Become an integrated company that combines trading and manufacturing capabilities

ALCONIX CORPORATION

Listed on TSE First Section **Code 3036**

Financial Results Materials

Fiscal Year Ended March 31, 2021

May 2021

Contents

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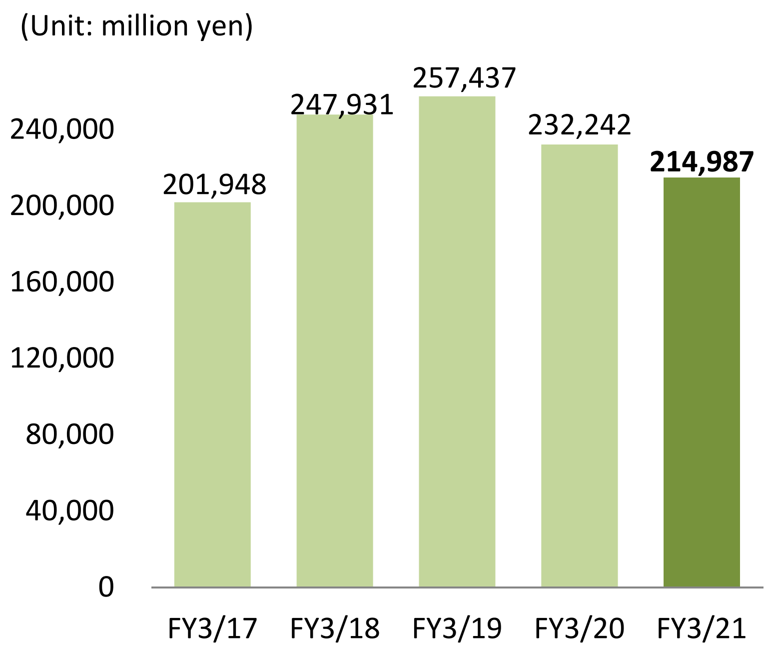
Results highlights (FY3/21) Consolidated sales

Consolidated Sales



Down 7.4% YoY

Consolidated sales decreased YoY due to the COVID-19 pandemic (down 8.6% in the Trading segment and down 2.8% in the Manufacturing segment)

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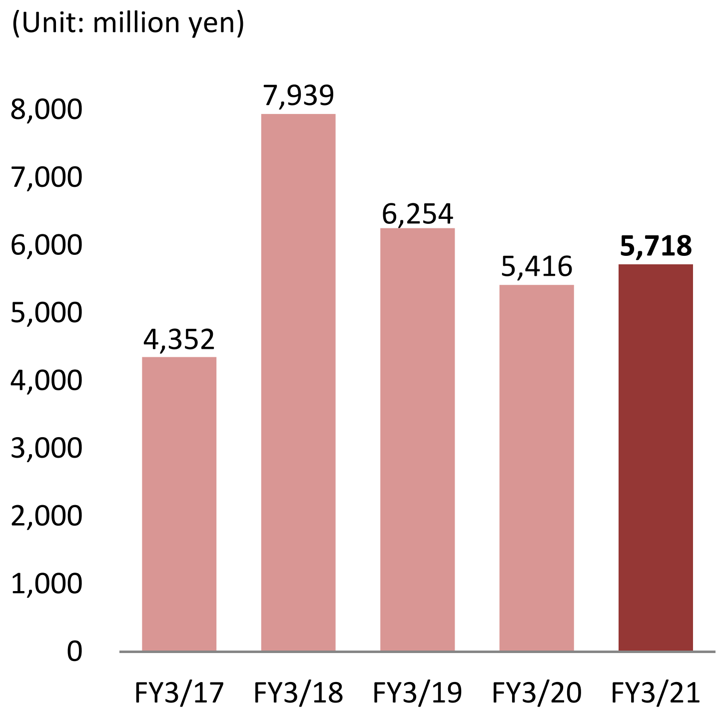
Results highlights (FY3/21) Consolidated ordinary profit

Consolidated Ordinary Profit



Up 5.6% YoY

Earnings improved mainly 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.

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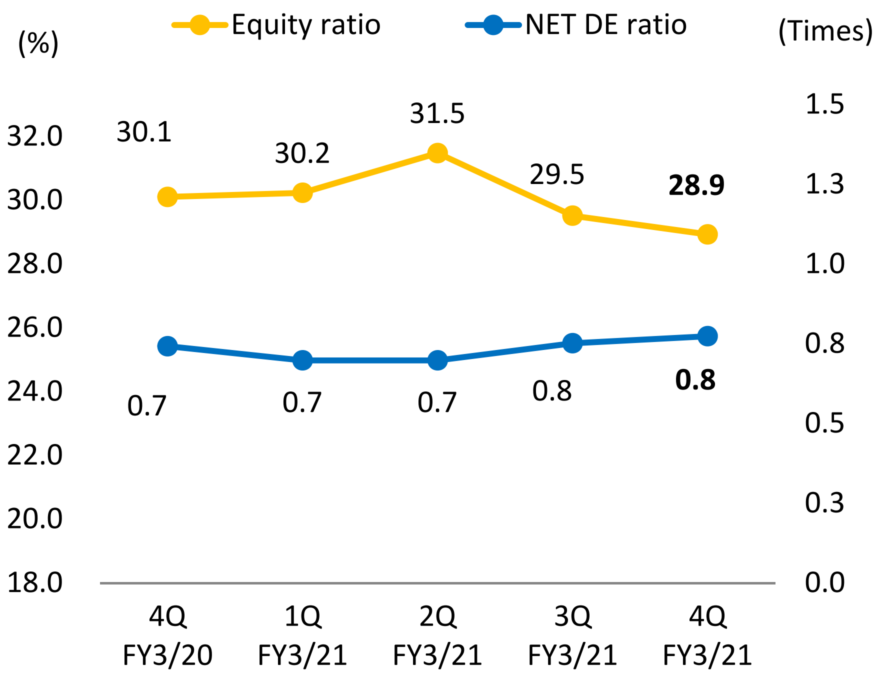
Results highlights (FY3/21) Major consolidated financial indicators

Major Consolidated Financial Indicators



Equity Ratio
Down 1.2 percentage point (YoY)

Issuance of commercial papers through diversification of fund procurement and an increase in non-current and other 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

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Topics

News

Formulation of Medium-term Business Plan (Announced on May 25, 2021)

Profit targets

(Unit: billion yen)

	FY3/22 Forecast	FY3/23 Plan	FY3/24 Plan
Ordinary profit	6.4	8.0	9.6
Profit	4.5	5.7	6.7

▶ For more details, please see page 23 “Medium-term business plan”

Management benchmarks

ROE	About 13 -15%
Net DER	About 1.0 times

News

Establishment of Malaysia joint venture (Operation started on September 1, 2020)

ALCONIX established a joint venture in Malaysia called Alconix Castle Metals and Chemicals (ACM). The company supplies surface treatment materials for automotive parts, PCs, smartphones and many other personal items. This company has its head office in Malaysia, an ASEAN’s key country, and a subsidiary called Alconix Castle Metals and Chemicals Vietnam Co., Ltd. to serve the rapidly growing markets of Vietnam. These bases will allow the company to expand to cover all SE Asian countries. This jointly owned company will also work with the ALCONIX Group as well as the joint venture partner in Malaysia to become a one-stop supplier of surface treatment materials.

ACM employees

Overview
- Business: Sales of surface treatment materials
- Location: Selangor Darul Ehsan, Malaysia
- Capital: 6.25 million MYR (Investment ratio: ALCONIX (MALAYSIA) SDN. BHD. 80%; Joint venture partner in Malaysia 20%)
- Base: Head office (Malaysia), Subsidiary (Vietnam)
- Contribution to consolidated performance: FY3/22

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FY3/21 Financial Results

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Consolidated performance (4Q FY3/21)

- **Sales:** The transaction volume of semiconductor and electronic materials increased due to the accelerated digital transformation and growth of remote work as the COVID-19 pandemic continued. There was a rapid recovery in automotive sector demand following the sharp downturn in the first half. But sales were down because the recovery was not enough to offset the downturn at the beginning of FY3/21.
- **Earnings:** Earnings improved overall mainly due to higher semiconductor and electronic material demand, and a one-time loss recorded one year earlier was mostly eliminated. As a result, operating profit and ordinary profit were higher than one year earlier.

(Unit: million yen)

	FY3/20	FY3/21		
			% to sales	Change
Net sales	232,242	**214,987**		**-7.4%**
Gross profit	18,622	**18,571**	**8.6%**	**-0.3%**
SG&A expenses	13,445	**12,949**	**6.0%**	**-3.7%**
Operating profit	5,176	**5,621**	**2.6%**	**8.6%**
Ordinary profit	5,416	**5,718**	**2.7%**	**5.6%**
Profit attributable to owners of parent	3,617	**2,860**	**1.3%**	**-20.9%**
Comprehensive income	2,936	**4,880**	**-**	**-**

(Unit: yen)

Net income per share	143.25	**113.60**	**-**	**-**

(M): Manufacturing (T): Trading

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) Non-destructive testing and marking equipment
(M) Carbon brushes
(M) Precision machining processing parts (for telecommunications and semiconductor manufacturing equipment)

[Decrease]
(T) Aluminum rolled products, copper products, non-ferrous materials
(T) Minor metals, titanium products
(M) Plating materials, welding rods, cashew resin
(M) Precision metal stamped parts
(M) Precision grinding processing parts (semiconductor chip mounting equipment)

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

[Gross profit]
Gross profit improved mainly because sales decline was reduced due to strong semiconductor and electronic material demand, and valuation losses on minor metal inventories recorded in FY3/20 were mostly eliminated. Recorded a loss caused by an inappropriate accounting treatment at a consolidated subsidiary.

[Operating profit, ordinary profit]
Higher due to improvements in earnings.

[Profit attributable to owners of parent]
Recorded a loss on sales of shares of subsidiaries and associates.

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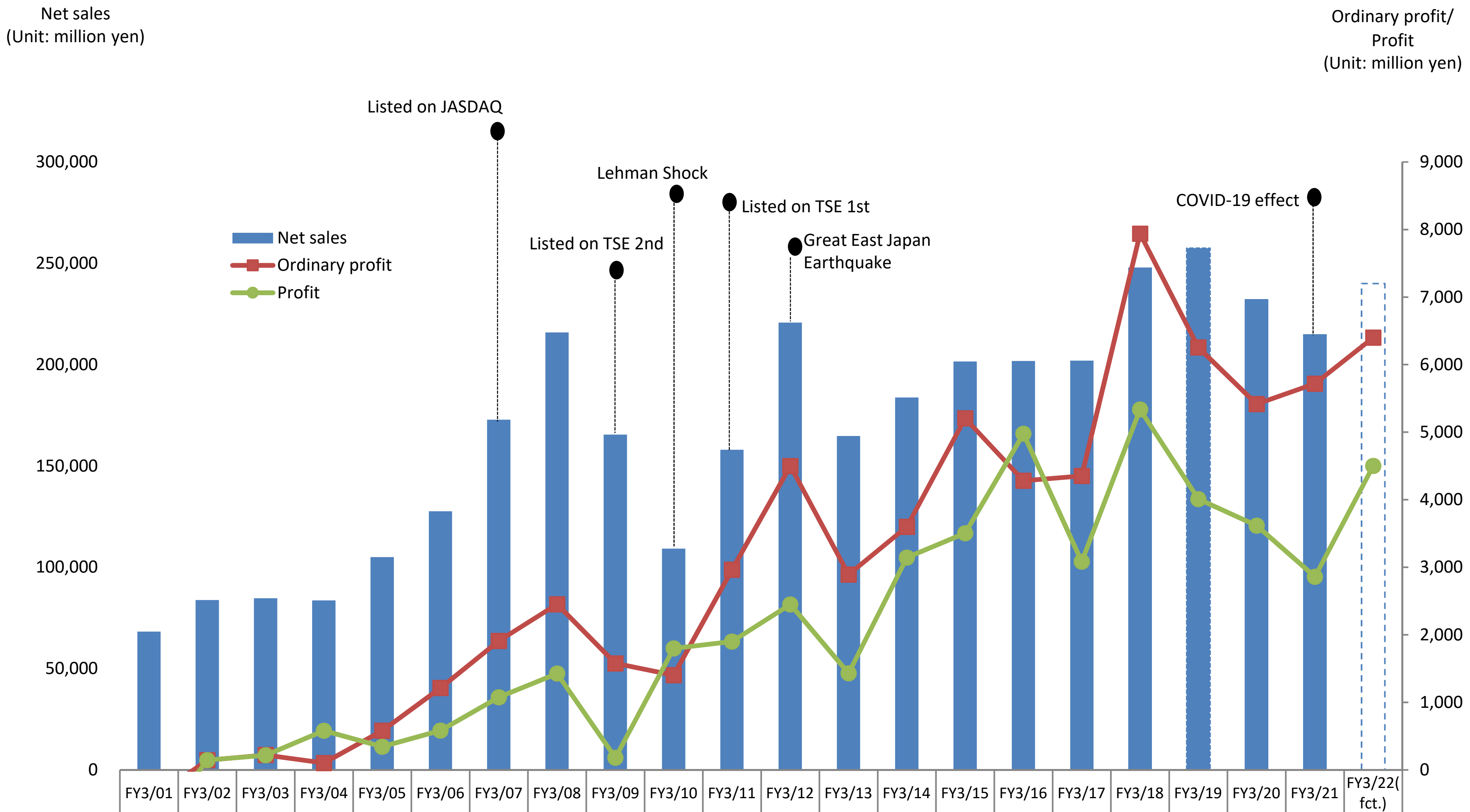
Performance trend (consolidated income statements)



	FY3/01	FY3/02	FY3/03	FY3/04	FY3/05	FY3/06	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22(fct.)
Net sales	68,221	83,823	84,671	83,622	105,011	127,627	172,781	215,839	165,439	109,192	157,979	220,703	164,769	183,749	201,543	201,755	201,948	247,931	257,437	232,242	214,987	240,000
Ordinary profit	(456)	144	221	102	580	1,214	1,910	2,452	1,577	1,402	2,963	4,499	2,892	3,600	5,205	4,281	4,352	7,939	6,254	5,416	5,718	6,400
Profit	(985)	145	217	581	343	583	1,076	1,427	181	1,799	1,901	2,450	1,430	3,144	3,505	4,977	3,083	5,336	4,009	3,617	2,860	4,500

* Net sales forecast for FY3/22 is based on the standard previously used. See p.17 for details.

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Operating segment information (FY3/21 net sales/segment profit)

■ 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 the latter half of 2020 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 in the second half. 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)			FY3/20		FY3/21			
				Comp.		Comp.	Change (amount)	Change (%)
Net sales	Trading	Electronic and advance	68,950	29.7%	60,315	28.1%	-8,635	-12.5%
		Aluminum and copper	115,283	49.6%	108,007	50.2%	-7,275	-6.3%
		Trading total	184,234	79.3%	168,322	78.3%	-15,911	-8.6%
	Manufacturing	Equipment and materi	25,728	11.1%	24,664	11.5%	-1,064	-4.1%
		Metal processing	22,279	9.6%	22,000	10.2%	-279	-1.3%
		Manufacturing total	48,008	20.7%	46,664	21.7%	-1,344	-2.8%
		Total	232,242		214,987		-17,255	-7.4%
Segment profit	Trading	Electronic and advance	80	1.5%	1,699	29.7%	1,618	2006.3%
		Aluminum and copper	694	12.8%	530	9.3%	-163	-23.6%
		Trading total	774	14.3%	2,229	39.0%	1,454	187.8%
	Manufacturing	Equipment and materi	403	7.5%	333	5.8%	-69	-17.3%
		Metal processing	4,220	77.9%	3,159	55.2%	-1,060	-25.1%
		Manufacturing total	4,623	85.4%	3,492	61.0%	-1,130	-24.5%
		Total	5,416		5,718		301	5.6%

Note 1. Segment profit is based on ordinary profit. Note 2. Elimination or corporate for segment profit: FY3/21: -3 FY3/20: 18

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

(Unit: million yen)

	FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weightin
Net sales	**60,315**	-8,635	-12.5%	28.1%
Segment profit	**1,699**	1,618	2006.3%	29.7%
Segment profit to net sales	**2.8%**	2.7%		

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

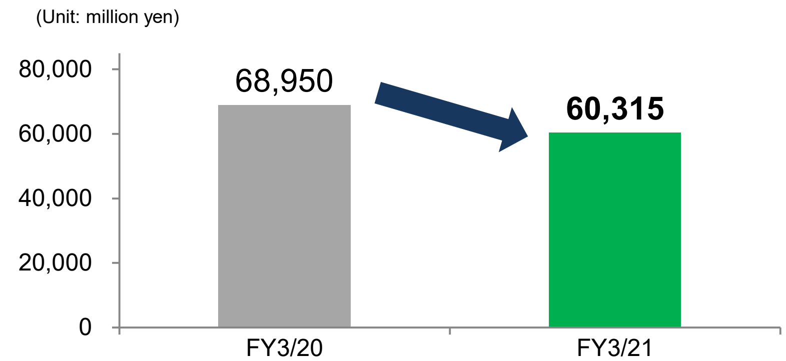
[Electronic materials and advanced materials]

- 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 decreased due to the impact of COVID-19 in Europe throughout the fiscal year.

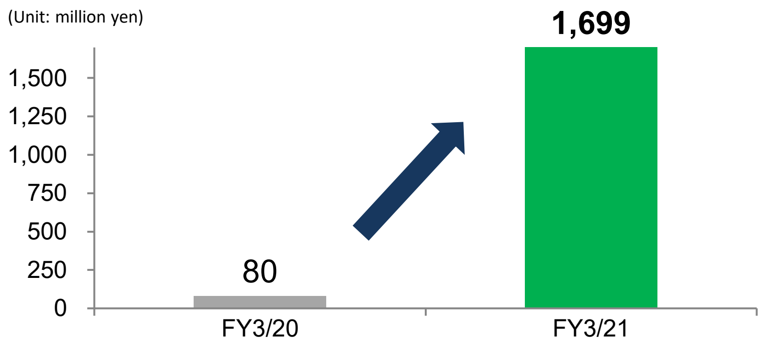
[Minor metals and rare earths]

- 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



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Aluminum and copper products

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

(Unit: million yen)

	FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weightin
Net sales	**108,007**	-7,275	-6.3%	50.2%
Segment profit	**530**	-163	-23.6%	9.3%
Segment profit to net sales	**0.5%**	-0.1%		

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

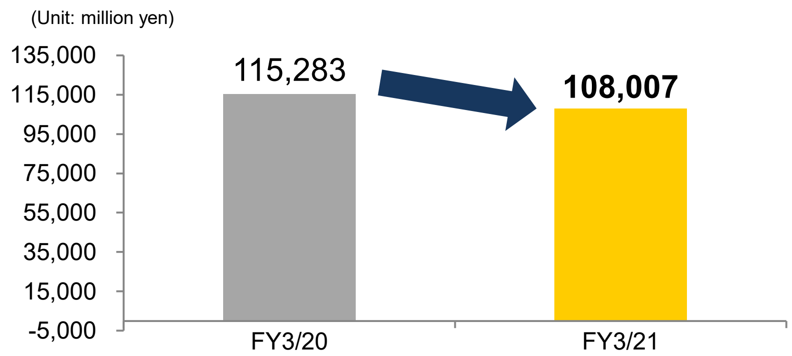
[Products]

- 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 in the second half of FY3/21 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 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.

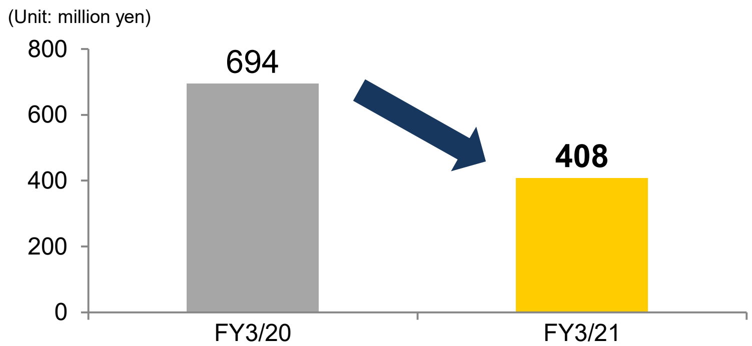
[Resources]

- The trading volume of recycled aluminum ingots increased because of a rapid recovery of automotive sector demand after the decline caused by COVID-19 in the first half of FY3/21 but could not reach the level one year earlier. In addition, the transaction volume of copper scrap and zinc ingots, our mainstay products, increased from one year earlier due to the recovery in demand.

Net Sales



Segment Profit



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Equipment and materials

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

(Unit: million yen)

	FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weightin
Net sales	**24,664**	-1,064	-4.1%	11.5%
Segment profit	**333**	-69	-17.3%	5.8%
Segment profit to net sales	**1.4%**	-0.2%		

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: Increase

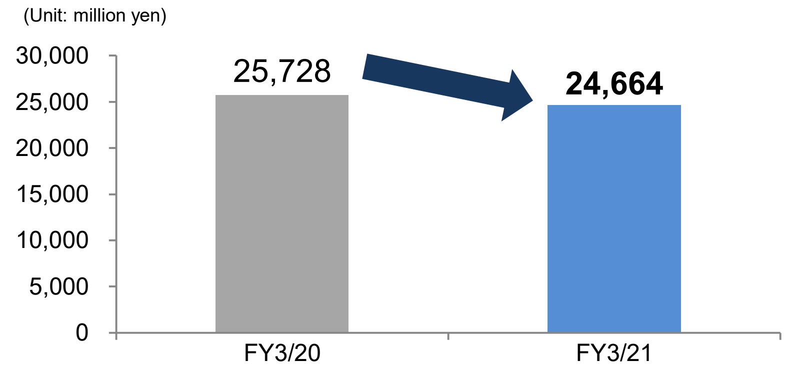
[Materials]

- 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 during the first half 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 Japan and China due to a rapid recovery of automotive sector demand. This increase contributed significantly to the improvement in earnings.

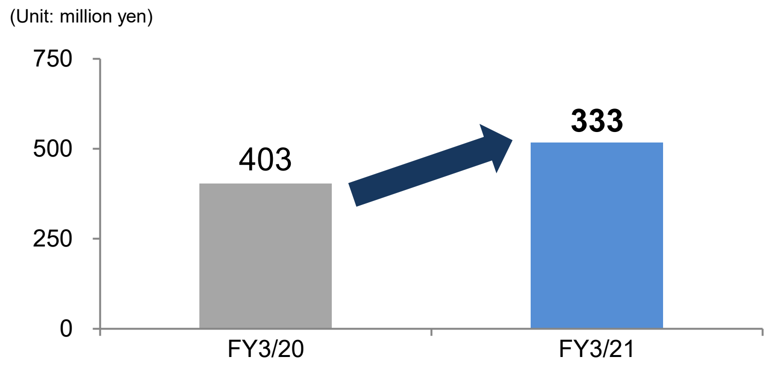
[Equipment]

- 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



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

(Unit: million yen)

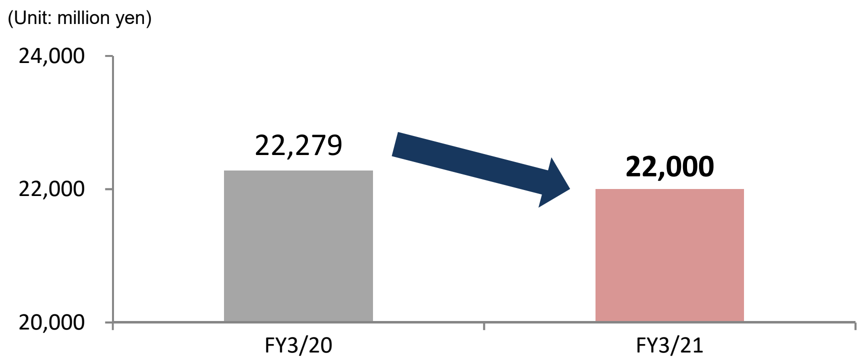
	FY3/21	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	**22,000**	-279	-1.3%	10.2%
Segment profit	**3,159**	-1,060	-25.1%	55.2%
Segment profit to net sales	**14.4%**	-4.5%		

Sales of major products (YoY change)

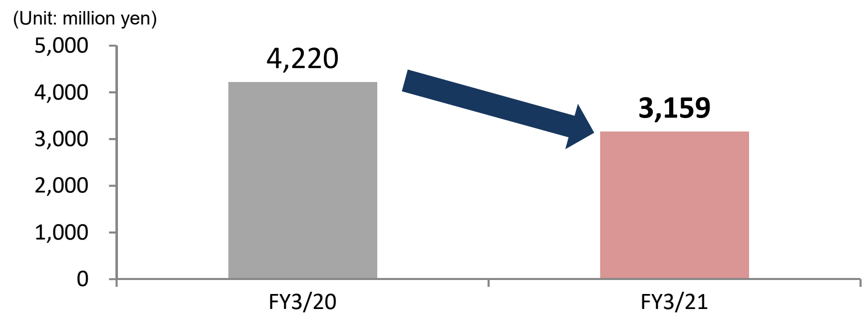
Precision machining processing parts (semiconductor manufacturing equipment, etc.): Increase
Precision grinding processing parts (for semiconductor chip mounting equipment): Decrease
Precision grinding processing parts (prototype items for automotive applications): Increase
Precision metal stamped parts (for automotive powertrains, etc.): Decrease
Metal processed components used in air conditioning equipment: Net increase

- 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 grinding processing parts decreased due to adjustments to production of some parts, while demand for semiconductor chip mounting equipment remained firm.
- Earnings from precision metal stamped parts improved significantly due to a rapid recovery in automotive sector demand after the decline caused by COVID-19, while the negative effect on sales of the decline at the beginning of FY3/21 continued. Upfront investments of the Mexico business during the current startup phase continued to hold down its profitability.
- Fujine Sangyo, which became a consolidated subsidiary on December 3, 2020, was included in the consolidated financial statements beginning in January 2021 and the net increase in sales at this company contributed to consolidated sales and earnings. Fujine Sangyo manufactures processed metal components used in freezer and air conditioning equipment.

Net Sales



Segment Profit



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Consolidated balance sheets (FY3/21)

(Unit: million yen)

	FY3/20	FY3/21	Change	Major components
Current assets, total	95,426	**106,604**	11,178	
Cash and deposits	22,754	**27,048**	4,294	Free cash flow +1.6 billion yen
Operating receivables	44,162	**49,752**	5,590	Higher transactions (Trading segment)
Inventories	26,100	**26,269**	168	Higher transactions (Trading segment)
Non-current assets, total	39,036	**41,313**	2,276	
Property, plant and equipment	20,905	**22,845**	1,939	Making Fujine Sangyo a consolidated subsidiary, etc.
Intangible assets	6,697	**5,671**	-1,026	Amortization (including goodwill)
Investments and other assets	11,433	**12,796**	1,362	Market value evaluation
Assets, total	134,463	**147,917**	13,454	

	FY3/20	FY3/21	Change	Major components
Current liabilities, total	65,533	**78,011**	12,478	
Operating debt	30,920	**34,418**	3,497	Higher transactions (Trading segment)
Short-term borrowings	28,959	**38,138**	9,178	Increase in commercial papers
(including current portion of long-term borrowings/commercial papers/ bonds payable)				
Non-current liabilities, total	27,652	**26,533**	-1,118	
Bonds payable	375	**475**	100	Newly consolidated subsidiary
Long-term borrowings	22,313	**20,509**	-1,803	Transfer to the current portion
Liabilities, total	93,185	**104,545**	11,359	
Shareholders' equity	38,320	**38,646**	326	
Retained earnings	33,207	**34,352**	1,145	Profit attributable to owners of parent – dividends paid
Accumulated other comprehensive income	2,161	**4,153**	1,992	
Shareholders' equity	40,481	**42,800**	2,318	Equity ratio: 28.9%
Net assets, total	41,277	**43,372**	2,094	
Liabilities and net assets, total	134,463	**147,917**	13,454	

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

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Consolidated cash flows (FY3/21)

(Unit: million yen)

	FY3/21	Major items	FY3/20
Operating cash flows	**4,098**		9,091
	4,989	Profit before income taxes	5,813
	3,915	Depreciation (including amortization of goodwill)	3,674
	-125	Share of profit of entities accounted for using equity method (K' MAC (shares sold in Dec. 2020), Guandon Chuangfu Metal Product)	-270
	-1,821	Working capital	2,428
		(Item) / FY3/21 / FY3/20	
		Decrease (increase) in trade receivables / -5,088 / 2,666	
		Decrease (increase) in inventories / 204 / 3,504	
		Increase (decrease) in trade payables / 3,062 / -3,743	
	-2,371	Income taxes paid	-2,242
	-127	Other	-159
Investing cash flows	**-2,472**		-3,171
	-3,054	Purchase of property, plant and equipment and intangible assets (capital expenditures at manufacturing subsidiaries)	-3,316
	-250	Purchase of investment securities	-1,014
	10	Proceeds from sales of investment securities	1,803
	-374	Purchase of shares of subsidiaries (Fujine Sangyo)	-
	665	Purchase of shares of subsidiaries	-
	530	Other	-643
Financing cash flows	**2,849**		-7,993
	3,948	Net increase in short-term borrowings	-3,927
	-1,735	Net decrease in long-term borrowings	-2,462
	-149	Redemption of bonds	-149
	2,999	Proceeds from issuance of commercial papers	-
	-800	Stock repurchase (Period for repurchase: Apr. to Oct. 2020 *Purchase completed on October 30, 2020)	-283
	-1,067	Cash dividends paid	-1,037
	-346	Other	-131
Effect of exchange rate change on cash and cash equivalents	**-68**		-14
Net increase (decrease) in cash and cash equivalents	**4,407**		-2,088
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	**26,002**		21,595
*Change: Numbers may not tally exactly due to rounding.			
Free cash flow	**1,626**		5,919

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FY3/22
Earnings Forecasts

***Announced on May 25, 2021**
***"Accounting Standard for Revenue Recognition" is applied from the beginning of FY3/22**
(Only consolidated net sales will be affected)

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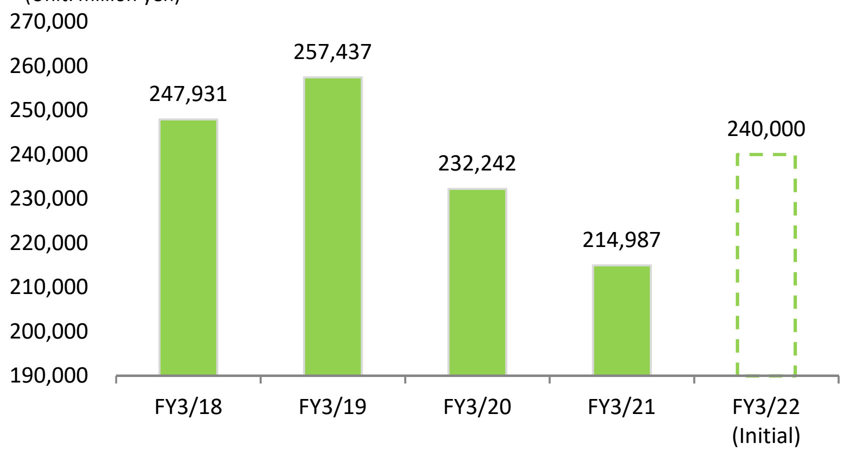
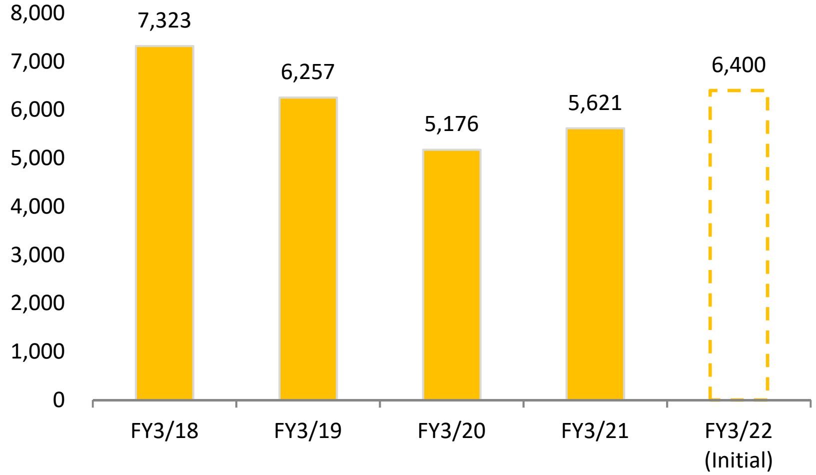
Trend in consolidated sales and earnings

Net Sales

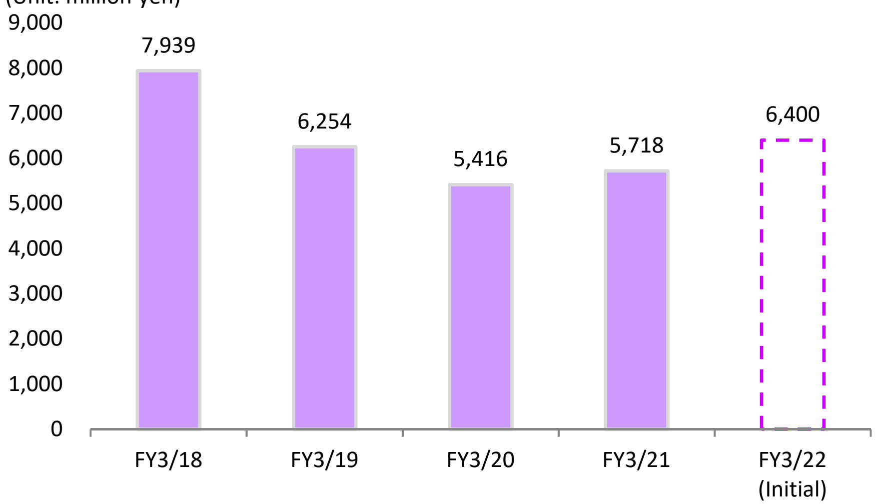


*FY3/22 net sales (fct.) under the new standard: ¥120,000 million

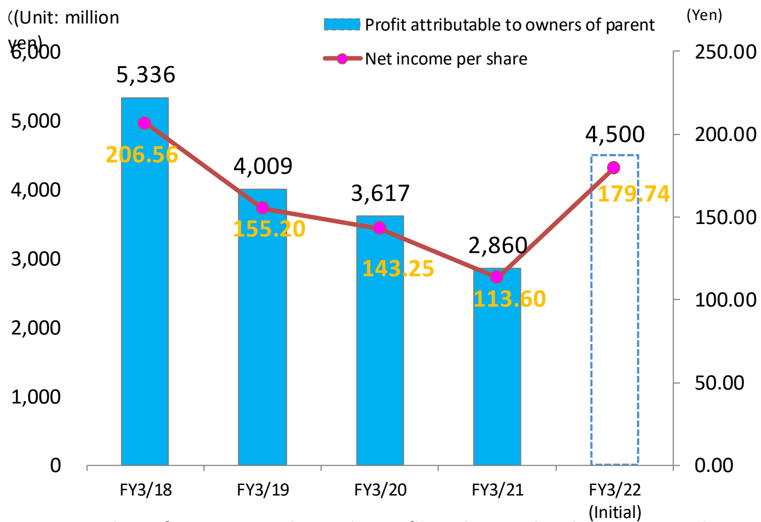
Operating Profit



Ordinary Profit



Profit Attributable to Owners of Parent



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

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Forecast for FY3/22

- **Due to the increasing use of telework and other forms of online economic activities due to the global COVID-19 pandemic, demand will remain strong for semiconductors and electronic components used in smartphones and other IT products. This strong demand is expected to continue in the next fiscal year and afterward. We also anticipate a continuation of the firm demand for our products in the automotive sector, where production has been recovering rapidly since the second half of FY3/21. Growth of the demand for electronic components and semiconductors is becoming even faster as automobiles use more electronic components, autonomous driving technologies emerge, and a global shift to electric vehicles advances as one way to become carbon neutral. As a result, demand for materials used in automobiles is expected to continue to grow even beyond the existing framework of the business.**

(Unit: million yen)

	FY3/21	% to sales	FY3/22 (Initial forecasts on May 25, 2021)	% to sales	YoY change	%
Net sales	214,987		240,000		25,012	11.6%
Gross profit	18,571	8.6%	21,000	8.8%	2,428	13.1%
SG&A expenses	12,949	6.0%	14,600	6.1%	1,650	12.7%
Operating profit	5,621	2.6%	6,400	2.7%	778	13.8%
Ordinary profit	5,718	2.7%	6,400	2.7%	681	11.9%
Profit attributable to owners of parent	2,860	1.3%	4,500	1.9%	1,639	57.3%

Net income per share (yen)	113.60	179.74

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

*FY3/22 net sales (fct.) under the new standard: ¥120,000 million
*FY3/22 earnings will not be affected by the application of the new standard

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Forecasts by segment (FY3/22)

Trading segment: Higher sales and earnings / Manufacturing segment: Higher sales and lower earnings

- **Trading—Electronic and Advanced Materials**

  Forecast an increase in the transaction volume of materials and semiconductor and electronic materials used in smartphones and tablets because of the full-scale launch of 5G and the widespread use of telework. The same trends are expected to increase the transaction volume of minor metals and rare earths, chiefly magnetic materials.

- **Trading—Aluminum and Copper Products**

  Forecast a higher transaction volume of products and resources mainly due to the rapid recovery in automotive sector demand that started in the second half of FY3/21 and the strong demand for electronic materials.

- **Manufacturing—Equipment and Materials**

  Shipments of plating materials, carbon brushes and cashew resin are recovering because of increasing automotive sector demand, mainly due to the strength of the U.S. and Chinese markets. Forecast higher shipments in Japan and overseas of non-destructive testing equipment and marketing systems.

- **Manufacturing—Metal Processing**

  Anticipate more growth of sales of machining processing parts for semiconductor manufacturing equipment because of strong demand involving 5G infrastructure and semiconductors. Forecast a decrease in shipments of precision grinding processing parts for chip mounters. Forecast strong sales of precision metal stamped parts because of growing automotive sector demand. Shipments of metal processed parts for air conditioning equipment are expected to increase as demand involving this equipment recovers in Japan.

(Unit: million yen)

			FY3/21	Comp.	FY3/22	Comp.	Change	%
Net sales	Trading	Electronic and advanced materia	60,315	28.1%	77,000	32.1%	16,684	27.7%
		Aluminum and copper products	108,007	50.2%	109,000	45.4%	992	0.9%
		Trading total	168,322	78.3%	186,000	77.5%	17,677	10.5%
	Manufacturing	Equipment and materials	24,664	11.5%	28,000	11.7%	3,335	13.5%
		Metal processing	22,000	10.2%	26,000	10.8%	3,999	18.2%
		Manufacturing total	46,664	21.7%	54,000	22.5%	7,335	15.7%
		Total	214,987		240,000		25,012	11.6%
Segment profit	Trading	Electronic and advanced materia	1,699	29.7%	2,100	32.8%	400	23.6%
		Aluminum and copper products	530	9.3%	900	14.1%	369	69.7%
		Trading total	2,229	39.0%	3,000	46.9%	770	34.5%
	Manufacturing	Equipment and materials	333	5.8%	400	6.2%	66	20.0%
		Metal processing	3,159	55.2%	3,000	46.9%	-159	-5.0%
		Manufacturing total	3,492	61.0%	3,400	53.1%	-92	-2.7%
		Total	5,718		6,400		681	11.9%

Change: Numbers may not tally exactly due to rounding.

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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.

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Overall image of medium-term business plan

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

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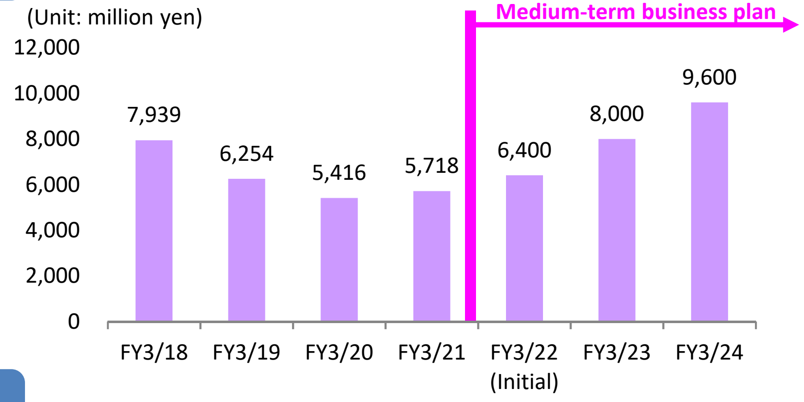
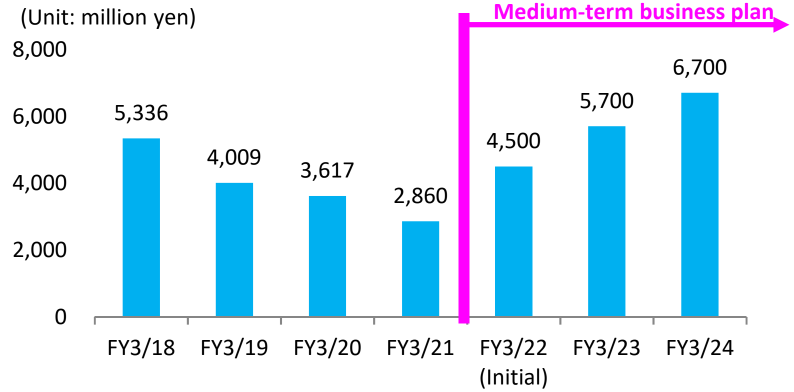
Performance targets (final year: end-March 2024)

Profit targets

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

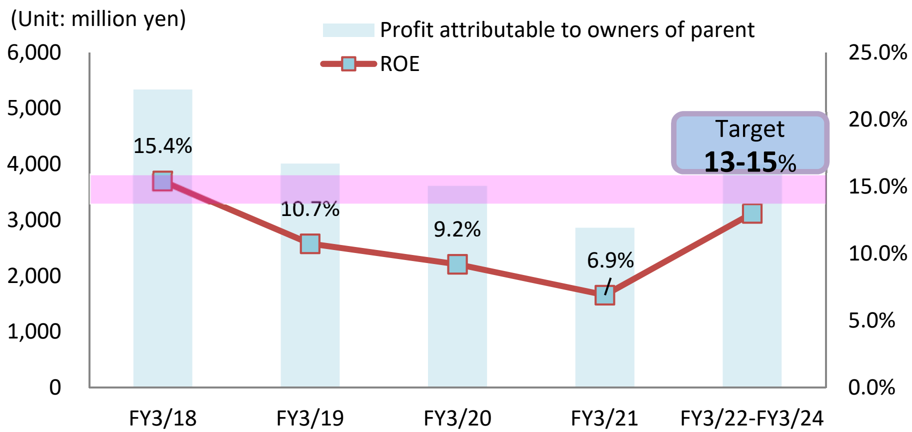


Profit attributable to owners of parent: Over ¥6.7 billion (FY3/24)

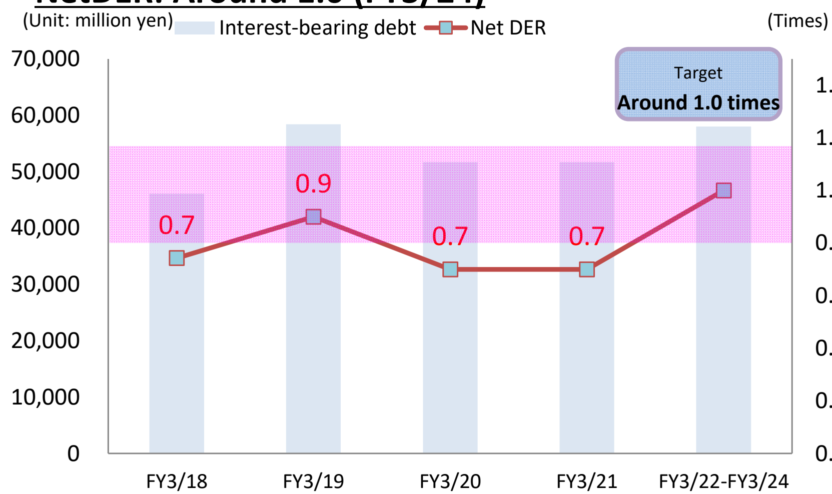


Management benchmarks

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)

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Priority issues in the medium-term business plan

Issues		Actions and Performance
Reinforce the financial structure	a. Bolster profitability, and increase and improve the shareholders' equity ratio b. Aim for ROE at least 10%; Target 13 to 15% for a medium to long-term c. Diversification in financing; Use a group cash management system to secure sufficient liquidity and reduce funding costs	**ROE:** **Avg. of the past 5 years:** **10.5%** **NetDER:** **Avg. of the past 5 years:** **0.7 level**
Upgrade the skills of employees	a. Recruit people who are in demand to supplement and strengthen capabilities of ALCONIX (Further increase activities for hiring attorneys, accountants, tax accountants and others required for post-merger integration and other people with knowledge that is needed) b. Conduct job rotations and training programs to provide opportunities for employees to enhance their diverse skill sets c. Upgrade human resources and performance evaluation systems in order to improve overall efficiency and productivity of the company	**Internal CPAs (including tax accountants): 7** **Internal attorneys: 2** **There are also specialists in these and other fields at group companies**
Improve and strengthen governance	a. Continuously improve the functioning of the Board of Directors b. Reexamine methods to verify the Board of Directors' effectiveness c. Reinforce internal controls and auditing (Appoint a director to oversee internal controls and strengthen the function of the Audit Department) d. Increase speed and agility of decision-making process by delegating authority and strengthening the management oversight function e. Establish effective group governance system and conduct reorganizations as needed to accomplish this goal f. Provide compliance education to key personnel at group companies	**Appointment of director to oversee internal controls (June 2021)** **Started continuous compliance training (e-learning) at ALCONIX and group companies in the fall of 2020 and other activities**

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Action plan | A new stance for investment activities (Policies and measures)

Rebuild the investment strategy

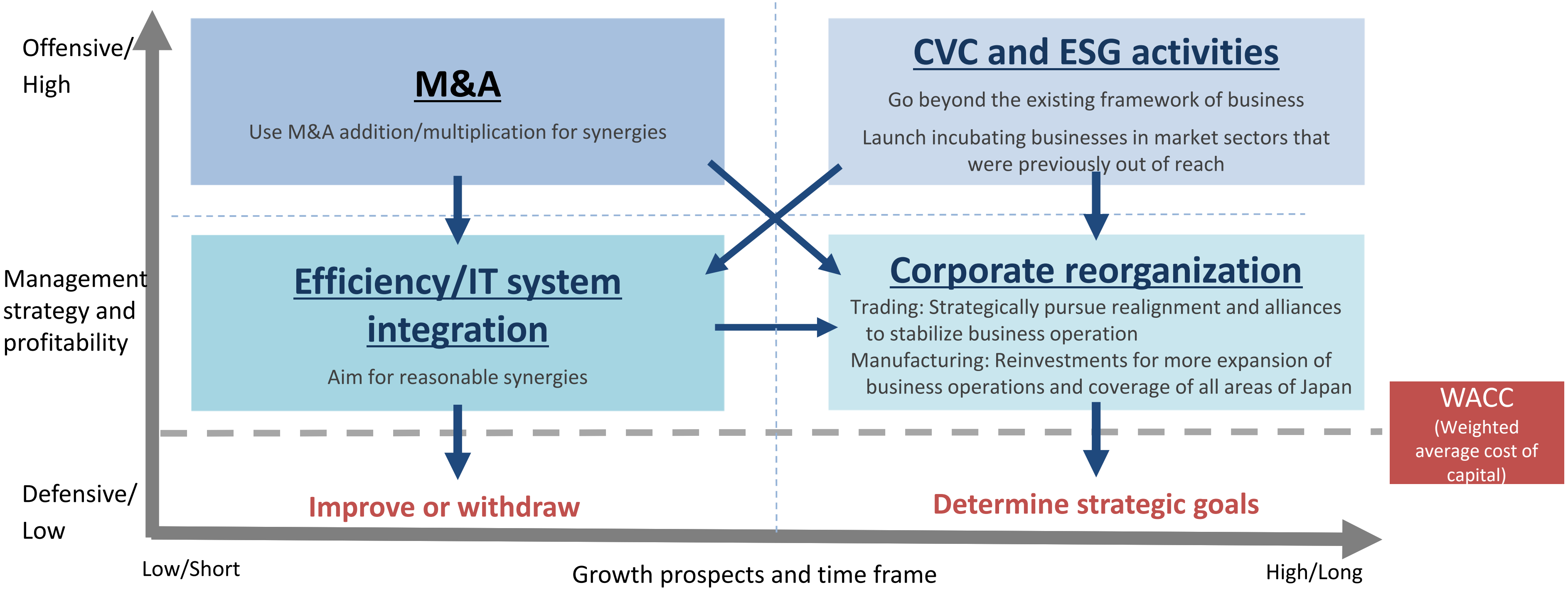
Market environment for the ALCONIX Group remains uncertain because of the COVID-19 pandemic. We will continue to seek M&A opportunities for business growth and the creation of the Group's next core markets and businesses. We are considering the establishment of a corporate venture capital (CVC) operation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



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Action plan | A new stance for investment activities (Track records)

Our core strategies for investment activities are as follows: **M&A**, which is effective for **short-term business expansion**; **business investments** in metals processing and others to **develop new trade channels**; and **investments** in recycling and other projects to secure natural resources.

Major consolidated subsidiaries added to the ALCONIX Group through M&As

■ADVANCED MATERIAL JAPAN CORPORATION
Trading—Electronic and Advanced Materials (January 2004)

■HEIWA KINZOKU CO., LTD.
Trading—Aluminum and Copper Products (October 2015)

■**UNIVERTICAL HOLDINGS INC.**
Manufacturing—Equipment and Materials (December 2012)

■OHBA SEIKEN CO., LTD.
Manufacturing—Metal Processing (May 2013)

M&As 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)

Sugaike factory

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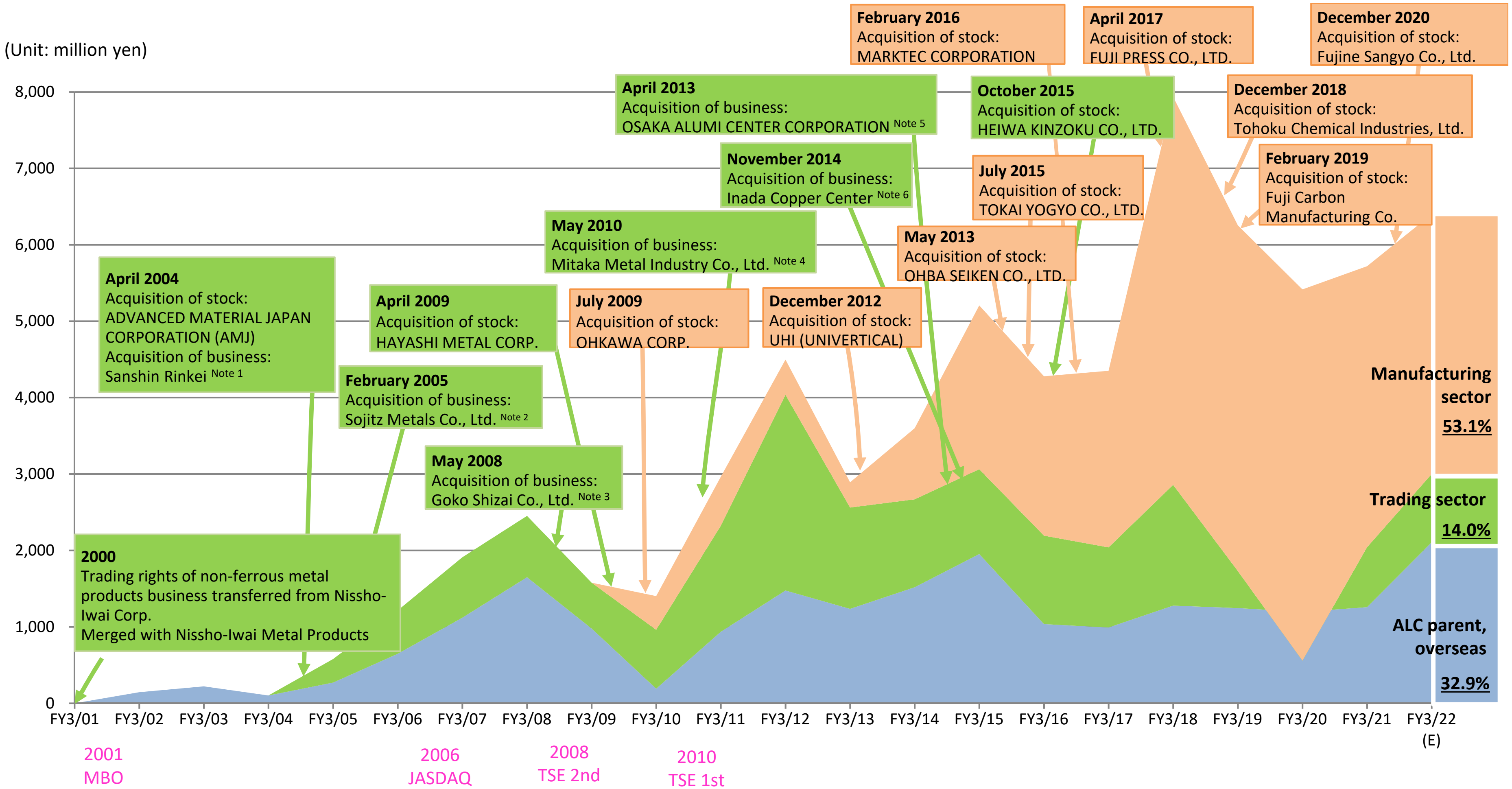
Action plan | A new stance for investment activities (Changes in business composition)

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.

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Synergies between Trading and Manufacturing

Combine trading and manufacturing capabilities
Business Mix

ALCONIX

Trading
- Electronic and Advanced Mater
- Aluminum and Copper Products

Manufacturing
- quipment and Materials
- Metal Processing

Electronic materials and parts

From resources to materials and products

Trading | Manufacturing

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)

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**

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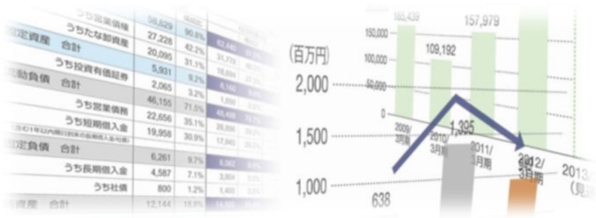
Strengthen corporate infrastructure and internal governance

- Aim for more speedy and stronger internal governance 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



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Our ESG/SDGs Initiatives

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

One Example of an ALCONIX Initiative

Environment

[Trading segment]

■ Non-ferrous scrap recycling

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

■ Trading in minor metals and rare earths

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

[Manufacturing segment]

■ Manufacturing products using naturally derived raw materials

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

* Manufactured by Tohoku Chemical Industries (Manufacturing - Equipment 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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