



November 5, 2021

**Summary of Consolidated Financial Results for the Second Quarter
of Fiscal Year Ending March 31, 2022
(Six Months Ended September 30, 2021)**

[Japanese GAAP]

Company name: ALCONIX CORPORATION

Listing: Tokyo Stock Exchange, First Section

Stock code: 3036

URL: <http://www.alconix.com>

Representative: Masato Takei, President and CEO

Contact: Hiroshi Teshirogi, Director & Senior Managing Executive Officer, Corporate Div.

Tel: +81-3-3596-7400

Scheduled date of filing of Quarterly Report:

November 10, 2021

Scheduled date of payment of dividend:

November 29, 2021

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes

Note: The original disclosure in Japanese was released on November 5, 2021 at 12:30 (GMT +9).

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2021

(April 1, 2021 – September 30, 2021)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2021	74,572	-	5,621	-	6,060	-	4,525	-
Six months ended Sep. 30, 2020	96,147	(18.8)	2,459	(8.9)	2,495	(15.9)	1,212	(36.6)

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2021: 6,429 (-%)
Six months ended Sep. 30, 2020: 1,496 (up 8.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2021	180.70	180.65
Six months ended Sep. 30, 2020	47.89	-

Notes: 1. Diluted net income per share for the six months ended September 30, 2020 is not stated because dilutive shares do not exist.

2. ALCONIX has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022. The figures for the six months ended September 30, 2021 are the amounts after the application of this accounting standard and percentages for year-on-year changes are not shown.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2021	162,848	49,002	29.8
As of Mar. 31, 2021	147,917	43,372	28.9

Reference: Shareholders' equity (million yen) As of Sep. 30, 2021: 48,515 As of Mar. 31, 2021: 42,800

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2021	-	21.00	-	21.00	42.00
Fiscal year ending Mar. 31, 2022	-	24.00	-	-	-
Fiscal year ending Mar. 31, 2022 (forecast)	-	-	-	24.00	48.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	152,000	-	8,700	-	9,000	-	6,200	-	247.32

Notes: 1. Revisions to the most recently announced consolidated earnings forecasts: Yes

Regarding consolidated earnings forecasts for the fiscal year ending March 31, 2022, please refer to "Notice of Revisions to Consolidated Earnings Forecast" that was announced on November 5, 2021 (English translation of this release to be announced shortly.)

2. ALCONIX has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022. The above forecasts are the amounts after the application of this accounting standard and percentages for year-on-year changes are not shown.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)” on page 12 of the attachments for further information.

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of period (including treasury shares)

As of Sep. 30, 2021:	25,976,400 shares	As of Mar. 31, 2021:	25,943,100 shares
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2) Number of treasury shares at the end of period

As of Sep. 30, 2021:	907,207 shares	As of Mar. 31, 2021:	907,207 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2021:	25,044,534 shares	Six months ended Sep. 30, 2020:	25,323,385 shares
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Note: ALCONIX has a Board Benefit Trust for the distribution of stock to eligible individuals. Shares of ALCONIX stock remaining in this trust are included in treasury shares under shareholders' equity and deducted from the average number of shares outstanding during the period that was used to calculate net income per share and diluted net income per share.

* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to ALCONIX's management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements” on page 5 of the attachments for assumptions for forecasts and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the current fiscal year, worries about another wave of COVID-19 infections emerged because of a new variant. Despite these concerns, economic activity is returning to normal in many countries as the world looks ahead to the end of the pandemic. The economic recovery is gaining momentum in China, which was the first country to end the COVID-19 outbreak, and the economies of the United States and Europe benefit from government stimulus measures and progress with vaccinations.

In Japan, there are expectations for a significant recovery of corporate earnings and consumer spending following the government's activities to promote vaccination and the end on September 30, 2021 of states of emergency that were declared during 2021, mainly in metropolitan areas. However, the outlook for the Japanese economy was unclear during the fiscal year's first half.

In the automobile industry, where the ALCONIX Group operates, the speed of the diversification of demand is increasing for materials and parts involving the use of electronic components, the reduction of vehicle weight, and technologies for self-driving vehicles. In addition, automobile production and sales started to recover rapidly in the second half of the previous fiscal year. In the semiconductor and electronic component sectors, there is growth of markets associated with the increasing volume of data transmissions due to the IoT, AI and other reasons, the rising use of electronic automobile components, and the progress of 5G mobile telecommunications. The expansion of economic activity and widespread use of telework due to the digital shift is another reason for the consistently strong demand for parts and materials used in IT equipment and semiconductor devices. Companies in many industries are temporarily reducing output due to severe shortages of semiconductors caused by the rapid recoveries of demand and manufacturing activity.

At the ALCONIX Group, metal processing parts for semiconductor manufacturing equipment contributed to earnings as demand was up in market sectors involving semiconductors and data communications. In the Trading sector for electronic and advanced materials, the transaction volumes of electronic and battery materials used in smartphones and other IT products were steady. Due to the strong worldwide demand in the automobile industry, there was rapid growth of shipments of metal precision stamped parts and carbon brushes for small motors. In the Trading sector, demand increased for non-ferrous materials, aluminum rolled products and copper products, which significantly contributed to an increase in earnings.

ALCONIX reported consolidated net sales of 74,572 million yen compared with 96,147 million yen one year earlier, operating profit of 5,621 million yen compared with 2,459 million yen one year earlier, ordinary profit of 6,060 million yen compared with 2,495 million yen one year earlier, and profit attributable to owners of parent of 4,525 million yen compared with 1,212 million yen one year earlier.

The ALCONIX Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ending March 31, 2022. Due to the use of this new standard, explanations of results of operations are provided without stating the year-on-year changes for consolidated sales and earnings. For more information, please refer to "2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)."

Business segment performance was as follows, with sales in each segment including inter-segment sales.

• Trading—Electronic and Advanced Materials

Sales of materials used in smartphones and tablets were stronger than in the same period of the previous year as economic activity restricted by the COVID-19 pandemic recovered gradually. There was a temporary downturn in sales of materials for secondary batteries and environmental applications. While orders associated with remote work and telework were strong, some customers had to reduce output temporarily because of the global semiconductor shortage. In the minor metals and rare earths category sales and earnings increased significantly as the demand associated with the automobile industry continued to recover. As a result, there was a big increase in segment profit because of the recovery in transaction volume as described above.

As a result, the segment recorded sales of 16,847 million yen compared with 24,670 million yen one year earlier and segment profit of 1,939 million yen compared with 726 million yen one year earlier.

· Trading—Aluminum and Copper Products

In the non-ferrous products category, the pace of the growth of demand for non-ferrous metals for automotive electronic components and lighter vehicle weight increased along with the rising speed of the shift to electric vehicles. During the fiscal year's first half, the demand for aluminum and copper products was temporarily held down as production cuts caused by the semiconductor shortage affected manufacturers of parts and materials too. The transaction volume of materials for construction was higher than one year earlier as demand for building construction continued to recover. Although the transaction volume of aluminum rolled products and copper products was higher than one year earlier, the transaction volume of titanium and new materials, which were newly added to this segment in the first half of the current fiscal year, was sluggish because of the low level of aircraft production. In the non-ferrous resources category, prices in key markets rose sharply and the price of copper reached an all-time high in May 2021. Demand for home appliances increased because of the need to stay home during the pandemic. In addition, there was a rapid increase in demand for materials used in the automobile industry due to the shift to electric vehicles. As a result, there was a large transaction volume of copper scrap, aluminum scrap and recycled aluminum ingots, the primary materials in this category.

As a result, the segment recorded sales of 29,553 million yen compared with 52,316 million yen one year earlier and segment profit of 1,464 million yen compared with 414 million yen one year earlier.

· Manufacturing—Equipment and Materials

There was a large volume of shipments of plating materials in the United States and China, where the economies are recovering quickly, because of very strong growth in demand for these materials used for electronic materials and in the automotive sector. First half shipments of carbon brushes for small motors, cashew resin products for brake friction materials, and welding rods were strong in relation to the first half of the previous fiscal year. The main reason is the rapid recovery of worldwide demand for automobiles. In the non-destructive testing equipment and marking devices category, shipments of large marking equipment for applications involving steel and paints and other consumables in Japan and other countries contributed to first half performance.

As a result, the segment recorded sales of 17,163 million yen compared with 11,314 million yen one year earlier and segment profit of 738 million yen compared with a loss of 118 million yen one year earlier.

· Manufacturing—Metal Processing

Shipments of precision grinding processing parts were down from one year earlier. The demand for semiconductor chip mounting equipment remains firm but customers reduced output because of the semiconductor shortage. Shipments of precision machining processing parts for semiconductor manufacturing equipment were firm as the growth of remote work raise the demand for semiconductors. In the metal precision stamped parts category, shipments remained high in order to meet the enormous demand worldwide in the automobile industry for these parts. Shipments of metal processed parts for air conditioning equipment were firm in Japan.

As a result, the segment recorded sales of 13,912 million yen compared with 10,458 million yen one year earlier and segment profit of 1,900 million yen compared with 1,460 million yen one year earlier.

(2) Explanation of Financial Position

1) Financial position

a. Current assets

At the end of the second quarter of the current fiscal year, current assets totaled 120,671 million yen, an increase of 14,066 million yen from the end of the previous fiscal year. The main factors were an 8,482 million yen increase in inventories, a 4,947 million yen increase in notes and accounts receivable-trade and a 330 million yen increase in cash and deposits.

b. Non-current assets

Non-current assets totaled 42,177 million yen, an increase of 864 million yen. The main factors were the purchase of property, plant and equipment by a consolidated subsidiary, an increase of 1,547 million yen in property, plant

and equipment due to an expansion of the scope of consolidation, and a decrease of 274 million yen in investments and other assets.

c. Current liabilities

Current liabilities totaled 85,938 million yen, an increase of 7,926 million yen. The main factors include a 5,898 million yen increase in notes and accounts payable-trade, a 1,999 million yen increase in commercial papers, a 1,011 million yen decrease in short-term borrowings and a 61 million yen increase in current portion of long-term borrowings.

d. Non-current liabilities

Non-current liabilities totaled 27,907 million yen, an increase of 1,373 million yen. The main factors include a 1,316 million yen increase in long-term borrowings and a 74 million yen decrease in bonds payable.

e. Net assets

Net assets totaled 49,002 million yen, an increase of 5,630 million yen. The main factors include a 3,833 million yen increase in retained earnings, a 1,508 million yen increase in foreign currency translation adjustment, a 195 million yen increase in valuation difference on available-for-sale securities and a 113 million yen increase in deferred gains or losses on hedges.

2) Results of operations

a. Net sales

Sales were strong in all businesses of the ALCONIX Group as the growth of economic activity due to telework and other online work fueled demand for semiconductors and electronic materials and demand for many products, particularly automobiles, increased on a global scale. In the Trading segment, there were increases in the transaction volume of battery and electronic materials for smartphones and tablets and rare earths used in magnetic materials. The transaction volume of non-ferrous metals was firm following the steep downturn in demand one year earlier for aluminum rolled products, copper products, recycled aluminum ingots and copper scrap.

In the Manufacturing segment, shipments of precision grinding processing parts for semiconductor chip mounting equipment were lower than one year earlier mainly because customers reduced output. Shipments of precision machining processing parts to companies in the telecommunications and IT sectors remained strong. Shipments of plating materials, metal precision stamped parts and carbon brushes for small motors were strong in relation to the big downturn one year earlier caused by the pandemic. The main reason is the rapid increase in automobile demand as the global economy recovers.

As a result, net sales were 74,572 million yen compared with 96,147 million yen one year earlier.

b. Gross profit

Gross profit was 12,708 million yen compared with 8,616 million yen one year earlier because both Trading and Manufacturing earnings were strong.

c. Selling, general and administrative expenses

Selling, general and administrative expenses were 7,086 million yen compared with 6,156 million yen one year earlier because operating expenses were much higher due to an increase in transactions.

d. Operating profit

Due to these changes, operating profit was 5,621 million yen compared with 2,459 million yen one year earlier.

e. Non-operating income, non-operating expenses

Major changes were an increase in dividend income and foreign exchange gains. As a result, there was a net non-

operating income (non-operating income – non-operating expenses) of 439 million yen compared with net non-operating income of 35 million yen one year earlier.

f. Ordinary profit

Ordinary profit was 6,060 million yen compared with 2,495 million yen one year earlier.

g. Extraordinary income, extraordinary losses

There was an extraordinary income of 287 million yen, including gain on sales of investment securities, and an extraordinary loss of 10 million yen mainly for loss on retirement of non-current assets.

h. Profit attributable to owners of parent

ALCONIX recorded profit before income taxes of 6,337 million yen. From this amount, 1,745 million yen and 66 million yen were deducted for income taxes and profit attributable to non-controlling interests of 15 consolidated subsidiaries, respectively. As a result, profit attributable to owners of parent was 4,525 million yen compared with 1,212 million yen one year earlier.

3) Cash flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year increased 421 million yen from the end of the previous fiscal year to 26,424 million yen (compared with 23,509 million yen in the same period of the previous fiscal year). The main changes in cash flows from operating, investing, and financing activities are described as below.

a. Cash flows from operating activities

Net cash provided by operating activities was 379 million yen (compared with 5,378 million yen provided in the same period of the previous fiscal year). Main positive factors include profit before income taxes of 6,337 million yen, a 4,666 million yen increase in trade payables, and depreciation of 2,011 million yen including amortization of goodwill. Meanwhile, major negative factors include a 3,537 million yen increase in trade receivables and a 7,732 million yen increase in inventories.

b. Cash flows from investing activities

Net cash used in investing activities was 1,471 million yen (compared with 2,126 million yen used in the same period of the previous fiscal year). Main negative factors include the payment of 2,101 million yen for the purchase of property, plant and equipment and intangible assets for capital investments, and 19 million yen for the purchase of investment securities.

c. Cash flows from financing activities

Net cash provided by financing activities was 1,078 million yen (compared with 1,157 million yen used in the same period of the previous fiscal year). Main positive factors include proceeds of 1,999 million yen due to issuance of commercial papers and net increase in long-term borrowings of 1,345 million yen. Main negative factors include a net decrease in short-term borrowings of 1,293 million yen and cash dividends paid of 513 million yen,

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

Regarding the consolidated forecast for the fiscal year ending March 31, 2022, ALCONIX has revised the forecasts for net sales, operating profit, ordinary profit and profit attributable to owners of parent, which was announced on August 6, 2021 based on the results of operations in the first half of the fiscal year. For more details, please refer to the press release “Notice of Revisions to Consolidated Earnings Forecast” that was announced today (November 5, 2021, English translation of this release to be announced shortly.)

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	27,048	27,378
Notes and accounts receivable-trade	49,752	54,700
Merchandise and finished goods	20,818	28,512
Work in process	3,362	3,906
Raw materials and supplies	2,088	2,332
Other	4,174	4,561
Allowance for doubtful accounts	(640)	(721)
Total current assets	106,604	120,671
Non-current assets		
Property, plant and equipment	22,845	24,392
Intangible assets		
Goodwill	2,548	2,270
Other	3,122	2,991
Total intangible assets	5,671	5,262
Investments and other assets	12,796	12,522
Total non-current assets	41,313	42,177
Total assets	147,917	162,848
Liabilities		
Current liabilities		
Notes and accounts payable-trade	34,418	40,316
Short-term borrowings	29,109	28,098
Commercial papers	2,999	4,999
Current portion of long-term borrowings	5,878	5,940
Current portion of bonds payable	149	149
Income taxes payable	866	1,659
Provision for bonuses	1,038	1,098
Other	3,549	3,677
Total current liabilities	78,011	85,938
Non-current liabilities		
Bonds payable	475	400
Long-term borrowings	20,509	21,825
Provision for retirement benefits for directors (and other officers)	537	422
Retirement benefit liability	917	959
Long-term accounts payable-other	174	133
Other	3,918	4,165
Total non-current liabilities	26,533	27,907
Total liabilities	104,545	113,845

	(Millions of yen)	
	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
Net assets		
Shareholders' equity		
Share capital	3,006	3,032
Capital surplus	2,416	2,483
Retained earnings	34,352	38,185
Treasury shares	(1,129)	(1,157)
Total shareholders' equity	38,646	42,544
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,761	2,956
Deferred gains or losses on hedges	(46)	67
Foreign currency translation adjustment	1,438	2,946
Total accumulated other comprehensive income	4,153	5,970
Share acquisition rights	51	52
Non-controlling interests	520	434
Total net assets	43,372	49,002
Total liabilities and net assets	147,917	162,848

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
(For the Six-month Period)**

(Millions of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	96,147	74,572
Cost of sales	87,531	61,863
Gross profit	8,616	12,708
Selling, general and administrative expenses	6,156	7,086
Operating profit	2,459	5,621
Non-operating income		
Interest income	32	22
Purchase discounts	6	6
Dividend income	188	325
Foreign exchange gains	-	117
Real estate rental income	39	42
Share of profit of entities accounted for using equity method	66	-
Subsidies for employment adjustment	69	8
Other	63	260
Total non-operating income	467	784
Non-operating expenses		
Interest expenses	246	249
Sales discounts	2	3
Foreign exchange losses	41	-
Loss on sales of notes receivable-trade	8	16
Rental costs on real estate	8	9
Share of loss of entities accounted for using equity method	-	0
Other	124	67
Total non-operating expenses	431	345
Ordinary profit	2,495	6,060
Extraordinary income		
Gain on sales of non-current assets	3	4
Gain on reversal of share acquisition rights	0	1
Gain on sales of investment securities	0	268
Subsidy income	37	12
Other	-	0
Total extraordinary income	41	287
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	2	7
Loss on sales of investment securities	0	-
Loss on valuation of investment securities	31	-
Other	0	2
Total extraordinary losses	35	10
Profit before income taxes	2,502	6,337
Income taxes	1,254	1,745
Profit	1,247	4,592
Profit attributable to non-controlling interests	34	66
Profit attributable to owners of parent	1,212	4,525

Quarterly Consolidated Statement of Comprehensive Income
(For the Six-month Period)

(Millions of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Profit	1,247	4,592
Other comprehensive income		
Valuation difference on available-for-sale securities	791	195
Deferred gains or losses on hedges	(111)	113
Foreign currency translation adjustment	(426)	1,488
Share of other comprehensive income of entities accounted for using equity method	(4)	39
Total other comprehensive income	248	1,837
Comprehensive income	1,496	6,429
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,468	6,343
Comprehensive income attributable to non-controlling interests	27	86

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	2,502	6,337
Depreciation	1,578	1,694
Amortization of goodwill	318	317
Increase (decrease) in allowance for doubtful accounts	(7)	53
Increase (decrease) in provision for bonuses	(76)	46
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(377)	(116)
Increase (decrease) in retirement benefit liability	27	40
Interest and dividend income	(220)	(347)
Interest expenses	246	249
Share of loss (profit) of entities accounted for using equity method	(66)	0
Loss (gain) on sale of investment securities	-	(268)
Loss (gain) on valuation of investment securities	31	-
Decrease (increase) in trade receivables	5,569	(3,537)
Decrease (increase) in inventories	1,687	(7,732)
Increase (decrease) in trade payables	(4,249)	4,666
Decrease (increase) in consumption taxes refund receivable	(14)	6
Increase (decrease) in income taxes payable-factor based tax	(1)	(16)
Decrease (increase) in advance payments-trade	285	(363)
Decrease (increase) in accounts receivable-other	(73)	247
Increase (decrease) in accounts payable-other	(405)	(257)
Increase (decrease) in advances received	99	173
Other, net	(143)	62
Subtotal	6,709	1,254
Interest and dividend received	219	305
Interest paid	(253)	(227)
Compensation for damage paid	(104)	-
Income taxes paid	(1,298)	(992)
Income taxes refund	106	39
Net cash provided by (used in) operating activities	5,378	379
Cash flows from investing activities		
Payments into time deposits	(749)	(515)
Proceeds from withdrawal of time deposits	785	622
Purchase of property, plant and equipment	(1,357)	(2,060)
Purchase of intangible assets	(161)	(41)
Purchase of investment securities	(103)	(19)
Proceeds from sales of investment securities	1	501
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(249)	-
Loan advances	(300)	(82)
Collection of loans receivable	7	71
Purchase of insurance funds	(26)	(10)
Other, net	27	62
Net cash provided by (used in) investing activities	(2,126)	(1,471)

(Millions of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(165)	(1,293)
Net increase (decrease) in commercial papers	999	1,999
Proceeds from long-term borrowings	1,722	3,969
Repayments of long-term borrowings	(2,073)	(2,624)
Redemption of bonds	(74)	(74)
Proceeds from issuance of shares	-	11
Purchase of treasury shares	(687)	-
Dividends paid	(538)	(513)
Dividends paid to non-controlling interests	(22)	(16)
Repayments of finance lease obligations	(46)	(73)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(270)	(306)
Net cash provided by (used in) financing activities	(1,157)	1,078
Effect of exchange rate change on cash and cash equivalents	(180)	(244)
Net increase (decrease) in cash and cash equivalents	1,914	(258)
Cash and cash equivalents at beginning of period	21,595	26,002
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	679
Cash and cash equivalents at end of period	23,509	26,424

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements**Calculation of tax expense**

The tax expenses were calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year, and multiplying that rate by the quarterly profit before income taxes.

Income taxes-deferred were included in and displayed with income taxes.

Changes in Accounting Policies**Application of the Accounting Standard for Revenue Recognition**

Beginning with the first quarter of the current fiscal year, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. has been applied. Based on this standard, revenue expected to be received in exchange for the provision of promised goods and services is recognized when the control of the goods and services is transferred to customers. As a result, the Group has changed its method of recognizing revenue from inventory transactions, in which the Group has the performance obligation to procure goods and provide them to customers, as principal transactions on a gross basis, and from direct shipment transactions, in which the Group has the performance obligation to arrange for the smooth provision of goods from suppliers to customers, as agent transactions on a net basis.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied at the beginning of the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, net sales and cost of sales for the first half of the current fiscal year each decreased by 72,432 million yen. There is no cumulative effect of the application of this standard on retained earnings at the beginning of the second quarter.

Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), ALCONIX has not presented information on revenue from contracts with customers broken down for the first half of the previous fiscal year.

Application of the Accounting Standard for Measurement of Fair Value

ALCONIX has applied the Accounting Standard for Measurement of Fair Value (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Measurement of Fair Value prospectively in accordance with the transitional measures in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

Additional Information

Reclassification

Quarterly Consolidated Statement of Income

“Gain on sales of scraps” under “Non-operating income” presented as a separate item in the first half of the previous fiscal year, is included in “Other,” in the first half of the current fiscal year given the reduced materiality of impact of the amount on the quarterly consolidated financial statements. To conform to this change, the quarterly consolidated financial statements for the first six months of the previous fiscal year are reclassified. As a result, “Gain on sales of scraps” (16 million yen) and “Other” (47 million yen) under “Non-operating income” shown in the first six months of the previous fiscal year’s consolidated statement of income are reclassified to “Other” (63 million yen).

Segment Information

I. First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)

1. Information related to net sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment				Total
	Trading		Manufacturing		
	Electronic and advanced materials	Aluminum and copper products	Equipment and materials	Metal processing	
Net sales					
External sales	22,504	52,024	11,219	10,399	96,147
Inter-segment sales and transfers	2,166	292	94	58	2,612
Total	24,670	52,316	11,314	10,458	98,759
Segment profit (loss)	726	414	(118)	1,460	2,483

2. Reconciliation of quarterly consolidated statement of income with total profit or loss for reportable segments

(Millions of yen)

Profit	Amount
Total for reportable segments	2,483
Eliminations for inter-segment transactions	12
Ordinary profit on the quarterly consolidated statement of income	2,495

II. First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)

1. Information related to net sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment				Total
	Trading		Manufacturing		
	Electronic and advanced materials	Aluminum and copper products	Equipment and materials	Metal processing	
Net sales					
Revenue from contracts with customers	15,105	28,774	16,940	13,752	74,572
External sales	15,105	28,774	16,940	13,752	74,572
Inter-segment sales and transfers	1,742	778	223	160	2,904
Total	16,847	29,553	17,163	13,912	77,477
Segment profit	1,939	1,464	738	1,900	6,043

2. Reconciliation of quarterly consolidated statement of income with total profit or loss for reportable segments

(Millions of yen)

Profit	Amount
Total for reportable segments	6,043
Eliminations for inter-segment transactions	17
Ordinary profit on the quarterly consolidated statement of income	6,060

3. Information related to assets for each reportable segment

In the second quarter of FY3/22, Hong Kong Anxex Electronic Material Co., Ltd. and its subsidiary Ningde Anxex Electronic Material Co., Ltd., ALCONIX CASTLE METALS AND CHEMICALS SDN.BHD., its subsidiary ALCONIX CASTLE METALS AND CHEMICALS VIETNAM CO.,LTD. and newly established ALCONIX VENTURES CORPORATION were included in the scope of consolidation. Accordingly, segment assets in the “Electronic and Advanced Materials” segment increased by 2,957 million yen compared with the end of FY3/21.

4. Information related to revisions for reportable segments

As stated in the “Changes in Accounting Policies” section, ALCONIX has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first three months of FY3/22 and changed the accounting method for revenue recognition, and therefore, the measurement method for profit or loss in the reportable segments has been changed as well.

The effect of this change was to decrease sales by 24,421 million yen, 47,829 million yen and 182 million yen in the “Electronic and Advanced Materials,” “Aluminum and Copper Products” and “Equipment and Materials” segments, respectively, for the first six months of FY3/22.

From the first three months of FY3/22, certain business segments were reclassified for management purposes. In line with the aforementioned changes, our TITANIUM & NEW MATERIALS DEPT. and ALCONIX EUROPE GMBH were reclassified from the “Electronic and Advanced Materials” segment to the “Aluminum and Copper Products” segment. Segment information for the first six months of FY3/21 has been retrospectively revised based on the revised composition of reportable segments after changes in the organizational structure.

This financial report is solely a translation of the Company's Kessan Tanshin (including attachments) in Japanese, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.