



Become an integrated company that combines
trading and manufacturing capabilities

ALCONIX CORPORATION

Listed on TSE First Section

Code 3036

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

February 2022

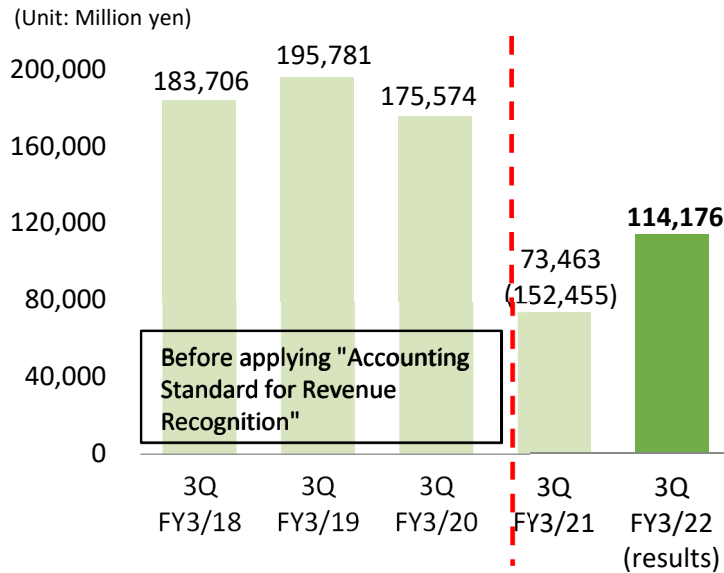
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Results highlights (3Q FY3/22) Consolidated sales

Consolidated Sales



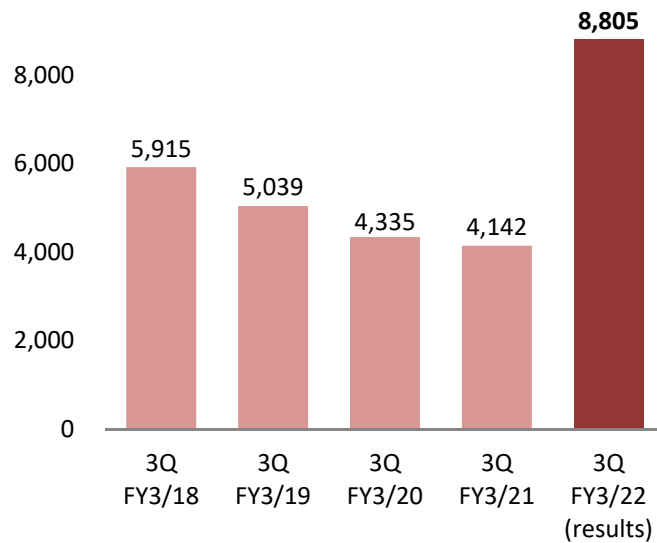
Note: ALCONIX has applied the Accounting Standard for Revenue Recognition from the first quarter of FY3/22. First nine-month sales in FY3/21 have been restated in accordance with this new standard. Sales in prior years use the previous revenue recognition standard.

Sales remained high across the entire ALCONIX Group by meeting the strong demand in the semiconductor, electronic components and automobile sectors

Results highlights (3Q FY3/22) Consolidated ordinary profit

Consolidated Ordinary Profit

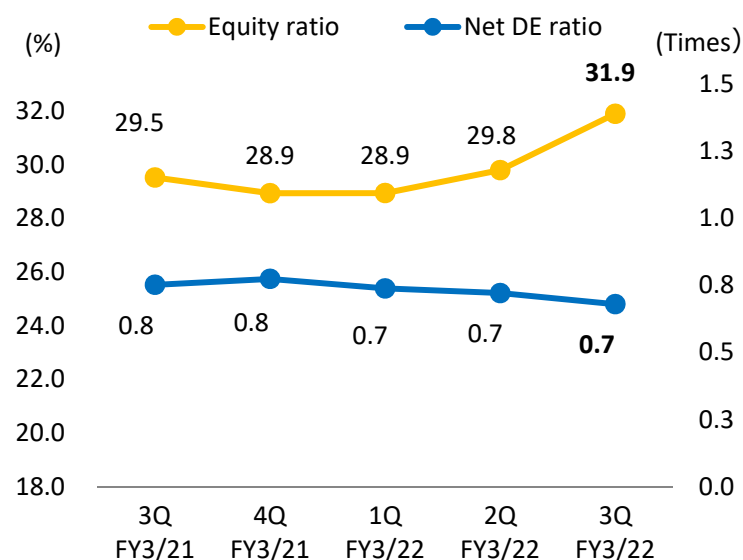
(Unit: Million yen)



A big increase in earnings due to consolidated sales growth. Dividends and other non-operating income also contributed to earnings.

Results highlights (3Q FY3/22) Major consolidated financial indicators

Major Consolidated Financial Indicators



Equity Ratio

Up 3.0 percentage points

Higher retained earnings due to sales growth and capital increase using a public offering raised the ratio

Net debt equity ratio (NetDER)

0.7 times

NetDER remained below 1.0 as in the previous fiscal year

Topics

Capital Policy

Public Offering and Secondary Offering of Shares (As of November 24, 2021)

The ALCONIX Board of Directors approved a resolution on November 24, 2021 to issue new shares and conduct a secondary offering of its shares by way of over-allotment. Funds procured through this issuance of new shares will be used for building a sound financial position for future business development (repayments of loans, etc.) and capital investments.

Overview

○ Issuance of new shares by way of public offering

- Class and number of shares to be offered: 4,348,000 shares of ALCONIX's common stock
- Amount to be paid: 1,106.6 yen per share *Issue price will be 1,149 yen per share
- Total amount to be paid: 4,789 million yen

○ Second offering of shares by way of over-allotment

- Class and number of shares to be sold: 652,000 shares of ALCONIX's common stock
- Total amount to be paid: 718 million yen (amount to be paid and issue price are the same as the above public offering)

○ Use of proceeds

- Capital investments for the ALCONIX Group: 3,100 million yen
- Investments in Corporate Venture Capital Fund: 300 million yen
- Repayment of borrowings for the past mergers and acquisitions: Reminder

M&A

Acquisition of Jupiter Industry Stock (Announced on December 21, 2021)

The ALCONIX Board of Directors approved a resolution on December 21, 2021 to acquire all the outstanding shares of Jupiter Industry Co., Ltd., a manufacturer of electronic components, and make it a consolidated subsidiary. Jupiter Industry's core products are high-performance precision connector metal terminal components for digital mobile consumer products such as smartphones and tablets. The company also manufactures injection molded connectors and other related parts. As the company's business domain overlaps that of the metal processing segment of the Group, we can expect to capture synergies in material supply and expansion of sales channels.



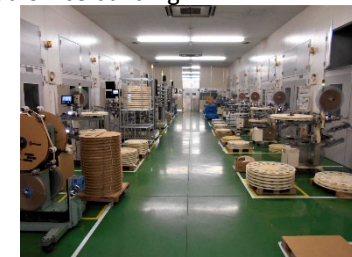
Head office building

Profile of Jupiter Industry

- Business: Stamping of precision connector metal terminal components, design and manufacture of press dies and manufacture of connectors by injection molding
- Established: January 1973
- Location: Miyako City, Iwate Pref.
- Capital: 36.3 million yen
- Bases: Head office and plant (Iwate Pref.), Overseas base (China)
- * The scheduled date of acquisition is April 20, 2022 (closing)



Stamping machines



Inside view of factory

3Q FY3/22 Financial Results

Consolidated performance (3Q FY3/22)

Financial results

- **Sales:** Sales were higher than one year earlier. The transaction volume of semiconductor and electronic materials increased due to the effect of easing COVID-19 restrictions in Japan and other countries and a rebound in economic activity. Strong demand in the automobile sector also contributed to sales growth.
- **Earnings:** Earnings were higher at all levels because of higher earnings in a consolidated basis as sales increased. Dividends included in other non-operating income also contributed to the growth in earnings.

(Unit: million yen)

	3Q FY3/21	3Q FY3/22			
			% to sales	Change	
Net sales	73,463 (152,455)	114,176		55.4%	Automotive sales were steady and automotive sales rapidly increased, electronic materials (for smartphones, etc.) and rare earths (for magnetic materials) increased.
Gross profit	13,270	19,368	17.0%	46.0%	Automotive products, copper products, non-ferrous materials and electronic materials increased.
SG&A expenses	9,360	10,938	9.6%	16.9%	Automotive stamped parts and electronic materials (welding rods, cashew resin) increased.
Operating profit	3,910	8,430	7.4%	115.6%	Automotive wiring processing parts (for semiconductor chip mounting, etc.) increased.
Ordinary profit	4,142	8,805	7.7%	112.6%	Automotive wiring parts for air conditioners increased.
Profit attributable to owners of parent	1,781	6,537	5.7%	266.9%	Automotive wiring processing parts (semiconductor chip mounting) increased.
					Ordinary profit increased due to higher sales
Comprehensive income	3,129	8,473	-	-	Automotive and in the semiconductor, electronic materials and rare earths sectors contributed to higher sales for the entire group.
Net income per share	70.62	257.11	-	-	(Unit: yen) Ordinary profit, profit attributable to owners of parent] increased due to an increase in sales, non-operating income, such as dividend income and foreign exchange gains, and other factors contributed to higher earnings at all levels.

* ALCONIX has applied the Accounting Standard for Revenue Recognition from the first quarter of FY3/22 and retroactively applied this standard to the prior fiscal year to facilitate direct comparisons.

Operating segment information (3Q 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 increased partially due to strong demand in the automotive sector.

•Trading—Aluminum and Copper Products

In the products sector, the transaction volume of rolled aluminum products and copper products increased year on year. The transaction volume of titanium and new materials for export recovered. 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 marking systems also contributed to sales and earnings.

•Manufacturing—Metal Processing

Sales of precision machining processing parts were strong. Shipments of precision grinding processing parts were slightly down because customers reduced output. Sales of precision metal stamped parts were strong because of demand in the automotive sector. Demand for metal processed parts for air conditioning equipment was steady in Japan.

		3Q FY3/21			3Q FY3/22				
		(Based on the previous standard)	(Based on the new standard)	Comp.	Comp.	Change (amount)	Change (%)		
Net sales	Trading	Electronic and advanced materials	36,616	13,237	18.0%	22,755	19.9%	9,517	71.9%
		Aluminum and copper products	82,458	27,074	36.9%	44,513	39.0%	17,439	64.4%
		Trading total	119,075	40,312	54.9%	67,269	58.9%	26,957	66.9%
	Manufacturing	Equipment and materials	17,549	17,321	23.6%	26,409	23.1%	9,087	52.5%
		Metal processing	15,830	15,830	21.5%	20,497	18.0%	4,667	29.5%
		Manufacturing total	33,380	33,151	45.1%	46,907	41.1%	13,755	41.5%
Total		152,455	73,463		114,176		40,712	55.4%	

Note: ALCONIX has applied the Accounting Standard for Revenue Recognition beginning with 1Q FY3/22 and retroactively applied this standard to the prior fiscal year to facilitate direct comparisons.

		3Q FY3/21			3Q FY3/22			
				Comp.	Comp.	Change (amount)	Change (%)	
Segment profit	Trading	Electronic and advanced materials	1,204	29.1%	3,183	36.2%	1,979	164.4%
		Aluminum and copper products	554	13.4%	1,631	18.5%	1,076	194.0%
		Trading total	1,759	42.5%	4,814	54.7%	3,055	173.7%
	Manufacturing	Equipment and materials	24	0.6%	1,233	14.0%	1,209	4,987.1%
		Metal processing	2,359	56.9%	2,754	31.3%	395	16.7%
		Manufacturing total	2,383	57.5%	3,987	45.3%	1,604	67.3%
Total		4,142		8,805		4,662	112.6%	

Note 1. Segment profit is based on ordinary profit.

Note 2. Elimination or corporate for segment profit

3Q FY3/22: 3

3Q FY3/21: 0

Electronic and advanced materials

(ALCONIX, AMJ, overseas subsidiaries)

(Unit: million yen)

	3Q FY3/22	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	22,755	9,517	71.9%	19.9%
Segment profit	3,183	1,979	164.4%	36.2%
Segment profit to net sales	14.0%		4.9%	

[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.

[Minor metals and rare earths]

- Transaction volume improved for tungsten, molybdenum and other minor metals as well as for rare earths used in magnetic materials due to demand in the automobile sector.

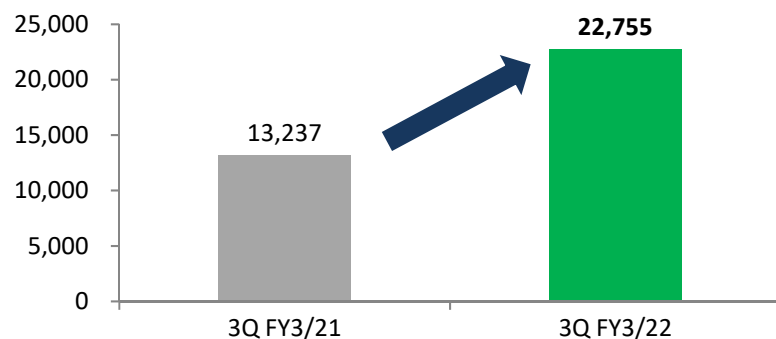
Sales of major products (YoY change)

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

- * Segment sales and earnings decreased because this segment no longer includes the titanium and new materials category, which was moved to the aluminum and copper products segment beginning with 1Q FY3/22.

Net Sales

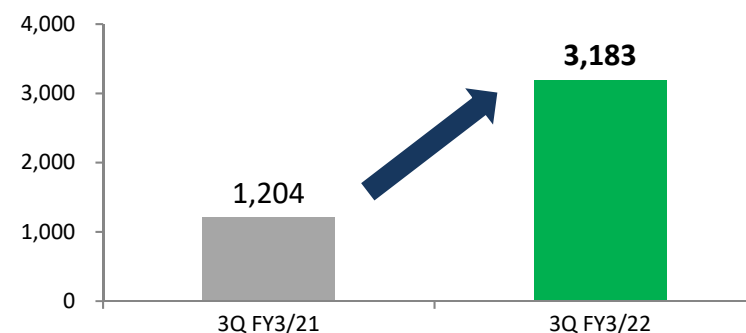
(Unit: million yen)



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Segment Profit

(Unit: million yen)



Aluminum and copper products

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

(Unit: million yen)

	3Q FY3/22	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	44,513	17,439	64.4%	39.0%
Segment profit	1,631	1,076	194.0%	18.5%
Segment profit to net sales	3.7%		1.7%	

[Products]

- The transaction 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 demand in the automotive sector increased.
- As people made more purchases from home and increased remote work amid the COVID-19 pandemic, the transaction volume increased for aluminum beverage can and semiconductor materials for PCs and other IT products.
- The trading volume of titanium and nickel products for export increased due to a recovery of the European economy.

[Resources]

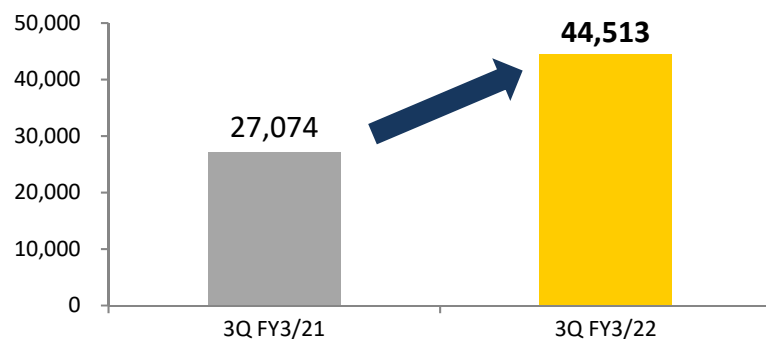
- The transaction volume of aluminum resources, including our mainstay recycled aluminum ingots, and copper scrap significantly increased from one year earlier because of strong demand in the automotive sector.
- * Segment sales and earnings increased because the titanium and new materials category was moved from the electronic and advanced materials segment to this segment beginning with 1Q FY3/22.

Sales of major products (YoY change)

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

Net Sales

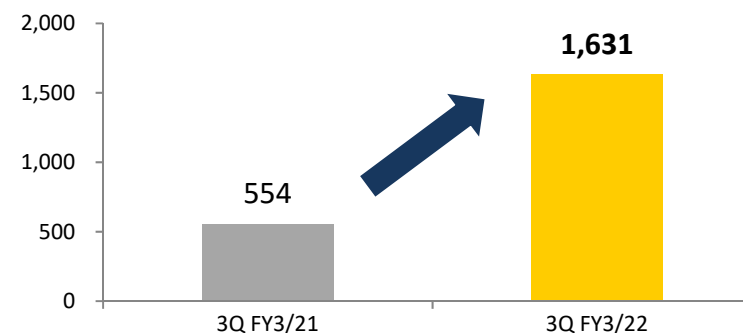
(Unit: million yen)



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Segment Profit

(Unit: million yen)



Equipment and materials

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

Financial results

(Unit: million yen)

	3Q FY3/22	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	26,409	9,087	52.5%	23.1%
Segment profit	1,233	1,209	4,987.1%	14.0%
Segment profit to net sales	4.7%		2.8%	

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: Increase

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

(Materials) Carbon brushes for small motors: Increase

[Materials]

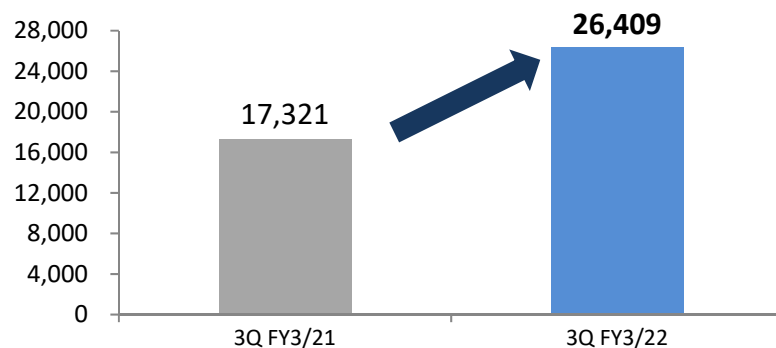
- Shipments of plating materials increased in the U.S. and China, mainly in the electronic materials and automotive sectors.
- Shipments of cashew resin and welding rods were steady because demand for these products increased strongly in the automotive sector.
- Shipments of carbon brushes for small 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 and chemical products to steel companies in Japan increased. Overhauling of testing equipment in the construction industry also made a contribution to sales and earnings.

Net Sales

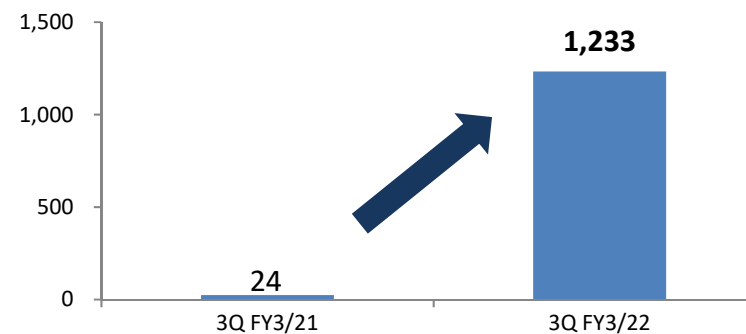
(Unit: million yen)



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Segment Profit

(Unit: million yen)



Metal processing

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

Financial results

(Unit: million yen)

	3Q FY3/22	YoY change (Amount)	YoY change (Ratio)	Segment weighting
Net sales	20,497	4,667	29.5%	18.0%
Segment profit	2,754	395	16.7%	31.3%
Segment profit to net sales	13.4%		-1.5%	

- Shipments of precision machining processing parts for semiconductor manufacturing equipment increased because the growth of remote work and the strong automotive sector demand continued.
- Although demand for semiconductor chip mounting equipment was consistently firm, shipments of precision grinding processing parts were lower than one year earlier because customers reduced output due to the semiconductor shortage.
- Shipments of precision metal stamped parts were firm due to strong demand in the automotive sector in Japan and other countries.
- There was a steady domestic 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 (prototype items for automotive applications): Increase

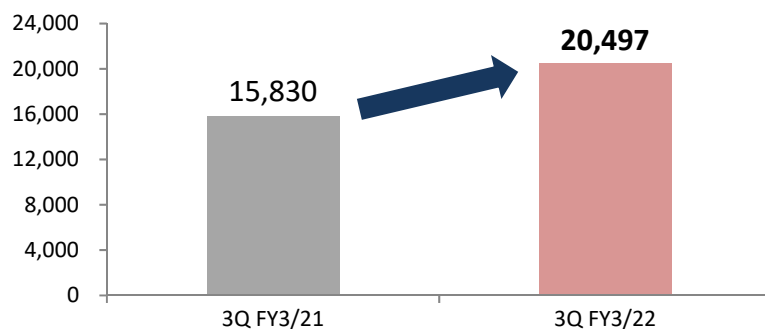
Precision metal stamped parts (for automotive powertrains, etc.): Increase

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

Metal processed components used in air conditioning equipment: Net increase

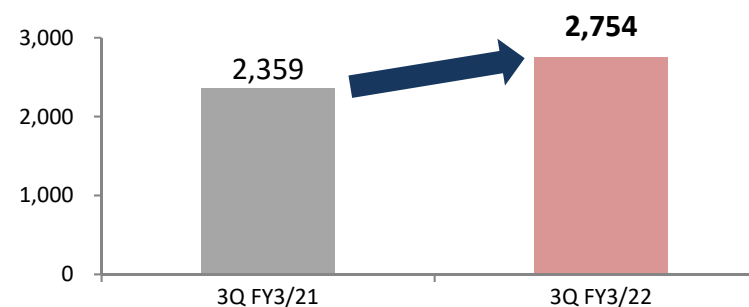
Net Sales

(Unit: million yen)



Segment Profit

(Unit: million yen)



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Consolidated balance sheets (3Q FY3/22)

Financial results

(Unit: million yen)

	FY3/21	3Q FY3/22	Change	Major components
Current assets, total	106,604	131,512	24,908	
Cash and deposits	27,048	27,237	188	Free cash flow: -8,313 million yen
Operating receivables	49,752	58,897	9,145	Higher transactions (Trading segment)
Inventories	26,269	41,637	15,368	Higher transactions (Trading segment)
Non-current assets, total	41,313	42,340	1,027	
Property, plant and equipment	22,845	24,828	1,983	Purchase of property, plant and equipment at manufacturing subsidiaries
Intangible assets	5,671	4,985	-686	Amortization (including goodwill)
Investments and other assets	12,796	12,526	-269	Market value evaluation
Assets, total	147,917	173,852	25,935	
	FY3/21	3Q FY3/22	Change	Major components
Current liabilities, total	78,011	91,020	13,008	
Operating debt	34,418	41,990	7,572	Higher transactions (Trading segment)
Short-term borrowings (including current portion of long-term borrowings/commercial papers/bonds payable)	38,138	42,798	4,660	Increase in short-term loans and commercial papers
Non-current liabilities, total	26,533	26,884	350	
Bonds payable	475	325	-149	Transfer to the current portion
Long-term borrowings	20,509	20,840	331	Loans
Liabilities, total	104,545	117,904	13,359	
Shareholders' equity	38,646	49,461	10,814	Public offering (Share capital + Capital surplus 5,508 million yen)
Retained earnings	34,352	39,593	5,240	Profit attributable to owners of parent – dividends paid
Accumulated other comprehensive income	4,153	5,982	1,829	
Shareholders' equity	42,800	55,443	12,643	
Net assets, total	43,372	55,948	12,576	
Liabilities and net assets, total	147,917	173,852	25,935	

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

FY3/22 Earnings Forecasts

***Revised the FY3/22 consolidated forecasts announced on November 5, 2021 (February 9, 2022)**

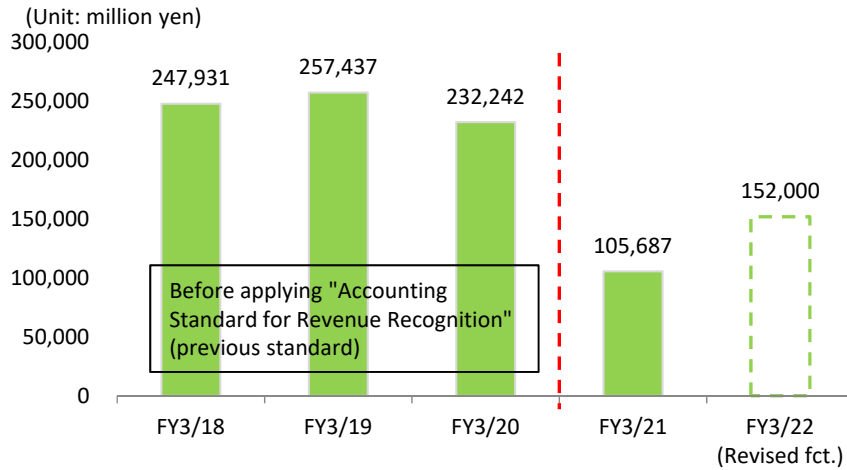
***“Accounting Standard for Revenue Recognition” has been applied from 1Q FY3/22**

(FY3/21 net sales have been restated in accordance with this new standard)

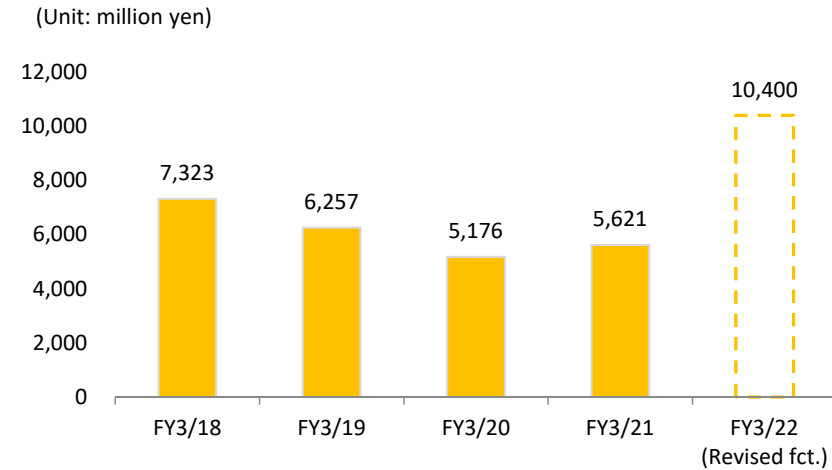
Trend in consolidated sales and earnings

Earnings forecast

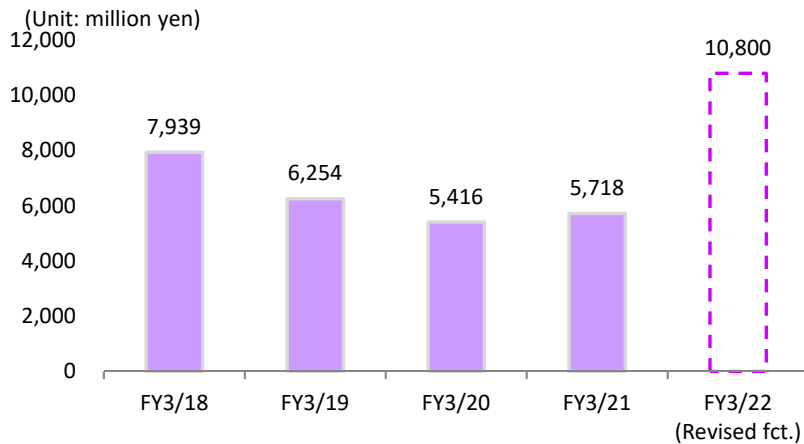
Net Sales



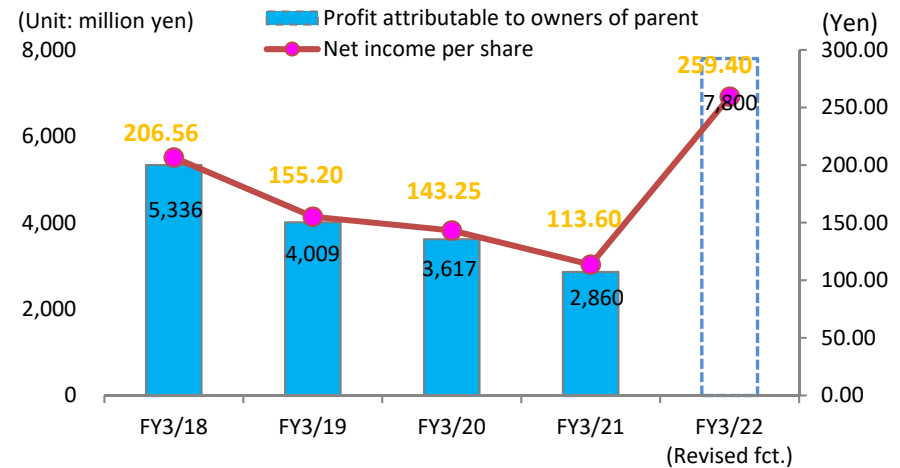
Operating Profit



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 due to COVID-19 measures in many countries. Demand associated with semiconductors and electronic components remains robust due to the growth of economic activity linked to the digital shift. Demand for automobile production is also expected to remain firm. On the other hand, production cuts by some companies caused by supply shortages of semiconductors and related components, as well as logistical disruptions, are expected to continue. As a result, there is uncertainty about the FY3/22 forecast.

(Unit: million yen)

	FY3/21		FY3/22		YoY change	FY3/22		YoY change	3Q FY3/22 (Results)	
	% to sales		(Revised forecasts on Nov. 5, 2021)	% to sales		(Revised forecasts on Feb. 9, 2022)	% to sales		Progress ratio	
Net sales	105,687		152,000		43.8%	152,000		43.8%	114,176	75.1%
Gross profit	18,571	17.6%	24,000	15.8%	29.2%	25,000	16.4%	34.6%	19,368	77.5%
SG&A expenses	12,949	12.3%	15,300	10.1%	18.1%	14,600	9.6%	12.7%	10,938	74.9%
Operating profit	5,621	5.3%	8,700	5.7%	54.8%	10,400	6.8%	85.0%	8,430	81.1%
Ordinary profit	5,718	5.4%	9,000	5.9%	57.4%	10,800	7.1%	88.8%	8,805	81.5%
Profit attributable to owners of parent	2,860	2.7%	6,200	4.1%	116.7%	7,800	5.1%	172.7%	6,537	83.8%
Net income per share (yen)	113.60		247.32			259.40			257.11	

Note: ALCONIX has applied the Accounting Standard for Revenue Recognition beginning with 1Q FY3/22 and retroactively applied this standard to the prior fiscal year to facilitate direct comparisons.

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 electronic 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 in the automobile sector. 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 higher demand in the automotive and electronic materials sectors.

• Manufacturing—Equipment and Materials

Shipments of plating materials and carbon brushes 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. Orders for non-destructive testing equipment and marking systems are expected to improve. Orders for chemical products used for testing and marking are strong but there are concerns about the rising cost of raw materials.

• Manufacturing—Metal Processing

Forecast more growth of sales of precision metal processing parts for semiconductor manufacturing equipment due to the high level of demand for semiconductors, meanwhile semiconductor shortage still would be the concerning issues for low shipments. 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.

(Unit: million yen)

		FY3/21		FY3/22		FY3/22		Change (%)	3Q FY3/22 (Results)			
			Comp.	(Revised forecasts on Nov. 5, 2021)	Comp.	(Revised forecasts on Feb. 9, 2022)	Comp.		Comp.	Progress ratio		
Net sales	Trading	Electronic and advanced materials	21,594	20.4%	31,000	20.4%	32,000	21.1%	48.2%	22,755	19.9%	71.1%
		Aluminum and copper products	37,699	35.7%	59,000	38.8%	59,000	38.8%	56.5%	44,513	39.0%	75.4%
		Trading total	59,294	56.1%	91,000	59.2%	91,000	59.9%	53.5%	67,269	58.9%	73.9%
	Manufacturing	Equipment and materials	24,392	23.1%	34,400	22.6%	34,000	22.3%	39.4%	26,409	23.1%	77.7%
		Metal processing	22,000	20.8%	27,600	18.2%	27,000	17.8%	22.7%	20,497	18.0%	75.9%
		Manufacturing total	46,392	43.9%	62,000	40.8%	61,000	40.1%	31.5%	46,907	41.1%	76.9%
Total	105,687		152,000		152,000		43.8%	114,176		75.1%		
Segment profit	Trading	Electronic and advanced materials	1,699	29.7%	2,860	31.8%	4,000	37.0%	135.4%	3,183	36.2%	79.6%
		Aluminum and copper products	530	9.3%	2,120	23.6%	2,100	19.4%	295.9%	1,631	18.5%	77.7%
		Trading total	2,229	39.0%	4,980	55.3%	6,100	56.4%	173.6%	4,814	54.7%	78.9%
	Manufacturing	Equipment and materials	333	5.8%	1,200	13.3%	1,400	13.0%	319.9%	1,233	14.0%	88.1%
		Metal processing	3,159	55.2%	2,820	31.3%	3,300	30.6%	4.4%	2,754	31.3%	83.5%
		Manufacturing total	3,492	61.0%	4,020	44.7%	4,700	43.6%	34.6%	3,987	45.1%	84.8%
Total	5,718		9,000		10,800		88.8%	8,805		81.5%		

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

Note: ALCONIX has applied the Accounting Standard for Revenue Recognition beginning with 1Q FY3/22 and retroactively applied this standard to the prior fiscal year to facilitate direct comparisons.

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 November 5, 2021 (February 9, 2022)
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

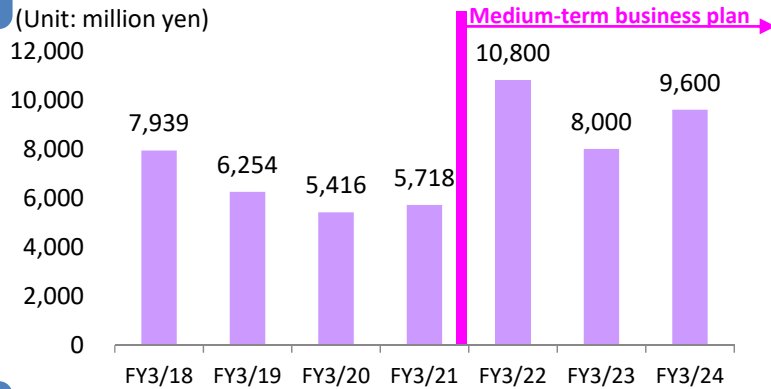
Action plan

Performance targets (final year: end-March 2024)

Medium-term business plan

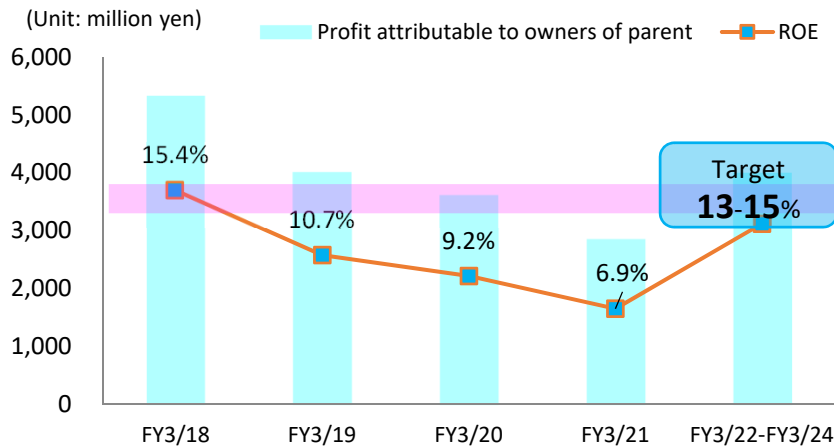
Profit targets

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



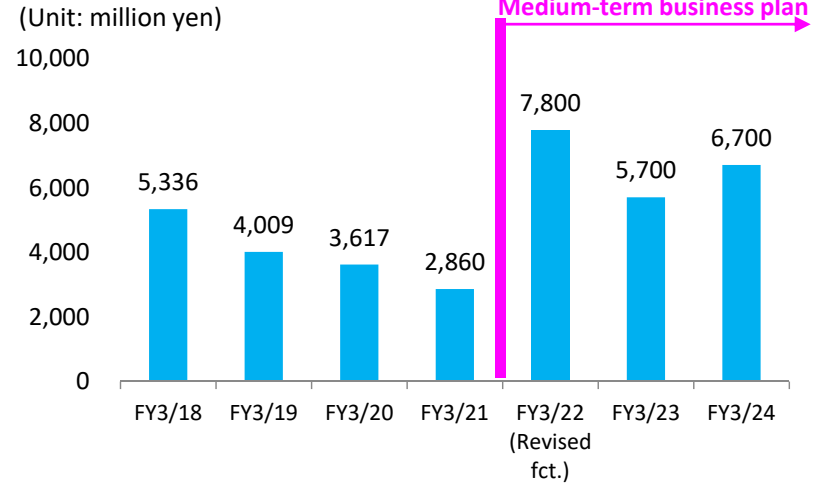
Management benchmarks

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

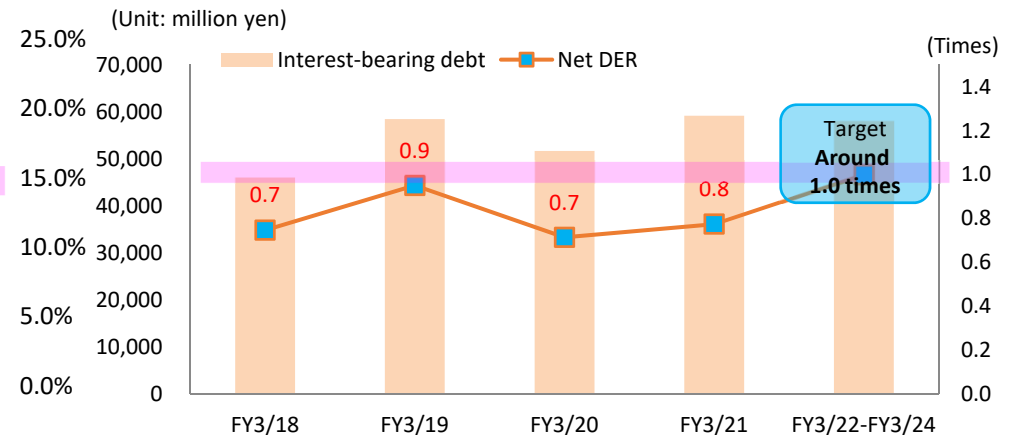


Profit attributable to owners of parent:

Over ¥6.7 billion (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)

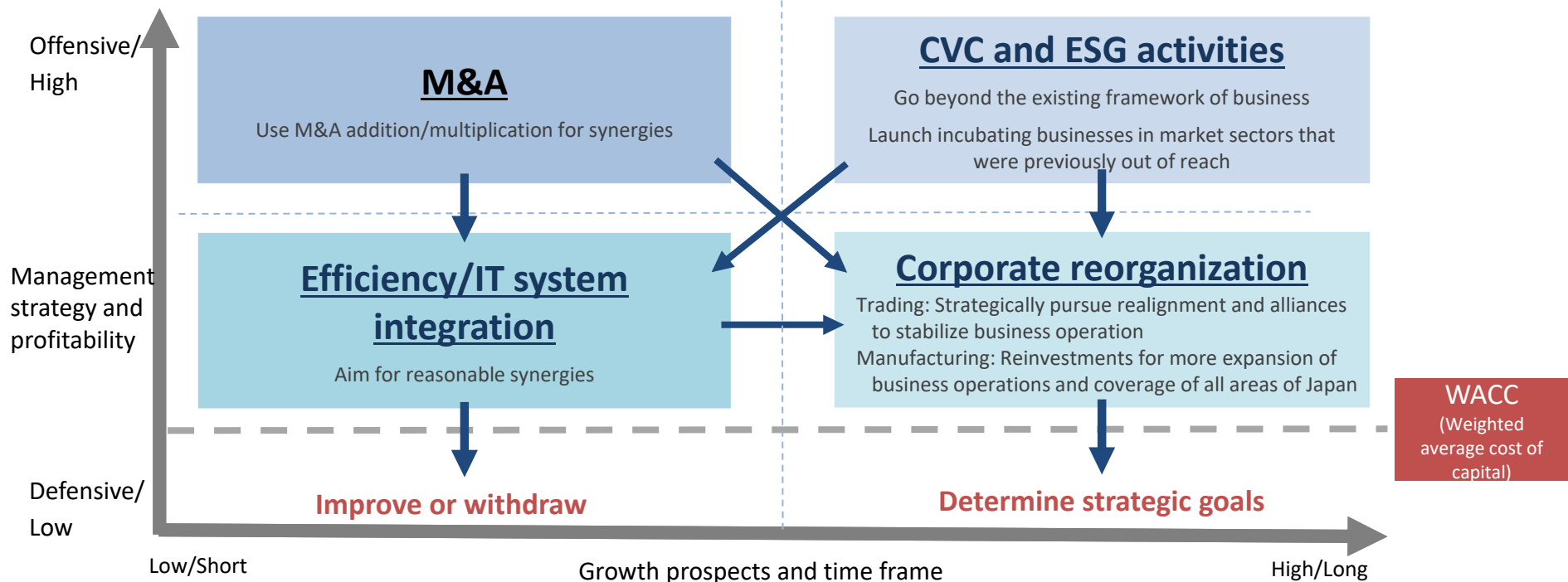
Issues	Actions and Performance
<p>Reinforce the financial structure</p>	<p>ROE: Avg. of the past 5 years: 10.5%</p> <p>NetDER: Avg. of the past 5 years: 0.7 level</p>
<p>Upgrade the skills of employees</p>	<p>Internal CPAs (including tax accountants): 7 Internal attorneys</p> <p>There are also specialists 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>-----</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)



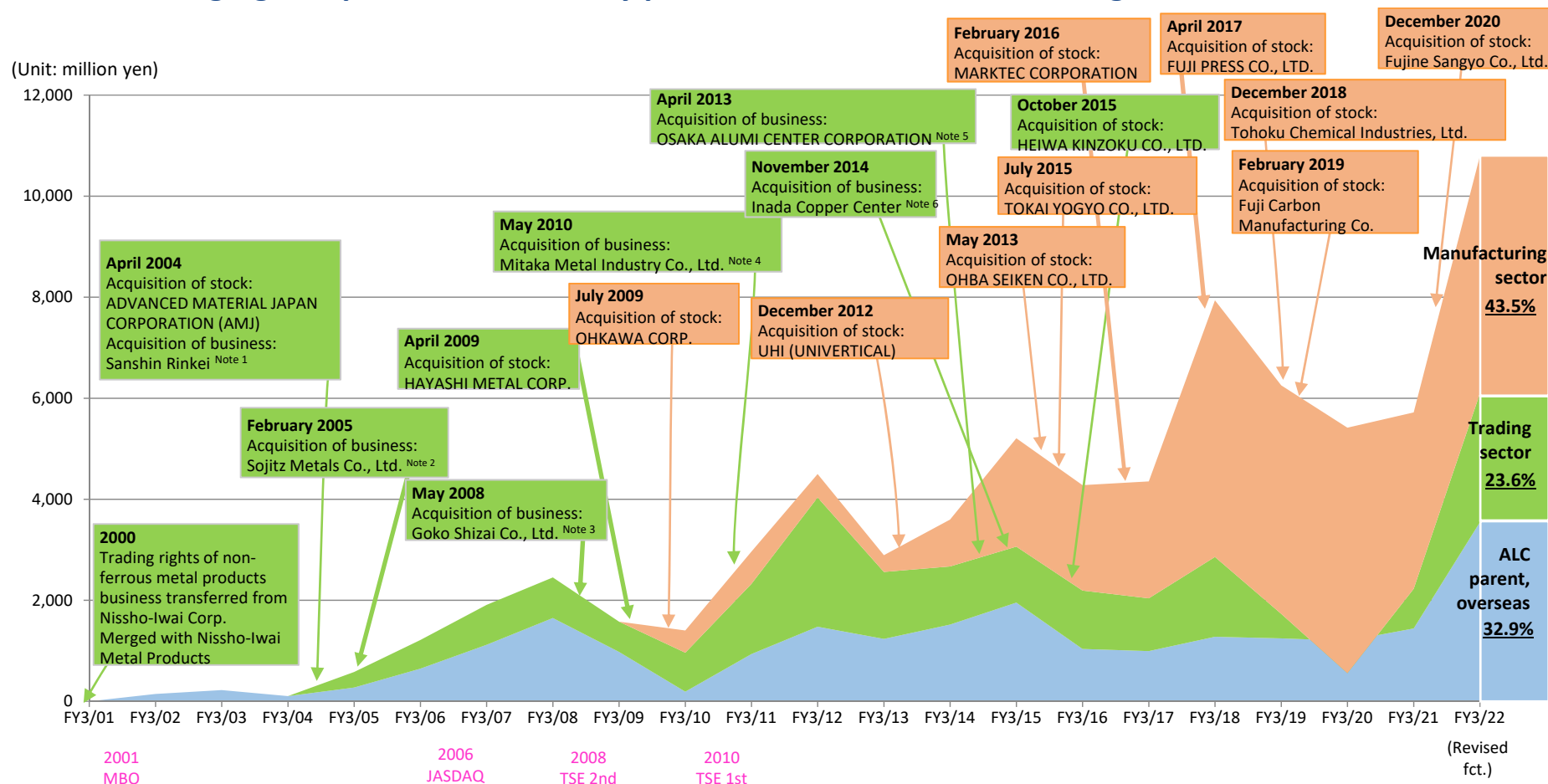
Sugaiké factory

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 Materials

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



	2022/3月期	2021/3月期	2020/3月期
固定資産			
うち営業債権	28,629	27,228	27,228
うちたな卸資産	27,228	27,228	27,228
合計	20,995	20,995	20,995
流動負債			
うち投資有価証券	5,931	2,065	2,065
合計	46,155	22,656	19,958
うち営業債務	22,656	19,958	19,958
うち短期借入金	19,958	19,958	19,958
固定負債			
うち長期借入金	6,261	4,587	800
うち社債	800	800	800
総資産 合計	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 materials which are used as 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 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)



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 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.

COMPANIES DRIVING REGIONAL GROWTH

The sustainability page of the ALCONIX website has been redesigned and updated.
<https://www.alconix.com/csr/alconix.html>



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