



Become an integrated company that combines  
trading and manufacturing capabilities

# ALCONIX CORPORATION

Listed on TSE Prime Market

Code 3036

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Financial Results Materials  
The Third Quarter of the Fiscal Year  
Ending March 31, 2023

February 2023

- 1. 3Q FY3/23 Financial Results**
- 2. FY3/23 Earnings Forecasts**
- 3. The ALCONIX Group's Future of Our Dreams  
(Group businesses / Value Creation Process /  
Medium-term Business Plan)**

# 3Q FY3/23 Financial Results

## Performance (3Q FY3/23)

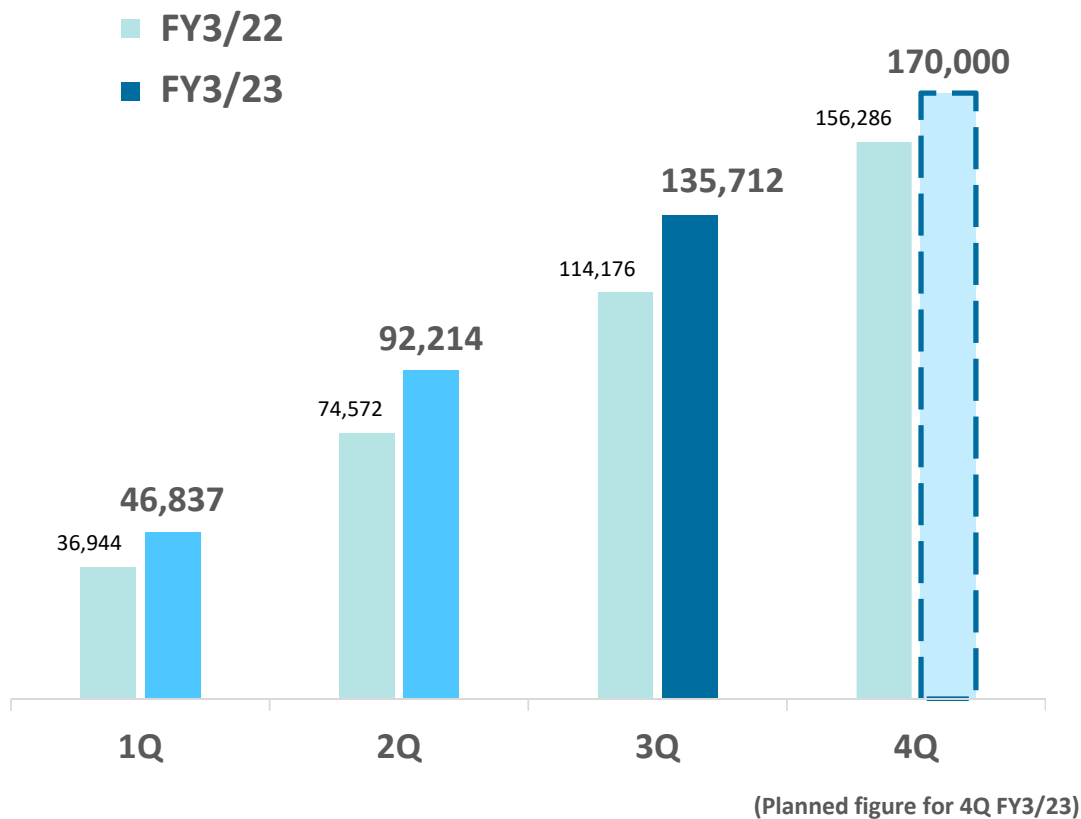
Sales increased because of a larger sales volume of some products, the result of internal initiatives, and rising prices of non-ferrous metals. However, increases in the cost of sales and SG&A expenses brought down earnings.

(Unit: Million yen)	FY3/23	FY3/22	YoY	FY3/23 Plan	
	3Q	3Q	increase	Initial forecasts	Progress ratio
Net sales	<b>135,712</b>	114,176	+18.9%	170,000	79.8%
Gross Profit	<b>19,410</b>	19,368	+0.2%	25,600	75.8%
Operating profit	<b>7,255</b>	8,430	-13.9%	9,100	79.7%
Ordinary profit	<b>7,650</b>	8,805	-13.1%	9,000	85.0%
Profit attributable to shareholders of parent	<b>5,092</b>	6,537	-22.1%	6,800	74.9%
Net income per share (Yen)	<b>169.26</b>	257.11		225.87	

# YoY Comparison of Net Sales / Ordinary Profit (Consolidated): Sales Growth Continued

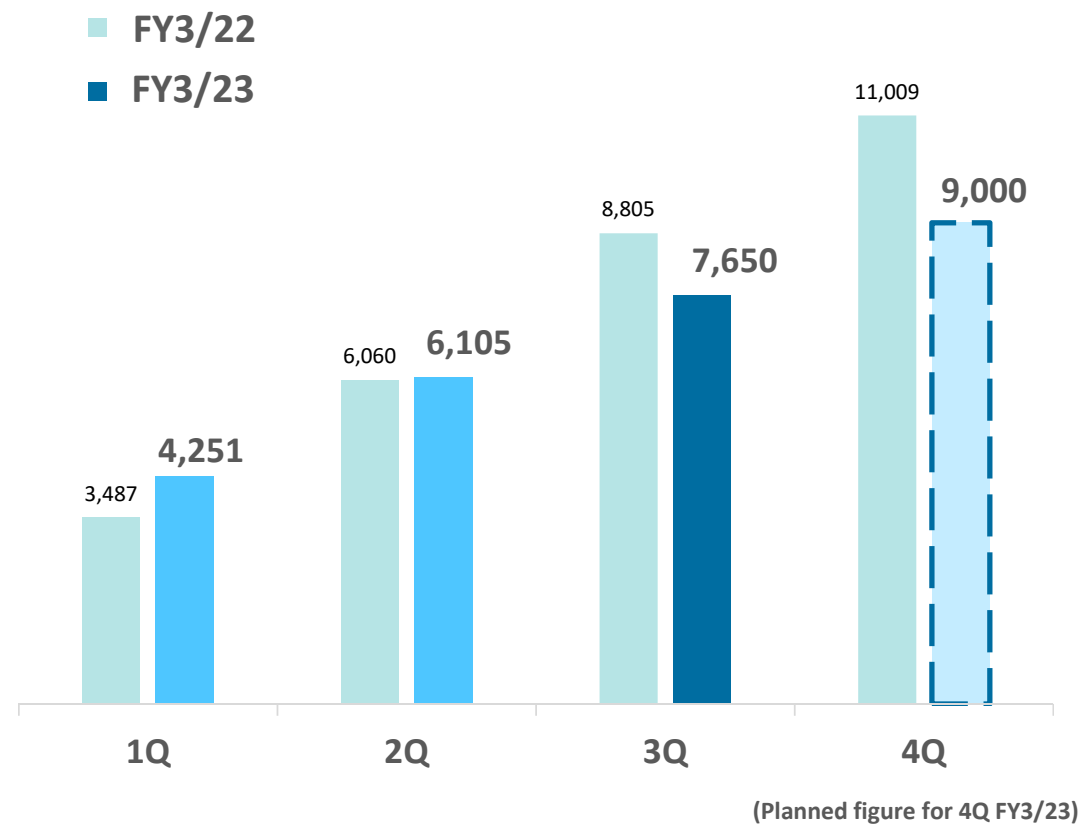
(Unit: Million yen)

## YoY Comparison of Net sales



(Unit: Million yen)

## YoY Comparison of Ordinary Profit



# Financial Highlights

## Summary

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- ◆ **Materials for semiconductor/electronic components and new business in the automotive sector contributed to sales growth.**
- ◆ **Demand for materials involving consumer IT electronics and automobiles has been declining.**
- ◆ **Earnings at all levels decreased YoY because of the higher purchasing cost and an increase in SG&A expenses.**

## Trading segment

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- ◆ **Sales of nickel products for electronic components and semiconductor-related materials remained firm mainly due to the higher market prices.**
- ◆ **Sales amount of aluminum rolled products increased backed by solid construction demand in Japan and the growth of automotive materials transactions in Japan and other countries.**

## Manufacturing segment

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- ◆ **Sales of non-destructive testing equipment and metal processing stamped parts were down YoY because of the low volume of automobile production.**
- ◆ **Shipments of metal processing parts for semiconductor manufacturing equipment was steady.**
- ◆ **Sales amount of plating materials increased YoY because of rising demand in the United States and China.**

## One Company and One Business Acquired in 3Q

### Adding businesses for materials used in EV lithium-ion batteries and for titanium products used mainly in the medical sector

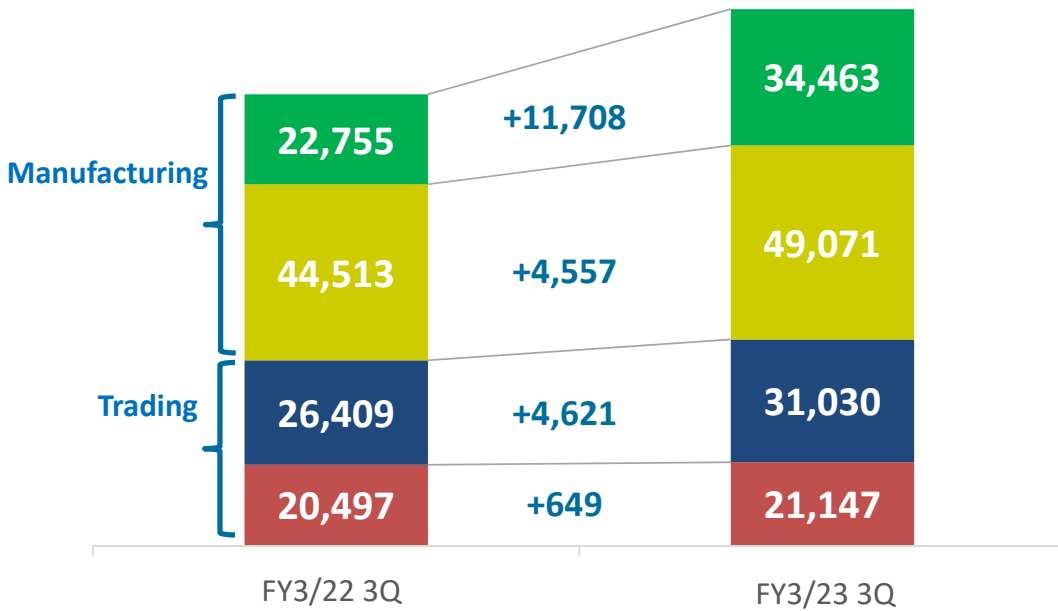
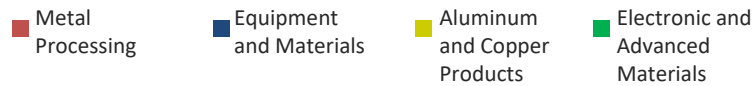
Company acquired	Activities	Strengths	Expected synergy
<b>SOODE NAGANO Co., Ltd. (100% owned)</b> *Consolidated subsidiary since November 30, 2022	<ul style="list-style-type: none"> <li>• Precision metal stamped parts for EV lithium-ion batteries</li> <li>• Design and fabrication of metal molds</li> <li>• Manufacture of devices for machinery</li> </ul>	<ul style="list-style-type: none"> <li>• Technologies and volume production capability for precision, high-speed manufacturing</li> <li>• Strong relationships with major battery manufacturers in Japan</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Technology sharing</b> in the metal processing business</li> <li>• <b>Even stronger ties with major battery manufacturers</b></li> <li>• <b>More sales channels</b> by using the ALCONIX Group's network of business relationships</li> </ul>
Business acquired	Activities	Strengths	Expected synergy
<b>Metal business of DKSH Market Expansion Service Japan Inc.</b> *Acquired on November 1, 2022	<ul style="list-style-type: none"> <li>• Export of titanium to Europe mainly for medical sector applications</li> </ul>	<ul style="list-style-type: none"> <li>• Relationships with large Japanese suppliers of titanium alloys</li> <li>• Strong presence in the markets of Europe</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Strengthen and enlarge sales channels</b> by using existing relationships in the medical sector</li> <li>• <b>Business tie-ups using the ALCONIX Group</b></li> </ul>

# Business Segment Performance (3Q FY3/23)

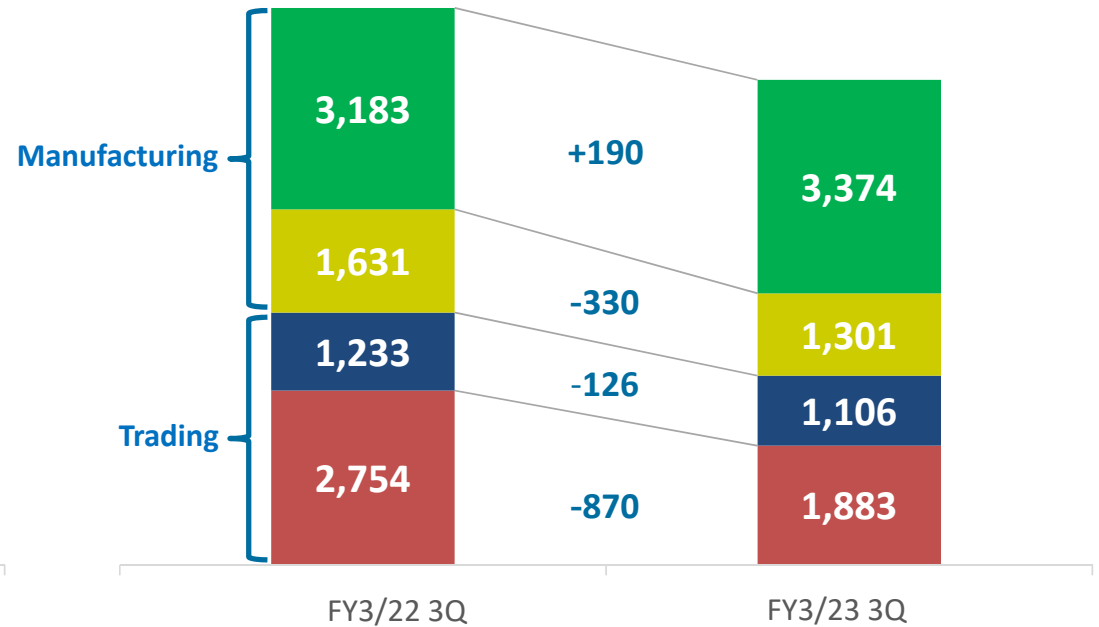
In the trading segment, rising non-ferrous metal prices and trading for electronic materials contributed to earnings.

In the manufacturing segment, decline in automobile output and weak smartphone demand in China affected earnings.

**Net sales (External sales)** (Unit: Million yen)



**Segment profit** (Unit: Million yen)





## Business Segment Summary (1) Net Sales: Sales Up in All Business Units

Sales up due to larger sales volume of some materials/products and rising prices of non-ferrous metals

(Unit: Million yen)	FY3/23 3Q Segment sales Results	(Comp.)	FY3/22 3Q Segment sales Results	Change (Amount)	Change (Ratio)	Major causes of change in sales	
Trading	Electronic and Advanced Materials	34,463	25.4%	22,755	+11,708	+51.5%	<ul style="list-style-type: none"> <li>• Sales amount of nickel products for electronic components and semiconductor-related materials increased</li> <li>• Higher market prices of minor metals and rare earths</li> </ul>
	Aluminum and Copper Products	49,071	36.1%	44,513	+4,557	+10.2%	<ul style="list-style-type: none"> <li>• Higher sales amount of aluminum alloy sheets used in automobiles</li> <li>• Higher sales amount of copper products including copper tubes for air conditioners</li> </ul>
Manufacturing	Equipment and Materials	31,030	22.9%	26,409	+4,621	+17.5%	<ul style="list-style-type: none"> <li>• Mainly shipments of plating materials increased in the U.S. and China</li> </ul>
	Metal Processing	21,147	15.6%	20,497	+649	+3.2%	<ul style="list-style-type: none"> <li>• Inclusion of Jupiter Industry Co., Ltd., as a consolidated subsidiary</li> <li>• Shipment of semiconductor manufacturing equipment increased</li> </ul>
The ALCONIX Group		135,712		114,176	+21,535	+18.9%	

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

## Business Segment Summary (2) Segment Profit

Earnings impacted by higher purchasing cost and an increase in SG&A expenses and, in the manufacturing segment, a shipment volume decline caused by low automotive sector production in Japan

(Unit: Million yen)		FY3/23 3Q Segment profit Results	(Comp.)	FY3/22 3Q Segment profit Results	Change (Amount)	Change (Ratio)	Major causes of change in segment profit
Trading	Electronic and Advanced Materials	3,374	44.1%	3,183	+190	+6.0%	• Sales amount up due to higher market prices and forex
	Aluminum and Copper Products	1,301	17.0%	1,631	-330	-20.2%	• Purchasing cost increased faster than sales
Manufacturing	Equipment and Materials	1,106	14.5%	1,233	-126	-10.3%	• Lower shipments for automotive materials and testing equipment
	Metal Processing	1,883	24.6%	2,754	-870	-31.6%	• Lower shipments of parts for automotive and semiconductor chip mounting equipment applications
(After inter-segment and other eliminations)		-15	-0.2%	3			
The ALCONIX Group		7,650		8,805	-1,155	-13.1%	

\*Segment profit is ordinary profit.

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

## (Reference) Foreign Exchange and Market Prices (Trading segment)

	1Q-3Q FY3/22 Actual average	FY3/23 Assumptions	1Q-3Q FY3/23 Actual average
<b>Aluminum</b>	US 2,611/MT	US \$ 3,100/MT	US \$ 2,536/MT
<b>Copper</b>	US \$ 9,564/MT	US \$ 9,600/MT	US \$ 8,414/MT
<b>Nickel</b>	US \$ 18,783/MT	US \$ 22,800/MT	US \$ 25,485/MT
<b>Foreign exchange (US \$ /Yen)</b>	111 yen/US \$	115 yen/US \$	136 yen/US \$

### Aluminum

- ◆ Sales volume slightly increased YoY
- ◆ Total sales amount increased because of higher prices and the yen's depreciation (Sales amount increased for recycled aluminum ingots)  
(Volume and sales of aluminum rolled products increased)

### Copper

- ◆ Sales volume was down YoY
- ◆ Prices fell but an increase in total transaction amount because of the yen's depreciation  
(Sales amount was down for copper products for electronic materials)

### Nickel

- ◆ Sales volume increased YoY
- ◆ Total sales amount also up due to a larger handling volume, higher prices and of the yen's depreciation

\*All figures are ALCONIX estimates.

## Balance sheets (3Q FY3/23): Expanded due to Business Growth and M&A

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

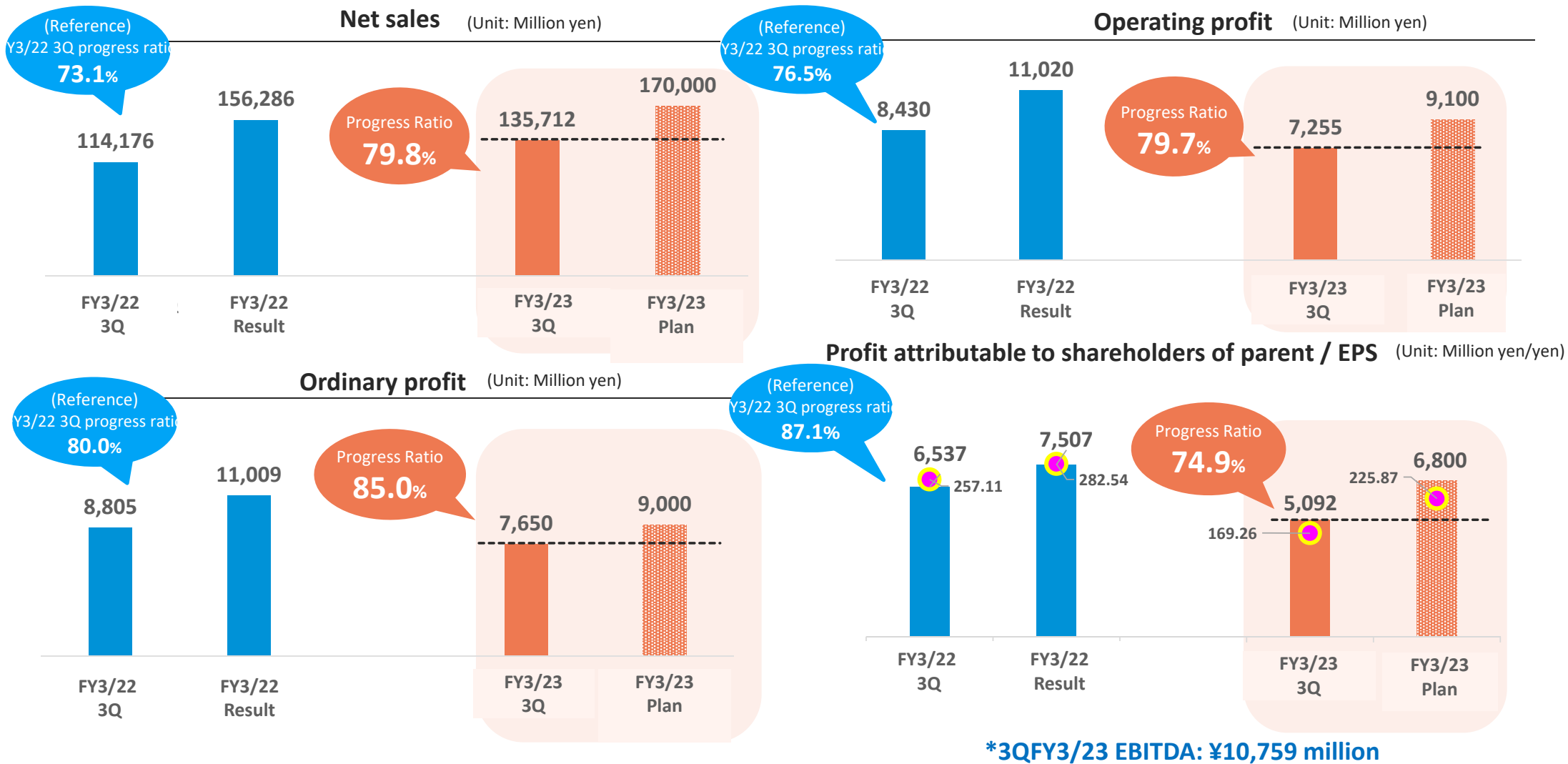
(Unit: Million yen)	FY3/23 3Q	FY3/22	Change	Major components
<b>Total assets</b>	<b>198,133</b>	176,437	+21,696	
<b>Current assets</b>	<b>150,993</b>	135,119	+15,873	Trade receivables increased because of sales growth
<b>Total assets</b>	<b>47,140</b>	41,317	+5,822	Due to the acquisition of SOODE NAGANO and Jupiter Industry
<b>Liabilities</b>	<b>134,011</b>	119,106	+14,905	*Interest-bearing debt ¥76,597 million (+¥14,798 million vs. March 31, 2022)
<b>Current liabilities</b>	<b>106,041</b>	94,643	+11,397	Trade payables and short-term borrowings increased because of sales growth
<b>Non-current liabilities</b>	<b>27,970</b>	24,462	+3,507	Long-term borrowings increased and some long-term borrowing and bonds were transferred to current liabilities
<b>Net assets</b>	<b>64,122</b>	57,331	+6,790	
<b>Shareholders' equity</b>	<b>53,929</b>	50,431	+3,497	Retained earnings (Profit- dividends paid)

Equity ratio (March 31, 2022)  
**32.1%** (32.2%)

Equity ratio (March 31, 2022)  
**0.7** (0.6)

# FY3/23 Earnings Forecasts

# Progress vs. FY3/23 Forecast



## Forecast for FY3/23 (Total and Segments)

### FY3/23 sales and earnings are expected to be as forecast

\*FY3/23 forecasts by segment were revised due to 1Q-3Q performance and current market conditions

(Unit: Million yen)	FY3/23 Initial forecast	FY3/23 3Q forecast	FY3/22	Adjusted change VS. FY3/23 forecast	FY3/23 3Q	Adjusted progress ratio VS. FY3/23 forecast
<b>Net sales</b>	<b>170,000</b>	<b>170,000</b>	156,286	+13,713	135,712	79.8%
Electronic and Advanced Materials	35,700	40,000	33,712	+6,287	34,463	86.2%
Aluminum and Copper Products	65,700	60,000	59,614	+385	49,071	81.8%
Equipment and Materials	38,000	40,000	35,775	+4,224	31,030	77.6%
Metal Processing	30,600	30,000	27,184	+2,815	21,147	70.5%
<b>Operating profit</b>	<b>9,100</b>	<b>9,100</b>	11,020	-1,920	7,255	79.7%
<b>Ordinary profit</b>	<b>9,000</b>	<b>9,000</b>	11,009	-2,009	7,650	85.0%
Electronic and Advanced Materials	2,800	3,840	4,273	-433	3,374	87.9%
Aluminum and Copper Products	1,200	1,440	2,032	-592	1,301	90.4%
Equipment and Materials	1,200	1,160	1,245	-85	1,106	95.4%
Metal Processing	3,800	2,560	3,449	-889	1,883	73.6%
<b>Profit attributable to shareholders of parent</b>	<b>6,800</b>	<b>6,800</b>	7,507	-707	5,092	74.9%

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

\*Consolidated ordinary profit is after inter-segment eliminations.

## (Reference) Expected Risk Factors and Actions in FY3/23 3Q

### 1. Inflation in Japan and worldwide

- (1) Higher cost of sales and delays in raising prices accordingly due to the speed of price increases of raw materials and energy
- (2) Possibility of a downturn in consumer spending in Japan and other countries

(Additional factor)



Decline in gross profit margin of ALCONIX product prices  
Lower demand and metal prices due to falling purchasing power

### Actions

Trading

(As a rule) ALCONIX's policy is to **use transactions with no exposure to price volatility**  
(some inventory transactions) Futures are used for **hedging**

Manufacturing

Cooperation with trading divisions for negotiations **to raise prices**  
(\*Status: Negotiations currently under way and will continue in the 4Q and FY3/24)

### 2. Geopolitical risk

(Ukraine and China zero-COVID policy)

- (1) Continuing disruption of supply chains
- (2) Effects of these events on prices and real demand for resources
- (3) Difficulty of procuring materials and parts

(Additional factor)



Effect of reductions in production and inventories at companies using ALCONIX products on the production of ALCONIX manufacturing subsidiaries

### Actions

Trading

**Reallocating ALCONIX Group resources** from high-risk regions to **regions with relatively high stability**  
(\*Status: Currently assessing exposure in high-risk regions)

Manufacturing

Always prepared for using numerous options, such as **relocating production and rebuilding supply chains**



# The ALCONIX Group's Future of Our Dreams

## Businesses of the ALCONIX Group

An integrated solution provider in the non-ferrous metals industry

One-stop solutions for every step from **production** to **wholesale** of **non-ferrous metal** materials, parts and finished products



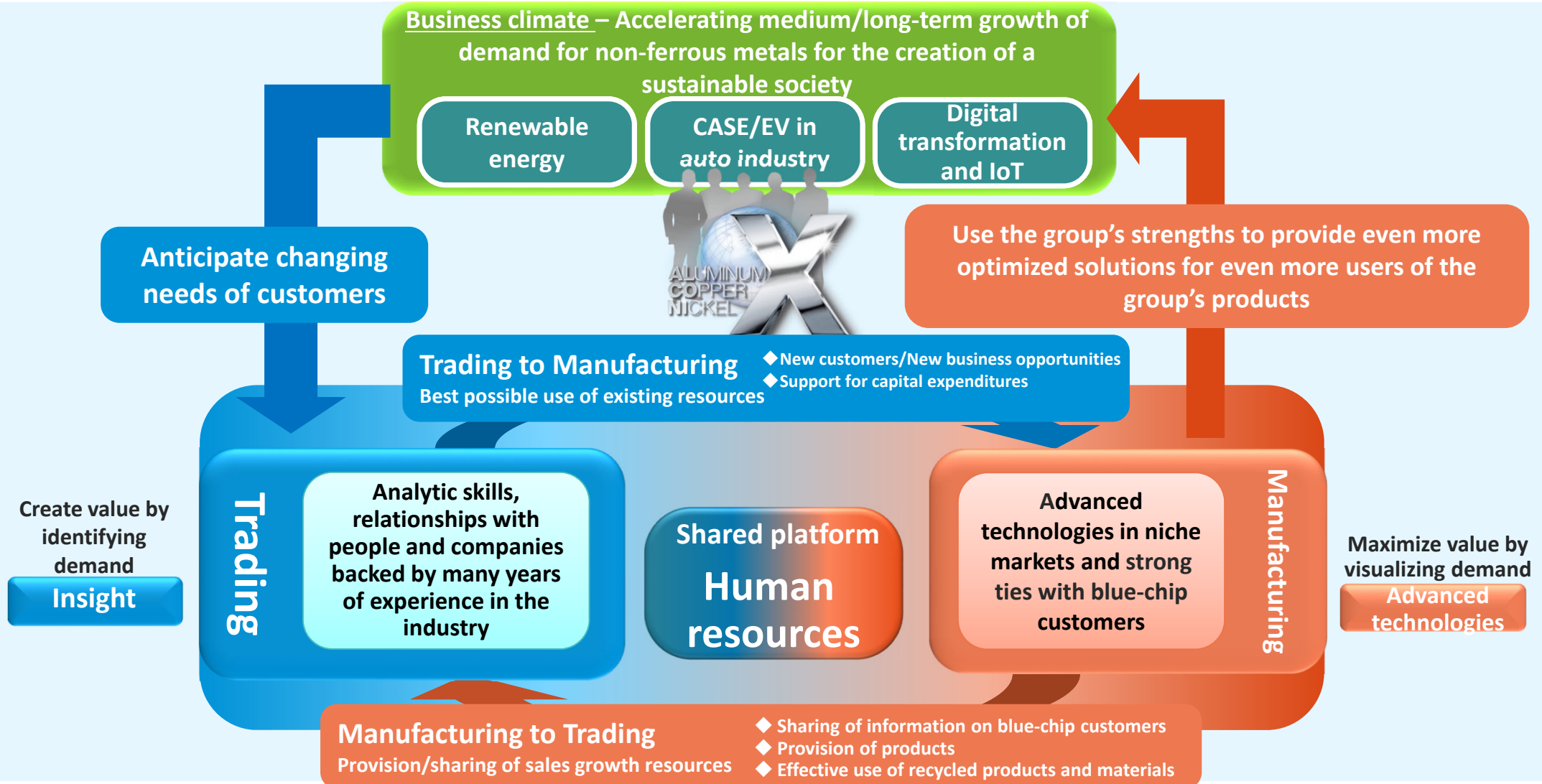
### Three priority business sectors for growth

Semiconductors

Automobiles

Electronic materials and components

# The ALCONIX Group Value Creation Process



## Basic Policy of the New Medium-term Business Plan

Achieve the sustained growth of the ALCONIX Group by increasing core earning power through strengthening the manufacturing segment, etc.

### Key initiatives

#### (1) Reinforce the financial structure

- **Increase profitability of current businesses**  
Support for capital expenditures and receipt of orders at consolidated subsidiaries  
**Use EBITDA as an indicator for the power to generate earnings**
- **More efficient investments, more efficient/diverse fund procurement**  
Use ROIC management  
Use cash management system for more efficient use of funds and optimized leverage

#### (2) Upgrade the skills of employees

- **Big upgrades of salaries, career opportunities and training**  
Increase ability to recruit skilled people and improvements in training and retention

#### (3) Strengthen governance

- **In addition to the core issues of the current medium-term business plan, build a stronger group compliance framework**

### Performance targets

(Unit: Billion yen)	FY3/22 Results		FY3/25 Plan
Net sales	156.2	➔	210.0
Operating profit	11.0		13.1
Ordinary profit	11.0		13.0
<b>EBITDA</b>	<b>15.1</b>		<b>17.5</b>
ROE	15.1%		Over 15.0%
ROIC	6.7%		At least 7.0%
DOE (Based on equity)	3.2%		Over 3.0%

# Successor-type acquisitions: Target manufacturing sectors in Japan with good prospects for growth

Acquire Japanese manufacturers in the automobile, semiconductor and electronic materials industries and use the knowledge of these companies to raise the corporate value of the entire ALCONIX Group.

## Growth potential

- The shift from ICE to electric vehicles
- ➔ **Rising demand for electrical parts, power control semiconductors and machinery to manufacture these products**
- Rapid depreciation of the yen
- ➔ **Increase in business opportunities with Japanese manufacturers that export products**
- Global structural changes in the economy and industries
- ➔ **Return to Japan of companies in the semiconductor and electronic parts industries**

**Substantial potential demand in Japan in many manufacturing sectors**

## Concerns

- Limited funds at Japanese small/midsize companies for investments
- ➔ **Restricts the growth of the supply capabilities of manufacturing in Japan**
- Many companies shut down due to the absence of a next-generation owner/CEO
- ➔ **Crisis involving the inability to pass on technologies to future younger people**

## Opportunities for the growth of ALCONIX

### Acquisitions of companies requiring new owners – Prevent companies from missing demand

- (1) Take over companies with technologies in niche business sectors
- (2) Provide assistance for capital expenditures and adding new customers
- (3) Use cooperation with other ALCONIX Group companies to capture more synergies

#### Benefit for the ALCONIX Group

Higher earnings for the entire group  
Better ability to adapt to changes in markets

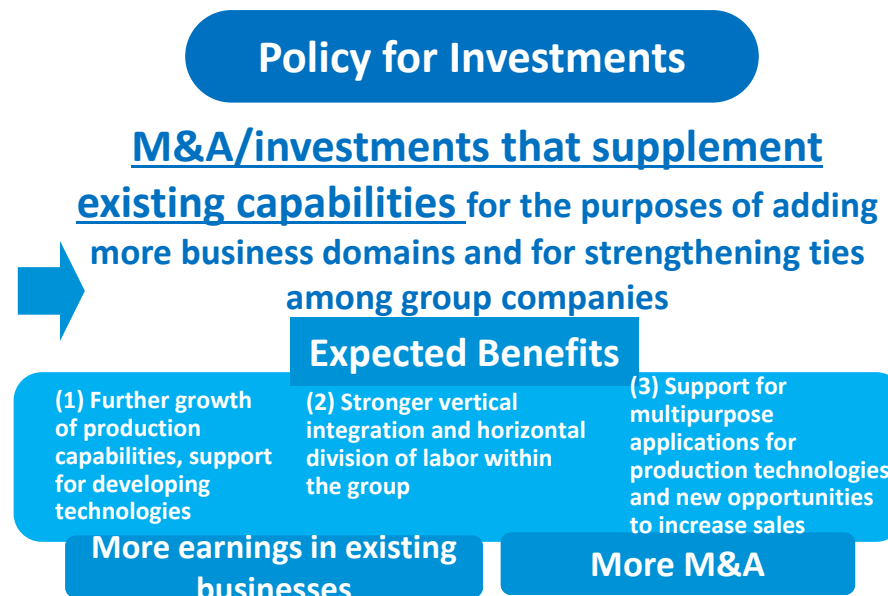
#### Benefits for acquired companies

Manufacturing capabilities and new business not possible on their own

#### Benefits for regional economies and the Japanese economy

Preservation and creation of jobs, a more powerful manufacturing sector in Japan

# Successor-type acquisitions: Infusion of capital for faster growth and greater value of group companies



By strengthening the manufacturing segment, aim for consistent annual ordinary profit growth (CAGR) of about 20%

**ALCONIX Group Ordinary Profit**

FY3/22 Results	FY3/23 Forecasts
<b>¥11 billion</b> (¥4.6 billion in manufacturing)	<b>¥9 billion</b> (¥5 billion in manufacturing)

**FY3/25 Plan**

<b>¥13 billion</b> (¥7.8 billion in manufacturing)
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


# ALCONIX Product Matrix/Strategic Business Domains in Each Segment

## Three Priority Business Sectors

Capital expenditures focused on a stronger foundation for business operations and the efficiency of investments.

**(Explanation)** \*Based on gross profit

 Up YoY
  Down YoY

	Automobiles	Semiconductors	Electronic materials and components	Home electric appliances	Others
Electronic and Advanced Materials	<ul style="list-style-type: none"> <li>Materials for EV/FCV parts</li> <li>Materials for automotive batteries</li> </ul>	<ul style="list-style-type: none"> <li>Materials for semiconductors</li> </ul>	<ul style="list-style-type: none"> <li>Materials for parts for mobile phones, etc. </li> <li>Materials for parts for IT devices </li> <li>Materials for many types of batteries </li> </ul>		<ul style="list-style-type: none"> <li>Material used for specialty steel (rare metal)</li> <li>*Nickel, Molybdenum, etc.</li> </ul>
Aluminum and Copper Products	<ul style="list-style-type: none"> <li>Automotive electrical components</li> <li>Automotive structural parts</li> </ul>	<ul style="list-style-type: none"> <li>Copper strips for lead frames</li> </ul>	<ul style="list-style-type: none"> <li>Connector parts</li> <li>Printed circuit board parts</li> </ul>	<ul style="list-style-type: none"> <li>Materials for HVAC equipment (Aluminum rolled products and copper products)</li> </ul>	<ul style="list-style-type: none"> <li>Building materials</li> <li>Parts for electrical equipment (bus bars)</li> <li>Aluminum can materials</li> <li>Heat exchanger materials (titanium and others)</li> </ul>
Equipment and Materials	<ul style="list-style-type: none"> <li>Plating materials for automotive structural parts </li> <li>Welding materials for automotive part dies</li> <li>Cashew resin for brake pads</li> <li>Non-destructive testing equipment/chemicals for automotive production lines</li> <li>Motor parts for automotive electrical components </li> </ul>		<ul style="list-style-type: none"> <li>Plating materials for printed circuit boards </li> <li>Materials for blocking electromagnetic fields</li> </ul>	<ul style="list-style-type: none"> <li>Motor parts for power tools, vacuum cleaners, etc. </li> </ul>	<ul style="list-style-type: none"> <li>Non-destructive testing equipment/testing chemicals for the steel industry </li> <li>Marking equipment </li> <li>Parts for electrical equipment (bus bars)</li> <li>Materials for blocking electromagnetic fields</li> </ul>
Metal Processing	<ul style="list-style-type: none"> <li>Power train parts </li> <li>Prototype parts for automobiles </li> </ul>	<ul style="list-style-type: none"> <li>Parts for manufacturing equipment </li> <li>Parts for chip mounting equipment </li> </ul>	<ul style="list-style-type: none"> <li>Connector terminal parts</li> </ul>	<ul style="list-style-type: none"> <li>Parts for HVAC equipment</li> </ul>	<ul style="list-style-type: none"> <li>Aircraft components</li> </ul>

**Wrought titanium for healthcare sector** 

Growth by using ALCONIX Group resources

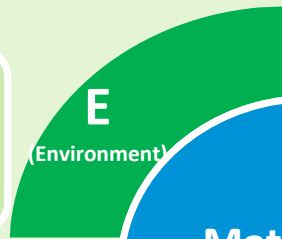
# ALCONIX Sustainability

## The Basic Policy for Sustainability

With the goal of achieving a sustainable “future of our dreams,” based on action guidelines and values expressed in the ALCONIX corporate philosophy, we will use a diverse and skilled workforce and relentless efforts as we work with all stakeholders to play a role in solving issues concerning the environment, society and governance (ESG).

### An environmental harmony vision centered on decarbonization and resource recycling

- (1) Installation of solar panels at ALCONIX Group factories
- (2) Increase sales of materials for EV/next-generation vehicles
- (3) Support development of technologies for reuse of minor metals



### Further upgrade internal controls with emphasis on compliance and risk management frameworks

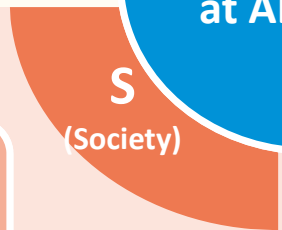
- (1) Develop the group’s whistleblower system for compliance issues/violations
- (2) Training sessions concerning compliance at group companies
- (3) Establish the Corporate Auditor Operations Office and Internal Controls Operations Office



## Materiality at ALCONIX

### Build stronger ties with stakeholders and take actions for respecting human rights

- (1) Community activities and involvement by group companies
- (2) Increase dialogue with shareholders and other investors
- (3) Announce the ALCONIX Group Health Declaration



### Priority issue

Establish assignment/training programs and a workplace environment that support the creative activities of a diverse workforce.

- (1) Start a training program that allows employees to select subjects to study
- (2) Establish an action plan for the empowerment of women (Goal is increasing women to at least 35% of the workforce by 2025)
- (3) Start elderly parent care and child care support programs that exceed the legally mandated levels



Information about the ALCONIX Group’s community activities are on page 40 of the 2022 Integrated Report.



## DISCLAIMER

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ALCONIX