



Become an integrated company that combines
trading and manufacturing capabilities

ALCONIX CORPORATION

Listed on TSE First Section

Code 3036

Financial Results Materials
The First Quarter of the Fiscal Year
Ending March 31, 2022

August 2021

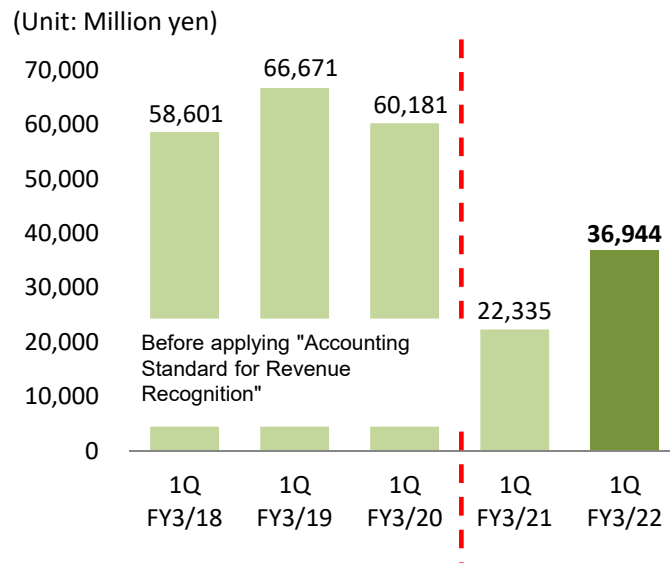
Contents

Results Materials

Results Highlights	3
Topics	6
1Q FY3/22 Financial Results	7
FY3/22 Earnings Forecasts	15
Medium-term Business Plan	19

Results highlights (1Q FY3/22) Consolidated sales

Consolidated Sales

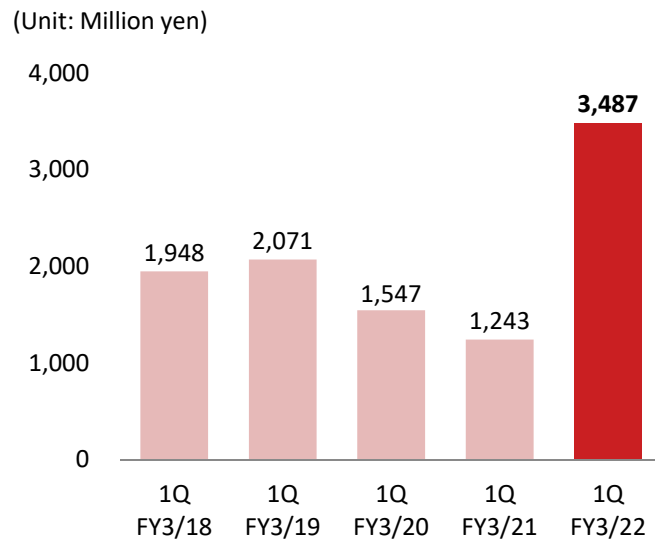


Note: ALCONIX has applied the Accounting Standard for Revenue Recognition from the first quarter of FY3/22. First quarter sales in FY3/21 have been restated in accordance with this new standard. Sales in prior years use the previous revenue recognition standard.

Sales were high across the entire ALCONIX Group by meeting the strong demand in the semiconductor and electronic components sectors and in the automobile industry, which is recovering rapidly worldwide.

Results highlights (1Q FY3/22) Consolidated ordinary profit

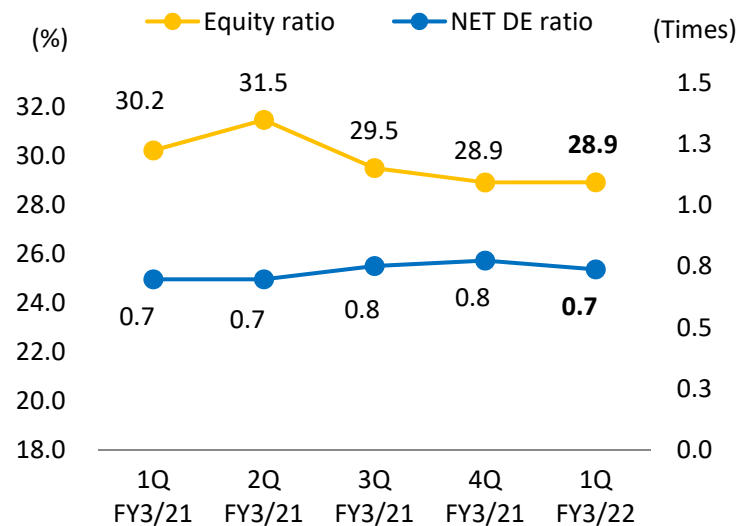
Consolidated Ordinary Profit



A big increase in earnings as consolidated sales growth far exceeded the increase in operating expenses as the transaction volume increased. Dividends and other non-operating income also contributed to earnings.

Results highlights (1Q FY3/22) Major consolidated financial indicators

Major Consolidated Financial Indicators



Equity Ratio

Down 1.3 percentage point

(YoY)

Equity ratio decreased because of an increase in loans, receivables and payables as transactions volume increased

Net debt equity ratio (NetDER)

0.7 times

NetDER remained below 1.0 as in the previous fiscal year

Topics

Revisions to the Consolidated Forecasts (Announced on August 6, 2021) *See p.15 for details

(Unit: million yen)

(1H FY3/22)	Net sales	Operating profit	Ordinary profit	Profit*	EPS (yen)
Previous forecast (A)	57,300	3,000	3,000	2,100	83.88
Revised forecast (B)	68,000	5,000	5,400	3,700	147.79
Change (%)	+18.7%	+66.7%	+80.0%	+76.2%	
(FY3/22)	Net sales	Operating profit	Ordinary profit	Profit*	EPS (yen)
Previous forecast (A)	120,000	6,400	6,400	4,500	179.74
Revised forecast (B)	128,000	8,500	8,800	6,000	239.66
Change (%)	+6.7%	+32.8%	+37.5%	+33.3%	

Note: "Accounting Standard for Revenue Recognition" has been applied from the beginning of FY3/22. Net sales are based on the new accounting standard.

Establishment of Performance-linked Stock Compensation Plan for Directors (Announced on August 6, 2021)

ALCONIX established a performance-linked stock compensation plan as a new plan for directors (excluding outside directors) and executive officers.

- Structure: The plan uses a trust operated by a third party trust bank and with ALCONIX treasury shares provided as trust assets
- Start/end: The covers the three-year period from April 2021 to March 2024 and will be extended until the plan is terminated
- Benefits: The trust received 130,000 ALCONIX treasury shares (¥229 million) for the initial three-year period at its establishment. Eligible directors and officers receive points every year based on their performance that are converted into stock compensation when the initial three-year trust period ends.

Notification of Compliance with the Criteria for Listing in the Prime Market of the Tokyo Stock Exchange (As of July 9, 2021)

The Tokyo Stock Exchange plans to start using new market categories in April 2022. On July 9, 2021, ALCONIX received notification from the TSE of compliance with listing criteria of the Prime Market, which will be the highest ranking market, based on an initial assessment. ALCONIX may begin the Prime Market listing application procedure after a Board of Directors resolution.

*The TSE currently has a First Section, Second Section, Mothers, JASDAQ (Standard) and JASDAQ (Growth) markets. The new categories will be Prime, Standard and Growth.

1Q FY3/22 Financial Results

Consolidated performance (1Q FY3/22)

Financial results

- **Sales:** Sales were higher than one year earlier. The transaction volume of semiconductor and electronic materials increased due to progress with vaccines in Japan and other countries and a rebound in economic activity. Strong demand in the automobile sector also contributed to sales.
- **Earnings:** Earnings were higher at all levels because of higher earnings in all businesses as sales increased and dividends and other non-operating income also contributed to the growth in earnings.

(Unit: million yen)

	1Q FY3/21	1Q FY3/22		Change
			% to sales	
Net sales	* 22,335 (48,095)	36,944		65.4%
Gross profit	4,243	6,535	17.7%	54.0%
SG&A expenses	3,085	3,488	9.4%	13.1%
Operating profit	1,157	3,046	8.2%	163.1%
Ordinary profit	1,243	3,487	9.4%	180.5%
Profit attributable to owners of parent	555	2,435	6.6%	338.5%
Comprehensive income	618	3,559	-	-
Net income per share	21.82	97.26	-	-

* ALCONIX has applied the Accounting Standard for Revenue Recognition from the first quarter of FY3/22. Figures have been restated in accordance with this new standard and year-on-year comparisons are based on these restated figures.

(M): Manufacturing (T): Trading

Semiconductor/IT sector sales were steady and automotive sales rapidly recovered.

[Increase]

- (T) Battery materials, electronic materials (for smartphones, etc.)
- (T) Aluminum rolled products, copper products, non-ferrous materials
- (T) Rare earths (for magnetic materials)
- (M) Precision metal stamped parts
- (M) Precision grinding processing parts (semiconductor chip mounting equipment)
- (M) Plating materials, welding rods, cashew resin
- (M) Carbon brushes
- (M) Precision machining processing parts (for telecommunications and semiconductor manufacturing equipment)

[Decrease]

- (T) Titanium products

Operating profit and ordinary profit increased due to the benefit of improved earnings in the FY3/21 second half

[Gross profit]

Gross profit recovered from a big decline in sales due to the COVID-19 pandemic in the same period of FY3/21. Strong demand in the semiconductor and electronic material sectors and in the automotive industry, which recovered rapidly, contributed to higher sales for the entire group.

[Operating profit, ordinary profit, profit attributable to owners of parent]

Higher operating expenses resulting from resumed transactions were offset by strong sales. In addition, non-operating income such as dividend income and foreign exchange gains contributed to higher earnings at all levels.

Higher profit due to improvements in earnings.

[Profit attributable to owners of parent]

Recorded a loss on sales of shares of subsidiaries and associates.

Operating segment information (1Q FY3/22 net sales/segment profit) Financial results

•Trading—Electronic and Advanced Materials

The transaction volume of electronic and battery materials was strong for IT and semiconductor applications and the transaction volume of minor metals and rare earths recovered, mainly in the automotive sector.

•Trading—Aluminum and Copper Products

In the products sector, the transaction volume of rolled aluminum products and copper products recovered from the drop in the same period of FY3/21. The transaction volume of titanium and new materials used in aircraft was low. In the resources sector, the transaction volume of aluminum resources and copper scrap were strong for the automotive sector.

•Manufacturing—Equipment and materials

Demand was strong in the automotive sector for plating materials, carbon brushes for small motors, cashew resin and welding rods. Strong shipments of non-destructive testing equipment and marketing equipment also contributed to sales and earnings.

• Manufacturing—Metal processing

Sales of precision grinding processing parts, precision machining processing parts and precision metal stamped parts were strong because of the rapid recovery in automotive sector demand. Demand for metal processed parts for air conditioning equipment was strong in Japan.

(Unit: million yen)

		1Q FY3/21			1Q FY3/22					
		(Based on the previous standard)	Comp.		Comp.	Change (amount)	Change (%)			
Net sales	Trading	Electronic and advanced materials	11,727	3,413	15.3%	7,665	20.7%	4,252	124.6%	
		Aluminum and copper products	25,422	8,057	36.1%	13,969	37.8%	5,911	73.4%	
		Trading total	37,150	11,470	51.4%	21,634	58.5%	10,163	88.6%	
Manufacturing	Equipment and materials		5,927	5,845	26.2%	7,965	21.6%	2,119	36.3%	
		Metal processing		5,017	5,017	22.5%	7,343	19.9%	2,326	46.4%
			Manufacturing total	10,945	10,863	48.6%	15,309	41.5%	4,446	40.9%
Total		48,095	22,333		36,944		14,610	0.0%		

Note: Due to the application of Accounting Standard for Revenue Recognition beginning from 1Q FY3/22, 1Q FY3/21 figures restated in accordance with this new standard are also provided.

		1Q FY3/21			1Q FY3/22				
			Comp.		Comp.	Change (amount)	Change (%)		
Segment profit	Trading	Electronic and advanced materials		239	19.2%	1,031	29.6%	792	331.7%
		Aluminum and copper products		245	19.7%	1,008	28.9%	762	311.0%
		Trading total		484	39.0%	2,040	58.5%	1,555	321.2%
Manufacturing	Equipment and materials			-7	-0.5%	352	10.1%	359	-
		Metal processing		751	60.4%	1,078	31.0%	327	43.6%
			Manufacturing total		744	59.8%	1,431	41.0%	687
Total			1,243		3,487		2,244	180.5%	

Note 1. Segment profit is based on ordinary profit.

Note 2. Elimination or corporate for segment profit: 1Q FY3/22: 16
1Q FY3/21: 14

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

Financial results

(Unit: million yen)

	1Q FY3/22	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	7,665	4,252	124.6%	20.7%
Segment profit	1,031	792	331.7%	29.6%
Segment profit to net sales	13.5%		6.5%	

Sales of major products (YoY change)

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

[Electronic materials and advanced materials]

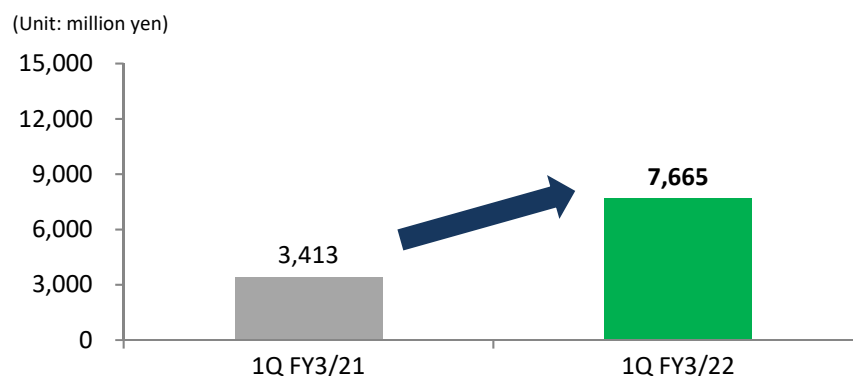
- The transaction volume of materials used in smartphones and tablets was strong because of the faster pace of digital shift and the widespread use of remote work.
- Demand for nickel used in electronic materials was firm and the transaction volume of materials used for automotive applications increased due to a rapid recovery in automotive sector demand.

[Minor metals and rare earths]

- Transaction volume improved for rare earths used in magnetic materials due to the rapid recovery in automobile sector demand.

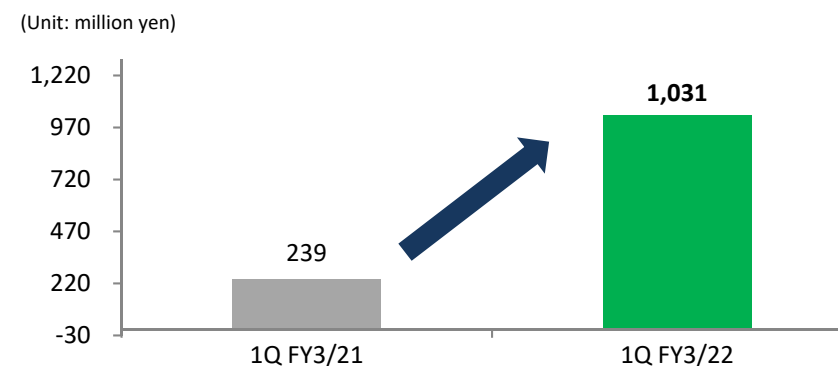
* Titanium and new materials are included in the aluminum and copper products category in the trading segment from 1Q FY3/22.

Net Sales



Note: ALCONIX has applied the Accounting Standard for Revenue Recognition in 1Q FY3/22. Figures for 1Q FY3/21 have been restated in accordance with this new standard.

Segment Profit



Aluminum and copper products

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

(Unit: million yen)

	1Q FY3/22	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	13,969	5,911	73.4%	37.8%
Segment profit	1,008	762	311.0%	28.9%
Segment profit to net sales	7.2%		4.2%	

[Products]

- The trading volume of aluminum rolled products and copper products remained strong as automotive companies continue to require these products to raise production of electric vehicles, reduce vehicle weight and use more electronic components and the automotive sector demand recovered rapidly.
- As COVID-19 forced people to make more purchases from home and increased remote work, the transaction volume increased for beverage can aluminum and semiconductor materials for PCs and other IT products.
- Demand of titanium and nickel products for aircraft was sluggish due to the impact of COVID-19.

[Resources]

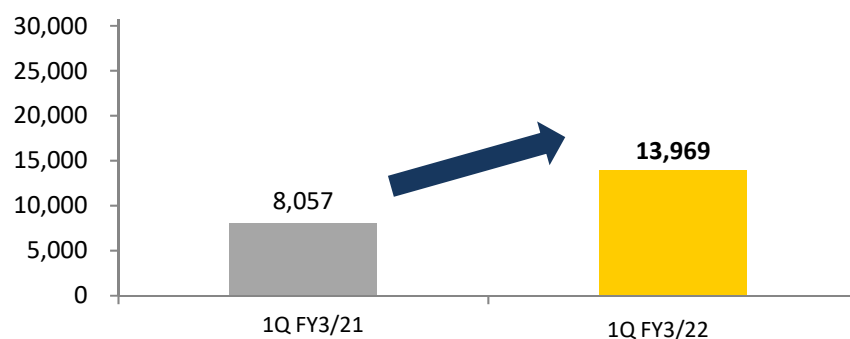
- For recycled aluminum ingots, the transaction volume of aluminum resources and copper scrap, our mainstay products, significantly increased from one year earlier because of a rapid recovery of automotive sector demand.

Sales of major products (YoY change)

Copper scrap: Increase
 Recycled aluminum ingots: Increase
 Zinc ingots: Increase
 Metal silicon: Increase
 Aluminum rolled products, can materials: Increase
 Titanium (exports): Decrease

Net Sales

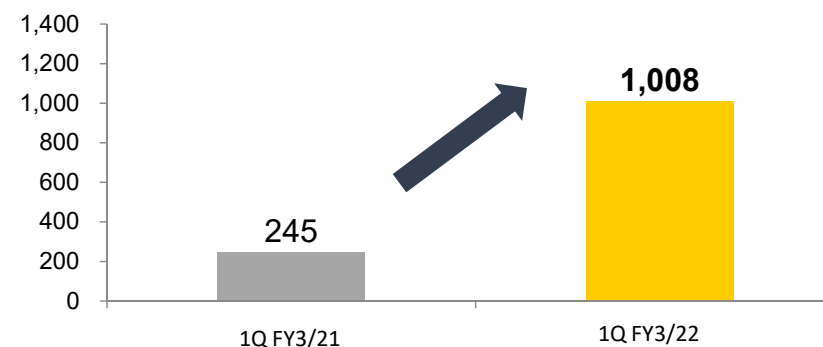
(Unit: million yen)



Note: ALCONIX has applied the Accounting Standard for Revenue Recognition in 1Q FY3/22. Figures for 1Q FY3/21 have been restated in accordance with this new standard.

Segment Profit

(Unit: million yen)



Equipment and materials

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

Financial results

(Unit: million yen)

	1Q FY3/22	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	7,965	2,119	36.3%	21.6%
Segment profit	352	359	-	10.1%
Segment profit to net sales	4.4%		4.5%	

[Materials]

- Shipments of plating materials increased in the U.S. and China, mainly in the electronic materials and automotive sectors, as the economies of these countries recover rapidly.
- Shipments of cashew resin and welding rods were strong because demand for these products recovered rapidly in the automotive sector.
- Shipments of carbon brushes for small motors were strong for automotive and industrial machinery applications. Earnings were much higher in Japan and at group companies in China and other countries.

[Equipment]

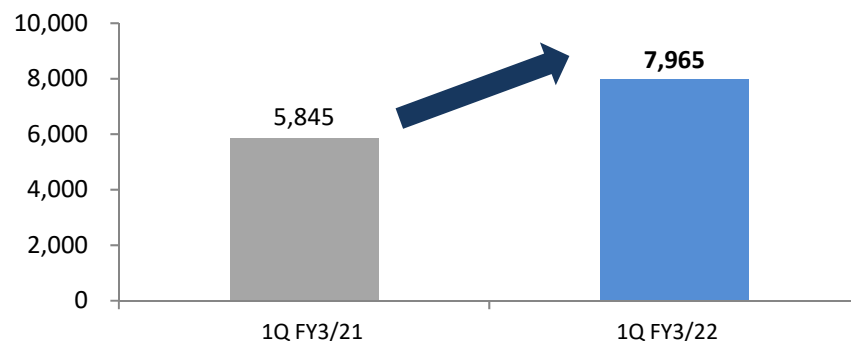
- For non-destructive testing equipment and marking systems, shipments of large marking systems to steel companies in Japan made a contribution to sales and earnings.
- The rapid recovery of demand involving automobiles, which plummeted in the first quarter of FY3/21 because of the pandemic, contributed to the improvement in earnings.

Sales of major products (YoY change)

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

Net Sales

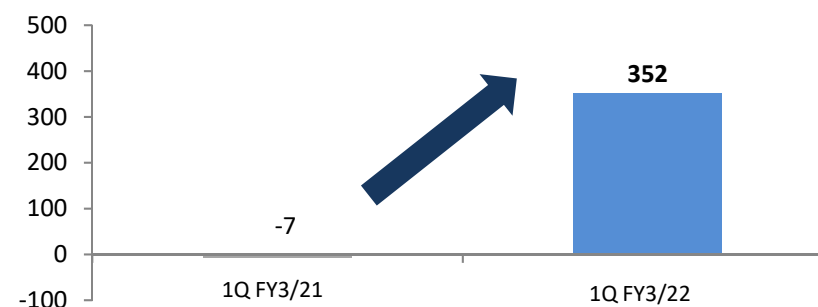
(Unit: million yen)



Note: ALCONIX has applied the Accounting Standard for Revenue Recognition in 1Q FY3/22. Figures for 1Q FY3/21 have been restated in accordance with this new standard.

Segment Profit

(Unit: million yen)



Metal processing

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

Financial results

(Unit: million yen)

	1Q FY3/22	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	7,343	2,326	46.4%	19.9%
Segment profit	1,078	327	43.6%	31.0%
Segment profit to net sales	14.7%		-0.3%	

- Shipments of precision machining processing parts for semiconductor manufacturing equipment increased because of the growth of remote work and the strong automotive sector demand.
- Although there are concerns about the shortage of semiconductor components, sales of precision grinding processing parts were the same as one year earlier because of consistently firm demand for semiconductor chip mounting equipment.
- Shipments of precision metal stamped parts were high due to a rapid recovery in automotive sector demand in Japan and other countries.
- There was a large volume of shipments of metal processed parts for air conditioning equipment. This includes Fujine Sangyo, which was added to the consolidated financial statements in January 2021. Net increase in sales at this company during 1Q FY3/22 fully contributed to consolidated sales and earnings.

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

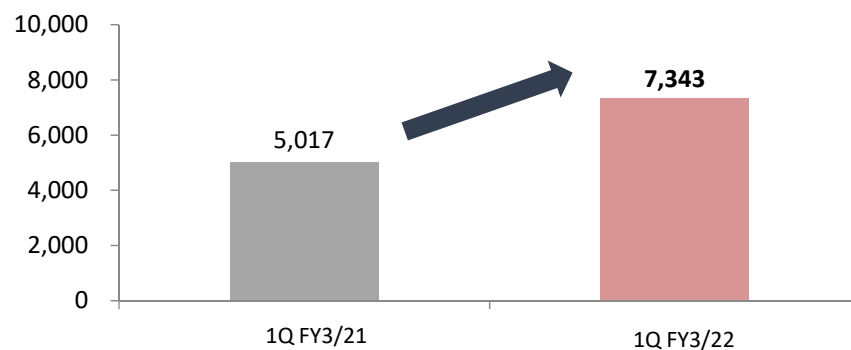
Precision grinding processing parts (prototype items for automotive applications): Increase

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

Metal processed components used in air conditioning equipment: Net increase

Net Sales

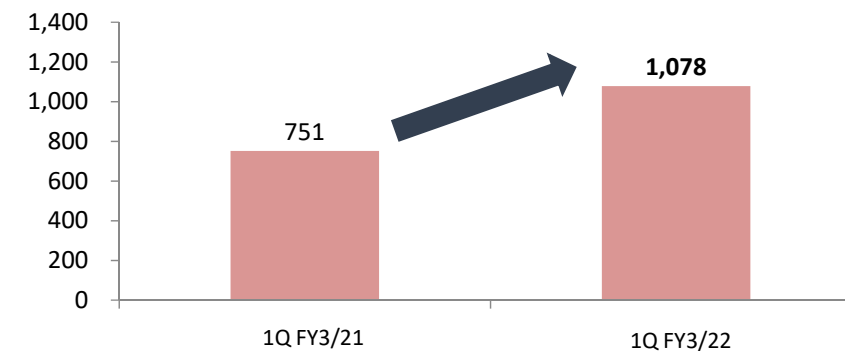
(Unit: million yen)



Note: ALCONIX has applied the Accounting Standard for Revenue Recognition in 1Q FY3/22. Figures for 1Q FY3/21 have been restated in accordance with this new standard.

Segment Profit

(Unit: million yen)



Consolidated balance sheets (1Q FY3/22)

Financial results

(Unit: million yen)

	FY3/21	1Q FY3/22	Change	Major components
Current assets, total	106,604	116,147	9,543	
Cash and deposits	27,048	28,904	1,856	Free cash flow: -355 million yen
Operating receivables	49,752	53,973	4,221	Higher transactions (Trading segment)
Inventories	26,269	29,784	3,514	Higher transactions (Trading segment)
No-current assets, total	41,313	41,782	469	
Property, plant and equipment	22,845	24,313	1,468	Purchase of property, plant and equipment at manufacturing subsidiaries, more consolidated subsidiaries in Trading segment
Intangible assets	5,671	5,562	-109	Amortization (including goodwill)
Investments and other assets	12,796	11,905	-890	Market value evaluation
Assets, total	147,917	157,930	10,012	
	FY3/21	1Q FY3/22	Change	Major components
Current liabilities, total	78,011	85,884	7,872	
Operating debt	34,418	38,002	3,584	Higher transactions (Trading segment)
Short-term borrowings (including current portion of long-term borrowings/commercial papers/bonds payable)	38,138	41,353	6,215	Increase in short-term loans and commercial papers
Non-current liabilities, total	26,533	25,644	-888	
Bonds payable	475	400	-74	Transfer to the current portion
Long-term borrowings	20,509	19,885	-623	Transfer to the current portion
Liabilities, total	104,545	111,529	6,983	
Shareholders' equity	38,646	40,389	1,742	
Retained earnings	34,352	36,095	1,742	Profit attributable to owners of parent – dividends paid
Accumulated other comprehensive income	4,153	5,224	1,071	
Shareholders' equity	42,800	45,614	2,814	Equity ratio: 28.9%
Net assets, total	43,372	46,400	3,028	
Liabilities and net assets, total	147,917	157,930	10,012	*Change: Numbers may not tally exactly due to rounding.

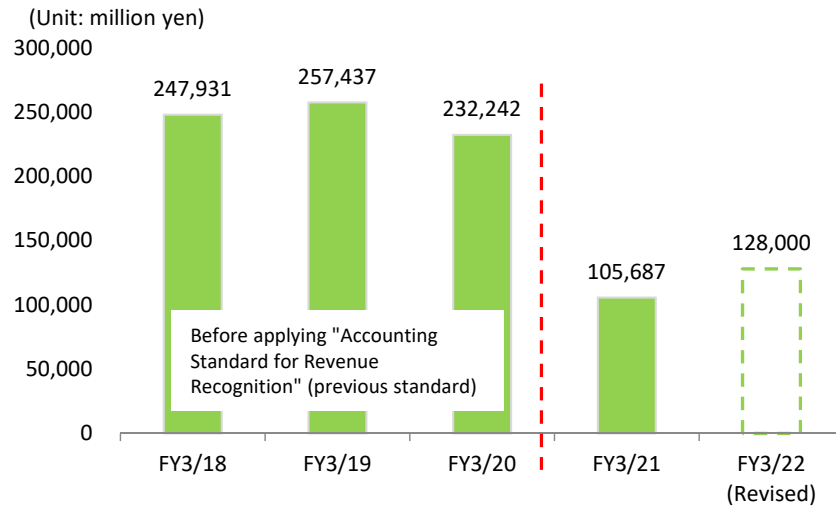
FY3/22 Earnings Forecasts

***Revised the full-year consolidated forecasts announced on May 25, 2021**
***“Accounting Standard for Revenue Recognition” has been applied from 1Q FY3/22**
(FY3/21 net sales have been restated in accordance with this new standard)

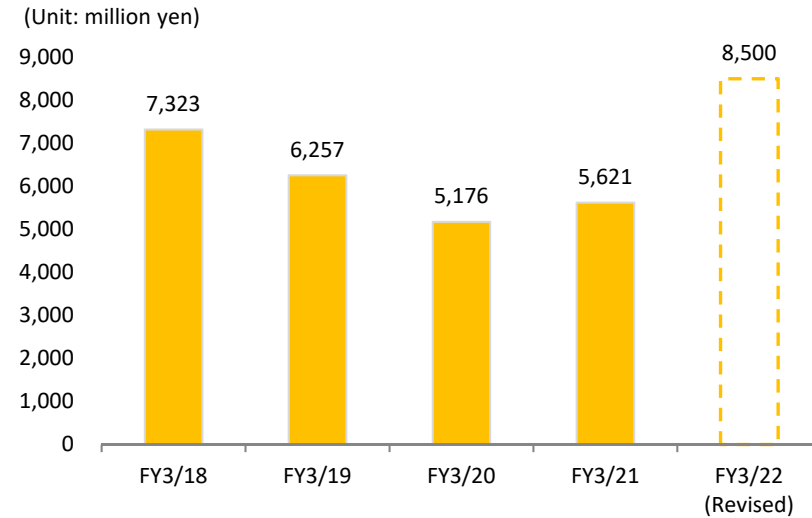
Trend in consolidated sales and earnings

Earnings forecast

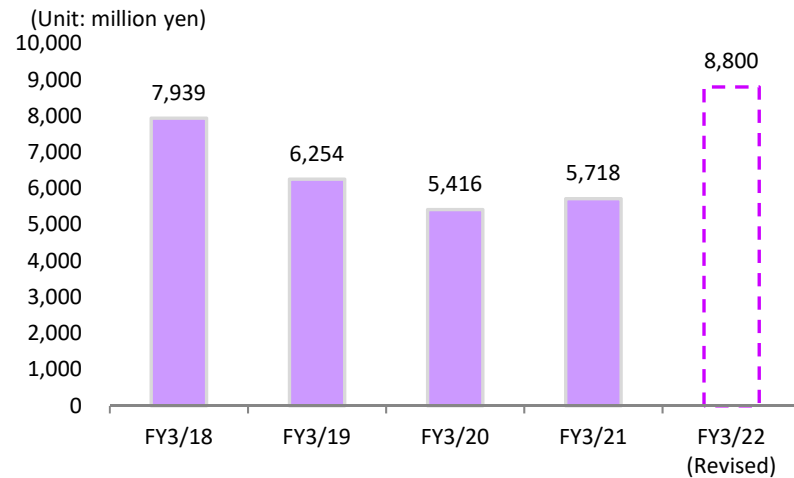
Net Sales



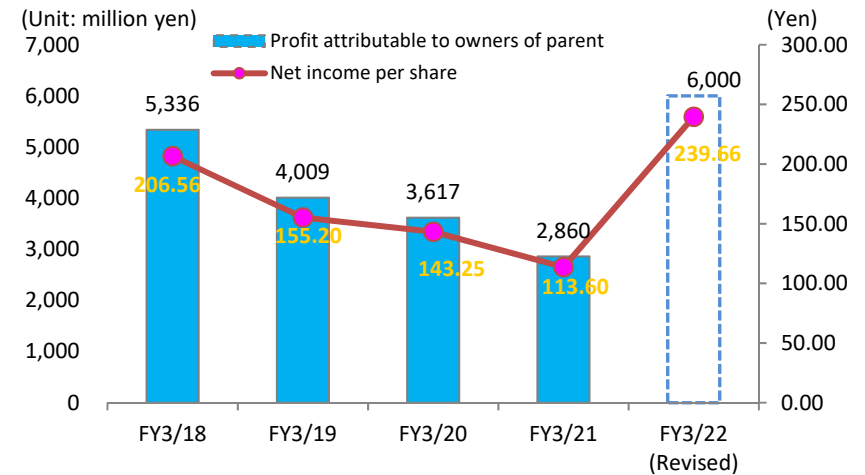
Operating Profit



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 FY3/22

Earnings forecast

Economic activity is staging a full-scale recovery as more people worldwide receive COVID-19 vaccinations. Demand associated with semiconductors and electronic components used in smartphones and other IT products remains robust due to the growth of economic activity linked to the digital shift. In addition, automobile production is continuing to climb in FY3/22 following the rapid recovery that began in the second half of 2020. However, the speed of the economic recovery has created a global shortage of semiconductors that is forcing manufacturers of semiconductor manufacturing equipment, automobiles, consumer electronics, and other products to reduce output. Restrictions on output may have a negative effect on FY3/22 sales and earnings. There is also uncertainty about the upcoming effects of the spread of the COVID-19 variants.

(Unit: million yen)

	FY3/21		FY3/22		YoY change	FY3/22		YoY change	1Q FY3/22	
	% to sales		(Initial forecasts on May 25, 2021)	% to sales		(Revised forecasts on Aug. 6, 2021)	% to sales		Progress ratio	
Net sales	105,687		120,000		13.5%	128,000		21.1%	36,944	28.9%
Gross profit	18,571	17.6%	21,000	17.5%	13.1%	23,400	18.3%	26.0%	6,535	27.9%
SG&A expenses	12,949	12.3%	14,600	12.2%	12.7%	14,900	11.6%	15.1%	3,488	23.4%
Operating profit	5,621	5.3%	6,400	5.3%	13.8%	8,500	6.6%	51.2%	3,046	35.8%
Ordinary profit	5,718	5.4%	6,400	5.3%	11.9%	8,800	6.9%	53.9%	3,487	39.6%
Profit attributable to owners of parent	2,860	2.7%	4,500	3.8%	57.3%	6,000	4.7%	109.7%	2,435	40.6%
Net income per share (yen)	113.60		179.74			239.66			97.26	

Note: ALCONIX has applied the Accounting Standard for Revenue Recognition from the first quarter of FY3/22. FY3/21 figures have been restated in accordance with this new standard.

Forecasts by segment (FY3/22)

Earnings forecast

• Trading—Electronic and Advanced Materials

The transaction volume of materials and parts for smartphones and tablets and of semiconductor materials is expected to remain high as the speed of the digital shift increases because of the launch of 5G and growth of telework. We also expect growth of the transaction volume of minor metals and rare earths, mainly for magnetic materials used in automobiles. But there are concerns about reduced IT product and automobile output due to the global semiconductor shortage.

• Trading—Aluminum and Copper Products

Forecast a consistently high transaction volume for products and resources because of the rapid recovery in automotive sector demand that started in the second half of 2020 and strong demand for electronic materials.

• Manufacturing—Equipment and Materials

Shipments of plating materials, carbon brushes and cashew resin are expected to remain high because of the growth of demand in the automotive sector, primarily in the strong markets of the U.S. and China. For non-destructive testing equipment and marking systems, forecast an increase in shipments of equipment used for tests in Japan and other countries.

• Manufacturing—Metal Processing

Forecast more growth of sales of precision machining processing parts for semiconductor manufacturing equipment due to the high level of demand for semiconductors. Forecast a decline in shipments of precision grinding processing parts for chip mounters due to the semiconductor shortage. Forecast the large volume of precision metal stamped parts shipments to continue due to growing automotive sector demand. Shipments of metal processed parts for air conditioning equipment are expected to remain strong as demand in Japan involving this equipment recovers.

		FY3/21		FY3/22		FY3/22		Change	(Unit: million yen)			
			Comp.	(Initial forecasts on May 25, 2021)	Comp.	(Revised on Aug. 6, 2021)	Comp.		1Q FY3/22			
									Comp.	Progress ratio		
Net sales	Trading	Electronic and advanced materials	21,594	20.4%	24,000	20.0%	27,000	21.1%	25.0%	7,665	20.7%	28.4%
		Aluminum and copper products	37,699	35.7%	40,000	33.3%	46,000	35.9%	22.0%	13,969	37.8%	30.4%
		Trading total	59,294	56.1%	64,000	53.3%	73,000	57.0%	23.1%	21,634	58.6%	29.6%
	Manufacturing	Equipment and materials	24,392	23.1%	28,500	23.8%	31,000	24.2%	27.1%	7,965	21.6%	25.7%
		Metal processing	22,000	20.8%	27,500	22.9%	24,000	18.8%	9.1%	7,343	19.9%	30.6%
		Manufacturing total	46,392	43.9%	56,000	46.7%	55,000	43.0%	18.6%	15,309	41.4%	27.8%
Total		105,687		120,000		128,000		21.1%	36,944		28.9%	
Segment profit	Trading	Electronic and advanced materials	1,699	29.7%	2,100	32.8%	2,800	31.8%	64.8%	1,031	29.6%	36.9%
		Aluminum and copper products	530	9.3%	900	14.1%	2,300	26.1%	333.6%	1,008	28.9%	43.8%
		Trading total	2,229	39.0%	3,000	46.9%	5,100	57.9%	128.7%	2,040	58.5%	40.0%
	Manufacturing	Equipment and materials	333	5.8%	400	6.2%	1,000	11.4%	199.9%	352	10.1%	35.3%
		Metal processing	3,159	55.2%	3,000	46.9%	2,700	30.7%	-14.5%	1,078	30.9%	39.9%
		Manufacturing total	3,492	61.0%	3,400	53.1%	3,700	42.1%	5.9%	1,431	40.8%	38.7%
Total		5,718		6,400		8,800		53.9%	3,487		39.6%	

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

Note: ALCONIX has applied the Accounting Standard for Revenue Recognition from the first quarter of FY3/22. FY3/21 figures have been restated in accordance with this new standard.

Medium-term Business Plan

for the Three-year Period from FY3/22 to FY3/24

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.

***Revised the FY3/22 consolidated forecasts announced on May 25, 2021
Target figures in the medium-term business plan are unchanged**

Mission: Draw the future of our dreams

**Management principles
(Code of conduct, values)**

- Medium-term Management Policy "Vision" -

Become an integrated company that combines trading and manufacturing capabilities

(1) Creating a prosperous society through our businesses

(2) Creating a sustainable and recycling-oriented society

(3) Creating new value through the convergence of trading and manufacturing capabilities

(4) Upgrading of corporate governance and improving operations

Priority issues

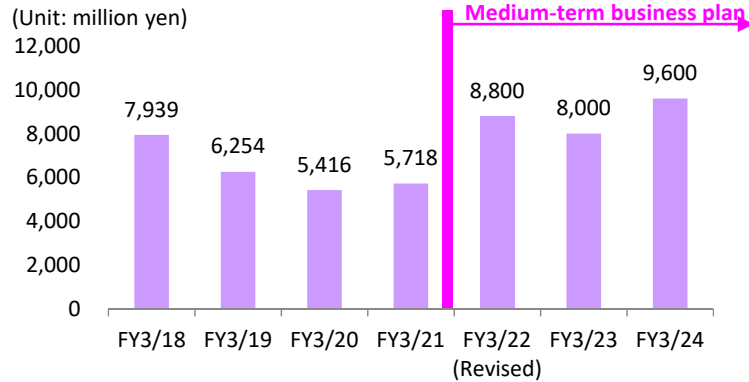
Action plan

Performance targets (final year: end-March 2024)

Medium-term business plan

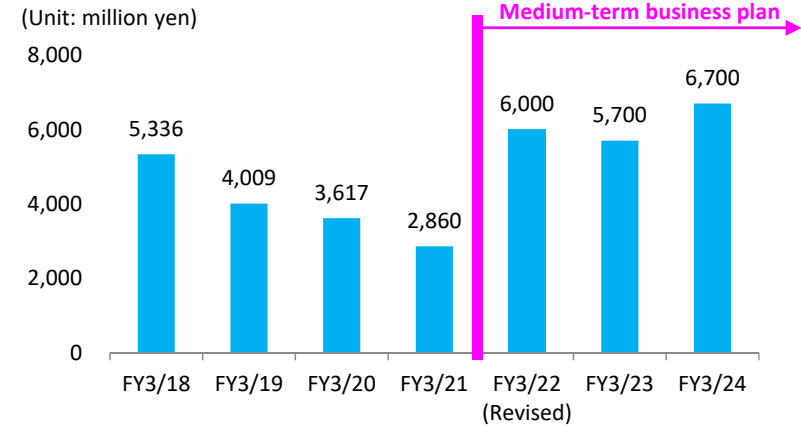
Profit targets

Consolidated ordinary profit: Over ¥9.6 billion (FY3/24)



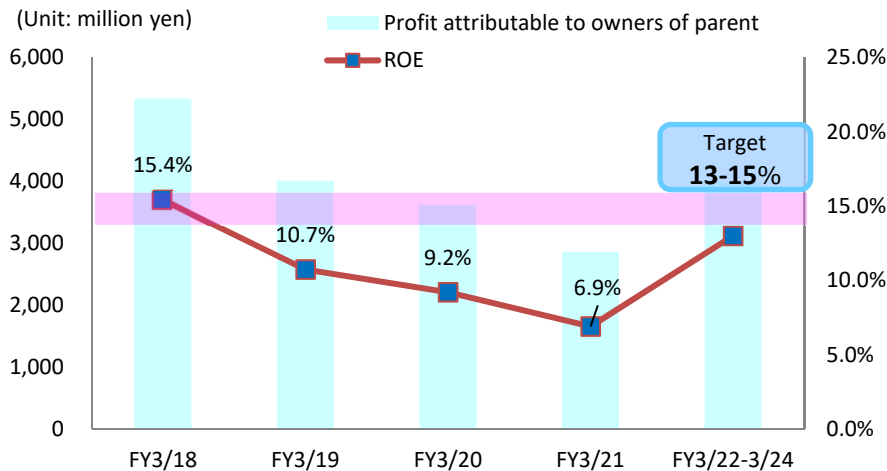
Profit attributable to owners of parent:

Over ¥6.7 billion (FY3/24)

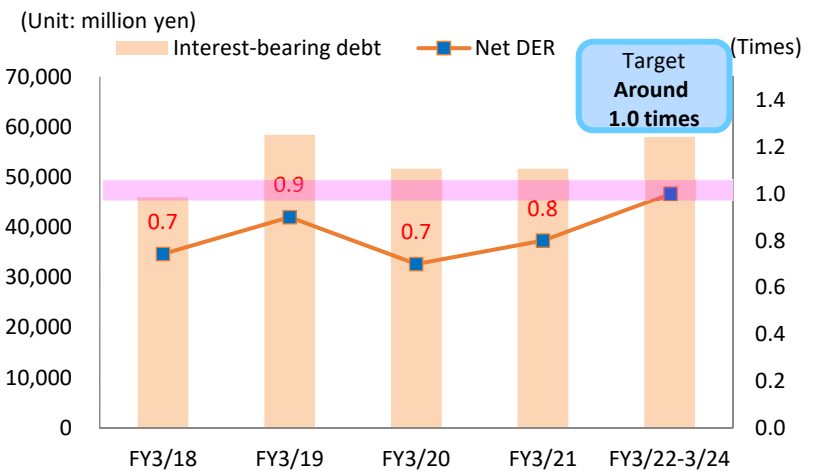


Management benchmarks

ROE: Around 13-15% (FY3/24)



NetDER: Around 1.0 (FY3/24)



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)

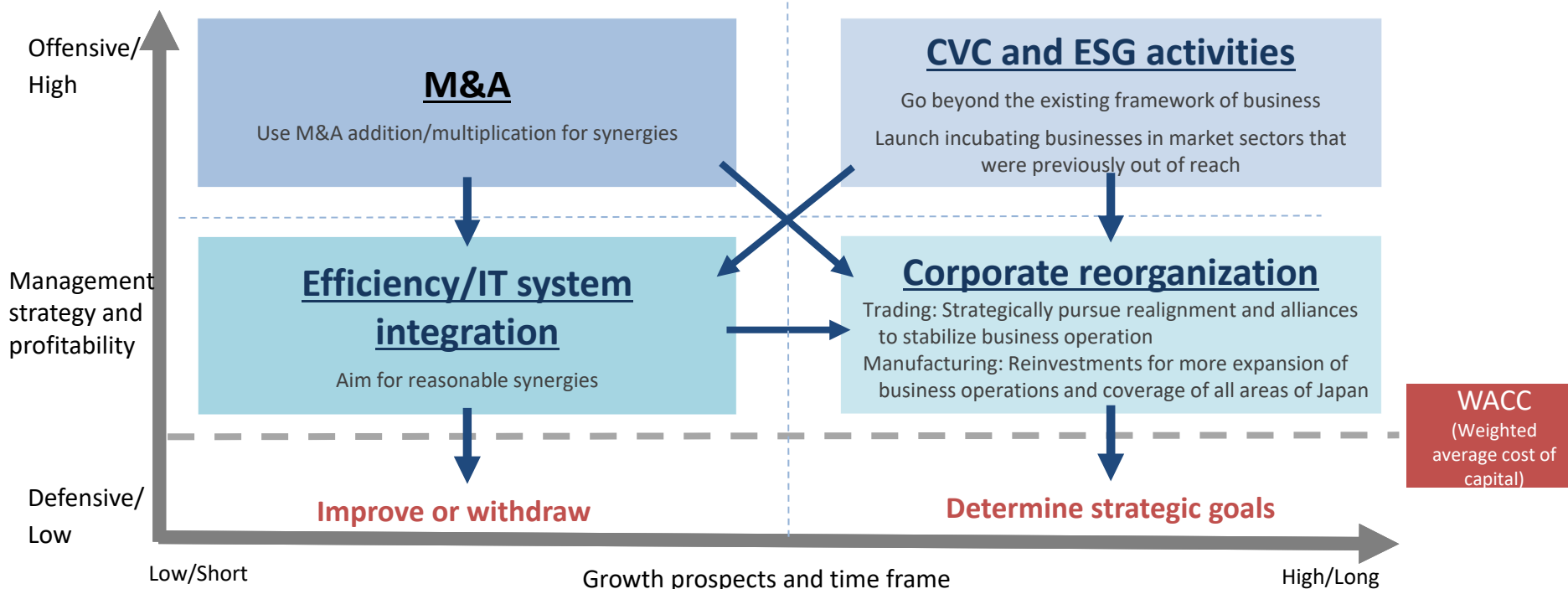
Issues	Actions and Performance
<p>Reinforce the financial structure</p>	<p>ROE: Avg. of the past 5 years: 10.5%</p> <p>NetDER: Avg. of the past 5 years: 0.7 level</p>
<p>Upgrade the skills of employees</p>	<p>Internal CPAs (including tax accountants): 7 Internal attorneys: 2</p> <p>There are also specialists in these and other fields at group companies</p>
<p>Improve and strengthen governance</p>	<p>Appointment of director to oversee internal controls</p> <p>Started continuous compliance training (e-learning) at ALCONIX and group companies and other activities</p>

Rebuild the investment strategy

Market environment for the ALCONIX Group remains uncertain because of the COVID-19 pandemic. We will continue to seek M&A opportunities for business growth and the creation of the Group's next core markets and businesses. We are considering the establishment of a corporate venture capital (CVC) operation for the purpose of using new business channels, market sectors and materials to acquire more opportunities for growth.

- a. CAPEX to raise output of manufacturing subsidiaries; start using automated systems and other advances to improve productivity
- b. In the environmental business sector, strengthen operations through investments and loans. In addition to the aluminum and copper scrap yard operations in Japan, operate a global recycling business that includes materials from base metals to minor metals and rare earths.
- c. Emphasis on the return on invested capital (ROIC) as the KPI for investments.

ALCONIX Group Investment Strategy Portfolio



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. (Manufacturing— 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)



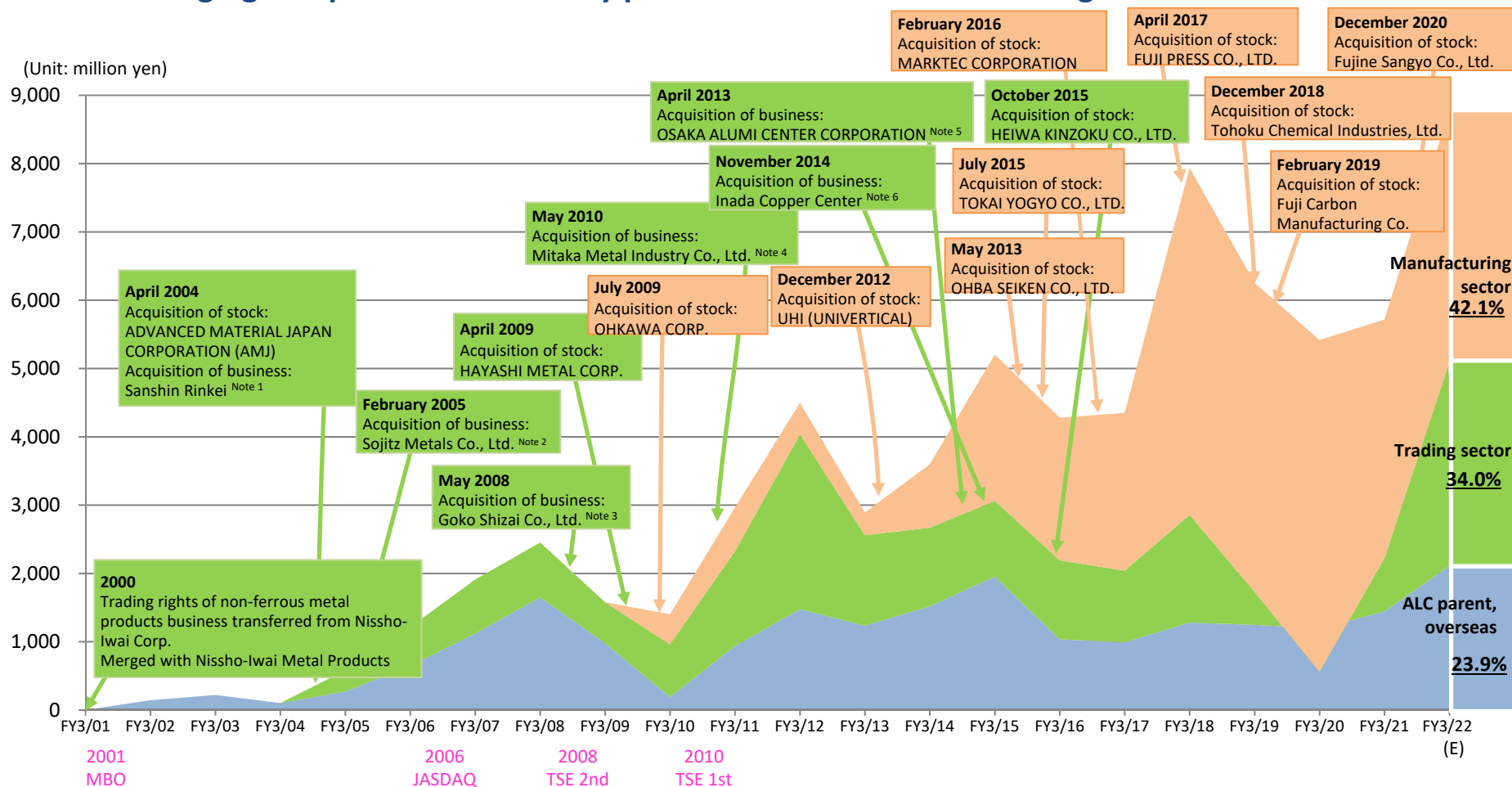
Sugaiké factory

Action plan | A new stance for investment activities

(Changes in business composition)

Medium-term business plan

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




- Notes:
1. Sanshin Rinkei started as a division of ALCONIX Group which acquired its operation. Later the division was separated to establish ALCONIX SANSHIN CORPORATION in 2008.
 2. Sojitz Metals Co., Ltd. has started as a non-ferrous materials division of ALCONIX Group.
 3. Goko Shizai Co., Ltd. was established as Sapporo branch of materials sales dept. through mergers and acquisitions by ALCONIX SANSHIN CORPORATION.
 4. Acquired trading rights of Mitaka Metal Industry Co., Ltd. and transferred the rights to newly established ALCONIX*MITAKA CORPORATION.

5. OSAKA ALUMI CENTER CORPORATION changed its name to ALUMINUM & COPPER RECYCLING CENTER CORPORATION in 2014.
6. Inada Copper Center started its operation as Kitakyushu branch of ALUMINUM & COPPER RECYCLING CENTER.
7. M&As in the Manufacturing sector includes earnings of equity-method affiliates.
8. Reported only unconsolidated ordinary loss for FY3/01.
9. Reported ordinary loss (-4.8%) in the Trading sector for FY3/20.

Synergies between Trading and Manufacturing

Combine trading and manufacturing capabilities

Business Mix



Trading

Electronic and Advanced Mater

Aluminum and Copper Products

X

Manufacturing

Equipment and Materials

Metal Processing

Electronic materials and parts

From resources to materials and products

Trading

IoT / 5G semiconductor boom

Electronic materials and components

- Spread of 5G
- Next-generation vehicles
- Progress with AI and IoT

Semiconductors

- More electronics in autos and appliances
- Higher storage capacity and speed

Automobiles

- Electric vehicle (EV)
- Hybrid car
- Fuel cell vehicle (FCV)

Manufacturing


Adapt to changes in markets and technologies

Overseas business

Unique overseas network

ALCONIX advantages

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



Stronger (1)

Strengthen operating revenue by creating synergies between Trading and Manufacturing

- **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

Stronger (2)

Continue making three growth sectors **stronger**

- **Three market sectors have been a major source of the rapid growth of the ALCONIX Group**
 - ◆ Electronic materials and components
 - ◆ Semiconductors
 - ◆ Automobiles

Stronger (3)

Expand the ALCONIX Group **network**

- **Local transactions**
- **Trilateral business**
- **Overseas network**

Strengthen corporate infrastructure and internal control system

- Aim for more speedy and stronger internal control system through more effective use of the mission-critical system, including the use of BI/RPA
- Upgrade and improve the Group's accounting system
- Develop and expand BCP plans for telework and remote work in preparation for natural disasters and emergence of new infectious diseases and simultaneously consider system innovation
- Promote 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



	2010/3月期	2011/3月期	2012/3月期	2013/3月期
固定資産				
うち営業債権	28,629	30,632	31,778	32,440
うちたな卸資産	27,228	27,228	27,228	27,228
合計	20,995	20,995	20,995	20,995
流動負債				
うち投資有価証券	5,931	5,931	5,931	5,931
合計	2,065	2,065	2,065	2,065
うち営業債務	46,155	46,155	46,155	46,155
うち短期借入金	22,656	22,656	22,656	22,656
うち長期借入金	19,958	19,958	19,958	19,958
合計	6,261	6,261	6,261	6,261
うち長期借入金	4,587	4,587	4,587	4,587
うち社債	800	800	800	800
総資産	12,144	12,144	12,144	12,144



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.

Contributing to a recycling-oriented society
- 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.

Contributing to reducing energy resources
- 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)

Reduction of environmental impact and realization of a clean society

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 "COMPANIES DRIVING REGIONAL GROWTH"* 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.

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