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Notice of New Medium-term Management Plan

Note: This document has been translated from a part of the Japanese original for reference purposes only. The Japanese original was released on May 24, 2022. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. ALCONIX CORPORATION assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

ALCONIX CORPORATION ("ALCONIX") hereby notifies that it has established a new medium-term management plan that covers the three-year period (FY3/23 to FY3/25). ALCONIX has adopted a "rolling-style" management plan that it reviews once a year to quickly respond to changes in the business environment.

(Overview and Vision)

(1) Basic Philosophy

Draw the future of our dreams: ALCONIX contributes to social development by creating "new value = the future of our dreams" through the non-ferrous metals business.

(2) Corporate Philosophy

ALCONIX continues to challenge new possibilities and contributes to social development through business activities in both the trading and manufacturing fields.

(3) Management Principles (Code of Conduct, Values)

- i Grow as a corporate group known for sincerity and reliability by conducting business operations that comply with laws, regulations and ethical guidelines and are fair and transparent.
- ii Fulfill our responsibilities as "a good corporate citizen" by maintaining good relationships with shareholders, business partners, employees and local communities.
- iii Centered on the 3R (Reduce, Recycle, Reuse) related business, contribute to the progress of a resource-recycling and environment-conscious society and take on the challenge of creating new "environmentally friendly businesses".
- iv Develop highly specialized human resources and aim to be an energetic and sophisticated corporate group.

(4) VISION of the Medium-term Management Policy

ALCONIX aims to become an integrated company that combines trading and manufacturing capabilities.

- Contribute to creating a prosperous society
- Contribute to creating a resource-recycling and environment-conscious society

- Contribute to creating a new future through the convergence of trading and manufacturing capabilities
- Upgrade corporate governance and standardize operations

(5) Priority Issues

- Reinforce the financial structure
- Upgrade the human capital
- Improve and strengthen governance

(6) Action Plan

- Increase profitability in existing businesses
- Promote and restructure investment projects
- Improve corporate infrastructure and enhance and reinforce internal controls

(Performance Targets — numerical goals are for the fiscal year ending March 31, 2025, the plan's final year)

Profit Targets	Consolidated operating profit	Over 13,100 million yen (Forecast for the fiscal year ending March 31, 2023: 9,100 million yen)
	Consolidated ordinary profit	Over 13,000 million yen (Forecast for the fiscal year ending March 31, 2023: 9,000 million yen)
	Consolidated profit (Profit attributable to shareholders of parent)	Over 10,000 million yen (Forecast for the fiscal year ending March 31, 2023: 6,800 million yen)
Performance Benchmarks	EBITDA	Over 17,500 million yen
	ROE (Return on Equity)	Over 15%
	ROIC (Return on Invested Capital)	More than 7%

For more information, please read the attachments.



New Medium-term Management Plan

FY3/23 to FY3/25
May 2022

ALCONIX CORPORATION

Listed on TSE Prime Market

3036

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Overview and Vision

Profile of ALCONIX

The Meaning of ALCONIX and Our Corporate Philosophy

Our Name and Corporate Philosophy: AL + CO + NI + X = ALCONIX



The spirit embodied in our name
 ALCONIX uses skills extending from non-ferrous trading to manufacturing operations for constantly taking on the challenge of aiming for new possibilities

Our purpose
 We play an important role in Japan's manufacturing sector by utilizing our information collection skills originating from the trading operations that were our original business in order to supply end users with quality metal processed parts, materials and equipment

ALCONIX Corporate Philosophy

Our philosophy
 ALCONIX creates new value and contributes to the development of society through the transactions of non-ferrous metal products

||
Draw the future of our dreams
 Using metal processed products and equipment with significant added value to supply the infrastructure required for a digital society

Basic Policy for Sustainability

Management Principles

Our management principles

- Manage businesses with fairness and transparency
- Maintain good relationships with all stakeholders
- Contribute to progress with creating a resource-recycling and environmentally conscious (centered on 3R (Reduce-Recycle-Reuse) related business activities)
- Maintain a team of people with highly advanced skills

Our Features and Strengths

- Starting as a non-ferrous metals trading company, ALCONIX is now a group of companies encompassing manufacturing and other elements of the non-ferrous metals business

From our founding to today

Used trading company knowledge and information gathering skills to start value-added manufacturing operations, resulting in a distinctive business model

- 1981 – Started operating as a non-ferrous metals trading company
- 2001 – Second stage of growth started following a management buy-out; started M&A activity and business investments
- 2009 – Started M&A for manufacturing operations in order to add more value by fully utilizing trading company knowledge and information gathering skills; this was the beginning of a phase of steady growth

Used M&A knowhow that competitors do not have to make acquired manufacturing companies a driver of growth for the ALCONIX Group

◆ Characteristics of ALCONIX's M&A activity

We use a thorough post-merger integration process, including the sharing of trading business knowledge, provision of financial support and other forms of assistance, to make newly acquired companies stronger



Progress during the new medium-term plan

FY3/23 to FY3/25

A change in our stage of growth

Accumulate our own manufacturing knowhow as manufacturing companies we acquired continue self-reliant growth

Play a role in the expansion of manufacturing in Japan

- We have a group of companies with metal processing and equipment businesses that have substantial added value. Our goal is to use these companies for more growth in growing market sectors where we already have strong positions: automobiles, semiconductors and electronic materials.
- We will also contribute to society by supporting manufacturing in Japan and the country's small and midsize companies.

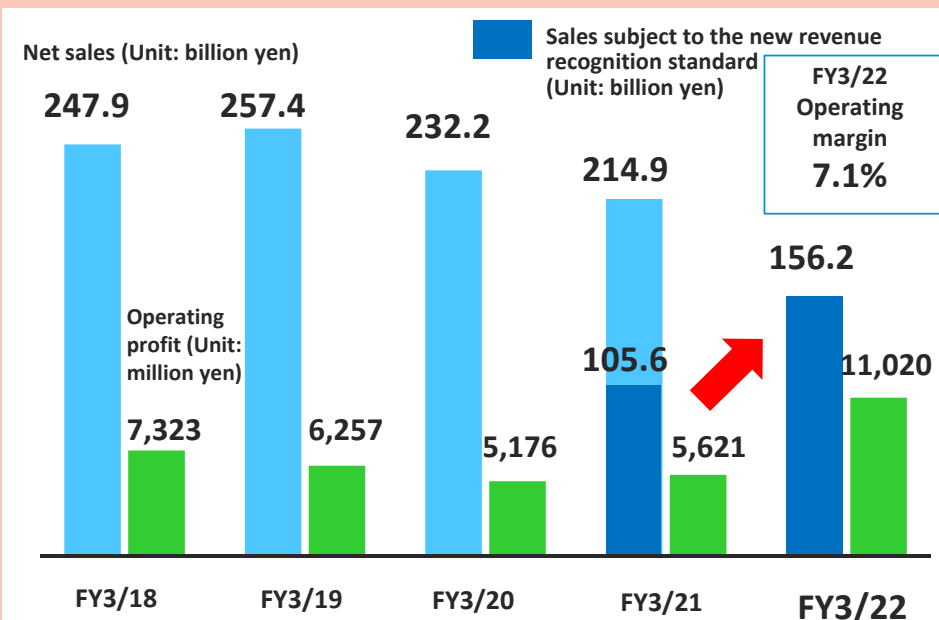
The Benefits of M&A Activity

- A big change has taken place in the stage of our growth because of the increasing volume of earnings from companies added to the ALCONIX Group
- Group manufacturing companies have used their own initiatives to become more profitable, making these companies collectively a source of strong earnings and strong growth

Significant Additions to the Group in 3-Year Stages

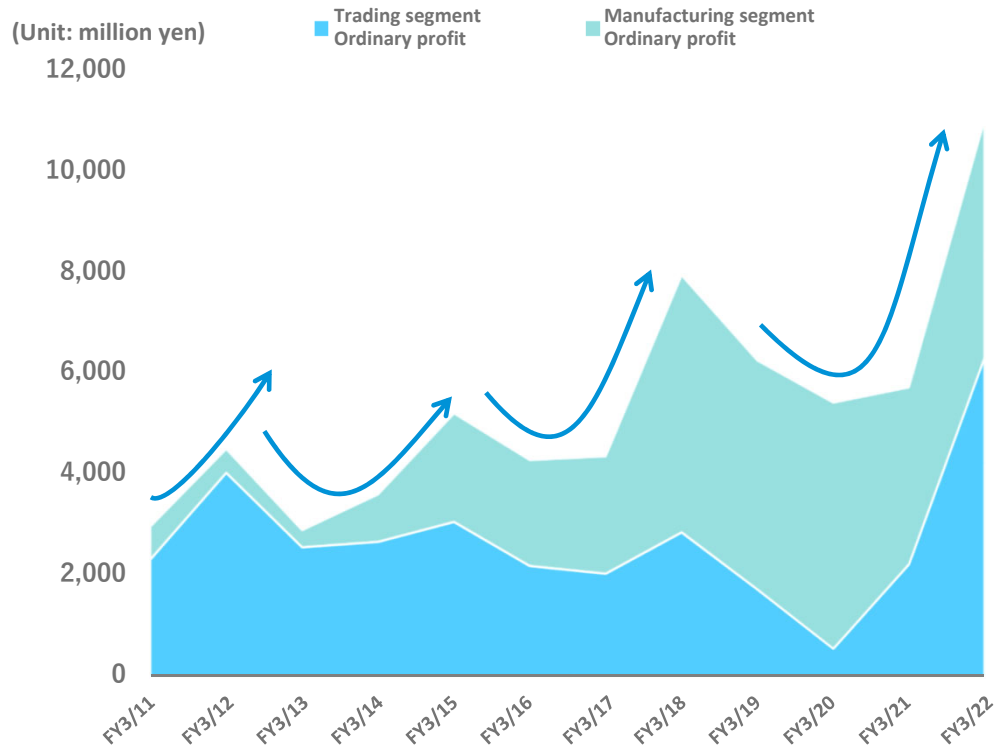
2009-2011	OHKAWA CORP., ALCONIX MITAKA, HAYASHI METAL CORP. The first acquisitions of manufacturing companies
2012-2014	Univertical, OHBA SEIKEN, ALUMINUM & COPPER RECYCLING CENTER The start of cross-border M&A (Univertical)
2015-2017	TOKAI YOGYO, HEIWA KINZOKU, MARKTEC, FUJI PRESS Further expansion and upgrading of manufacturing M&A activities
2018-2020	Tohoku Chemical Industries, Fuji Carbon Manufacturing, Fujine Sangyo, FAM Acquisitions in the current three key market sectors (automobiles, semiconductors, electronic materials)
2021-	Jupiter Industry, SOODE NAGANO (tentative) Increasing ties between newly acquired companies and the aluminum and copper businesses, which were the first operations of ALCONIX

The Growing Contribution of M&A Activity

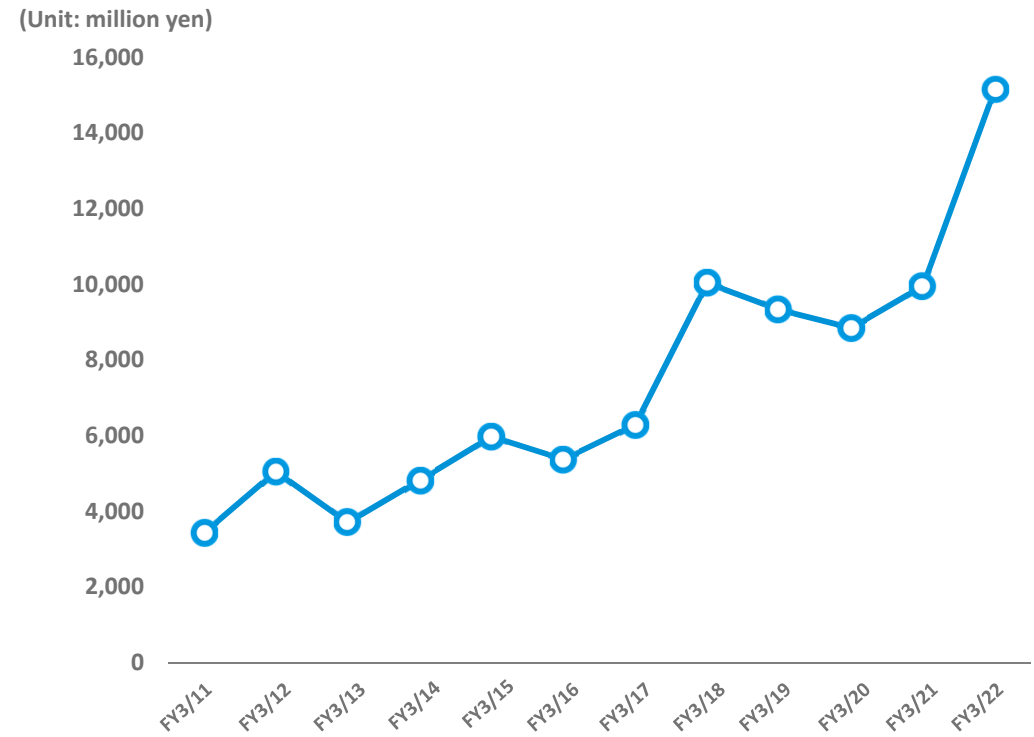


The Growing Contribution of M&A Activity

Profit Increase in a 3-Year Cycle



The Consistent Growth of EBITDA





Accomplishments of FY3/22

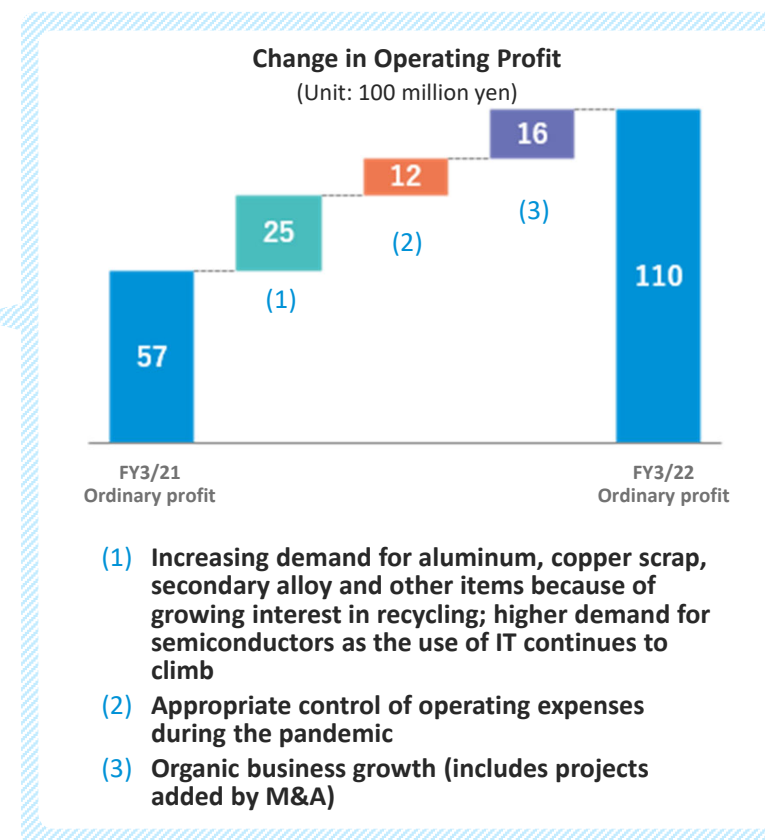
Accomplishments of FY3/22

- Performance far exceeded the initial plan as businesses continued to grow and market conditions were favorable

(Unit: billion yen)	FY3/21	FY3/22		FY3/22	Vs. plan
	Results	Results	Growth rate	Initial plan	
Net sales	105.6	156.2	+48%	120.0	+30%
Operating profit	5.6	11.0	+96%	6.4	+72%
Ordinary profit	5.7	11.0	+93%	6.4	+72%
ROE	6.9%	15.1%	+8.2pt	10.0%	+5.1pt

Business activities

- Constant investments → New sources of earnings (in 2 to 3 years) for a sound base for growth
- Established a CVC unit for business investments and support to create new sources of earnings
- To support upcoming activities, increased financial soundness, reduced debt and sold stock to procure funds for investments
- Reorganization, training programs and other measures to improve and strengthen governance
- Established a Sustainability Committee to speed up activities concerning sustainability





New Medium-term Management Plan

FY3/23 to FY3/25

Priority Issues

Central Goals of the New Medium-term Management Plan (FY3/23 to FY3/25)

Medium-term Management Policy “Vision”

1. Creating a prosperous society through our businesses
2. Creating a resource-recycling and environment-conscious society
3. Creating new future through the convergence of trading and manufacturing capabilities
4. Upgrading of corporate governance

Reinforce the financial structure

1. Make current businesses more profitable: More support for companies receiving investments
2. Increase efficiency of investments: More post-merger integration, effective use of corporate venture capital (CVC) → 15%+ ROE and 7%+ ROIC
3. Fund procurement efficiency/diversity: Centralized management of group company cash by using a cash management system

Upgrade the human capital

1. Strengthen ability to recruit skilled people by using the unique ALCONIX business model and raising awareness of the ALCONIX brand
2. Establish a training program to enable employees to acquire skills and reach their full potential
3. Make extensive use of transfers of personnel among group companies

Strengthen governance

1. Upgrade the functions of the Board of Directors by reexamining the director skill matrix and taking other actions
2. Reorganization of the ALCONIX Group (for example, established AC Metals as a preparatory company for the integration of for trading segment)
3. Reinforce training for senior management of group companies

Action Plan: Support to Enable Companies Added Through Acquisitions to Increase Corporate Value on Their Own

Fully utilize non-ferrous metals trading company knowledge and information gathering skills acquired since ALCONIX started operations in 1981

Trading segment (original business/core business) + Manufacturing segment (a growth business)

Group Strategy and Action Plan

- Expansion and development of the scale of the business by the acquired manufacturing subsidiary
- Support for the business plans and growth strategies of every manufacturing subsidiary
- Support for all manufacturing subsidiaries
 - Provide information/Assist with adding new customers
 - Update equipment at the proper times
- Target the automobile, semiconductor and electronic materials sectors
 - Rapidly growing markets due to the increasing use of electronics and digital technologies
- More emphasis on ESG and businesses for recycling resources
 - Non-ferrous scrap, recycling and other activities

A more powerful group



M&A Strategy and Action Plan

- Continue M&A activity targeting manufacturers in the metal processing category
- Reinforce the commitment to supporting manufacturing in Japan as the business climate changes dramatically
 - Return of manufacturing to Japan due to geopolitical risk
 - Solutions for business succession problems
 - Start new businesses in the automobile, semiconductor and electronic materials sectors
- Activities that reflect rapid changes in customers' needs and technological progress
- Use corporate venture capital
 - A broader range of targeted business sectors for M&A activity
 - Receive flexible investment returns

Example of Manufacturing Subsidiary Value Growth: OHKAWA CORP. (Setakaya-ku, Tokyo)



The non-ferrous metal processing expert
 大川電機製作所
 OHKAWA CORP.

OHKAWA joined the ALCONIX Group in 2009 as the first manufacturer acquired by ALCONIX.

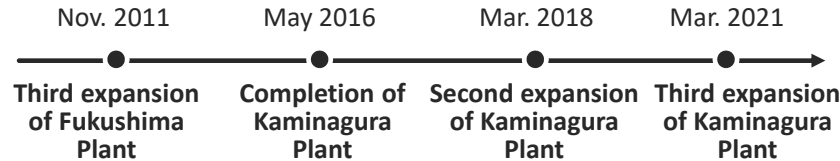
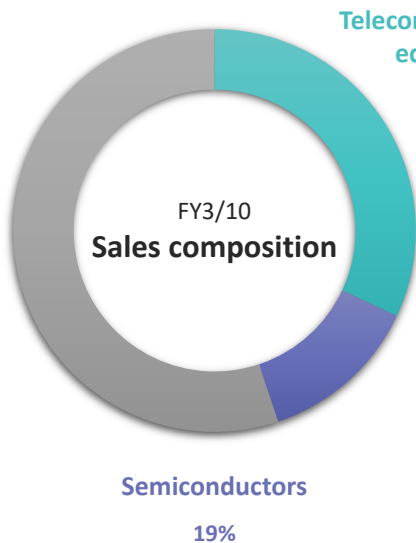
OHKAWA has advanced technologies for the precision machining of metals. After the acquisition, the company shifted its operations to focus on rapidly growing markets where its superior technologies could be used to the greatest advantage. The result was the diversification of operations and a big improvement in profitability.

Business portfolio transformation backed by ALCONIX

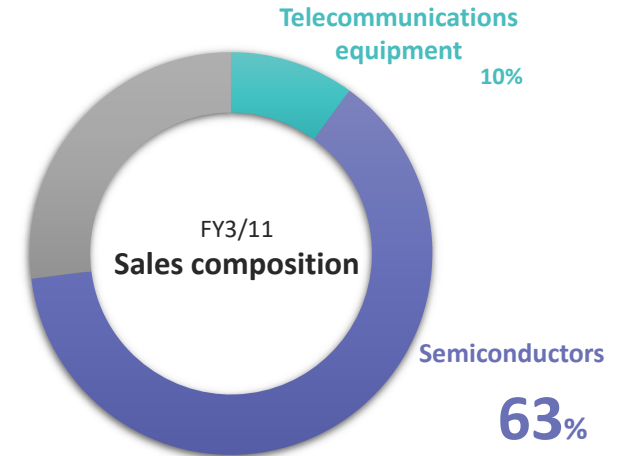
Established governance and accounting frameworks

New sales channels
 Ideas for access to growing industries

Support for capital expenditures
 Updates/replacements of production machinery



OHKAWA CORP. Fukushima Plant



Sales have increased by 70% since 2010!



Performance Targets

FY3/25: Sales ¥210 Billion, Operating Profit ¥13 Billion, ROE 15%+, EBITDA +¥2.4 Billion

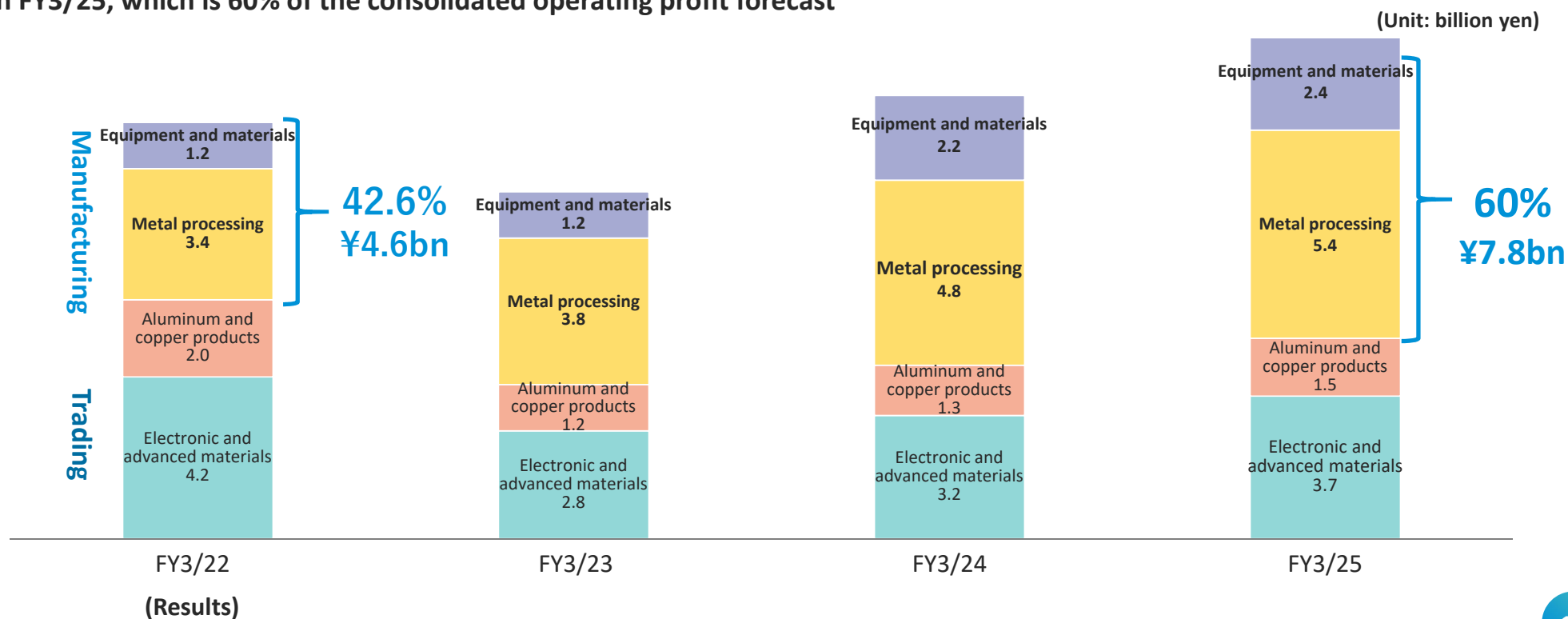
- Stable foundation for business operations (constant investments to produce benefits after 2 to 3 years)
- Efficiency of investments is a priority (ROE, ROIC)
- Newly designated EBITDA as a KPI to support a consistently large volume of investments
- The DOE* is newly used as a KPI for the stability of shareholder distributions with a target of at least 3% in FY3/25

(Unit: billion yen)	FY3/21	FY3/22	FY3/23		FY3/25	
	Results	Results	Outlook	YoY change	Plan	Vs. FY3/22
Net sales	105.6	152.6	170.0	+17.4	210.0	+57.4
Operating profit	5.6	11.0	9.1	-1.9	13.1	+2.1
Ordinary profit	5.7	11.0	9.0	-2.0	13.0	+2.0
EBITDA	9.9	15.1	-	-	17.5	+2.4
ROE	6.9%	15.1%	-	-	15.0%+	-
ROIC	3.6%	6.7%	-	-	7.0%+	-
DOE	2.6%	2.9%	-	-	3.0%+	-

*Dividends on equity = (Annual dividend per share/Equity per share) x 100

Business Segment Earnings Plan (Ordinary Profit)

- Planning on an increase in trading segment (electronic and advanced materials/aluminum and copper products) business volume but expect some volatility due to changes in market conditions
- In the manufacturing segment (equipment and materials/metal processing), planning on operating profit growth to ¥7.8 billion in FY3/25, which is 60% of the consolidated operating profit forecast



(Reference) Major Non-Ferrous Metal Prices and US\$/Yen Exchange Rate

- When the forecast for FY3/23 was established, the forecasting process did not incorporate the impact of the Ukraine crisis and the effects of this crisis on the global economy as well as financial and commodity markets. A revised forecast that includes the effects of these events will be announced if these effects reach the point of significantly affecting sales and earnings.

Summary of Non-ferrous Metal Prices and US\$/Yen Exchange Rate

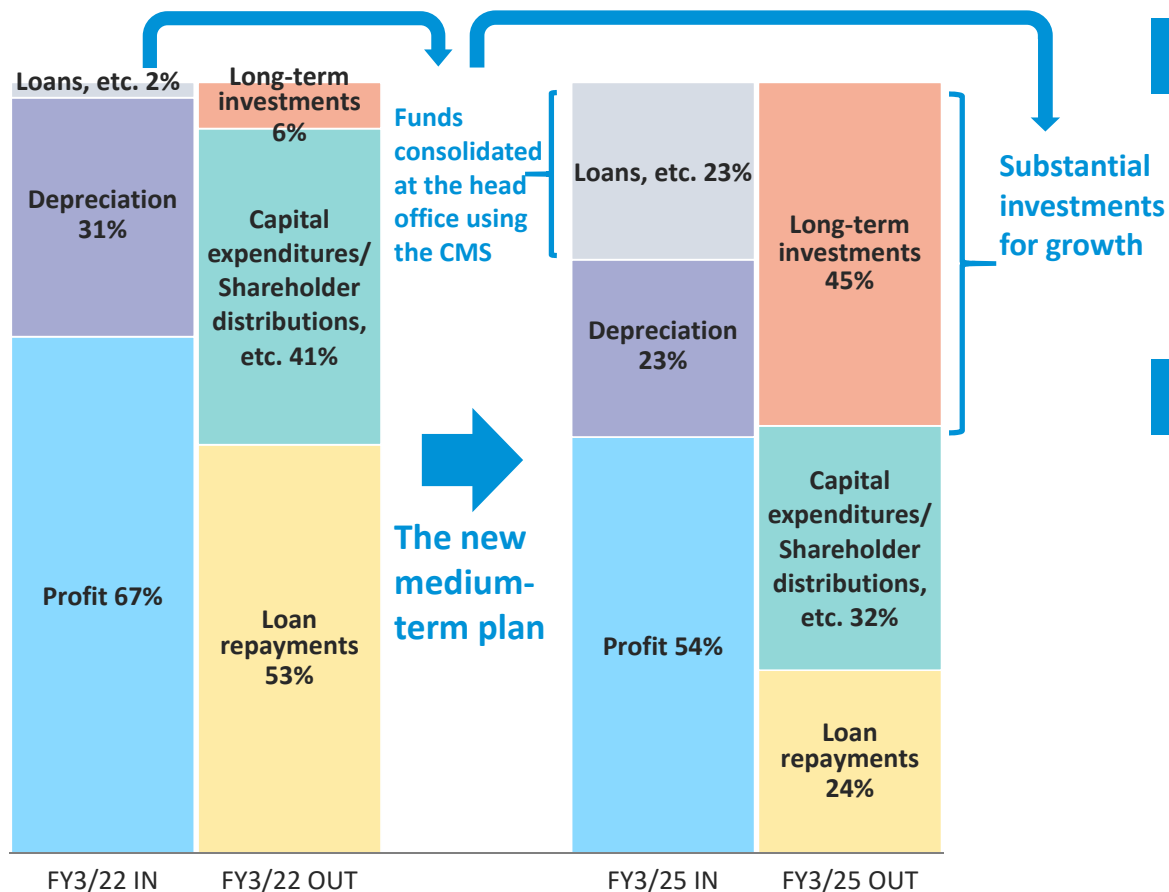
	FY3/22 Initial forecast	FY3/22 Actual (average)	FY3/23 Initial forecast
Aluminum	US\$2,000/MT	US\$2,769/MT	US\$3,100/MT
Copper	US\$7,900/MT	US\$9,691/MT	US\$9,600/MT
Nickel	US\$17,800/MT	US\$20,602/MT	US\$22,800/MT
Exchange rate (US\$/Yen)	105 yen/US\$	112 yen/US\$	115 yen/US\$



Equity Policy and Financial Strategy

Equity Policy and Financial Strategy

Stance for allocation of capital



(*Working capital is not included in the above figure)

Established KPI to aim for corporate value growth

- ROE Consistently 13% to at least 15%
 - ➔ Large distributions to shareholders backed by a stronger profit structure
 - Start using dividends on equity (DOE)

A stronger profit structure

- Use the cash management system (CMS)
 - Efficient use of group funds, investments for growth, consistent and substantial shareholder distributions
 - ➔ Reduce the ratio of cash and deposits to 10% of total assets (As of March 31, 2022: 15.1%)
- Diversify fund procurement channels
 - Reduce the cost of capital and maintain a sufficient level of liquidity
- Continue actions to become more profitable
 - Use ROIC and EBITDA for the management of earnings



A Stronger Framework for Management

A Stronger Framework for Management

Revisions to the management structure used for business operations

- On April 1, 2022, ALCONIX started using a dual senior executive (CEO/COO) management structure, and clearly defined the separate roles of these two executives.
- Clarified skill matrix requirements for Directors (including Outside Directors) to strengthen functions of the Board of Directors.

A more powerful framework for governance

- Continuous post-merger integration measures for companies that were acquired and more rigorous governance, including measures for compliance.
- Established the Audit & Supervisory Board Member Office for the purposes of supporting the efficient operation of the Audit & Supervisory Board and strengthening auditing activities throughout the ALCONIX Group.

(Reference) Skill Matrix for Directors and Audit & Supervisory Board Members

Skills for making the Board of Directors more effective

Includes emphasis on knowledge about personnel/labor management, experience at other companies

Expertise for strengthening the group's manufacturing operations is important too



Name	Position	Committee	Number of Concurrent Positions *2 (Outside members)	Independence (Outside members)	Skills required by ALCONIX directors and Audit & Supervisory Board members							
					Corporate and business management	Sales Marketing	Internationality/Global experience	Finance/Accounting/Tax	Legal affairs/Compliance	Governance/Risk management	Personnel/labor management	Manufacturing
Directors												
Masato Takei	Representative Director, Chairman and CEO	●			●	●	●					
Hiroshi Teshirogi	Director, President and COO *1				●	●	●				●	
Takumi Suzuki	Director, Managing Executive Officer and CSO				●	●	●	●		●	●	
Toshiya Imagawa	Director, Managing Executive Officer and CCO					●	●		●	●		●
Nobuhiko Takahashi	Director, Executive Officer and CFO					●	●	●				
Masao Hisada	Outside Director	◎*3	1	●	●	●	●					●
Yukino Kikuma	Outside Director		3	●					●	●	●	
Toshiya Tsugami	Outside Director			●	●							
Yukiko Imazu	Outside Director *4		2	●					●	●	●	
Audit & Supervisory Board Members												
Masahiko Nishimura	Full-time Audit & Supervisory Board Member					●	●		●	●		
Shigeo Ogi	Outside Audit & Supervisory Board Member	●	1	●			●			●		
Kimiko Oga	Outside Audit & Supervisory Board Member		3	●	●	●				●	●	
Ryoko Takeda	Outside Audit & Supervisory Board Member		1	●			●		●	●		

*1 To be elected a representative director following the June 2022 shareholders meeting

*2 Number of concurrent positions does not include positions at ALCONIX

*3 Chairman of the Nomination and Remuneration Advisory Committee

*4 To be elected an outside director following the June 2022 shareholders meeting



ESG/SDGs Activities

ESG Activities (Except Governance)

Environment:

Focus on issues from the perspective of dealing with non-ferrous metals, non-ferrous metals processes and processing equipment

Preparations for Task Force on Climate Related Financial Disclosures (TCFD) compliance, measures for a circular economy (recycling business) and other activities

Society: The priority is human capital strategies

The basic principle is to treat our people as valuable assets in both trading and manufacturing operations

+

Basic policy for sustainability

Materiality

Framework for sustainability

Basic Policy for Sustainability

Base all activities on the guidelines for behavior and the values defined in the ALCONIX corporate philosophy for **a sustainable “future of our dreams.”**

Our **diverse workforce** is firmly dedicated to taking actions with all stakeholders for solving **environmental, social and governance (ESG)** issues

Materiality

*Strengthening our human resources is positioned as a fourth materiality

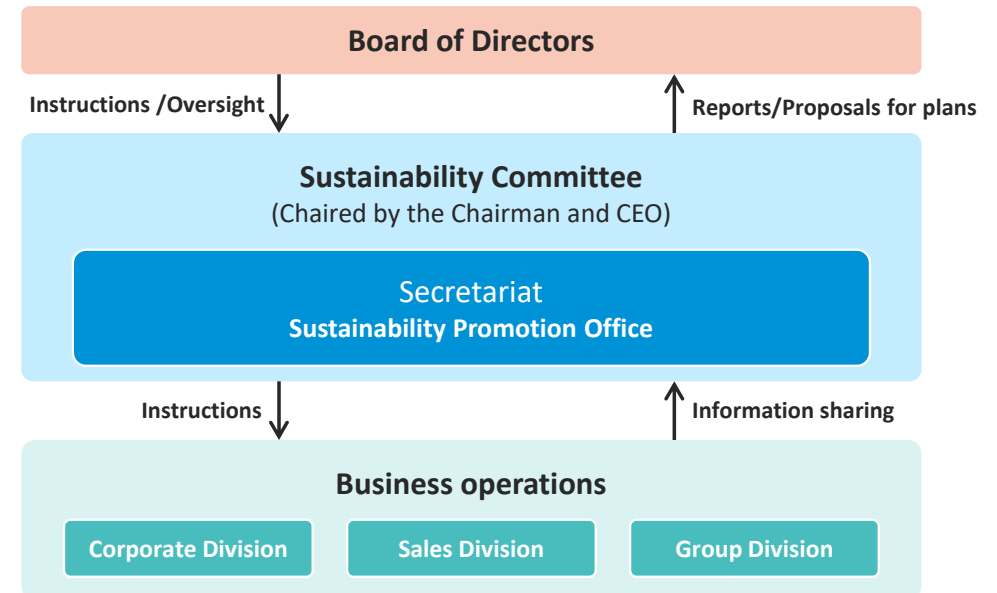
E	Environmentally responsible businesses for the reduction of carbon and the reuse of resources
S	Build stronger ties with stakeholders and take actions that show respect for human rights
G	Reinforce internal controls with emphasis on frameworks for compliance and risk management
H	<u>Establish an assignment and training system that supports the creative activities of a diverse workforce and provide pleasant and productive workplaces</u>



Human resources initiatives

- Reskilling programs for seniors
- Upgrade recruiting capabilities (hire many people, improve salaries and benefits)
- Strengthen training and skill development programs (sustainable management training, many types of e-learning)

Framework for Sustainability



Activities at ALCONIX to Combat Climate Change

Measures for the reduction of greenhouse gas emissions

The ALCONIX Group is working in many ways to help create a carbon neutral society

Our stance

Electricity is the majority of energy used at the ALCONIX Group

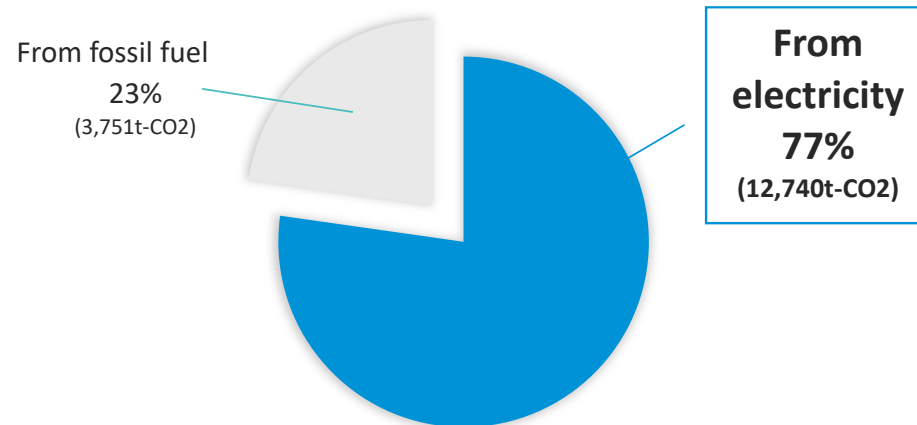
Examples of possible actions

- Higher efficiency at factories and offices of all group companies to reduce fossil fuel use
+ Use of energy from renewable sources

Example of progress: Completed in May 2022 the shift to 100% renewable energy for all electricity used at the Tokyo head office.

- Carbon offsets for residual emissions

Composition of CO2 Emissions at the ALCONIX Group in Japan



*Figures are for FY3/21

*Tons of CO2 is based on energy use converted to a CO2 emission equivalent (Greenhouse gas emissions from energy use converted to CO2 emissions)

*CO2 emissions are for ALCONIX and all 13 group companies in Japan

(The sum of energy use at all companies is based on information submitted by group companies to ALCONIX.)

Effects of Climate Change on ALCONIX/Scenario

Analysis of effects of climate change

Scenario analysis of automotive transactions in the key automobile sector based on the TCFD framework
 For both scenarios, this analysis demonstrated that the increasing use of electric vehicles will probably **almost double** the volume of automotive business at the ALCONIX Group between 2020 and 2030

Scenario analysis	Automotive transactions at ALCONIX (40%+ of the non-consolidated business volume) ⇒ Analysis of transactions involving electric vehicles and internal combustion engine vehicles	
Scenarios used	IEA “Net Zero by 2050 Scenario” “Stated Policies Scenario”	* The Net Zero by 2050 Scenario assumes that net greenhouse gas emissions will fall to zero in 2050 (avg. temperature increases only 1.5°C) The Stated Policies Scenario assumes that current environmental policies of countries worldwide will remain unchanged (avg. temperature increases 2.7°C)

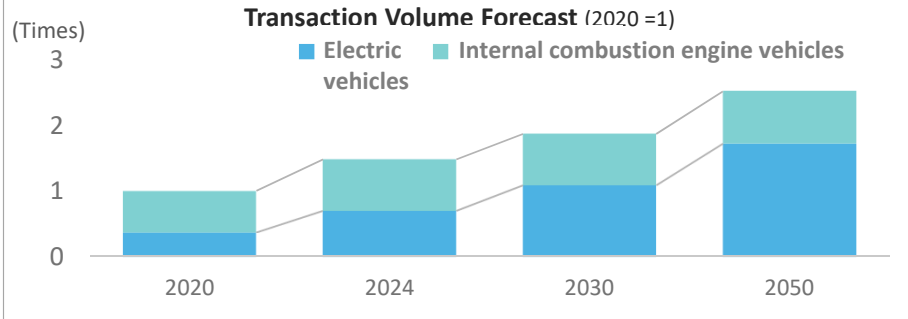
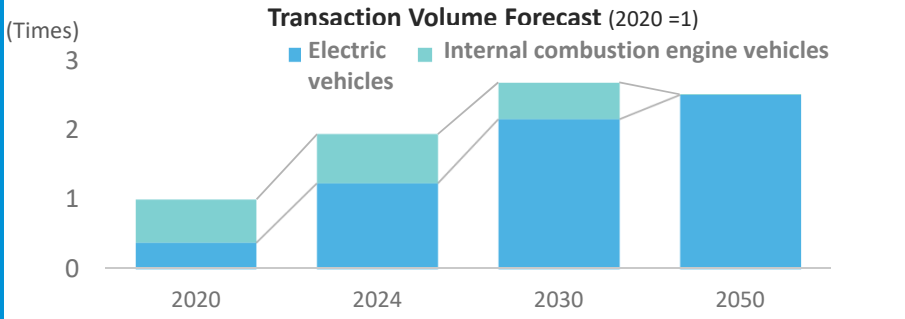
The 1.5°C Scenario

- Internal combustion engine transaction volume down 90% by 2050
- Electric vehicle transaction volume up by five times

The 2.7°C Scenario

- Internal combustion engine transaction volume up 40% by 2050
- Electric vehicle transaction volume up by four times

Results of analysis
 *See the Appendix for more information



Both scenarios forecast a higher volume of business at ALCONIX and demonstrate the ALCONIX Group’s resilience to the effects of climate change

The next steps

1. Increase the scenario analysis to cover the entire ALCONIX Group.
2. Implement strategies for risks and opportunities identified by the scenario analysis.
3. Consider analysis of scenarios for markets other than electric vehicles.

(Reference) Outline of the TCFD Scenario Analysis

Significant climate change risk		Significant climate change opportunities	ALCONIX strategies	
Transition risk (Regulations/Markets)	The 1.5°C Scenario	<ul style="list-style-type: none"> • End of demand involving internal combustion engines (ICE) as all of these vehicles are replaced with EV • Change in market structure caused by the EV shift 	<ul style="list-style-type: none"> • Realignment of supply chains due to the complete shift of auto sales to EVs • Dramatic improvement in profitability of recycling businesses due to limited supplies of non-ferrous metals 	<ul style="list-style-type: none"> • Build supply chains that can handle new materials and new technologies • Make large investments in the recycling business; provide support for creating a practical recovery technology for rare earth metals and start a recycling business using this technology
	The 2.7°C Scenario	<ul style="list-style-type: none"> • Slowdown in shift to EV caused by slow climate change countermeasures and a slow change in consumer preferences to EVs 	<ul style="list-style-type: none"> • Co-existence of separate automobile industry supply chains for ICE cars and EVs • Both ICE cars and EVs will need to become lighter, resulting in higher demand for non-ferrous metal parts that reduce vehicle weight 	<ul style="list-style-type: none"> • Increase capabilities for the supply of materials and parts required to meet the continuing demand for ICE vehicles • Continue work on the development of new types of business involving EVs
Physical risk (Acute)	The 2.7°C Scenario	<ul style="list-style-type: none"> • Disruptions in operations of ALCONIX Group companies caused by more frequent and serious natural disasters • Supply chain disruptions caused by damage at the factories of suppliers 	<ul style="list-style-type: none"> • Increase in demand for EVs for use as emergency sources of electricity following a natural disaster 	<ul style="list-style-type: none"> • Establish and implement suitable and effective business continuity plans • Perform environmental due diligence and examine the environmental vulnerability of every supplier



New Medium-term Management Plan

FY3/23 to FY3/25

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May 2022