Independent Auditors' Report (TRANSLATION)

To: Board members of Aleris Aluminum Japan, Ltd.

From: Kainan Audit Corporation

Yo Akiba, Designated partner/Executive partner

Date: April 30, 2021

Opinion:

By applying Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise balance sheet, income statement, statement of shareholders equity, notes to financial statements and the related details of account (correctively the "Financial Statements") of Aleris Aluminum Japan, Ltd. (the "Company") applicable to the 31st fiscal year from January 1, 2021 through March 31, 2021.

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position and results of operations of Aleris Aluminum Japan, Ltd. applicable to the 31st fiscal year ended March 31, 2021 in accordance with accounting principles generally accepted in Japan.

Basis for Opinion:

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's and the Statutory Auditor's Responsibilities for the Financial Statements:

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation of the Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the entity's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The statutory auditor is responsible for monitoring the performance of duties of executive officers and directors in implementing and maintaining a financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements:

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion from an independent standpoint. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the Financial Statements is not expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the statutory auditor regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Conflicts of Interest:

We have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

(End of this document)

Balance Sheet (Translation)

As of March 31, 2021

(Unit :Yen)

Account	Amount	Account	Amount
Assets		**Liabilities**	
Current assets	**38,199,808**	**Current liabilities**	**12,750,303**
Cash and bank accounts	34,027,580	Other payables	431,872
Account receivables	1,418,273	Accrued expenses	360,724
Prepaid expenses	369,094	Accrued income taxes	167,200
Corporate income tax refunds	549,846	Advance received	9,835,934
Consumption tax receivables	1,835,015	Bonus accrual	1,593,103
		Deposit received	361,470
Fixed assets	**4,537,399**	**Fixed liabilities**	**2,216,023**
Other assets	**4,537,399**	Provision for retirement benefit to employee	2,216,023
Lease deposit	330,000	**Liabilities total**	**14,966,326**
Deferred tax assets	4,207,399		
		Net assets	
		Equity	**27,770,881**
		Share capital	**12,000,000**
		Retained earnings	**15,770,881**
		Earned surplus	1,500,000
		Other retained earnings	14,270,881
		Carried forward retained earnings	14,270,881
		Net assets total	**27,770,881**
Total assets	**42,737,207**	**Total liabilities and net assets**	**42,737,207**

Income Statement (Translation)

3 months ended March 31, 2021

(Unit :Yen)

Account	Amount	
Sales		**6,098,726**
Gross profit		**6,098,726**
Selling, general and administrative expenses		**5,674,661**
Operating profit		**424,065**
Other income		
Interest income	99	99
Ordinary profit		**424,164**
Profit before income taxes		**424,164**
Current income taxes	167,215	
Deferred income taxes	226,119	393,334
Profit for the year		**30,830**

Statements of Shareholders Equity (Translation)

3 months ended March 31, 2021

(Unit :Yen)

	Equity					Net assets total
	Share capital	Retained earnings			Total equity	
		Earned surplus	Other retained earnings Carried forward retained earnings	Total retained earnings		
(1) Balance at beginning	12,000,000	1,500,000	14,240,051	15,740,051	27,740,051	27,740,051
(2) Movement for the year						
1. Appropriation of earnings	0	0	0	0	0	0
2. Provision of earned surplus	0	0	0	0	0	0
3. Acquisition of treasury stock	0	0	0	0	0	0
4. Profit (Loss) for the year	0	0	30,830	30,830	30,830	30,830
5. Movement in others than equity	0	0	0	0	0	0
Total movement for the year	0	0	30,830	30,830	30,830	30,830
(3) Balance at end	12,000,000	1,500,000	14,270,881	15,770,881	27,770,881	27,770,881

Notes to financial statements of Aleris Aluminum Japan, Ltd. (Translation)

1. Notes to significant accounting policies

(1) Depreciation method

Tangible assets – Declining balance method

(Note for foreign readers) Newly acquired building, building improvement and fixtures at the post balance sheet date will be depreciated by straight-line method. Currently there is no tangible assets as of the year end.

(2) Reserve/provision policy

1. Bad debt reserve

Average turnover of past actual bad debt losses is applied to regular receivables as a general reserve and individual collectability is taken into consideration for bad debts as a specific bad debt reserve. As a result, no such reserve has been recorded.

2. Bonus accrual

In order to prepare for payments of bonus to employees, accrual is recorded attributable to the current year based on the expected amount of payment.

3. Provision for retirement benefit to employee

In order to reserve for future retirement benefit payments to employees, provision is recorded based on the assumption if employees retired voluntarily as of the end of the year according to the company's employment regulations or rules.

(3) Other significant matters for the preparation of financial statements

Accounting policy on consumption tax

The company adopts net of tax method for consumption tax.

2. Notes to Statements of Shareholders Equity

(1) Issued shares as of balance sheet date – 240 shares (ordinary)

(2) Treasury stock as of balance sheet date – 0 shares

(3) Appropriation of earnings during the period ended March 31, 2021

- None

(4) Appropriation of earnings to be done after balance sheet date

- None

3. Other notes

Additional information (Note only for foreign readers)

- This fiscal year is the first year with regard to the change of year end from December 31 to March 31. Therefore the accounting period for this first year covers only three months starting from January 31, 2021 ending on March 31, 2021.

Details of account

March 31, 2021

Aleris Aluminum Japan, Ltd.

1. Provisions

(Unit: Yen)

Account	Book value at beginning	Addition	Deduction		Book value at end
			Used	Others	
Bonus accrual	1,381,798	211,305	-	-	1,593,103
Provision for retirement benefit to employee	2,108,796	107,227	-	-	2,216,023

(note) Reason and method of computation for four provisions/accrual above:

See Notes to financial statements, 1. Notes to significant accounting policies.

2. Details of selling, general and administrative expenses

(Unit: Yen)

Account	Amount	Description
Salaries	3,216,806	
Provision for bonus	211,305	
Legal welfare	428,710	
Welfare benefit	52,500	
Allowance for retirement benefit to employee	107,227	
Other rental expenses	81,000	
Stationery	33,377	
Office rent	330,000	
Insurance premium	16,905	
Miscellaneous tax and dues	-9	
Travel	99,186	
Communication	222,518	
Bank charge	36,415	
Meeting expense	36,000	
Membership fee	103,475	
Contractors' fee	640,000	Bookkeeping, audit and consultant fees
Books/Subscription	59,246	
Total	5,674,661	

Supplementary explanation on deferred taxation - SUMMARY
(this is not required to disclose by law but simply for readers' convenience)

Temporary diff and DTA

	2020/12 Temp diff	2021/3 Temp diff	2020/12 DTA/DTL	2021/3 DTA/DTL	Movement
Deferred tax asset elements					
Accrued business tax	(89,100)	(70,800)	(30,820)	(24,490)	6,330
Provision for retirement benefit to employee	2,108,796	2,216,023	729,433	766,522	37,090
Provision for director's bonus (plus social insurance 15%)	1,593,645	1,828,405	551,242	632,445	81,203
Tax loss carryforward (note 1)	41,039,449	40,746,345	14,195,545	14,094,161	(101,385)
Sub-total	44,652,790	44,719,973	15,445,400	15,468,639	23,239
Valuation allowance (note 1)	(31,835,449)	(32,556,345)	(11,011,882)	(11,261,240)	(249,358)
Net DTA (minus: debit)			4,433,518	4,207,399	(226,120)

Deferred tax liability elements				
None	0	0	0	0
DTL Total	0	0	0	0

Balance sheet reclassificartiion

Long term asset	4,433,518	4,207,399
Total	4,433,518	4,207,399

Effective tax rate

	2018~	
Corporate income tax	23.40%	
Enterprise tax (income portion- actual)	7.18%	Tax allowable when paid
Enterprise tax (income portion- standard)	6.70%	used for local corporate special tax
Local corporate special tax on enterprize tax - standard	43.20%	Tax allowable when paid
Inhabitant tax (income portion)	16.30%	Levied on corpoerate income tax
Local corporate tax	4.40%	Levied on corpoerate income tax
Theoretical effective rate	34.81%	

	2019~	
Corporate income tax	23.20%	
Enterprise tax (income portion- actual)	7.18%	ditto
Enterprise tax (income portion- standard)	6.70%	ditto
Local corporate special tax on enterprize tax - standard	43.20%	ditto
Inhabitant tax (income portion)	10.40%	ditto
Local corporate tax	10.30%	ditto
Theoretical effective rate	34.59%	

Note 1

Due to realization of amount of director's retirement benefit in 2018 and employee's retirement in 2020, tax loss balance remains huge.
As the tax loss can be carried forward for 10 years, the limitation of deferred tax asset on loss carried forward is computed in the next page as tax scheduling.
Valuation allowance stays also huge since such large amount of tax loss carried forward cannot be used within coming 10 years considering small amount of operating profit in the next 10 years.
The schedule of tax loss carried forward is shown in the next sheet "Tax scheduling".

Supplementary explanation on deferred taxation - Tax Scheduling

2021/4/26

AAJ

Yo Akiba

	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29	Mar-30	Mar-31	
		1	2	3	4	5	6	7	8	9	10	
Forecast Profit Amount		1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	
Realized Retirement												
Balance of income		1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	
Max use of tax loss carried forwards		(910,000)	(910,000)	(910,000)	(910,000)	(910,000)	(910,000)	(910,000)	(910,000)	(910,000)	(910,000)	
By resource of tax loss carried forward:												
Incurred 2018/12	33,124,173	32,214,173	31,304,173	30,394,173	29,484,173	28,574,173	27,664,173	26,754,173	Became Invalid			
Incurred 2020/12	7,622,172	7,622,172	7,622,172	7,622,172	7,622,172	7,622,172	7,622,172	7,622,172	6,712,172	5,802,172	Became Invalid	>Valid until 2030 March
Balance of tax loss carried forward	40,746,345	39,836,345	38,926,345	38,016,345	37,106,345	36,196,345	35,286,345	34,376,345	6,712,172	5,802,172	0	
Unknown timing of realization (director's retirement)												
Estimated unrealizable tax loss carried forward	>> Basis for valuation allowance of deferred tax										32,556,345	

Footnotes:

Forecast profit amount: 2022 budget for operating income is currently considered 1.822 million JPY which is based on "no" effect of COVID-19 and we considered it a bit optimistic but cannot deny it. Sales to Germany and China are estimated 50% - 50% with 7% margin (Germany) and 10% margin (China).

Use of tax loss carried forwards: Due to the tax regulation, a large company with more than 100 million JPY share capital or held 100% by ultimate parent companies with more than 500 milliion JPY equivalent share capital amount can only use the tax loss carried forward with maximum 50% of taxable income for each year from FY 2019 on.

Tax loss carried forward can be brought forward for 10 years.
Therefore, the loss incurred in 2018 actually becomes unusable after April 2028 if remains any,
and the loss incurred in 2020 actually unusable after April 2030 if remains any.

Supplementary explanation on deferred taxation - entry

AAJ 2021/4/26

FY2021/03 Yo Akiba

Journal entry (Credit : -)		Description
Account	JPY	
DTA - current		Reversal of deferred tax asset in 2020/12
DTA - fixed	(4,433,518)	
Deferred tax (PL)	4,433,518	
DTA - current		New deferred tax assets recognition for 2021 March.
DTA - fixed	4,207,399	
Deferred tax (PL)	(4,207,399)	