



# Medium-term Management Plan 2023

FY3/24 to FY3/26

May 2023

**ALCONIX CORPORATION**

Listed on TSE Prime Market

**3036**

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# The ALCONIX Group = The comprehensive solution provider for non-ferrous metals and other materials

One-stop solutions extending from the production to wholesale of non-ferrous metals, parts and finished products



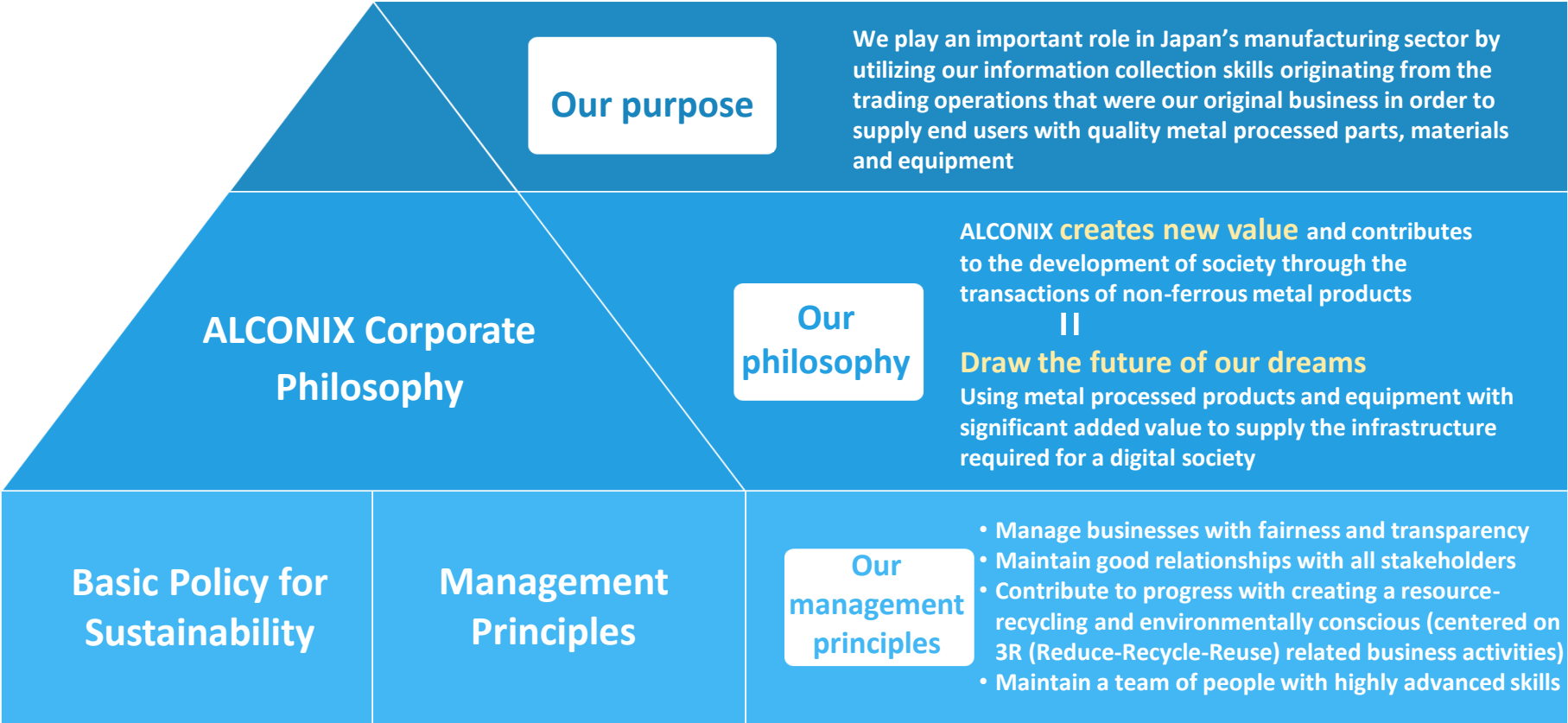
# Values of the ALCONIX Group: Use the Non-ferrous Metals Business to “Draw the Future of Our Dreams”



**ALCONIX**  
AL / CO / NI / X  
Aluminum / Copper / Nickel / Infinite possibilities

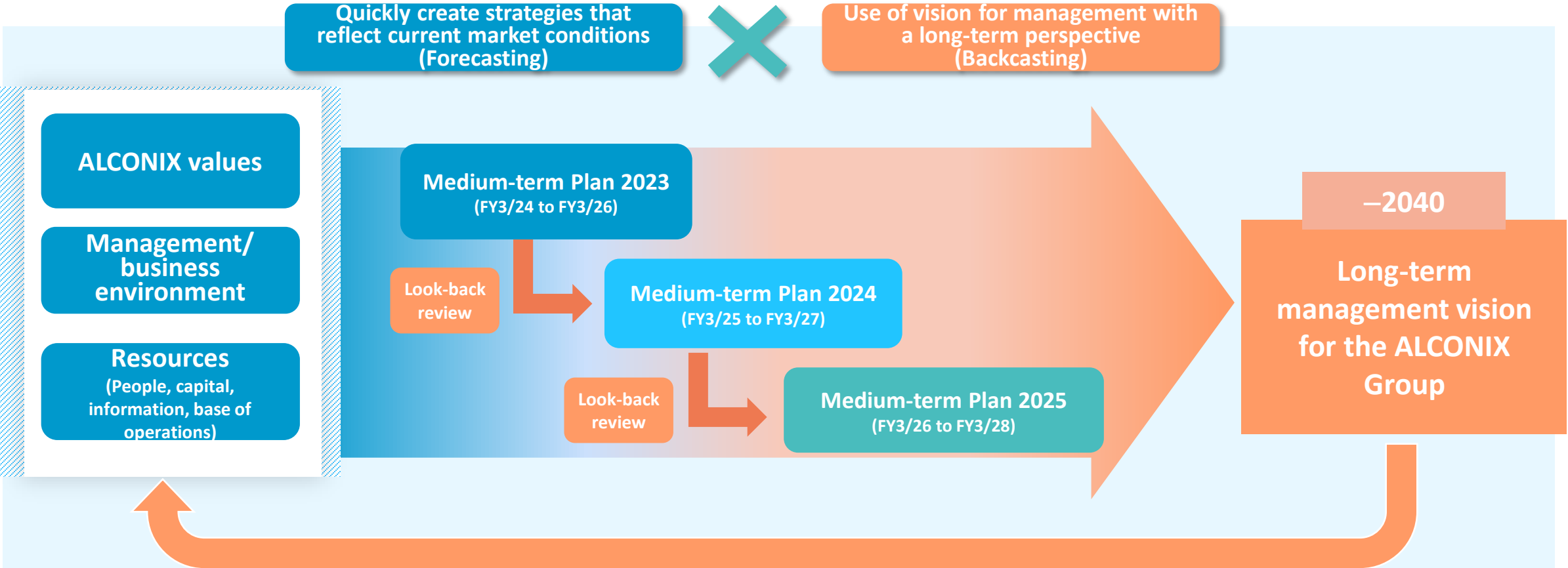
➔ **The spirit embodied in our name**

**ALCONIX uses skills extending from non-ferrous trading to manufacturing operations for constantly taking on the challenge of aiming for new possibilities**



# Rolling Medium-term Management Plans

- A plan for the speedy and flexible use of corporate resources for quickly adapting to changes in the business climate in this age of VUCA (volatility, uncertainty, complexity, ambiguity)
- Examine the accomplishments, issues and growth strategies of all group companies every year for taking actions to maintain the best possible business portfolio for the entire ALCONIX Group

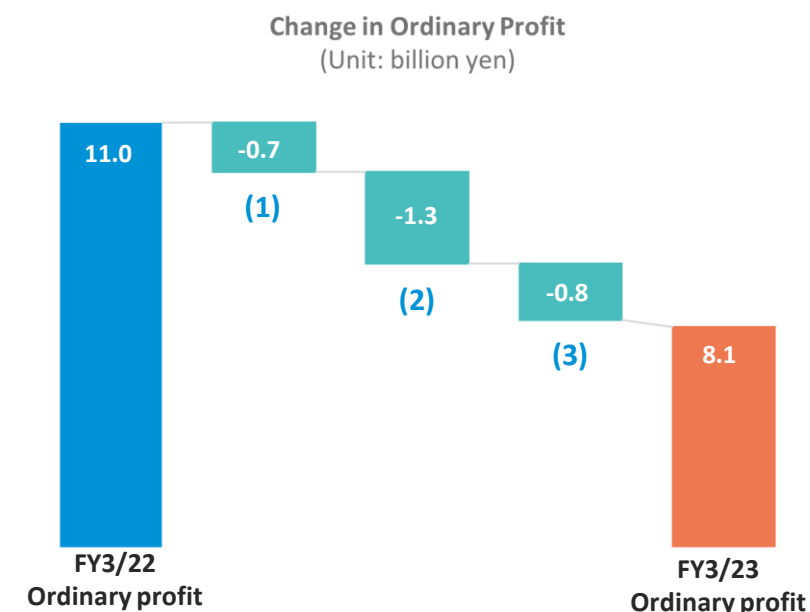


## Accomplishments of FY3/23: Numerical Analysis

- Smaller effect of resource price changes than in FY3/22 but higher sales because of the yen's depreciation
- Earnings down as the cost of sales increased and as shipments declined due to inventory reductions at users of group products

(Unit: billion yen)	FY3/22	FY3/23		FY3/23	Vs. plan
	Results	Results	Change	Initial plan	
Net sales	156.2	178.3	+14.1%	170.0	+8.3
Operating profit	11.0	8.3	-23.8%	9.1	-0.7
Ordinary profit	11.0	8.1	-25.7%	9.0	-0.8
EBITDA	15.1	13.2	-12.6%	-	-
ROE	15.1%	10.5%	-4.6%	-	-
ROIC	6.7%	4.6%	-2.1%	-	-
DOE	2.9%	3.0%	+0.1%	-	-

\*Increases and decreases and rounding may cause inconsistencies of some numbers.



- (1) Gross profit decreased because of a decline in the volume of shipments, the sharp increase in the cost of manufacturing and other reasons
- (2) Caused mainly by SG&A expenses of newly acquired companies and an increase in sales activities expenses as pandemic restrictions ended
- (3) Increase in yen conversions of SG&A expenses at group companies outside Japan because of the weaker yen and stronger dollar

\*1 ROE: Return on equity (Profit attributable to owners of parent / Shareholders' equity x 100)

\*2 ROIC: Return on invested capital (Operating profit after tax / (Interest-bearing debt + Shareholders' equity) x 100)

\*3 DOE: Dividend on equity ratio (Annual dividend per share / Shareholders' equity per share x 100)

(Definition of "shareholders' equity": Share capital + Capital surplus + Retained earnings on the Consolidated Balance Sheet)

## Looking Back on FY3/23: Overview of the ALCONIX Group

- Quarterly review

- 1Q: Shipments remained high as in FY3/22; high prices of copper, aluminum and other metals
- 2Q: Negative effects of low auto production caused by Shanghai lockdown and the semiconductor shortage
- 3Q: Yen's rapid depreciation boosted sales; profit margins down as price increases could not keep up with the rising cost of manufacturing
- 4Q: 3Q business climate continued; logistics disruptions caused by the end of China's zero-COVID policy



**Ordinary profit declined during the second half of FY3/23**

FY3/23 Quarterly Results					
(Unit: billion yen)	1Q	2Q	3Q	4Q	Full year
Net sales	4683.7	4,537.7	4,349.8	4,262.0	17,833.3
Ordinary profit	425.1	185.3	154.5	52.6	817.6
Foreign exchange (Yen/US\$)	129.57	138.37	141.59	132.34	135.47
Copper (US\$/MT)	9,529	7,719	7,994	8,949	8,548
Aluminum (US\$/MT)	2,905	2,358	2,346	2,438	2,511
Nickel (US\$/MT)	29,028	22,054	25,348	26,078	25,627

### Effects on the three priority business sectors for growth

	Automobiles	Semiconductors / Semiconductor manufacturing equipment	Electronic materials and components
China economic slowdown	○		○
Supply chain disruptions	○		
Falling demand for consumer IT products		○	○
Semiconductor shortage	○	○	
Inventory reductions by users	○	○	○

**Decrease in volume of shipments**

## Medium-term Management Plan 2023 (FY3/24 to FY3/26)

- The 2023 plan has even more measures for reinforcing initiatives based on the goals of the new medium-term plan announced in FY3/23

### (1) Reinforce the financial structure

- See P11 – 13 for details

### (2) Upgrade the human capital

- See P17 – 19 for details

### (3) Strengthen governance

- More powerful governance for group companies
- More compliance education programs at group companies



## FY3/26: Sales ¥223 Billion, Ordinary Profit ¥12 Billion, ROE 12%+, EBITDA ¥16 Billion

(Unit: billion yen)	FY3/22	FY3/23	FY3/24	
	Results	Results	Outlook	YoY change
Net sales	152.6	178.3	186.0	+7.6
Operating profit	11.0	8.3	8.4	+0.1
Ordinary profit	11.0	8.1	8.2	+0.1
EBITDA	15.1	13.2	12.8	-0.4
ROE <sup>*1</sup>	15.1%	10.5%	9.8%	-0.7%
ROIC <sup>*2</sup>	6.7%	4.6%	4.5%	-0.1%
DOE <sup>*3</sup>	2.9%	3.0%	2.9%	-0.1%



FY3/26	
Plan	Vs. FY3/23
223.0	+37.0
12.2	+3.8
12.0	+3.8
16.0	+3.2
12.0%	-
6.3%	-
3.2%	+0.2%

(\*ALCONIX target figures)

\*1 ROE: Return on equity (Profit attributable to owners of parent / Shareholders' equity x 100)

\*2 ROIC: Return on invested capital (Operating profit after tax / (Interest-bearing debt + Shareholders' equity) x 100) \*Effective tax rate: 33%

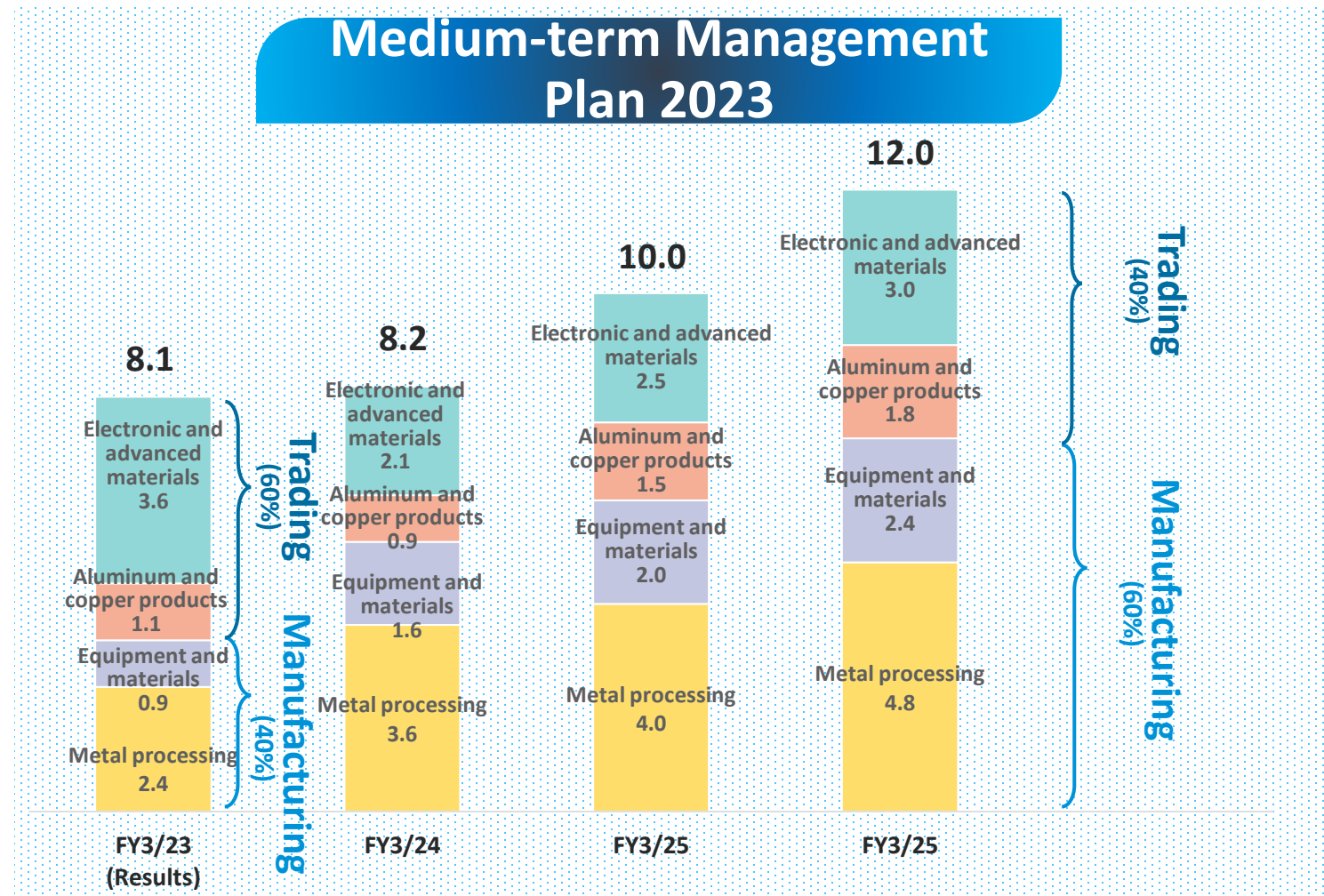
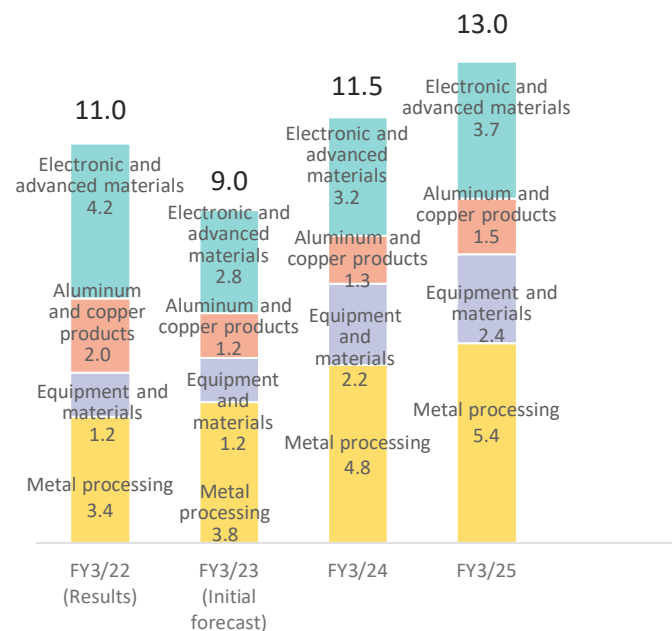
\*3 DOE: Dividend on equity ratio (Annual dividend per share / Shareholders' equity per share x 100)

(Definition of "shareholders' equity": Share capital + Capital surplus + Retained earnings on the Consolidated Balance Sheet)

# Business Segment Earnings Plan (Ordinary Profit: Comparison with Medium-term Management Plan 2022)

(Unit: billion yen)

Reference: Medium-term Management Plan 2022



\*Increases and decreases and rounding may cause inconsistencies of some numbers.

## Policy concerning Cost of Capital and Efficient Use of Capital (1)

- **Cost of capital was believed to be between about 3.5% and 4.0%\* at the end of FY3/23**

### Increase the ROIC

- (1) Big increase in the ability of core businesses to create value (increase EBITDA) based on an analysis of the business climate and internal issues
- (2) Structural reforms of businesses with low profitability
- (3) Reduce liabilities by selling or eliminating in other ways idle assets and assets not used for business operations (such as cross shareholdings)
- (4) Increase investments in people who can create value and increase EBITDA per employee

### Increase the ROE

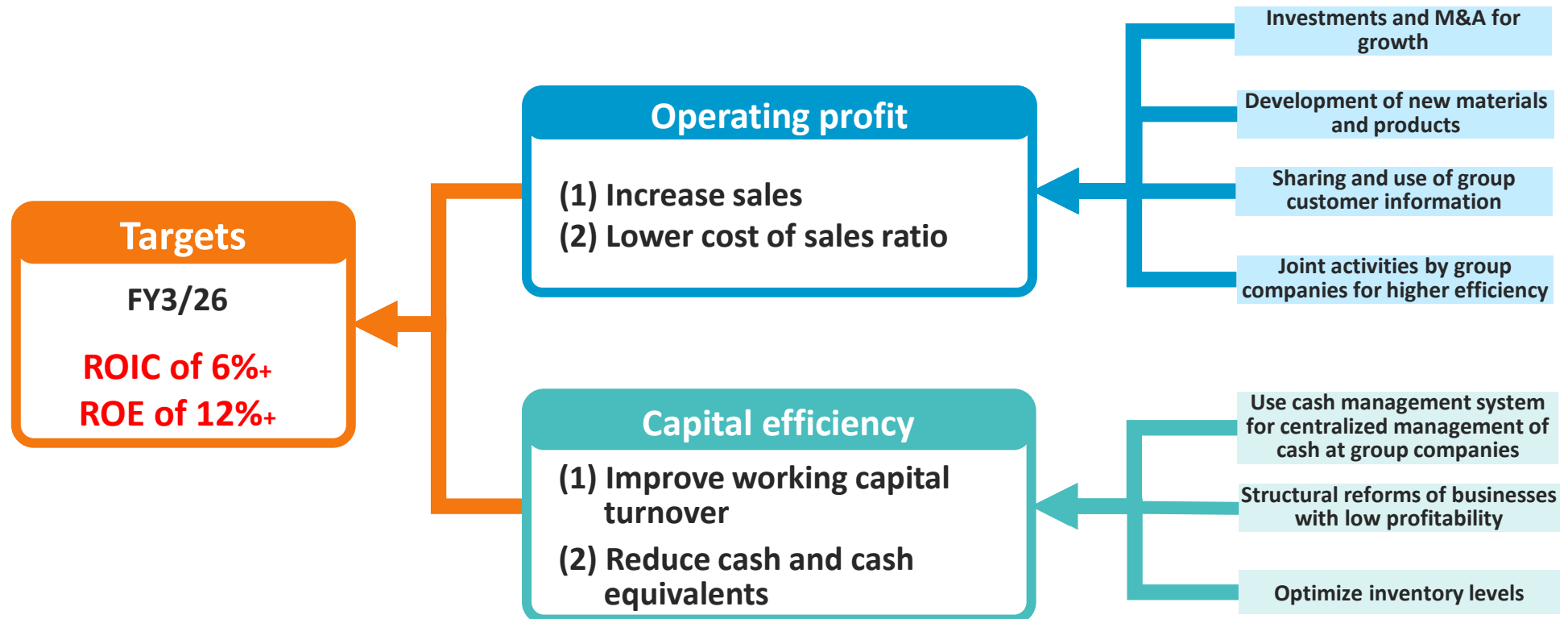
- (1) Implement strategies for growth (more investments in the three priority business sectors)
- (2) Increase distributions to shareholders (goal is a DOE of 3%)

\*WACC (weighted average cost of capital) estimated by ALCONIX.

## Policy concerning Cost of Capital and Efficient Use of Capital (2)

- Numerical targets: **ROIC of more than 6% and ROE of more than 12%**

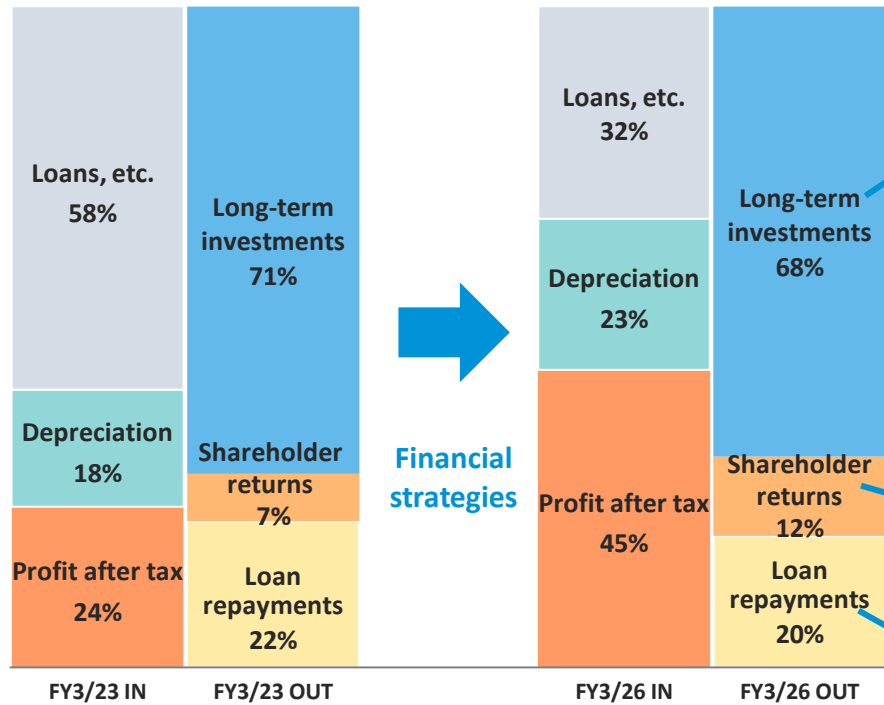
### Flowchart of activities for using capital more efficiently



# Equity Policy and Financial Strategy

## A financial structure for the efficient use of capital

### Stance for allocation of capital



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

#### Many investments for growth to increase corporate value

- New mergers and acquisitions
- Corporate venture capital (add new products and services)
- Capital expenditures by group companies
- Investments in environmentally compatible businesses, such as businesses for decarbonization and recycling resources
- Substantial investments in human capital

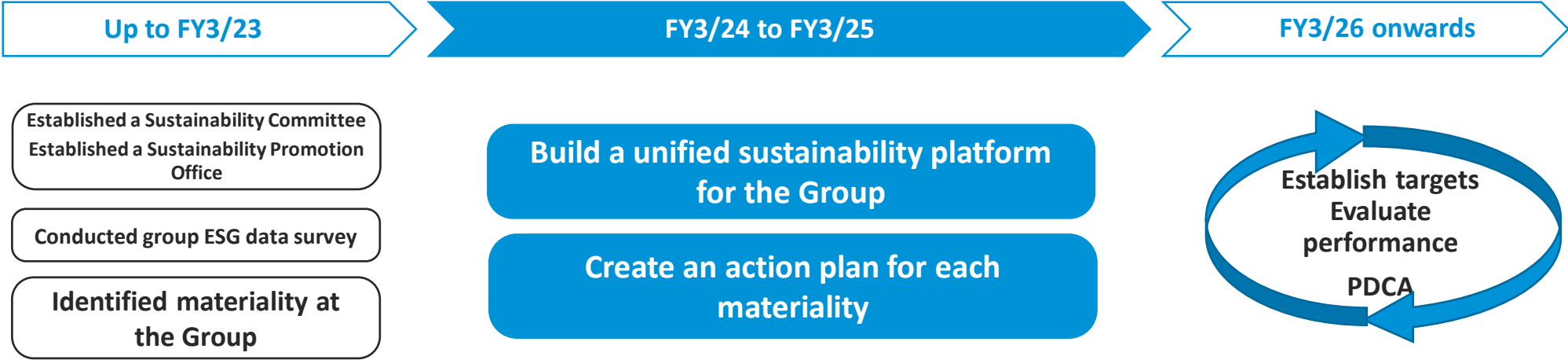
#### Stable and continuous distributions to shareholders

Goal is to maintain a DOE of 3.0%

#### Reduce interest-bearing liabilities over this three-year period

# Sustainability

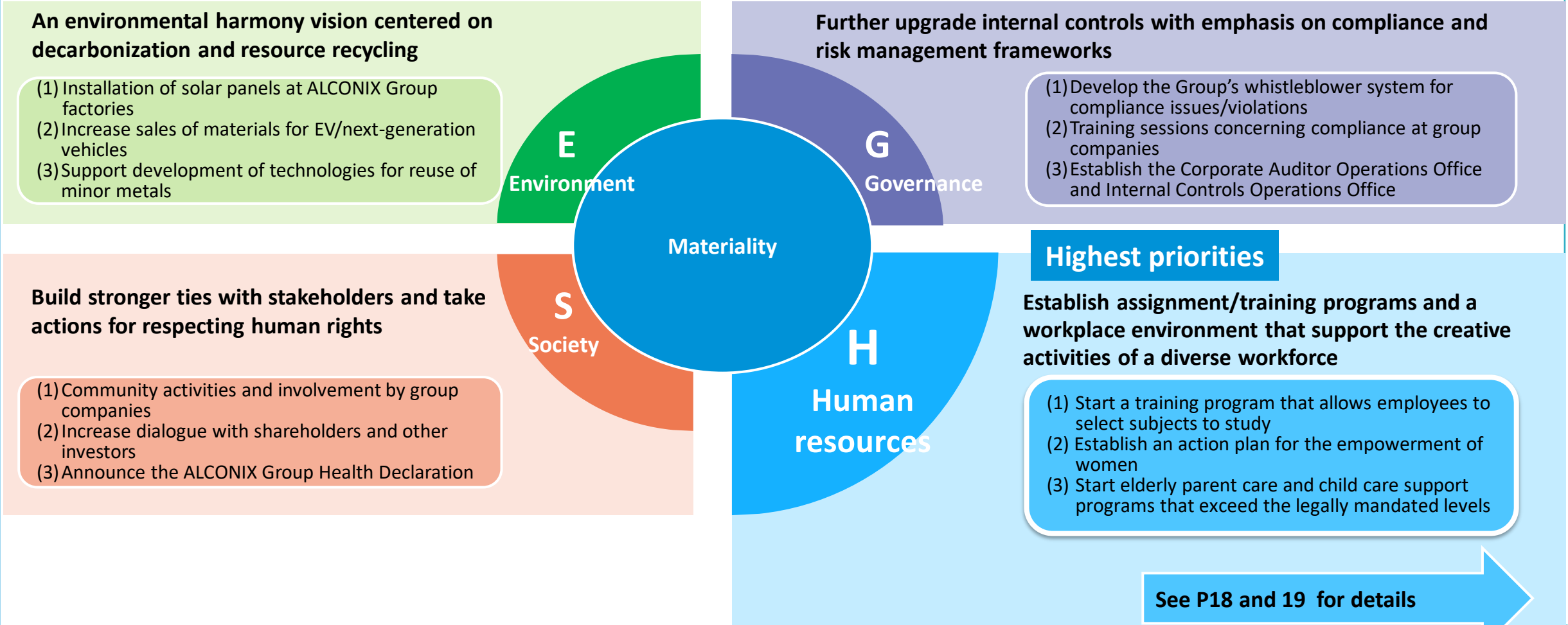
## Initiatives for sustainability promotion



## Framework for sustainability promotion

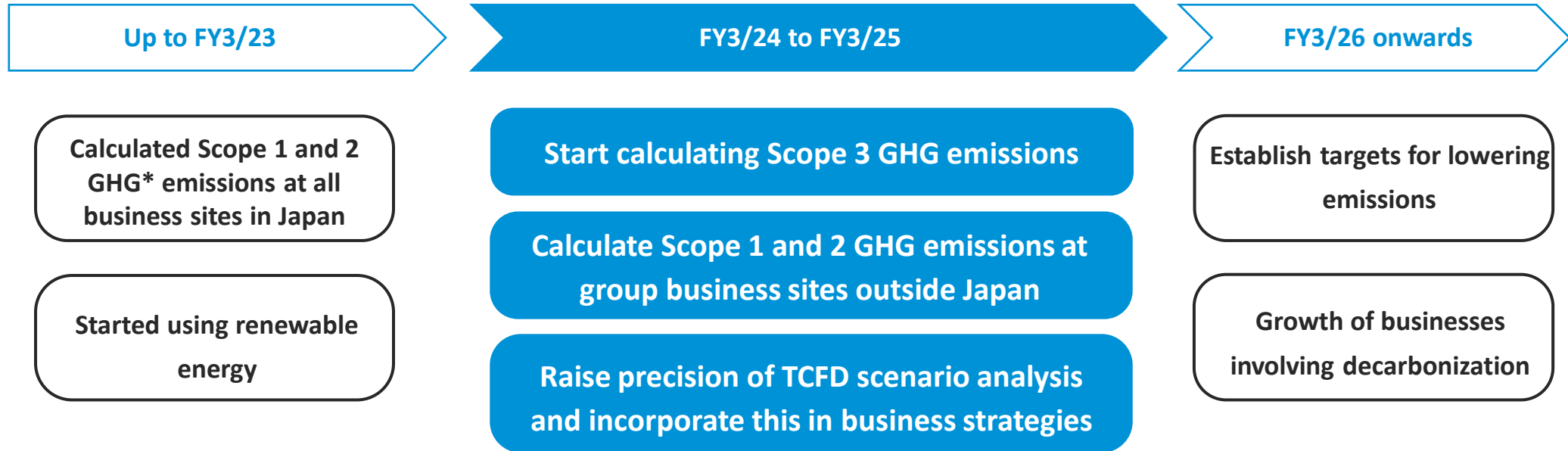


# Materiality of ALCONIX



# Activities at ALCONIX to Combat Climate Change

## Roadmap



**Solar panels in use at Fujine Sangyo Co., Ltd.**  
(Numazu, Shizuoka prefecture)

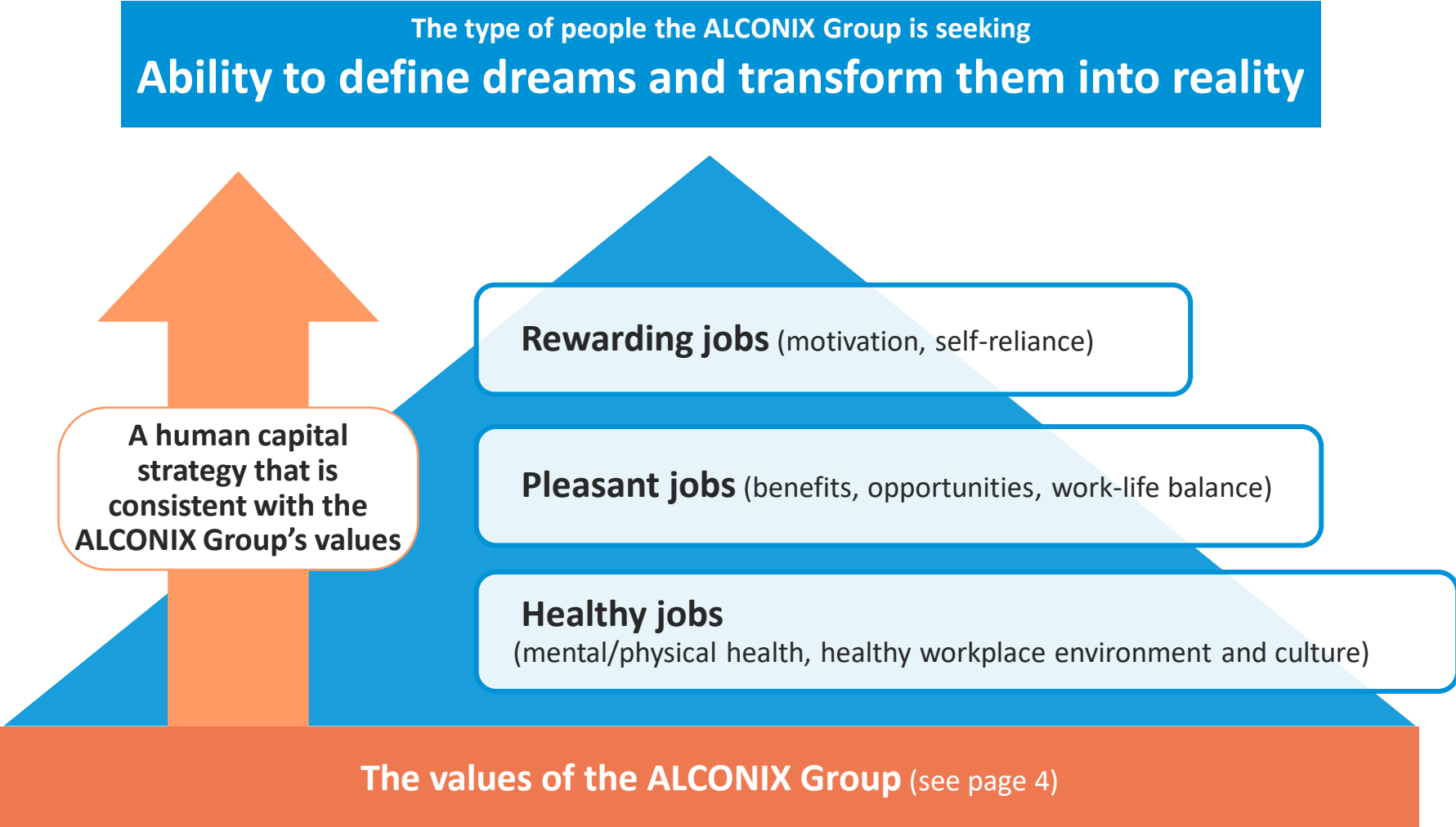


\*GHG: greenhouse gas



# Policy for Human Capital

- People are the power for creating value: Focus on people as the highest priority materiality



# Policy for Investments in Human Capital

- ALCONIX has determined the skills that should receive priority during training programs in order to upgrade the ability to create value. There is an integrated program extending from the education phase to the phase of giving people the opportunity to use their training.
- Every group company has a budget for investments in human capital investments. These companies create education and training programs that reflect their distinctive characteristics and maximize the value creation capabilities of all employees.

Create a training program centered on the key characteristics of the people ALCONIX is seeking

Strategic skills ALCONIX wants

- (1) Forward-looking management skills
- (2) Knowledge of digital technologies
- (3) Understanding of sustainability

Key training activities

- Training for senior management candidates
- Support for receiving an IT passport
- Training for a personal commitment to sustainability

More training investments to raise effectiveness of these programs

Education/training expenditures  
(only ALCONIX)

FY3/23: 13.2 million yen (actual)

FY3/26 plan: **45 million yen**

Total education/training time  
(only ALCONIX)

FY3/23: 2,386 hours (actual)

FY3/26 plan: **4,300 hours**

Encouraging the use of new skills by giving people the right opportunities

(1) Job rotations within the ALCONIX Group

→ Increase mutual ties between the head office and business sites; new types of business activities centered on manufacturing

(2) Corporate venture capital involvement of young people

→ Give young people the opportunity to learn about the latest technologies and innovative business activities

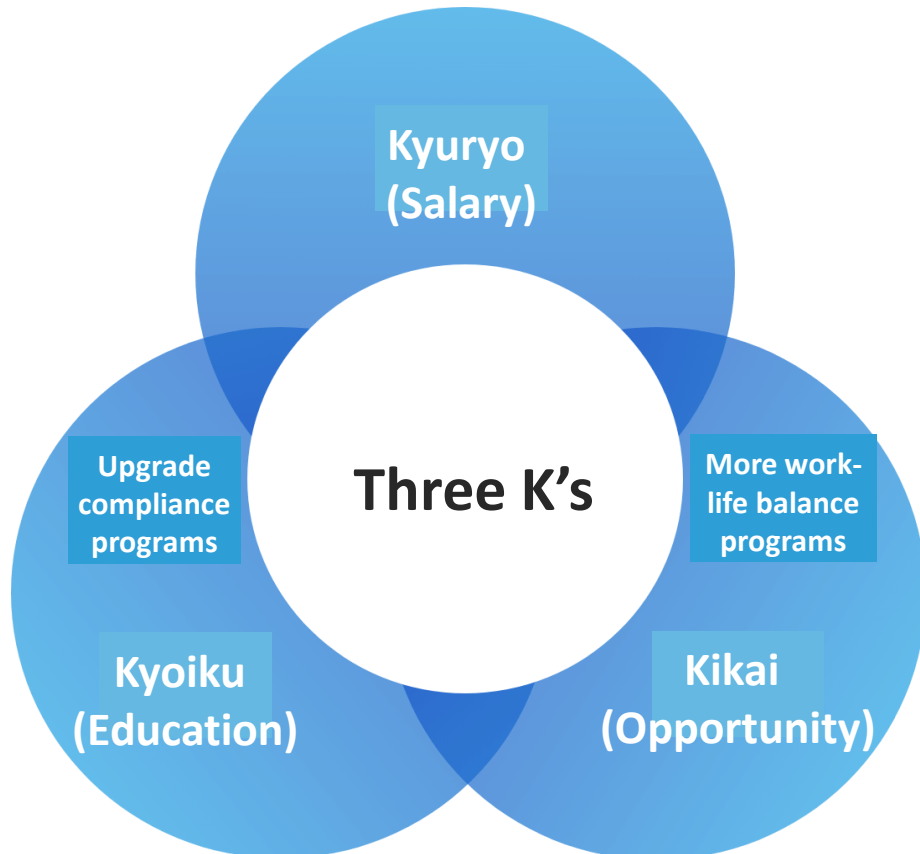
(3) Increase the use of the job transfer application program

→ Encourage employees to take the initiative to define and achieve career goals

(4) Place women in management positions

→ Use activities including leadership training seminars for women to give people the opportunity to advance to management positions regardless of gender

## Our Commitment to the “Three K’s”



### (1) Salary/Opportunity – More activities for advancement of women

- ◆ **Eliminate gender salary gap** by unifying salaries for all job categories
- ◆ Increase the percentage of female managers  
(Goal is an increase from 3.7% at the end of FY3/23 to **5% at the end of FY3/26**)

### (2) Education – Upgrade and enlarge training programs

- ◆ Over the next three years, **more than triple** training program expenditures compared with the FY3/23 level
- ◆ Start a training system that allows young and mid-career employees to select subjects to study
- ◆ Plan to complete in FY3/24 the design of a senior management candidate training program and a program for giving people opportunities for reskilling

### (3) Opportunity – Further upgrade child care and elderly parent care programs

- ◆ Increase child care program participation regardless of gender; prevent the loss of employees due to the need to care for an elderly parent
- ◆ Time off for male employees for child care  
(Male employees used 100% of available time off in FY3/23)
- ◆ Child care, elderly parent care and measures for working style flexibility were all **started at levels that exceed legal requirements**



## Disclaimer

Forecasts for results of operations and other forward-looking statements in these materials are based on information that was available on the announcement date of these materials and on assumptions as of this date concerning uncertainties that may affect future results of operations.

ALCONIX has no obligation to update statements based on these forecasts other than as required by laws and regulations. Actual results of operations may differ significantly from these forward-looking statements for many reasons. Factors that may affect results of operations include, but are not limited to, significant events in the world, market prices of non-ferrous metals and other materials, demand and prices for non-ferrous metal products and other products, and foreign exchange rates.

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