



Become an integrated company that combines
trading and manufacturing capabilities

ALCONIX CORPORATION

Listed on TSE First Section

Code 3036

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

February 2021

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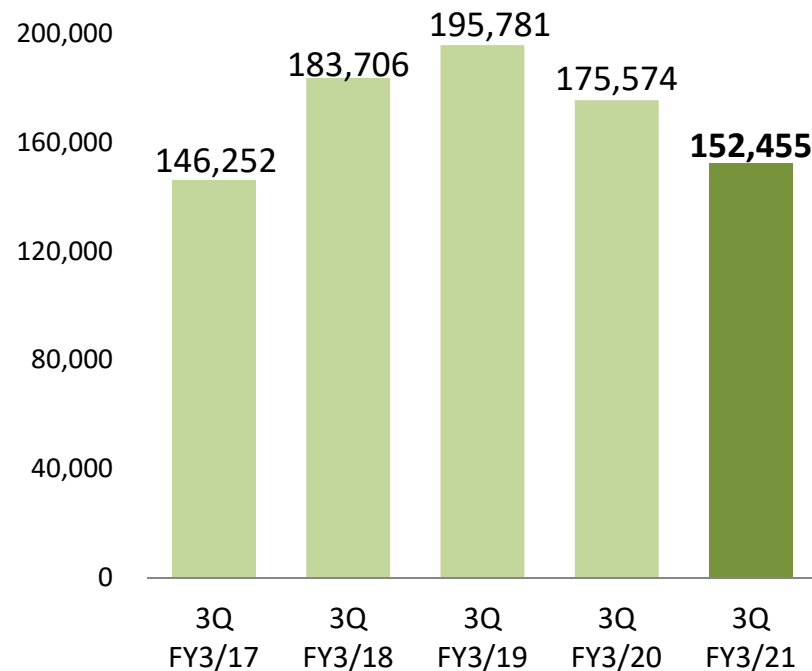
Results Materials

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Results highlights (3Q FY3/21) Consolidated sales

Consolidated Sales

(Unit: million yen)

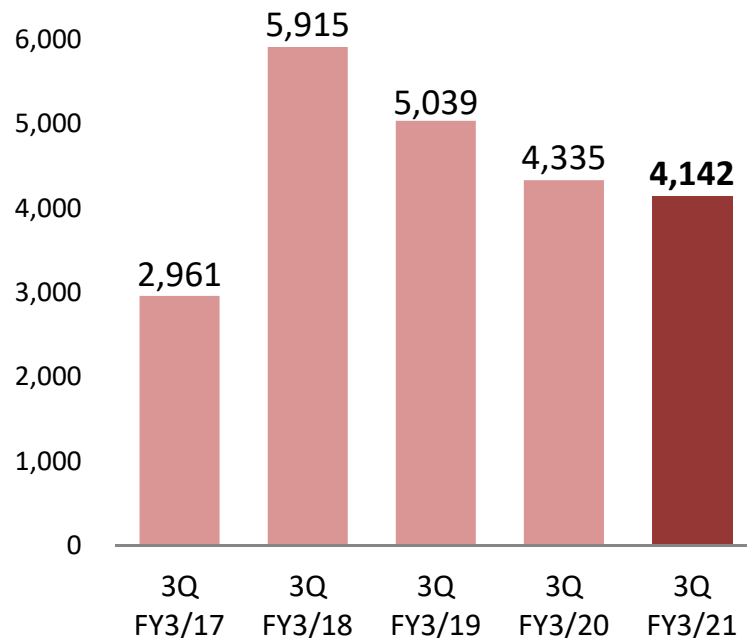


Down 13.2% YoY
Consolidated sales decreased due to the COVID-19 pandemic (down 15.1% in the Trading segment and down 5.6% in the Manufacturing segment)

Results highlights (3Q FY3/21) Consolidated ordinary profit

Consolidated Ordinary Profit

(Unit: million yen)



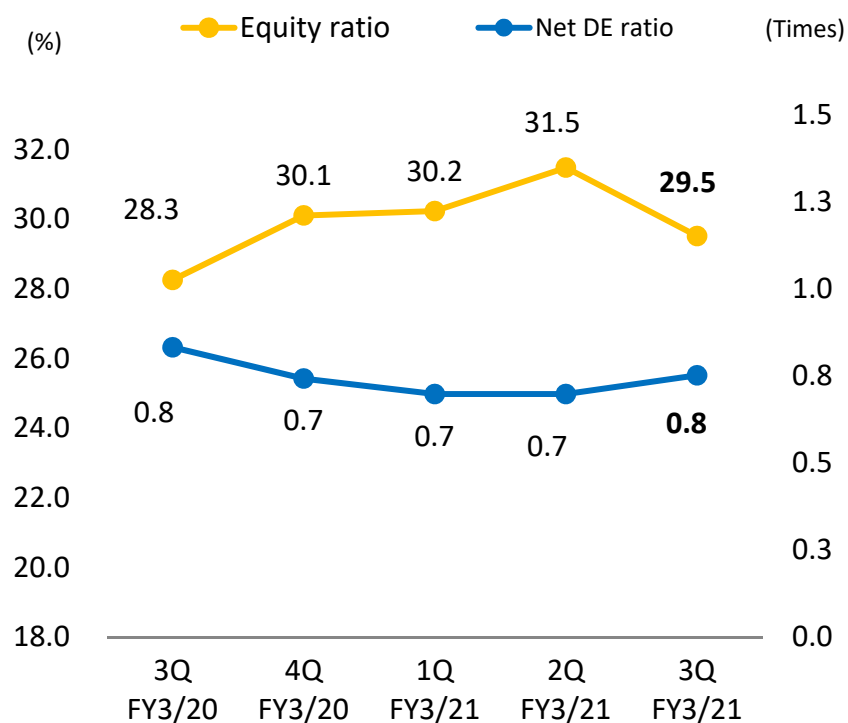
Down 4.4% YoY

Earnings decreased due to lower sales

(Earnings improved because of strong demand in the semiconductor sector, a recovery in the automotive sector demand and elimination of a one-time loss recorded one year earlier.)

Results highlights (3Q FY3/21) Major consolidated financial indicators

Major Consolidated Financial Indicators



Equity Ratio

Down 2.0 percentage point

(a quarterly basis)

Issuance of commercial papers through diversification of fund procurement and an increase in non-current assets of a newly consolidated subsidiary

Net debt equity ratio (NetDER)
0.8 times

NetDER remained below 1.0 as in the previous fiscal year

News

Improper Accounting Procedure at a Consolidated Subsidiary (Announced on February 5, 2021)

ALCONIX released the “Notice of Improper Accounting Treatment at a Consolidated Subsidiary and the Establishment of a Special Investigation Committee” on December 4, 2020. In response to the discovery of inappropriate accounting practices at ALCONIX’s consolidated subsidiary ALCONIX SANSHIN, ALCONIX established a Special Investigation Committee, including outside experts, to conduct a survey from December 4, 2020 to February 1, 2021 for the purpose of clarifying the facts regarding the inappropriate accounting treatment, measuring the impact on the consolidated financial statements, and determining the measures needed to prevent any recurrence of this issue in the future.

The report regarding the results of the investigation was received from the Special Investigation Committee on February 1, 2021 and disclosed to the Tokyo Stock Exchange on February 5, 2021. ALCONIX takes this matter very seriously and sincerely and accepts the facts identified by the Special Investigation Committee, as well as its cause and proposed measures for preventing any recurrence. ALCONIX is currently formulating a contingency management plan, including the disciplinary actions of the parties concerned. This plan will be announced as soon as it is finalized.

M&A

Acquisition of Fujine Sangyo Stock (Announced on November 25, 2020)

ALCONIX acquired 95% of the stock of Fujine Sangyo, a manufacturer of tubes and other components for air conditioning, making it a consolidated subsidiary. Its main products are the metal processed components used in freezer and air conditioning equipment and the company is particularly strong in the production and processing of core components of commercial packaged air conditioning units. Through the acquisition of the shares, ALCONIX plans to promote the collaboration between Fujine Sangyo and Chiyoda Air-Con Parts Co., Ltd. to stably secure raw materials, improve production efficiency, and expand in new product categories by combining technologies of the two companies. In addition, combining these activities with the operations of the ALCONIX Group’s trading activities (aluminum and copper products) will make it possible for the group to unify manufacturing and sales operations and speed up the global growth of the metal processing segment.

Profile of Fujine Sangyo

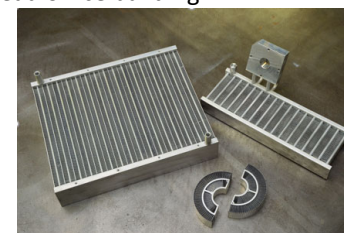
- Business : Manufacture and sale of air conditioning and freezer components, automotive parts, IT product components, tubes and other products
- Established : May 1951
- Location : Numazu City, Shizuoka Pref.
- Capital : 80 million yen (Investment ratio: ALCONIX 95.0%; Chiyoda Air-Con Parts 5%)
- Bases : Head office and factory (Shizuoka Pref.), overseas base (Thailand)



Head office building



Parts for heat exchangers



Cylinder parts

3Q FY3/21 Financial Results

Consolidated performance (3Q FY3/21)

Financial results

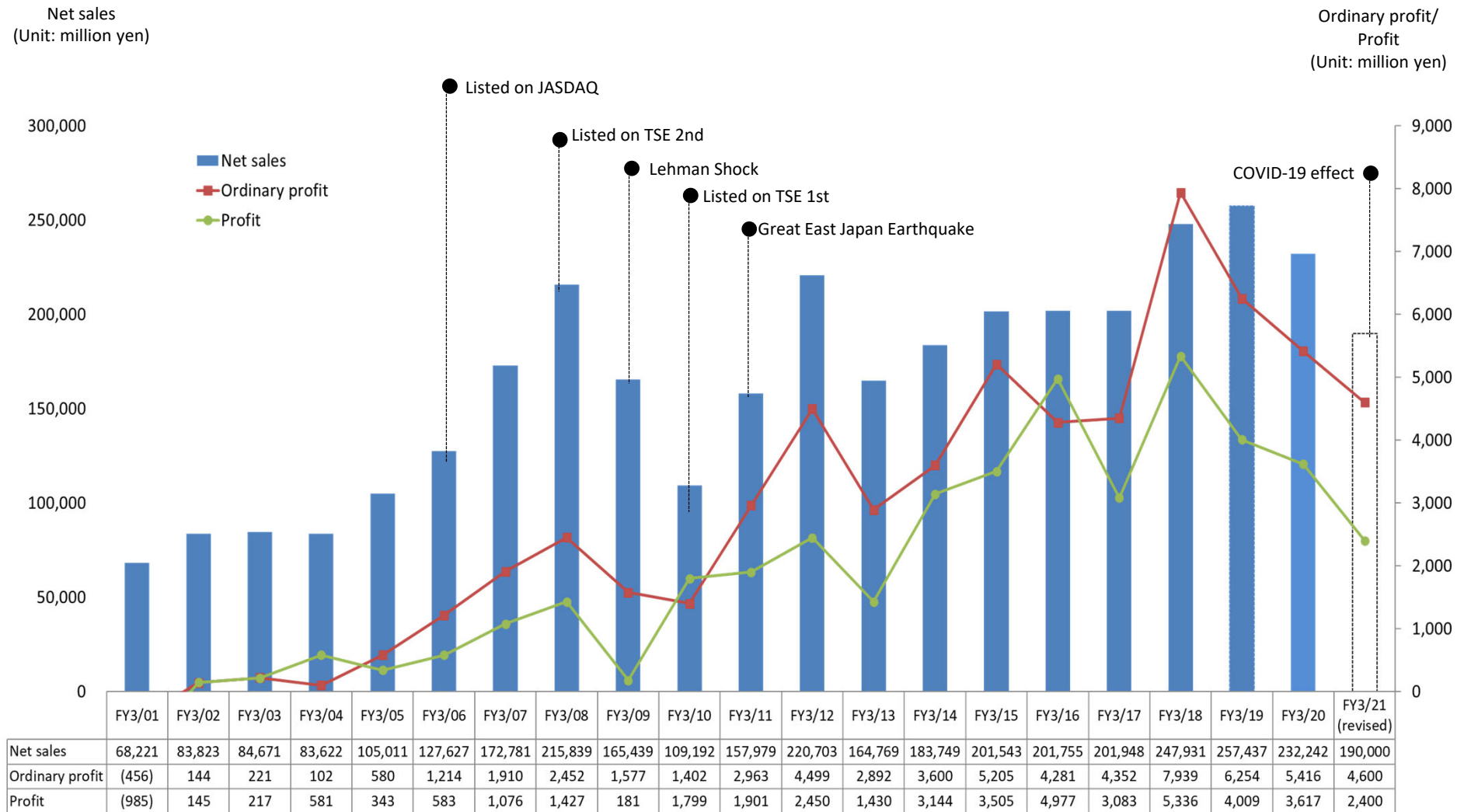
- Sales of semiconductor and electronic materials increased mainly due to the accelerated digital transformation and growth of remote work because of COVID-19. There was a rapid recovery in automotive sector demand following the sharp downturn in the first half. But all segment sales were down because the recovery was not enough to offset the downturn at the beginning of FY3/21.
- 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, earnings were lower at all levels because of the overall decrease in sales.

(M): Manufacturing (T): Trading

	3Q FY3/20	3Q FY3/21		Change	
			% to sales		
(Unit: million yen)					
Net sales	175,574	152,455	8.7%	-13.2%	Although semiconductor/IT sector sales were steady and automotive sales are recovering at a high pace, consolidated sales declined. [Increase] (T) Battery materials, electronic materials (for smartphones, etc.) (T) Rare earths (for magnetic materials) (M) Precision machining processing parts (for telecommunications and semiconductor manufacturing equipment) (M) Non-destructive testing and marking equipment
Gross profit	13,956	13,270	6.1%	-4.9%	[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 (M) Precision grinding processing parts (semiconductor chip mounting equipment)
SG&A expenses	9,907	9,360	2.7%	-5.5%	
Operating profit	4,048	3,910	2.7%	-3.4%	
Ordinary profit	4,335	4,142	1.2%	-4.4%	
Profit attributable to owners of parent	3,253	1,781	1.2%	-45.2%	Earnings decreased due to lower sales and a one-time loss [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 the same period of 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 and recording of gain on sales of shares of subsidiaries and associates
(Unit: yen)					
Comprehensive income	3,266	3,129	-	-	
Net income per share	128.81	70.62	-	-	

Performance trend (consolidated income statements)

Financial results



Operating segment information (3Q 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. Although the transaction volume of minor metals for the automobile sector demand improved, sales declined due to a negative effect of COVID-19 at the beginning of FY3/21.

•Trading—Aluminum and Copper Products

The automotive sector demand recovered rapidly in 3Q after greatly affected by COVID-19. However, the transaction volume of rolled aluminum products in the products sector decreased because the impact of the drop at the beginning of FY3/21 could not be offset. On the other hand, in the resources sector, the transaction volumes of copper scrap and zinc ingots increased.

•Manufacturing—Equipment and materials

Demand for plating materials, small-motor carbon brushes, cashew resin and welding rods, which were greatly affected by the impact of COVID-19 on automotive sector in the first half of the year, recovered rapidly, but fell short of the volumes recorded in the same period of the previous year. Meanwhile, shipments of large non-destructive testing and marking equipment increased.

• Manufacturing—Metal processing

Some precision grinding processing parts were affected by production adjustments. Sales of precision machining processing parts benefited from higher demand involving semiconductor manufacturing equipment. Shipments of precision metal stamped parts recovered rapidly from a drop in automotive sector demand caused by COVID-19 but could not exceed the performance one year earlier.

(Unit: million yen)

		3Q FY3/20		3Q FY3/21				
			Comp.	Comp.	Change (amount)	Change (%)		
Net sales	Trading	Electronic and advanced materials	52,730	30.0%	42,339	27.8%	-10,390	-19.7%
		Aluminum and copper products	87,480	49.8%	76,736	50.3%	-10,743	-12.3%
		Trading total	140,210	79.9%	119,075	78.1%	-21,134	-15.1%
	Manufacturing	Equipment and materials	18,774	10.7%	17,549	11.5%	-1,225	-6.5%
		Metal processing	16,589	9.4%	15,830	10.4%	-758	-4.6%
		Manufacturing total	35,363	20.1%	33,380	21.9%	-1,983	-5.6%
	Total		175,574		152,455		-23,118	-13.2%
Segment profit	Trading	Electronic and advanced materials	136	3.2%	1,315	31.7%	1,178	861.9%
		Aluminum and copper products	607	14.0%	448	10.8%	-159	-26.2%
		Trading total	744	17.2%	1,763	42.5%	1,019	136.9%
	Manufacturing	Equipment and materials	233	5.5%	24	0.6%	-209	-89.6%
		Metal processing	3,342	77.1%	2,359	56.9%	-982	-29.4%
		Manufacturing total	3,575	82.5%	2,383	57.5%	-1,192	-33.3%
	Total		4,335		4,142		-192	-4.4%

Note 1. Segment profit is based on ordinary profit.

Note 2. Elimination or corporate for segment profit:

3Q FY3/21: -4
3Q FY3/20: 15

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

(Unit: million yen)

	3Q FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	42,339	-10,390	-19.7%	27.8%
Segment profit	1,315	1,178	861.9%	31.7%
Segment profit to net sales	3.1%	2.8%		

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): Increase
- Minor metals (nickel, tungsten, etc.): Decrease
- Rare earths: Increase

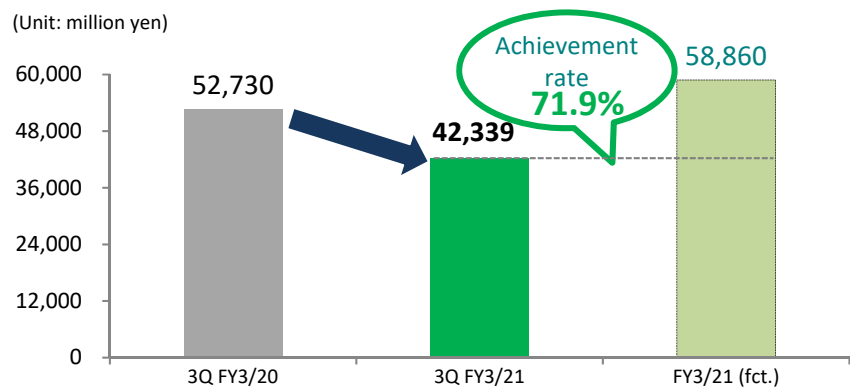
[Electronic materials and advanced materials]

- 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 and the transaction volume of materials used for automotive applications improved due to a recovery in automotive sector demand.
- Exports of titanium and nickel products were weak due to spread of COVID-19 again in Europe.

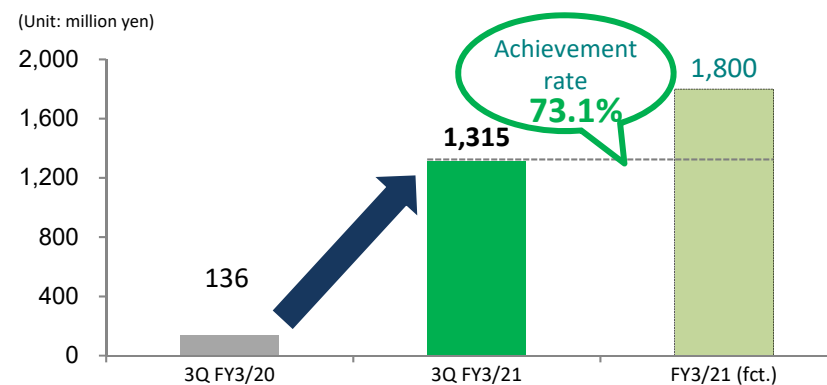
[Minor metals and rare earths]

- Transaction volume increased for rare earths used in magnetic materials. The transaction volume for tungsten and other minor metals, which were greatly affected by COVID-19, also improved in response to the rapid recovery in automobile demand but fell short of the volume recorded one year earlier.
- 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)

	3Q FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	76,736	-10,743	-12.3%	50.3%
Segment profit	448	-159	-26.2%	10.8%
Segment profit to net sales	0.6%	-0.1%		

[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 rapid 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 improved compared to 2Q for beverage can aluminum and semiconductor materials for PCs and other IT products, but was unable to reach the level one year earlier.
- Profit decreased due to the above-mentioned decrease in sales as well as the loss caused by an inappropriate accounting treatment at a trading subsidiary.

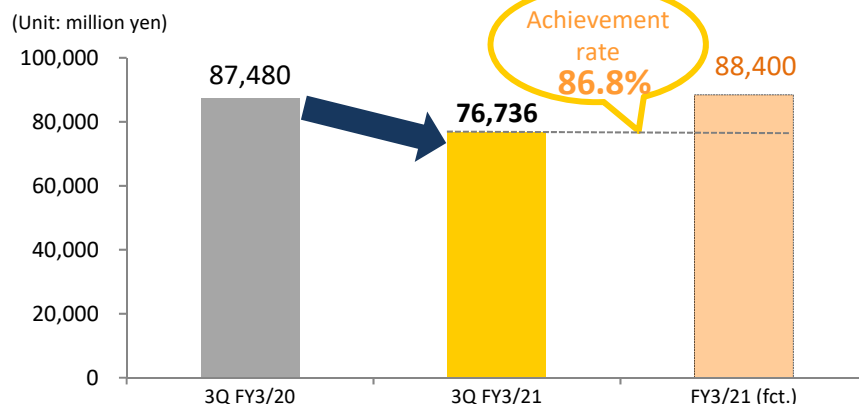
[Resources]

- The trading volume of recycled aluminum ingots increased because of a rapid recovery of automotive sector demand after the decline caused by COVID-19 but could not reach the level one year earlier. In addition, the transaction volume of copper scrap and zinc ingots, our mainstay products, improved due to the recovery in demand.

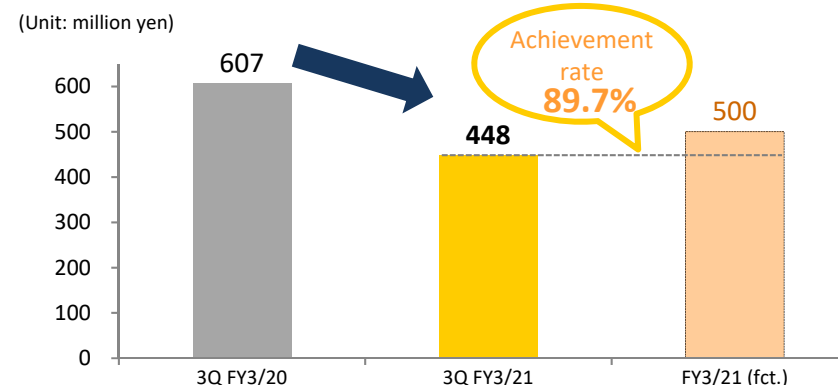
Sales of major products (YoY change)

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

Net Sales



Segment Profit



Equipment and materials

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

Financial results

(Unit: million yen)

	3Q FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	17,549	-1,225	-6.5%	11.5%
Segment profit	24	-209	-89.6%	0.6%
Segment profit to net sales	0.1%	0.0%		

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): Increase

(Materials) Cashew resin, radio wave absorbing materials: Decrease

(Materials) Carbon brushes for small motors: Decrease

[Materials]

- In the United States, shipments of plating materials decreased mainly in the automotive sector due to COVID-19. Shipments of these materials increased in China due to a sharp economic recovery.

- Shipments of welding rods 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.

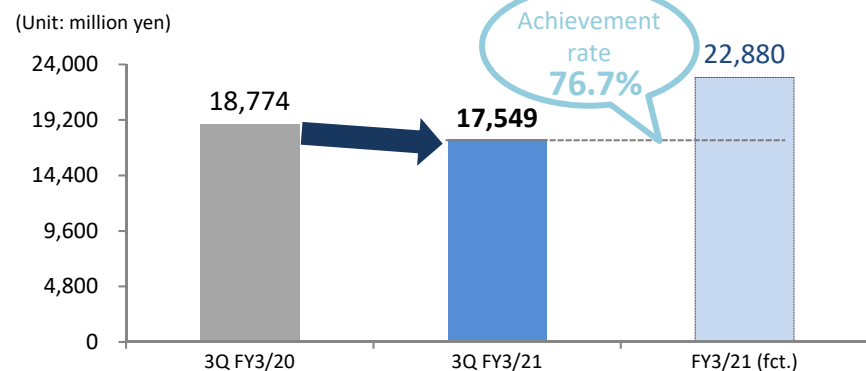
- Shipments of radio wave absorbing materials increased along with higher demand associated with 5G. Performance of cashew resin products also improved because of a rapid recovery of automotive sector demand.

- Shipments of carbon brushes for small motors increased in China due to a rapid recovery of automotive sector demand. Shipments also improved in Japan despite a negative effect of the decline at the beginning of FY3/21.

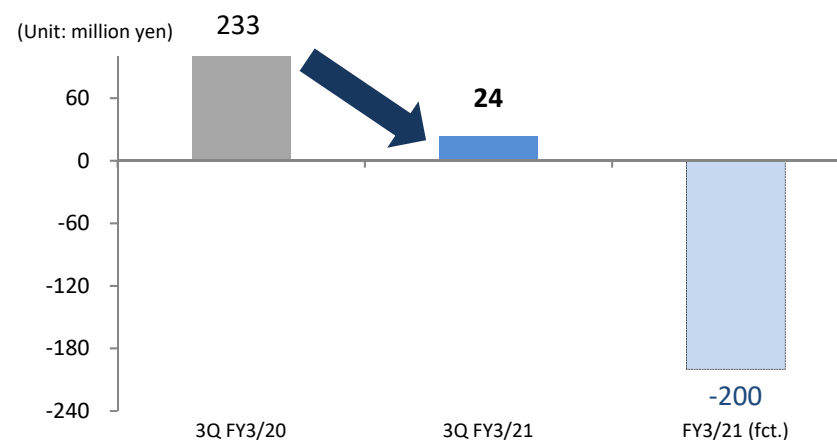
[Equipment]

- 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)

	3Q FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	15,830	-758	-4.6%	10.4%
Segment profit	2,359	-982	-29.4%	56.9%
Segment profit to net sales	14.9%	-5.2%		

- Shipments of precision grinding processing parts decreased due to adjustments to production of some parts, while demand for semiconductor chip mounting equipment remained firm.
- 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.
- Shipments of precision metal stamped parts to major customers increased due to a rapid recovery in automotive sector demand after the decline caused by COVID-19 but could not reach the level one year earlier due to the negative effect of the decline at the beginning of FY3/21. Upfront investments of the Mexico business during the current startup phase held down its profitability.

Sales of major products (YoY change)

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

Increase

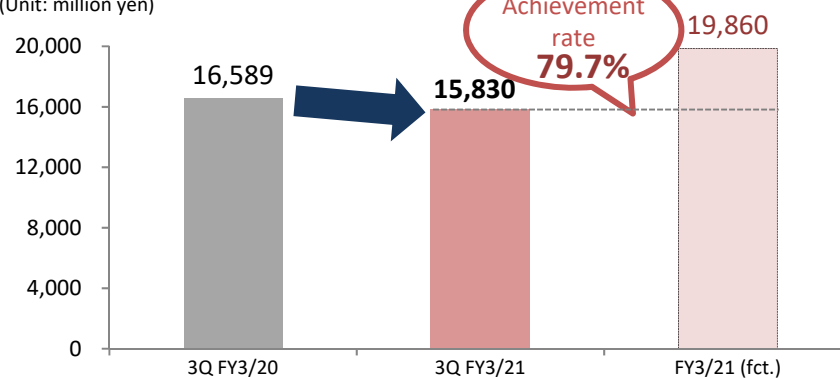
Precision grinding processing parts (for semiconductor chip mounting equipment): Decrease

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

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

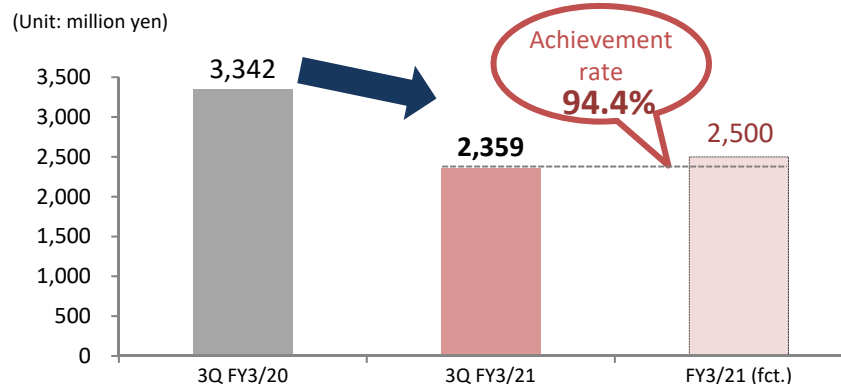
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



Consolidated balance sheets (3Q FY3/21)

Financial results

(Unit: million yen)

	FY3/20	3Q FY3/21	Change	Major components
Current assets, total	95,426	98,361	2,935	
Cash and deposits	22,754	27,072	4,318	Free cash flow +3.5 billion yen
Operating receivables	44,162	45,037	875	Higher transactions (Trading segment)
Inventories	26,100	23,162	-2,938	Higher shipments (Trading segment)
No-current assets, total	39,036	40,698	1,661	
Property, plant and equipment	20,905	22,719	1,813	Making Fujine Sangyo a consolidated subsidiary, etc.
Intangible assets	6,697	6,016	-681	Amortization (including goodwill)
Investments and other assets	11,433	11,962	528	Market value evaluation
Assets, total	134,463	139,060	4,597	
	FY3/20	3Q FY3/21	Change	Major components
Current liabilities, total	65,533	69,549	4,016	
Operating debt	30,920	30,611	-308	Shrink in the range of decrease due to higher transactions (Trading segment)
Short-term borrowings (including current portion of long-term borrowings/commercial papers/ bonds payable)	28,959	33,903	4,943	Increase in commercial papers
Non-current liabilities, total	27,652	27,897	244	
Bonds payable	375	475	100	(Newly consolidated subsidiary)
Long-term borrowings	22,313	22,291	-21	Transfer to the current portion
Liabilities, total	93,185	97,447	4,261	
Shareholders' equity	38,320	37,567	-752	
Retained earnings	33,207	33,273	66	Profit attributable to owners of parent – dividends paid
Accumulated other comprehensive income	2,161	3,476	1,315	
Shareholders' equity	40,481	41,044	562	Equity ratio: 29.5%
Net assets, total	41,277	41,613	335	
Liabilities and net assets, total	134,463	139,060	4,597	

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

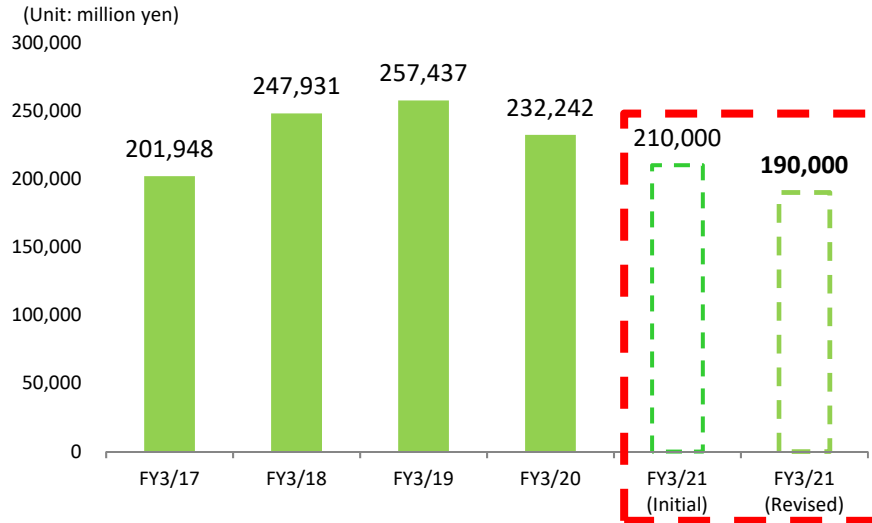
FY3/21 Earnings Forecasts

*Announced forecast revision on October 27, 2020

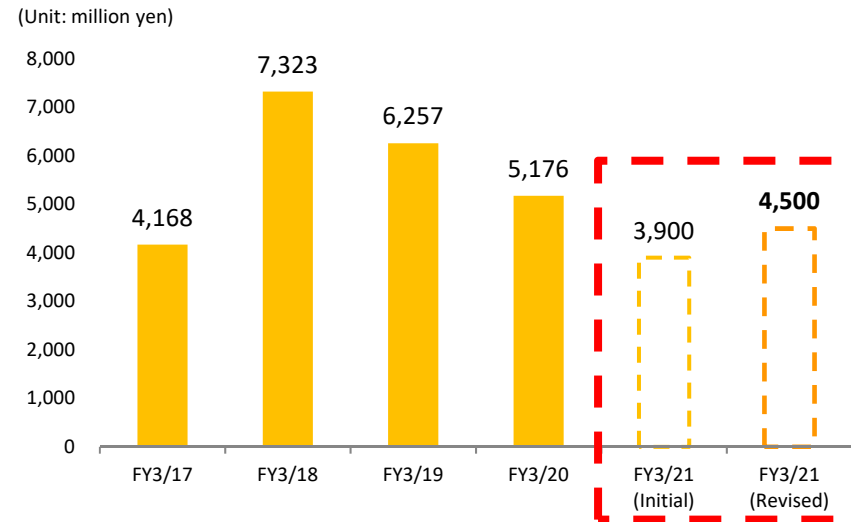
Trend in consolidated sales and earnings

Earnings forecast

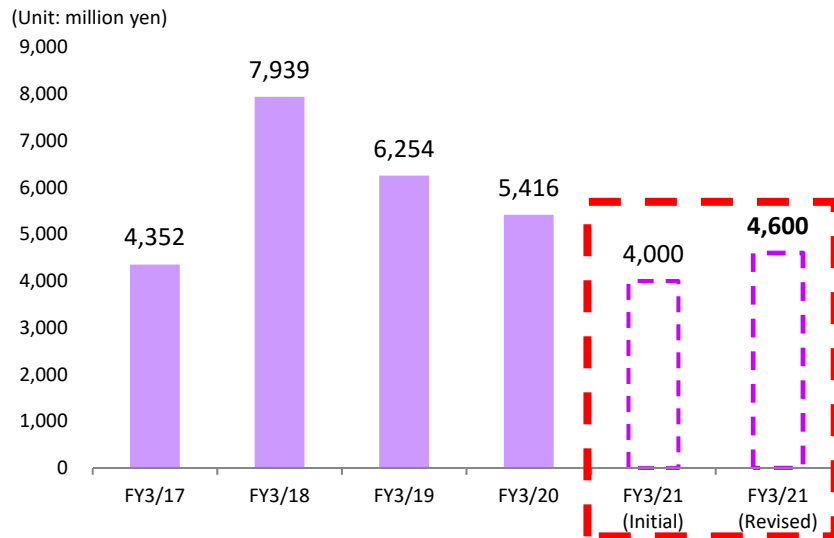
Net Sales



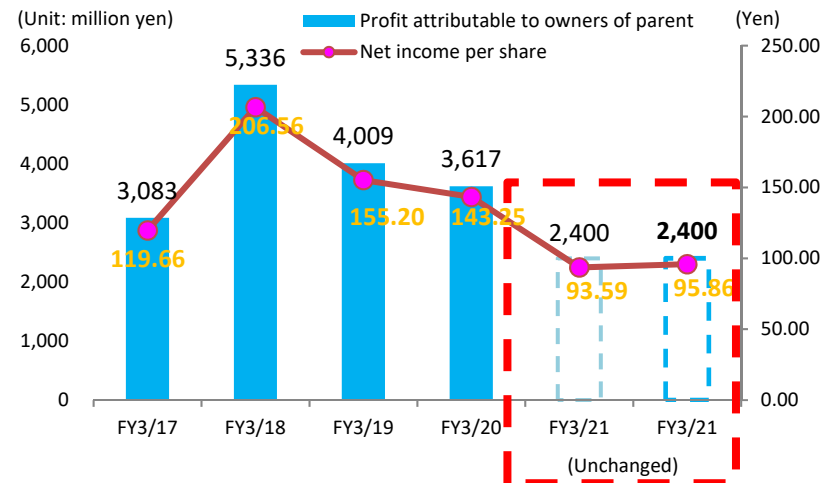
Operating Profit



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	3Q FY3/21	
		% to sales	(Revised forecasts on Oct. 27, 2020)	% to sales			Progress ratio
Net sales	232,242		190,000		-18.2%	152,455	80.2%
Gross profit	18,622	8.0%	17,500	9.2%	-6.0%	13,270	75.8%
SG&A expenses	13,445	5.8%	13,000	6.8%	-3.3%	9,360	72.0%
Operating profit	5,176	2.2%	4,500	2.4%	-13.1%	3,910	86.9%
Ordinary profit	5,416	2.3%	4,600	2.4%	-15.1%	4,142	90.1%
Profit attributable to owners of parent	3,617	1.6%	2,400	1.3%	-33.7%	1,781	74.2%
Net income per share (yen)	143.25		95.86			70.62	-

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 improve the performance of carbon brushes for small motors. Consequently, although profits were secured in the third quarter, our forecast for losses remains unchanged at this point.

• 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 (Revised forecasts on Oct. 27, 2020)		Change	3Q FY3/21			
			Comp.		Comp.		Comp.	Progress ratio		
Net sales	Trading	Electronic and advanced materials	68,950	29.7%	58,860	31.0%	-14.6%	42,339	27.8%	71.9%
		Aluminum and copper products	115,283	49.6%	88,400	46.5%	-23.3%	76,736	50.3%	86.8%
		Trading total	184,234	79.3%	147,260	77.5%	-20.1%	119,075	78.1%	80.9%
	Manufacturing	Equipment and materials	25,728	11.1%	22,880	12.0%	-11.1%	17,549	11.5%	76.7%
		Metal processing	22,269	9.6%	19,860	10.5%	-10.8%	15,830	10.4%	79.7%
		Manufacturing total	47,998	20.7%	42,740	22.5%	-11.0%	33,380	21.9%	78.1%
Total	232,232		190,000		-18.2%	152,455		80.2%		
Segment profit	Trading	Electronic and advanced materials	80	1.5%	1,800	39.1%	2,131.2%	1,315	31.7%	73.1%
		Aluminum and copper products	694	12.8%	500	10.9%	-28.0%	448	10.8%	89.7%
		Trading total	774	14.2%	2,300	50.0%	196.9%	1,763	42.5%	76.7%
	Manufacturing	Equipment and materials	403	7.4%	-200	-4.3%	-149.6%	24	0.6%	-
		Metal processing	4,243	78.0%	2,500	54.3%	-41.1%	2,359	56.9%	94.4%
		Manufacturing total	4,646	85.4%	2,300	50.0%	-50.5%	2,383	57.5%	103.6%
Total	5,440		4,600		-15.4%	4,142		90.1%		

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

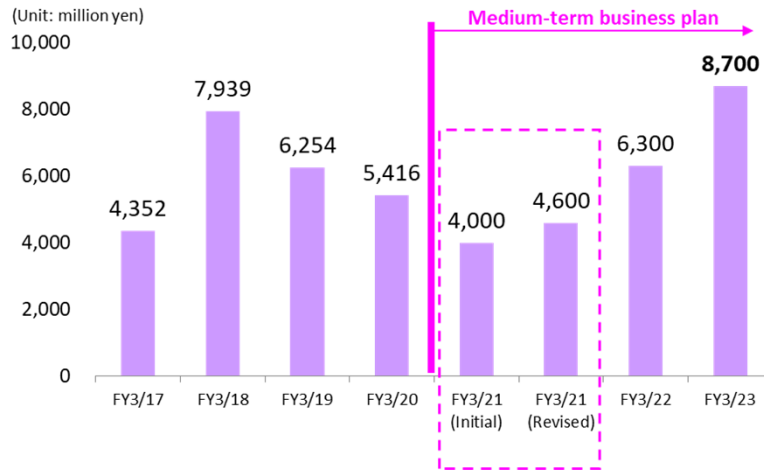
Strengthen corporate infrastructure and internal governance

Performance targets (final year: end-March 2023)

Medium-term business plan

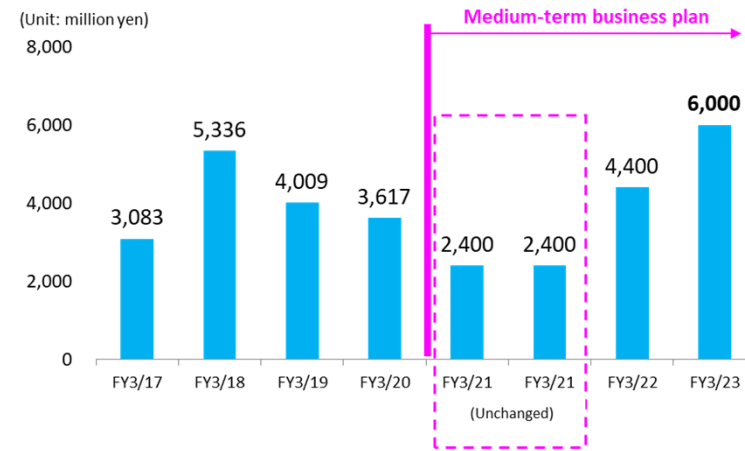
Profit targets

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



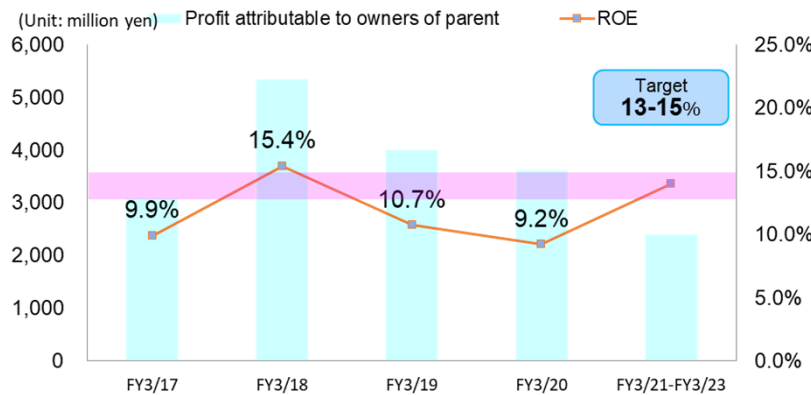
Profit attributable to owners of parent:

Over ¥6.0 billion (FY3/23)

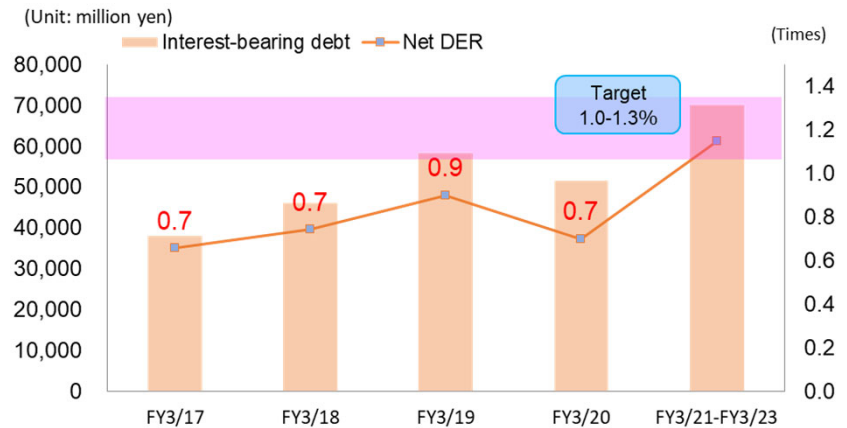


Management benchmarks

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"

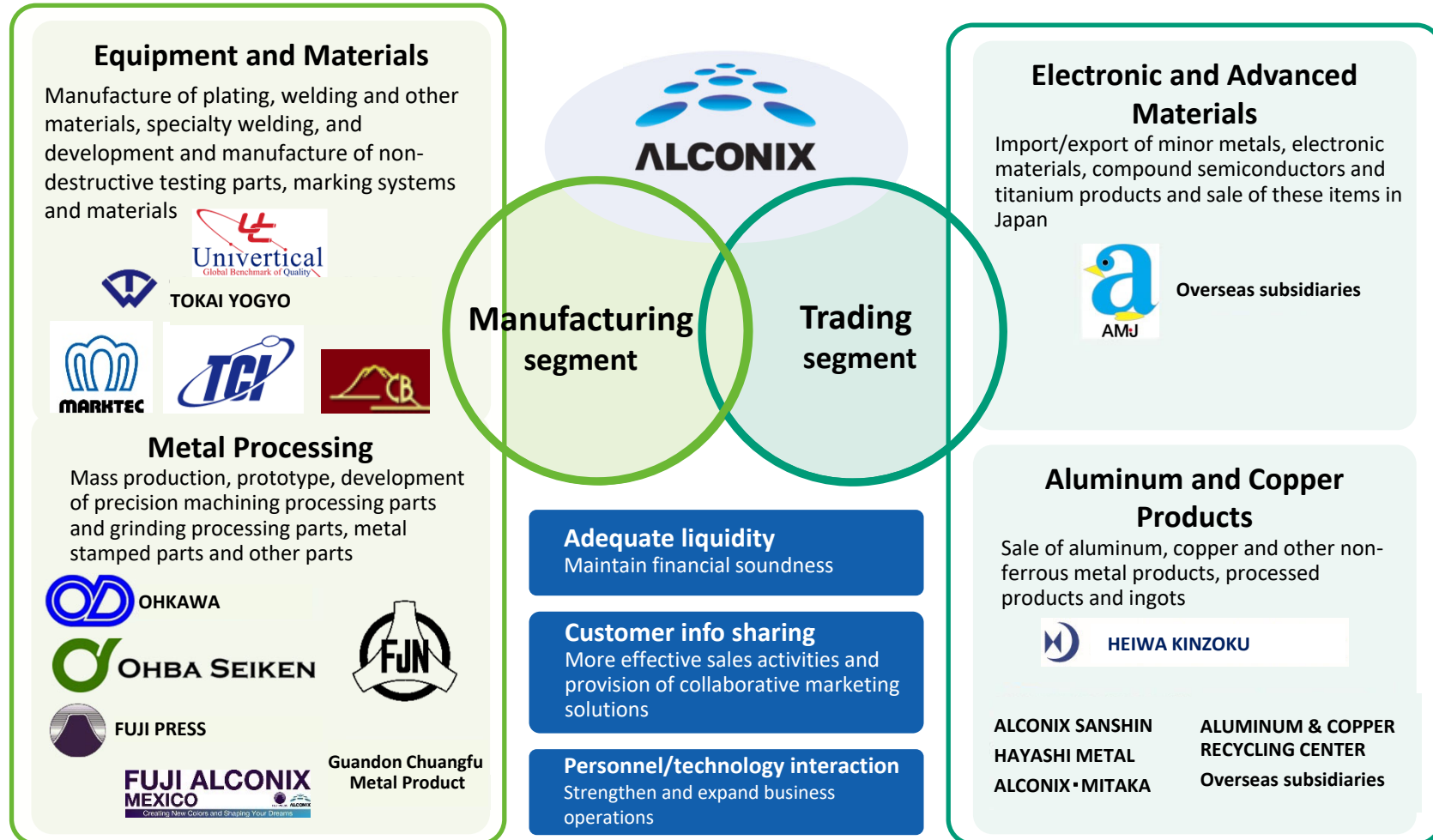
Strengthen operating revenue 1

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

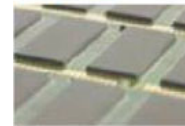


Spread of 5G

Next-generation vehicles

Progress with AI and IoT

Semiconductors



Higher storage capacity and speed

More electronics in autos and appliances

Automobiles



Electric vehicle (EV)

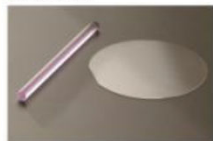
Hybrid car

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)



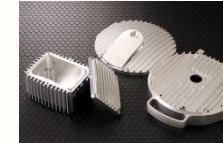
Neodymium, Dysprosium, Lanthanum, others



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

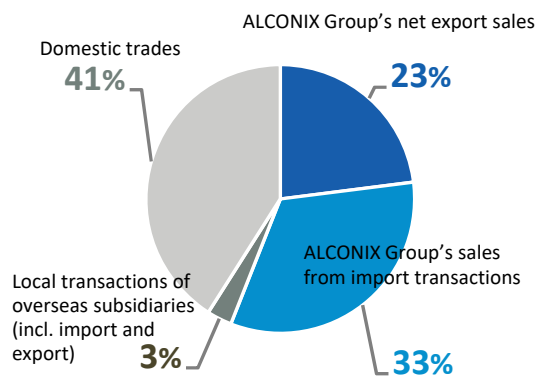
Growth of overseas operations, mainly for minor metals, at the Singapore subsidiary of ADVANCED MATERIAL JAPAN

3 Expand overseas network

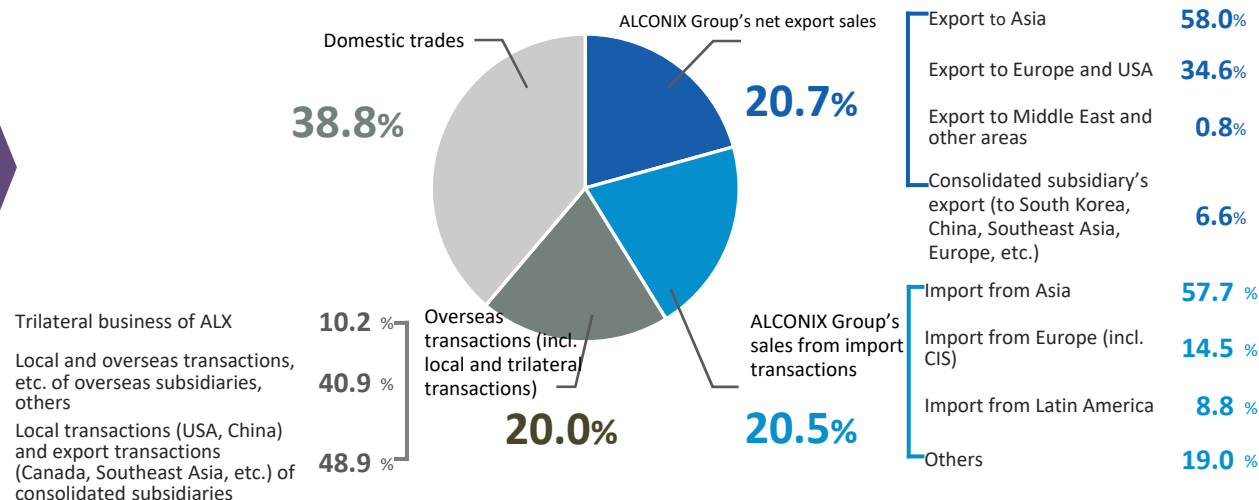
Plan to establish overseas branches in India and other countries to extend the overseas network

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 19 cases (actual)
(Manufacturing segment: 10 cases Trading segment: 9 cases)

Recent activities

■ **Fujine Sangyo Co., Ltd. (Metal Processing)**

Date of stock acquisition: December 3, 2020
 Manufactured products: Air conditioning and freezer components, automotive parts, IT product components and tubes
 Company size: Head office (Shizuoka Pref.) Overseas base (Thailand)



Head office

■ **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)

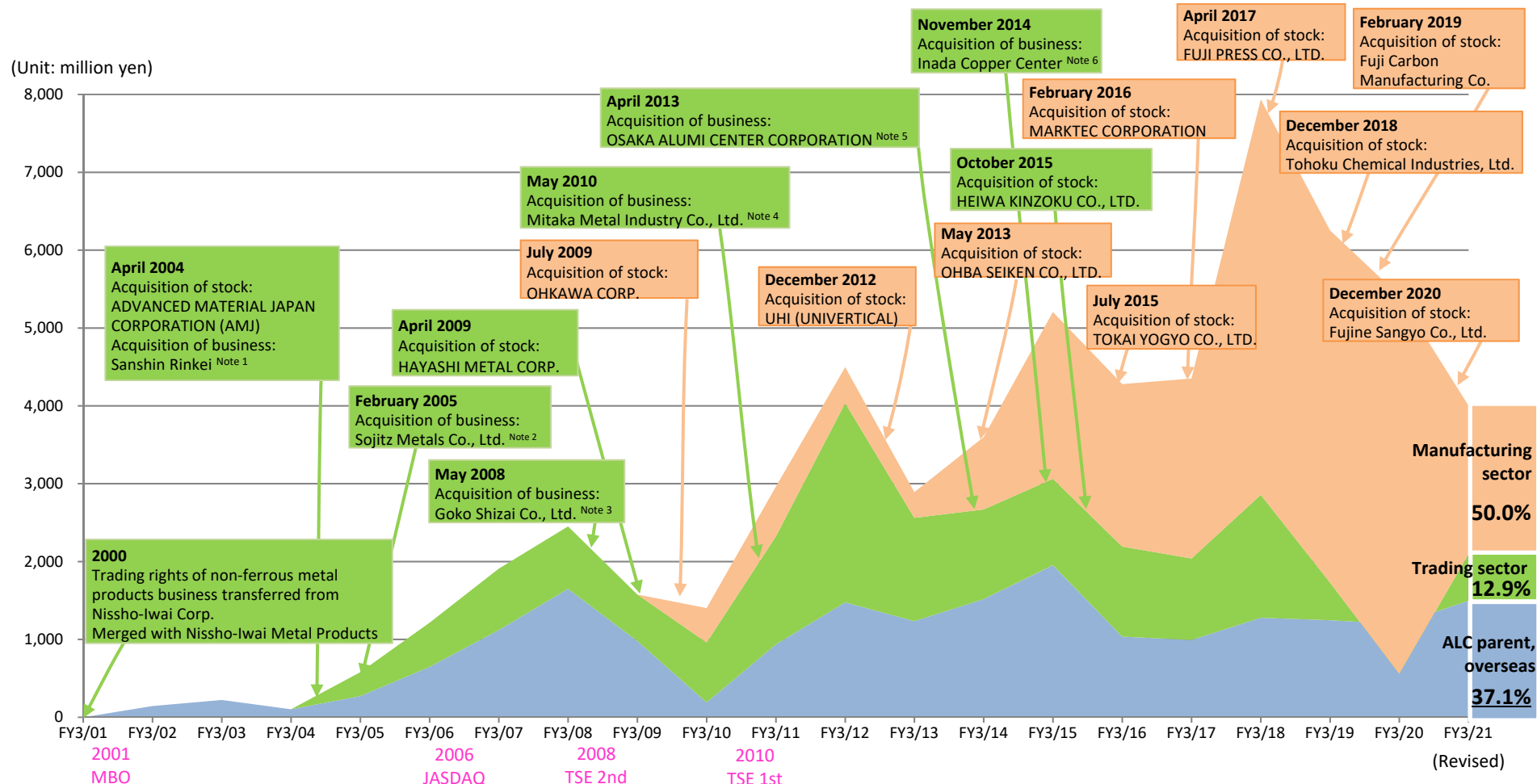


Sugaiké factory

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

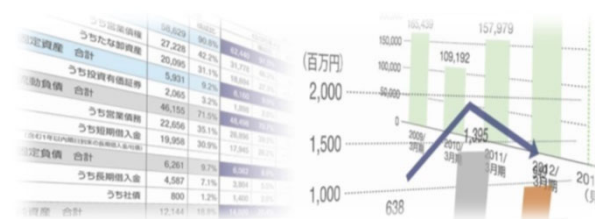
Almost all subsidiaries have higher sales, earnings and workforces than when they joined the ALCONIX Group because of additional investments following their acquisitions by ALCONIX.

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

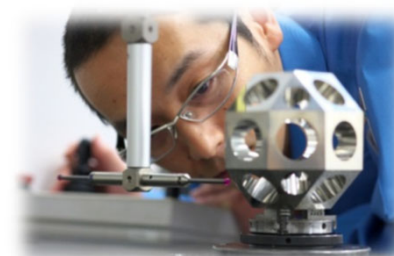
Reinforce the financial backbone

- 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 19 cases Manufacturing segment: 10 cases
Trading segment: 9 cases

A diversified group of companies extending from trading to wholesaling that is centered on manufacturing subsidiaries in niche markets that are highly competitive and have outstanding manufacturing facilities

Top-class performance in minor metals and rare earths for electronic materials

ALCONIX is a major importer of metal titanium, tungsten compounds and rare earths in Japan. ALCONIX also has a high market share for electronic and advanced materials.

Solid overseas network

- 12 overseas subsidiaries, 15 locations

The overseas network consists of overseas subsidiaries and the overseas sites of a sales agent. Overseas business operations are conducted by subsidiaries in China, Southeast Asia, Europe and North America. The ALCONIX Group has manufacturing subsidiaries in North America, China and Southeast Asia as well as its own sales channels.

A highly experienced and skilled workforce

Our ESG/SDGs Initiatives

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

| One Example of an ALCONIX Initiative

Environment

[Trading segment]

- Non-ferrous scrap recycling**

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


- Trading in minor metals and rare earths**

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


- Manufacturing products using naturally derived raw materials**

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

* Manufactured by Tohoku Chemical Industries (Manufacturing - Equipment 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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