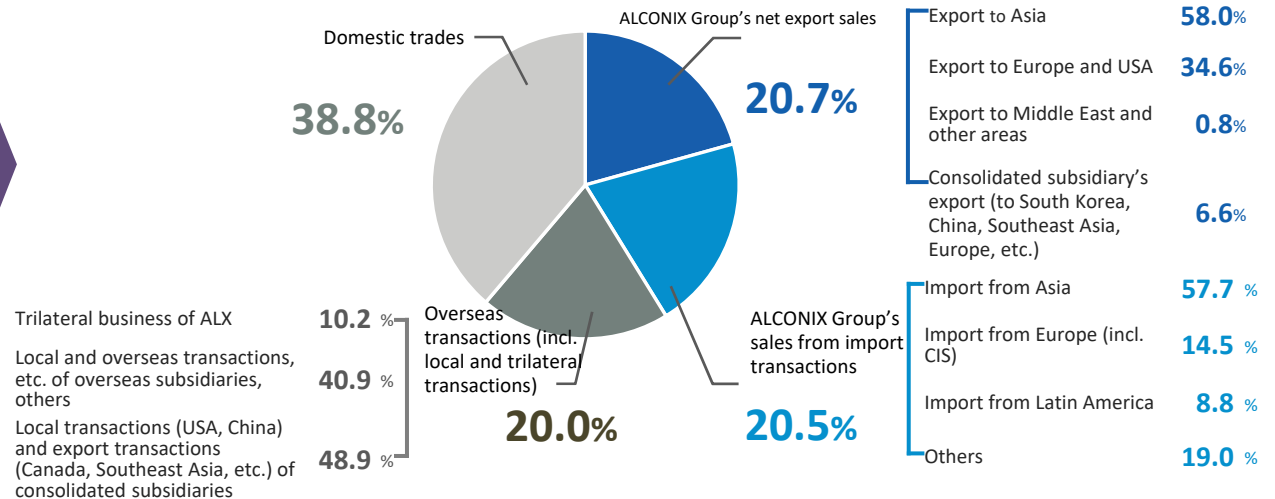
Plan to establish overseas branches in India and other countries to extend the overseas network

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)

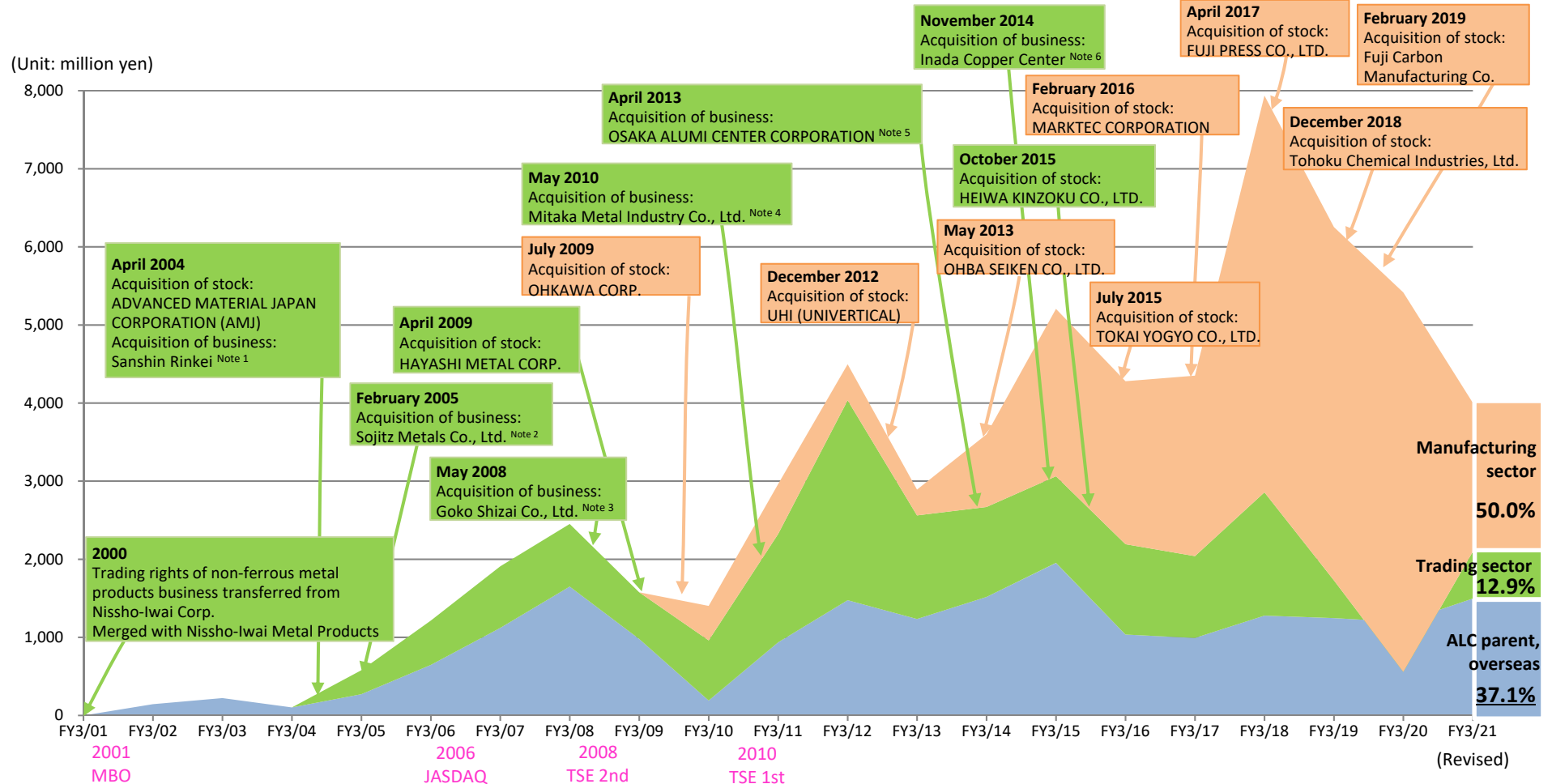


Sugaike factory

Investment activities 3

Changes in business composition

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

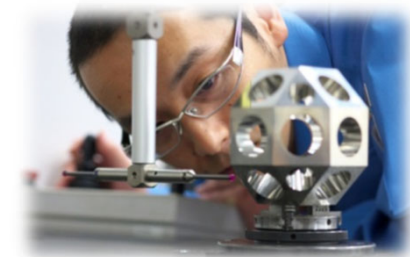
Reinforce the financial backbone

- 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 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.



Reduction of environmental impact and realization of a clean society

* Manufactured by Tohoku Chemical Industries (Manufacturing - Equipment and 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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