

SPECIAL
FEATURE

Toward a New Stage of Growth— The Group's Vision and Issues to Address

The ALCONIX Group is currently working to bolster Group governance as it moves toward a new stage of growth.

We have invited Kumi Fujisawa, chairperson of the Institute for International Socio-Economic Studies (IISE), to sit down for a roundtable discussion with outside directors Yukiko Imazu and Masao Hisada, where they talked about ALCONIX's strengths as a business and the issues it faces as it moves toward a new stage of growth.

A R O U N D T A B L E D I S C U S S I O N

on Governance

Yukiko Imazu
Outside Director (left)

Masao Hisada
Outside Director (center)

Kumi Fujisawa
Outside Expert (right)

A Unique Business Model That Can Support the Continued Growth of Japanese Manufacturing

Hisada: The ALCONIX Group began as a spin-out of the Non-Ferrous Metals Department of Nissho Iwai Corporation, which is now Sojitz Corporation. Although the Group began as a specialized trading company, it has since made use of M&As to acquire manufacturing companies and achieve a unique form of growth. ALCONIX mainly acquires small and medium-sized companies with succession issues, looking for top-notch companies that can generate future profits because they jibe well with ALCONIX's trading capability or because they can synergize with other Group companies. I think this is an effective strategy. The Company also has a unique approach to post-merger integration (PMI). With a conventional M&A, the acquiring company dispatches a new president and finance department from its head office to work at the acquired company. ALCONIX is different in that it is careful to respect the management style of the company it acquires in a variety of ways, one of which is to have the company president continue in their role. ALCONIX also puts a great deal of effort into the growth of its acquisitions and supports them so that they can increase profits on their own. As a result, each Group company has grown steadily and become a key source of Group revenue, an achievement worthy of praise.



“ALCONIX acquires top-notch companies expected to generate profit, but its management and business execution sides both acknowledge that internal control is an issue.”

Masao Hisada

Outside Director, Chair of the Nomination and Remuneration Advisory Committee
Appointed outside director in June 2019; currently in fifth year of service

However, as the number of Group companies increases every year, internal control has become an issue, and this has been acknowledged by both the management and business execution sides of the Company. In response, the Company has introduced a cash management system, which it is using to integrate its finances, but I think the determining factors going forward will be how it proceeds with overall governance and how its people, who work at ALCONIX, interact with one another and make it strong. I also hope that ALCONIX can use its Trading segment, which has a global reach, to encourage international growth for its Group companies.

Imazu: I am a lawyer by trade, so until I became an outside director with ALCONIX, I had very little knowledge of non-ferrous metals, so I started learning about the business as a first step. ALCONIX's very name sums the Company up well. It is a combination of the first two letters of aluminum, "AL," copper, "CO," and nickel, "NI." This is followed by an "X," which symbolizes infinite possibilities and signifies the Company's forward-facing attitude. This is fitting because outside of ALCONIX, I have never heard of a company in the trading industry acquiring companies in a completely different industry—manufacturing—and then employing a

A R O U N D T A B L E D I S C U S S I O N

business model that combines these two industries. I think the concept is truly special. Additionally, as part of the training for outside directors, we were given the chance to tour the production sites of the Company's manufacturing subsidiaries, which gave us a glimpse of skilled craftsmanship in action. This is what truly lies at the heart of ALCONIX's efforts to support Japanese manufacturing, and made it clear that ALCONIX is doing its part to ensure that the phrase "made in Japan" maintains its prestige.

Fujisawa: I also find the idea of a trading company growing by acquiring manufacturing companies to be highly intriguing. I imagine the significance of having manufacturers as part of its portfolio came about organically as ALCONIX conducted M&As and became more concerned with globalization and also as a natural extension of its core philosophy. As for support for the continued growth of Japanese manufacturing, this is a nationwide issue that needs to be addressed. Recent globalization has made it possible to obtain advanced, up-to-date knowledge and ideas across

national borders. However, it is said that the strength in Japanese manufacturing lies in the meticulous craftsmanship passed down over its long history and in its unique culture, despite digitalization and standardization in the industry. I believe a trading company—an intermediary in the global market—that has its own manufacturers, which supports the continuous growth of Japanese manufacturing, is not only unique but also extremely valuable.

Hisada: As it stands, ALCONIX has a handful of overseas subsidiaries, the main example being UNIVERTICAL HOLDINGS INC., and bases in China belonging to its domestic subsidiaries. I believe that one of the points ALCONIX will need to consider is how will its Trading segment pursue overseas expansion going forward.

The Importance of Being a Proud Member of the Group

Hisada: Earlier, I mentioned internal control across the Group as a future

issue, and we have been putting a lot of effort toward improving it over the past few years. In addition to establishing a chief compliance officer, increasing personnel in the Corporate Division, and creating a compliance manual, we have built a new system to raise the level of internal audits starting in fiscal 2023. Going forward, ALCONIX will need to disseminate this system—and its effectiveness—throughout the Group. My concern is that many of the new companies the Group acquires are small and medium-sized enterprises, so it takes years before they can be truly integrated into the Group, in terms of their culture, governance, and organizational structure. It is important that the Head Office take control of this process, and that we as outside directors keep an eye on this process.

Imazu: I believe the ALCONIX Head Office understands its mission to establish governance worthy of a company listed on the Prime Market segment of the TSE, and is working to establish frameworks and promote initiatives to achieve this mission. But it cannot approach governance of the Group as if it were governance of its own head office—the number of companies are too numerous, and each one is tied to its specific area of operation. It will need to raise its standard of governance, but do so gradually, and a more sophisticated form of Group governance will likely take some time to implement fully.

Fujisawa: Besides the structural aspects of governance, another important factor is figuring out how to make employees of Group companies aware that they, in fact, are part of a single group. If ALCONIX plans to become a more international group in the future, it needs to ensure effective governance, which means that it needs to find a clear way to communicate to its employees, share its values, and build trust.

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To improve governance throughout the Group, it is important that each employee feel proud to be part of the ALCONIX Group.
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Yukiko Imazu
Outside Director
Appointed outside director in June 2022; currently in second year of service



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As the scarcity of resources becomes a major global issue, I believe that the business strategies and operations of the ALCONIX Group have the potential to become a model for the world.
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Kumi Fujisawa
Economic commentator, businessperson, and chairperson of the Institute for International Socio-Economic Studies (IISE). After graduating from Osaka City University and working for several investment fund management companies, Ms. Fujisawa founded Japan's first investment trust evaluation company. In 2000, she co-founded Think Tank SophiaBank and has served as a representative of the institution for 23 years. In 2007, she was selected as one of the Young Global Leaders by the World Economic Forum. She currently serves as chairperson of the NEC Group's IISE and as an outside director for several listed companies.

Imazu: As Ms. Fujisawa points out, it is important for each Group company employee to feel proud of being part of the ALCONIX Group. This will not only improve performance but prevent any misconduct-related issues at work.

Fujisawa: I have served as an outside director at a number of companies and feel that many Japanese companies are content to follow formal standards such as Japan's Corporate Governance Code and end things there. Why not instead use the code as a springboard to examine how to direct a company's growth, how to contribute to society, and how to establish more sophisticated governance freely from diverse perspectives. For this to take place, I and other outside directors need to better understand the true spirit of the code

and utilize it to better communicate to the world how great and valuable these companies are.

Using Communication to Become a Company the World Truly Needs

Hisada: Beyond more sophisticated governance, the greater goal is to increase corporate value. I believe the first step in getting the employees to value the ALCONIX Group is for the Board of Directors to have a full-throated exchange of opinions, based on outside expectations, to determine the true value of ALCONIX in a way that we can communicate.

Imazu: I think one of the roles of an outside director is to be the voice of the stakeholders. That means we need to listen to and understand the voices

of the people within a company. After Board meetings, we do receive reports from Group companies, but I want to get a better feel for what the people of these companies think through face-to-face communication. Both the Board of Directors and the Audit & Supervisory Board are working actively to promote reforms that will make these companies better. We strive to contribute to the further growth of the ALCONIX Group by being mindful of external perspectives.

Fujisawa: This discussion has taught me a great deal about the ALCONIX Group's stalwart efforts to achieve new growth. I think that its business model is extremely valuable since it supports the Japanese manufacturing industry in pursuit of this growth. Furthermore, non-ferrous metals and other resources are becoming increasingly scarce, so determining where to mine the resources, from where to import them, and where to reuse them have all become major issues on a global scale. The business strategies and operations at the heart of ALCONIX can serve as a model for the world. From this perspective, I hope that ALCONIX can communicate its efforts far and wide. I would like to see it weave its aspirations and the role it plays in society into a clear story that anyone can understand, and I also hope it will communicate its social impact with quantifiable numbers.

Finally, as a request, I want the Company to go beyond its dialogues with shareholders and investors and to deepen its engagement with NGOs and other parts of civil society, and become more involved with the local communities where many small and medium-sized manufacturers are based. I think it would be a wonderful thing if people would hold ALCONIX up as a company that the world truly needs.