

DRAWING THE FUTURE OF OUR DREAMS

ALCONIX CORPORATION
Integrated Report 2024



ALCONIX CORPORATION

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The ALCONIX Group's Goal

Refining our comprehensive strength as we venture into the unknown

The letter X is a symbol representing infinite possibilities. It is a symbol we bear proudly in our name "ALCONIX," as we continue to drive forward and venture into new territory. We have grown out of our origins as a specialized trading company and have reached beyond, finding our way and flourishing in new sectors. Today, the ALCONIX Group is a comprehensive organization that organically integrates a trading segment that deals in non-ferrous metals with a manufacturing segment that produces highly competitive niche products.

The non-ferrous metals industry is changing. User needs are becoming increasingly sophisticated and diverse; energy costs are on the rise; and global competition, including the procurement of raw materials, is heating up.

With that said, there are positive changes on our end as well. Group companies that we have acquired through M&As are achieving autonomous growth, and synergies are starting to develop within the Group. We will strengthen collaboration within the Group and build up our comprehensive strength to embolden us as we look to the future, look to the unknown, and venture forward.

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SECTION 05.

Our Corporate Value

At a Glance

Founding

1981

Management Buyout (MBO)

2001

Listing on the First Section of the Tokyo Stock Exchange

2010

Transition to the Prime Market segment of the Tokyo Stock Exchange

Net Sales (Consolidated)

¥174,901 million

Operating Profit (Consolidated)

¥5,463 million

Ordinary Profit (Consolidated)

¥5,447 million

EBITDA

¥10,253 million

ROE

2.9%

ROIC

2.8%

Share Capital

¥5,830 million

Number of Employees (Consolidated)

3,227

Global Network

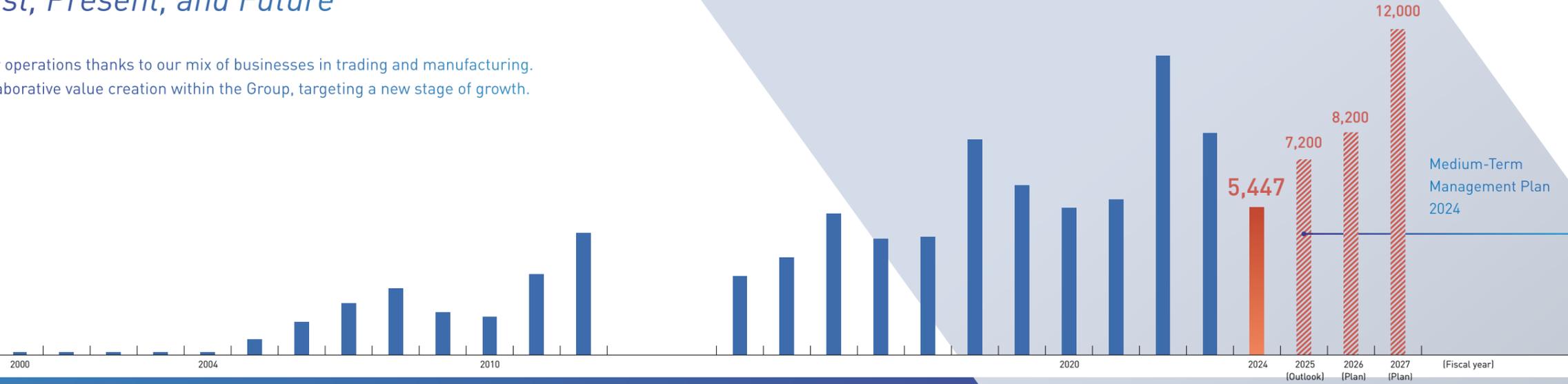


Creating new value through transactions
of non-ferrous metal products

Past, Present, and Future

We have successfully expanded our operations thanks to our mix of businesses in trading and manufacturing. Going forward, we will pursue collaborative value creation within the Group, targeting a new stage of growth.

Ordinary Profit (Million yen)



1981 ————— 1999

Establishment

→ Beginning as a Trading Company Specialized in Non-Ferrous Metals

The company that would become ALCONIX was established as Nissho Iwai Non-Ferrous Metals Corp., a group company of Nissho Iwai Corporation.

This company would expand its domestic sales network to include primarily Tokyo but also greater Osaka and Nagoya and the Hokuriku region (operations in the Hokuriku region have since been discontinued). By increasing sales of aluminum and copper products, which remain key offerings to this very day, Nissho Iwai Non-Ferrous Metals continued to grow as an organization and contributed to the growth of manufacturing in Japan.

- Trading
- Manufacturing

2000 ————— 2009

Emergence

→ From a Second Founding via MBO to a Listed Company

In 2000, we set out to create new value that was unique to our organization to coincide with the departure from the Group umbrella of the general trading company that was Nissho Iwai Corporation. To do so, we expanded our sales network in Japan to Hamamatsu and Hiroshima, and we also expanded to overseas markets. In addition, we tried our hand at mergers and acquisitions (M&As) and acquired a stake in ADVANCED MATERIAL JAPAN CORPORATION, a trading company that specializes in minor metals. Through this acquisition, we were able to bolster our transactions of minor metals and form a foundation as an expert in minor metals and rare earths. In 2005, the company was renamed as ALCONIX CORPORATION and was listed on the JASDAQ Securities Exchange in 2006. In 2009, we decided to expand the scope of our business and began conducting M&As in the manufacturing industry with the goal of further growth. Although we were conducting M&As in a different industry, we were not jumping into unfamiliar territory. Instead, we aimed to use M&As as a means to flesh out existing businesses and explore new ones in areas where we already had knowledge.

2010 ————— 2023

Expansion

→ Making Our Strengths Stronger and Becoming a Leader in Minor Metals and Rare Earths

Our specialization in minor metals and rare earths has given us unique strengths with the prospect of high profitability. In 2010, we realized this potential when ALCONIX was listed on the First Section of the Tokyo Stock Exchange and went on to become an industry leader and well-known supplier of rare earths and minor metals in Japan.

→ Seeing the Results of Our M&A Efforts in the Manufacturing Industry

When we conduct M&As of manufacturing companies, we place a strong emphasis on post-merger integration (PMI) and capital investment. These efforts are gradually being reflected in our earnings, and the Manufacturing segment has come to be a key source of revenue.

2024 ————— 2026

Medium-Term Management Plan 2024— A Launching Point Toward Our New Stage of Growth

Our plan hinges on improving the profitability of existing businesses while accelerating the growth of new businesses, with return on invested capital (ROIC) as our indicator of success. To carry out this strategy, we will boost profits, utilize invested capital with efficiency, and promote a closely aligned human resource strategy.

Key Group Issues

- Establishing a business structure that will ensure steady profits impervious to the changing market conditions
- Facilitating a stable supply of materials and parts to ever-expanding automobile-related businesses
- Meeting client demand to reduce environmental impact
- Securing and developing talent to help shape the future
- Increasing capital efficiency (increasing ROIC)

Basic Policy for the Medium-Term Management Plan

- Build the Group's resilience to improve profitability and chart a new growth curve
 - Pursue management that is conscious of cost of capital and stock price, and create a virtuous cycle of products, capital, and people
- | | |
|---|---|
| Enhance profitability and generate new profit sources | <ul style="list-style-type: none"> Improvement of profitability New investment for growth (M&As and capital investment) |
| Utilize capital and optimize its allocation | <ul style="list-style-type: none"> Active and effective use of invested capital Earnings reinvestment + shareholder returns |
| Invest in human capital development | <ul style="list-style-type: none"> Strategy-based investment in human capital development (recruitment and training) Maximized performance of employees (through the "three keys"—compensation, education, and opportunity) |

A History of Unique Growth Spurred by M&As



Using the strength in networking we have developed through trading, we have utilized M&As as a driver of profit growth, with the distinction of having never recorded an impairment loss associated with an acquisition.

- 2004** ● ADVANCED MATERIAL JAPAN CORPORATION (AMJ)
Import, export, and intermediate trading of minor metals and rare earths
- 2009** ● HAYASHI METAL CORPORATION
Sales of copper and copper-base alloy products for electric equipment, light alloys, stainless copper, and other non-ferrous metals
- OHKAWA CORPORATION
Manufacture of precision machine processing parts used in semiconductor manufacturing equipment, aircraft, and telecommunications equipment
- 2010** ● ALCONIX MITAKA CORPORATION
Sales of copper and copper alloys, aluminum, stainless steel, and other non-ferrous metals, as well as machined, surface-treated, and resin composites of these metals and ingots

- 2013** ● UNIVERTICAL LLC
Manufacturing and sales of various types of plating materials and related chemical products
- ALUMINUM & COPPER RECYCLING CENTER CORPORATION (formerly OSAKA ALUMI CENTER CORPORATION)
Recycling of aluminum and copper scrap (from collection to sales)
- OHBA SEIKEN CO., LTD.
Design, manufacture, and assembly of semiconductor packaging machines (chip mounters), automobile parts, medical equipment parts, etc.
- 2014** ● INADA COPPER* CENTER
Recycling of aluminum and copper scrap (from collection to sales)
* Business transfer from ALUMINUM & COPPER RECYCLING CENTER CORPORATION

- 2015** ● TOKAI YOGYO CO., LTD.
Development, manufacturing, and sales of welding materials for press molds, forging molds, and low-pressure casting and die-casting molds; overlay welding materials for various equipment
- HEIWA KINZOKU CO., LTD.
Sales, export, and import trading of non-ferrous metal products such as light metal, copper, and copper-base alloy products
- 2016** ● MARKTEC CORPORATION
Development of non-destructive inspection equipment and consumables; development, manufacture, and sales of printing and marking equipment
- 2017** ● FUJI PRESS CO., LTD.
Manufacture and sales of precision stamped parts for automotive applications

- 2018** ● TOHOKU CHEMICAL INDUSTRIES, LTD.
Manufacturing and sales of cashew particle resin (e.g., brake friction material) and cashew chemical products
- 2019** ● FUJI CARBON MANUFACTURING CO.
Manufacturing and sales of powder metallurgy products
- FUJI ALCONIX MEXICO S.A. de C.V.
Mexico base for the manufacture and sales of precision press dies and pressed parts for automobiles
- 2020** ● FUJINE INDUSTRY CO., LTD.
Manufacture and processing of air-conditioning equipment parts (tanks/piping), cutting of compressor parts (cylinders/bearings), and unit assembly

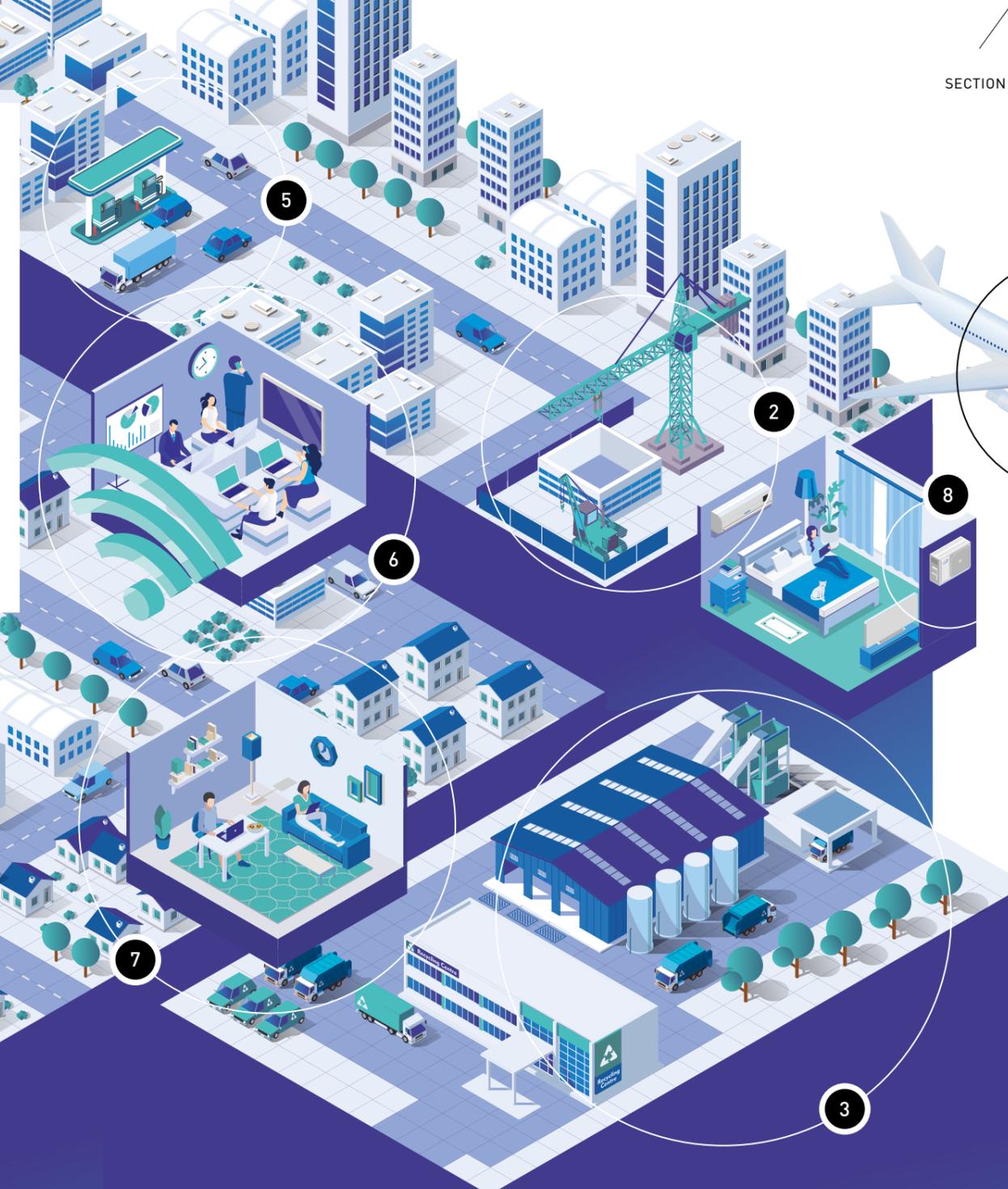
- 2022** ● JUPITER INDUSTRY CO., LTD.
Design and production of precision press molds; stamping and molding (insert molding)
- SOODE NAGANO CO., LTD.
Manufacture of metal press parts for lithium-ion batteries
- DKSH Market Expansion Services Japan K.K. (Metal Products Division)*
European exports of titanium roll flat products for medical use
* Business transfer
- 2024** ● Sakamoto Electric Mfg. Co., Ltd.
Manufacture of precision machine processing parts, industrial control equipment, and electronic measuring equipment

Our Corporate Value

ALCONIX, Everywhere

Aluminum, copper, minor metals, and rare earths: These and other non-ferrous metals are used everywhere in modern society—smartphones, computers, and automobiles, to name just a few examples.

In keeping with our goal to be a comprehensive solution provider for non-ferrous metals, we deal with products that are at once niche while also playing strong roles in people's lives.



Strategic growth investments >> Mobility Semiconductor-related Circular economies

8 Air-Conditioning & Climate Control Systems

We possess know-how and core technologies in the air-conditioning sector, built up over years of trading experience. These factors help us meet the global demand for air-conditioning, which is on the rise amid the ongoing energy crisis and climate change.

Key products and services:
Heat exchangers, copper tubes for refrigerants
Chief operating companies:
ALCONIX MITAKA CORPORATION, HEIWA KINZOKU CO., LTD., FUJINE INDUSTRY CO., LTD., ALCONIX CORPORATION

7 Semiconductors

We handle electronic materials and components for use in smartphones and personal computers, as well as minor metals and rare earths that comprise these materials and components. We also handle parts for semiconductor production equipment (SPE) and chip mounters, etc.

Key products and services:
High-performance materials, plating materials
Chief operating companies:
ADVANCED MATERIAL JAPAN CORPORATION, OHKAWA CORPORATION, OHBA SEIKEN CO., LTD., UNIVERTICAL LLC, Sakamoto Electric Mfg. Co., Ltd., ALCONIX CORPORATION

6 Electronic Materials and Parts

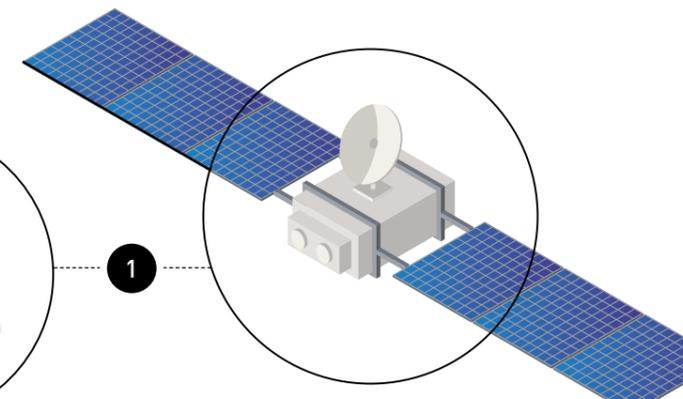
We handle electronic materials and components for use in smartphones and personal computers as well as for battery materials.

Key products and services:
Battery materials, radio wave absorbers
Chief operating companies:
ADVANCED MATERIAL JAPAN CORPORATION, JUPITER INDUSTRY CO., LTD., SOODE NAGANO CO., LTD., HONG KONG ANDEX ELECTRONIC MATERIAL CO., LTD., Sakamoto Electric Mfg. Co., Ltd., ALCONIX CORPORATION

5 Automobiles

We handle core materials and niche parts that contribute to the development of electric vehicles (EVs), fuel cell vehicles (FCVs), and other next-generation vehicles.

Key products and services:
Automobile parts, electrical components, in-vehicle batteries
Chief operating companies:
FUJI PRESS CO., LTD., TOHOKU CHEMICAL INDUSTRIES, LTD., FUJI CARBON MANUFACTURING CO., SOODE NAGANO CO., LTD., OHBA SEIKEN CO., LTD., JUPITER INDUSTRY CO., LTD., TOKAI YOGYO CO., LTD., FUJI ALCONIX MEXICO S.A. de C.V., ALCONIX CASTLE METALS AND CHEMICALS SDN. BHD., ALCONIX CORPORATION



1 Aerospace

In addition to dealing in external aircraft parts, we also produce parts for aircraft engines that require advanced technology.

Key products and services:
Structural parts, engine parts
Chief operating companies:
OHKAWA CORPORATION, ALCONIX CORPORATION

2 Construction

We supply parts for electrical equipment and construction materials necessary for buildings. In addition, we handle testing equipment to verify building safety.

Key products and services:
Electrical equipment parts, construction materials, Waterlogic®
Chief operating companies:
HAYASHI METAL CORPORATION, ALCONIX CORPORATION

3 Environment and Recycling

Recycling has been a core business since the founding of the Company, and we continue to strengthen this business in an effort to develop a circular economy.

Key products and services:
Collection, sorting, and quality improvement for recyclable materials such as aluminum cans, and aluminum and copper scrap
Chief operating companies:
ALUMINUM & COPPER RECYCLING CENTER CORPORATION, ADVANCED MATERIAL JAPAN CORPORATION, ALCONIX CORPORATION

4 Plants and Chemicals

In addition to offering chemical manufacturing and inspection services on a contractual basis, we also work with inspection equipment used in a variety of factories.

Key products and services:
Non-destructive testing, chemical manufacturing services, inspection services
Chief operating companies:
MARKTEC CORPORATION, ALCONIX CORPORATION

Drawing the Future of Our Dreams

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



The name ALCONIX is a combination of the first two letters of aluminum (AL), copper (CO), and nickel (NI), plus the letter X, which represents the unknown. It symbolizes our strong determination to keep challenging ourselves to search for new business possibilities beyond the framework of non-ferrous metals. We will continue moving forward, venturing into the unknown.

Guidelines Referenced

Integrated Reporting Framework, published by the IFRS Foundation; Guidance for Collaborative Value Creation, published by the Ministry of Economy, Trade and Industry

Scope of Reporting

ALCONIX CORPORATION and the ALCONIX Group

Reporting Period

Fiscal 2023 (the period from April 1, 2023 to March 31, 2024) Information on some activities taking place after March 31, 2024 has also been included.

Target Audience

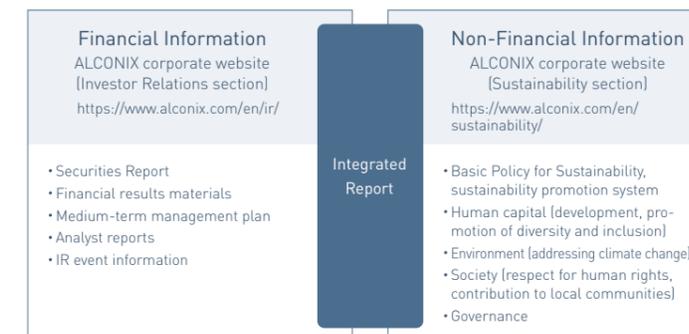
All stakeholders involved with the ALCONIX Group

Precautionary Note Regarding Forward-Looking Statements

Non-historical statements contained within this report are forward-looking statements and plans based on future forecasts. These forecasts include factors such as potential risks and contingencies, and actual results may differ from the forecasts published in this report.

Positioning of the Integrated Report

The integrated report combines financial and non-financial information to provide our stakeholders with an overview of how we create sustainable corporate value.



CONTENTS



01.

Our Corporate Value

Key Point

“Drawing the Future of Our Dreams” by Offering New Value

At the ALCONIX Group, we aim to draw the future of our dreams—bringing our ideal vision of the future to life—through transactions centered on non-ferrous metals. In this section, we provide an overview of what value the Group provides society and where the Group provides it, as well as the corporate value we have built up in pursuit of this future.

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- 1 At a Glance
- 2 Past, Present, and Future
- 4 ALCONIX, Everywhere



02.

Toward Our New Stage of Growth

Key Point

Knowing Where We Can Provide Value

To carry out our corporate philosophy with even greater success, we are using M&As and vigorous growth investments to bring the ALCONIX Group to a new stage of evolution. In this section, we lay out our road map for growth and outline our value creation process. Members of management also offer their thoughts and input regarding ALCONIX’s past and future.

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03.

Where Value Is Born

Key Point

The Integration of Materials and Technology for a Greater Range of Value

We strive to be a comprehensive provider of solutions for non-ferrous metals. To reach this goal, the Group has developed a unique business model that integrates trading and manufacturing. In this section, we will break down some of the aspects of our business segments that help create value, as well as their specific strategies for reaching our new stage of growth.

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Where ALCONIX’s Comprehensive Strength Is Born



04.

The Sustainable Future of Our Dreams

Key Point

Sustainable Growth through H-ESG

The ALCONIX Group is deeply aware of the importance of sustainability initiatives, acknowledging the significance of human capital, the environment, society, and governance as material issues (H-ESG). In this section, we present our aspirations, initiatives, and potential issues going forward.

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05.

Building the Foundation for Realizing Our Dreams

Key Point

Reinforcing the Management System That Underpins Our Efforts

Corporate governance is the foundation that underpins our efforts to achieve sustainable improvements to corporate value. This section discusses the results of our initiatives to strengthen governance within the ALCONIX Group and features a three-way discussion between the president and outside directors about the importance of human capital.

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Data Section

Key Point

Our Achievements to Date

We must constantly reorganize and expand our business portfolio with an open mind to ensure that we can meet uncertain external conditions and industry changes with a swift and flexible response as we continue working to improve our performance. In this section, we provide data that illustrates how these efforts have impacted performance to date.

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MESSAGE FROM THE CEO

By promoting M&As and strategic growth investment, we will evolve Group management to a new stage and achieve unprecedented growth.

Hiroshi Teshirogi

Representative Director,
President and CEO

Building in Face of Adversity

In fiscal 2023, the fiscal year ended March 31, 2024, we achieved net sales of ¥174,901 million and ordinary profit of ¥5,447 million, signifying a drop in revenue and profits from the previous fiscal year. Although we revised our forecasts downward during the year, we faced an uphill battle and ended up recording extraordinary losses, including an allowance for doubtful accounts in one of our businesses in China as well as expenses for structural reforms at one of our subsidiaries. To put it simply, market recovery has been much slower than initially projected.

Firstly, there was a prolonged slump in demand for semiconductors and automobile-related products, which are two mainstay sectors for the Group. It's a matter of "once bitten, twice shy." Remembering how the COVID-19 pandemic upended the supply chain, customers held onto safety stock. But since demand was slow to recover, this stock was not exhausted to the degree expected, which led to a drop in new orders. Furthermore, in aluminum and copper, our company's original business, shipment volumes have been dropping year on year for over two years. What is more, the price of nickel has been declining month after month for 10 consecutive months. As a result, the non-ferrous metals industry—an industry that we do a great deal of business in—finds itself in a volatile and uncertain situation going forward. Other major factors contributing to this situation have been rising labor and logistics costs, as well as the stagnation of the Chinese economy. Although it continues to grow, the rate of its growth has slowed down, causing changes in the flow of goods.

On the other hand, there have been times when we have benefited from market conditions. In fiscal 2021, a combination of our accumulated efforts and favorable market conditions led us to our highest ordinary profit ever, at ¥11,009 million, and in fiscal 2022, we achieved our second-highest ordinary profit, at ¥8,176 million. In these cases, COVID-19, more specifically, the push for people to stay at home, proved to be a market tailwind and a boost to business results, as it led people to purchase smartphones, PCs, and tablets, as well as power tools for DIY projects and vacuum cleaners for spring cleaning. This is all to say that our performance will inevitably be affected by market conditions and trends in demand. However, we have been working to build a solid foundation that will ensure stable results amid this ebb and flow. I would like to explain some of these efforts.

Message from the CEO

Achieving Future Growth by Strengthening Our Foundation for True Integration

The ALCONIX Group is a one-stop comprehensive solution provider offering everything from production to wholesale of non-ferrous metal materials, parts, and products. Working in this role, the Group creates and provides a range of value that helps create a sustainable society. Due to the COVID-19 pandemic and rising geopolitical risks, domestic and international market environments have become increasingly uncertain, making it difficult to predict the future. Under conditions where the COVID-19 pandemic restricted economic activity, we have been working to enhance internal controls and build infrastructure that will lay the foundation for growth. SG&A expenses for ALCONIX alone have increased significantly over the past five years, but most of these increases have been related to our investments in human capital. As our M&A efforts increase the number of Group companies, we risk becoming imbalanced. To prevent this from happening, and to enhance the Group at its core, we have increased the number of employees, particularly in the Corporate Division, and have also improved working conditions. In addition, we made a vigorous effort to restructure our organization by shoring up the various departments in charge of “defense,” namely, our Information System Department, Audit Department, General Affairs & Human Resources Department, and Legal & Compliance Department—departments which had been short-handed and therefore unable to keep up with the growth of the Company. To remedy this situation and further improve the infrastructure of the Corporate Division, in 2023 we split the Corporate Planning Department into three separate departments—the Corporate Planning Department, the Business Strategy Department, and the Business

Management Department—to establish a clear division of roles within our “offensive” strategy. We saved this step for organizational restructuring to the last, the reason being that we wanted to prioritize building a solid foundation for defensive management, as it was clear to us that if we expanded departments in charge of corporate planning without this foundation, we would be unable to support our ever-increasing number of new businesses and Group companies. As a result, I believe that our internal control system has become more robust, making us more capable than ever of maximizing the synergies between Group companies.

ALCONIX has always held up its characteristic integration of trading and manufacturing capabilities, but I have come to realize that what we have called “integration” was really more of a simple “pairing.” By improving our internal controls and laying the groundwork for creating synergies, we believe we have established a system in which a single pairing can generate great new value and achieve integration in the truest sense of the word.

M&As for the Next Stage— Building the Foundation for Future Group Management

In May 2024, we announced Medium-Term Management Plan 2024. As part of the plan, we set three areas for strategic growth investment: “mobility,” “semiconductor-related area,” and “circular economies” to reframe and expand upon the existing three key sectors. To be clear, however, this categorization is not a random decision intended to replace the three key sectors of automobiles, semiconductors, and electronic materials and parts, and we still abide by our policy of not jumping into unfamiliar territory. As mentioned above, strengthening our internal controls has made our foundation more robust, which means we have made it possible to broaden these sectors to some degree. Up to this point, we have been somewhat passive in our approach to M&As and investments in new businesses, but from now on, we will be more proactive in identifying shortcomings and taking assertive action. The ALCONIX Group is a one-stop comprehensive solution provider for non-ferrous metals, and we will pursue further M&As in the domains of non-ferrous metals, mobility, semiconductors and semiconductor manufacturing equipment, and recycling to fill in any gaps in our services and bring us to even greater heights as that true “one stop.” At the same time, we will consider making partial investments in companies as a potential option in addition to acquiring them fully through M&As, which was our main strategy previously. Any such decisions will be made according to the business projections and scale of the target companies.

When moving forward with this approach, we need “strength in networking” formed from the tacit knowledge—the combination

of our experience, know-how, and connections—that we have cultivated to date. At the same time, we also need the ability to make rational judgments. When you lean too much on networking and other subjective skills, one mistake can lead to decision-making merely based on intuition but lacking in objectivity and rationality. Of course, sometimes we need intuitive judgments; that much is undeniable. However, I believe rational judgments based on quantitative information are essential before we ever reach that point. Therefore, we need to gather data and materials and make rational decisions about where to invest to grow as a company. Once that is complete, we can then put our strength in networking to work. I think this will lead to value creation unique to ALCONIX.

Furthermore, in recent years, management that is conscious of cost of capital and stock price has become increasingly important. When it comes to M&As or investments, we must first conduct a thorough investigation, assessing the target company’s ROA, ROE, and other relevant factors; look into how we will raise the appropriate funding based on the cost of capital; and then determine whether the deal will be viable. In other words, we need to assess whether a potential target will be able to generate the free cash flow we expect of it. The final important factor is whether a target has manufacturing technology related to ALCONIX’s and ultimately whether we can work together and contribute to the revitalization of the non-ferrous metals industry. With these factors in mind, we whittle down the scope of potential projects to those we believe need to be undertaken. While objectivity and rationality are important, a better approach to M&As is to make comprehensive judgments that reflect quantitative data without neglecting qualitative aspects that cannot be expressed in numbers, and that is our intention going forward.

The Role of the Head Office—to Encourage the Autonomous Growth of Group Companies

For Group management to evolve, I believe Group companies need self-direction and drive. We are not quite at the point of selecting and focusing on certain businesses. The prospect of revamping our portfolio is always on the table, but this is not something we want to rush into. Instead, we need to cultivate self-direction and drive among companies that join the Group, which we could also describe as their ability to achieve autonomous growth. This is important, as I believe that it will increase the possibilities of new synergies and integration.

To encourage this autonomous growth, the ALCONIX Head Office is particularly focused on supporting capital investments made by each Group company. The role of the Head Office is to take the lead on large-scale investments that will aid in the growth of these companies. As it stands, strategic investments are being made at each Group company, most of which are led by the Head Office. Specific examples include the expansion of ALUMINUM & COPPER RECYCLING CENTER

CORPORATION in Kitakyushu, the establishment of a second factory in Tongling, China by UNIVERTICAL LLC, and the construction of a new factory by SOODE NAGANO CO., LTD. in the U.S. state of Kansas. By having the Head Office lead and actively support these capital investments made at Group companies for their respective purposes, we hope to help improve their self-direction and drive. We intend to give each Group company a certain degree of freedom to create autonomous growth, but at the same time, we will keep a close eye on matters such as overall direction and large-scale capital investments. This is a very difficult tightrope to walk, and, while I understand that this is something that can only be mastered with experience, I believe this is an expected role and function of a head office in promoting group management.

The Unique Strengths of ALCONIX

Our strengths lie in our flexibility and resilience. ALCONIX was established as a spin-out of one of the business departments of Nissho Iwai Corporation, which is now Sojitz Corporation. Always looking to the future, we have continued to grow by acquiring manufacturing companies through M&As, which has led us to becoming the unique corporate entity we are today. As a result, rather than relying on a single, inflexible approach, we have been able to develop a more diversified way of doing things, whereby even if one business were performing poorly, other businesses would make up for it. As I mentioned at the outset, our performance in fiscal 2023 was negatively impacted by market conditions, which was by no means satisfactory. However, we can say that even with these poor business conditions, we still managed to earn ordinary profit of more than ¥5 billion.

We are a unique corporate group, and it is difficult to get a full picture of what we are, even from the perspective of institutional investors or other companies in the same industry. That being said, I do not see this as a weakness. On the contrary, I see this as a strength and our competitive advantage. I will say, though, that we have focused too much on sheer growth. We have worked to grow our business centered on non-ferrous metals with no limits on what we would consider as a potential source of revenue. As we continue to utilize M&As to expand the scope of our manufacturing

Message from the CEO

Toward Our New Stage of Growth

capabilities it has become clear that overemphasizing business diversification has led us to neglect allocating management resources to human capital and other areas, resulting in growth imbalances. However, one could also say that we have already built up a solid business foundation for further progress over time. The question now is how proactive we can be with measures going forward.

Appreciating Your Employees and Giving Them a Positive Work Environment

It is a common understanding that people are the ultimate source of value creation and the essential drivers to a company's growth. I want to speak on this from a personal perspective. As I mentioned earlier, ALCONIX was established as a spin-out from Nissho Iwai Corporation. The idea that we revitalized our portfolio through a management buyout (MBO) reads well on paper, but this glosses over a process fraught with many difficult situations that we had to overcome. That is why I was truly grateful that people came to work at ALCONIX over the years, and I wanted these people to be able to do their jobs as happily and comfortably as possible. This was not just my view, but the view of all of the management executives who were with us at the time. Ideally, we would raise everyone's salaries, but that is unrealistic since salaries are so closely tied to revenue. In any case, I do not believe that money is the one and only factor resulting in employee happiness. Over the past five years we have made significant improvements to address areas that have been lacking, which include salaries but also cover benefits, education, and opportunities. For example, our maternity leave, childcare leave, and nursing care support systems are more generous than required by law, and we have raised the starting salary for new graduate hires to a level comparable to that of general trading companies. We have also expanded our training options to provide more opportunities for employees to take part in, upgraded our career development program, promoted use of our job transfer application program, and introduced a compliance consultation and reporting system. Furthermore, we are providing more opportunities for employees to speak with their supervisors in one-on-one sessions, and we have introduced a system that lets us hear employee opinions directly. My hope is that by doing everything we can as a company, we will encourage our employees to approach their day-to-day work with enthusiasm and a sense of fulfillment.

We are working to create conditions and systems that allow employees in dual-income households, including women, to pursue the careers they aspire to while still being able to devote time to childcare or other duties. We are also introducing more flexible work arrangements that allow for a variety of workstyles. I believe that when you establish an environment for a diverse range of people to thrive, corporate value rises as a result.



We have every intent to keep improving human capital management, which includes our succession plan, but no management system is perfect. Knowing this, we will keep an open mind as we work day in and day out to refine the system's framework, keeping human rights as the underlying premise of the whole system as we make a good work environment better, for every person, at any time.

Expanding Recycling to Help the Environment and Society

One of our most important stakeholders is society. As we formulate our next medium-term management plan and vision, we will ask ourselves where social contribution fits within them, what goals to make and what steps we need to take to achieve these goals and increase employee engagement and motivation. Material issues for ALCONIX are summed up by the acronym "H-ESG"—human capital, environment, society, and governance. For environmental and social contribution, we focus on recycling, utilizing renewable energy, and reducing plastic waste.

Regarding recycling, ALCONIX has been engaged in recycling for non-ferrous metals for some time, and I am proud to say that our track record and knowledge on the subject have earned us a solid reputation in the market. Moreover, ALUMINUM & COPPER RECYCLING CENTER CORPORATION, a Group company with scrapyards in Osaka and Kitakyushu, acquired 27,000 m² of land in the Wakamatsu Ward of Kitakyushu City, with plans to begin operations on this land in 2025. Many recycling companies are selective when it comes to collecting scrap, and ALCONIX is no exception. For example,

if the non-ferrous metal content in a piece of scrap is 90%, we welcome it, but if the content is, say, only 20%, we reject it because it would be difficult to extract. This means that there are rankings even among scrap—some scrap is regarded as gold, some silver, and some bronze. At the new recycling center, we as a company will be sorting the waste ourselves and will be expanding the scope of what we collect. By collecting more scrap, we can increase our recycling ratio and contribute toward carbon neutrality. By expanding our recycling centers, we will be better equipped to meet the specific needs of our business partners, increasing the volume of waste collected and sold, and providing value to society in the form of a stable supply and lower environmental impact.

As for utilizing renewable energy, we are making an active effort to install solar panels at the Group's manufacturing and recycling facilities. This is another way we are advancing toward carbon neutrality. We install solar panels whenever we build, expand, or renovate a factory, and work to utilize renewable energy as a means to reduce electricity consumption.

Finally, we reduce plastic waste using our Waterlogic® UV water purifiers, which utilize tap water and are available as integrated water dispensers, countertop models, and models that produce carbonated water. If this type of water purifier becomes more widespread, it will reduce the use of plastic bottles and other plastic containers, which will help reduce plastic waste while also helping to remedy Japan's 2024 logistics problem.* I hope these and other activities to address the SDGs, as well as our corporate activities, will enable ALCONIX to contribute to society.

* The "2024 logistics problem" refers to the logistical delays that are expected to result from two regulations related to truck driver working hours, both of which took effect in April 2024.

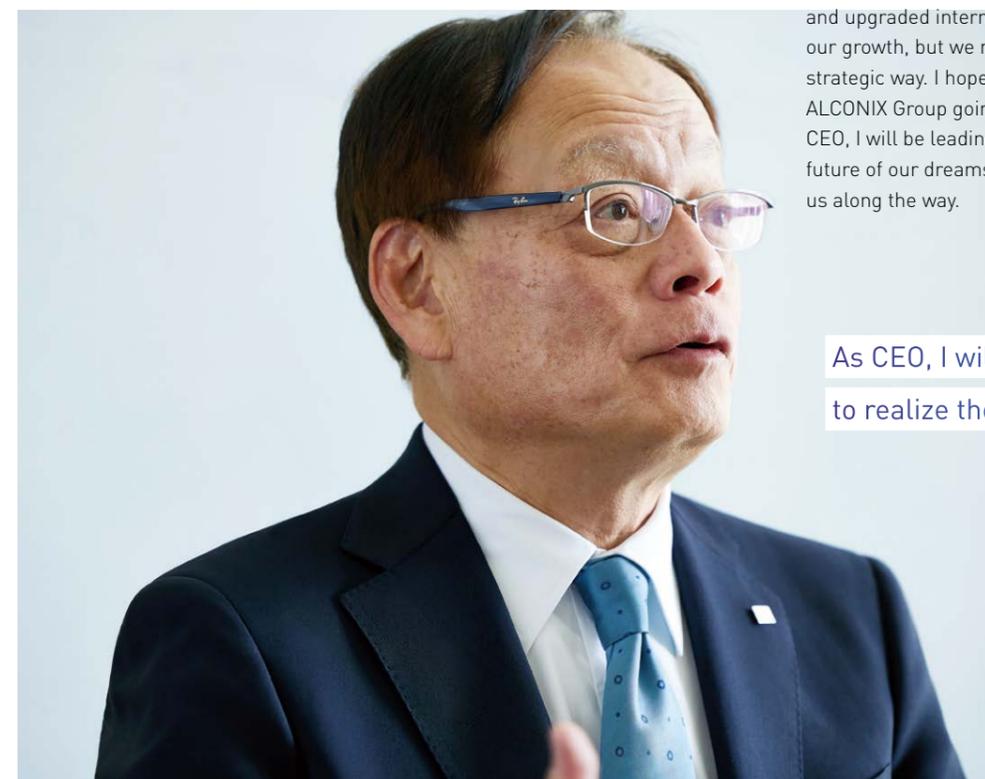
To Our Stakeholders—Creating Value

I previously emphasized the importance of employees as stakeholders, but in essence there is no particular order of importance; all stakeholders are important—including shareholders, business partners, and society. If we are to increase our corporate value, I believe we need to pay special attention to issues that fall under the H and S of H-ESG, namely, respect for human rights, improvement of living and social infrastructure, human capital development, and supply chain management.

In terms of shareholder returns, our highest priority is maintaining stable dividend payments, and with this in mind, we have set a numerical target of 3% or higher for dividend on equity ratio (DOE), which we introduced as a key performance indicator (KPI) in 2022. As long as profits continue to grow, we intend to continue to meet the support of our shareholders with a steady stream of shareholder returns.

As I alluded to in the section on strengths, I believe that one of ALCONIX's defining features is that the Company is difficult to sum up in any simple way, since our resources and capabilities are not easy to decipher. ALCONIX will effectively leverage these tacit and difficult-to-express resources and generate new value in a creative way as we head toward true integration. In addition, infrastructure that will facilitate integration within the Group is already being put in place. We will be tireless in our continued efforts to ramp up decision-making on a variety of matters and make active capital investments via our Head Office and Group companies. After five years of strengthening our internal control system, we have scaled up our foundation for growth to the next level. With a foundation in place, supplemented with a stronger Corporate Division and upgraded internal controls, now is the time to step up our growth, but we must do it in a more comprehensive and strategic way. I hope you have high expectations for the ALCONIX Group going forward, as we intend to meet them. As CEO, I will be leading the way in our quest to realize the future of our dreams, and I hope you will continue to support us along the way.

As CEO, I will be leading the way in our quest to realize the future of our dreams.



The ALCONIX Group's Value Creation Process

Toward Our New Stage of Growth



Corporate Philosophy
 Create new value and contribute to the development of society through the transactions of non-ferrous metal products

Business (Strengths x Business) Model

Create value through **the power of our network** to ascertain demand

Maximize value through **the power of our technology** to shape demand

Materiality (Material Issues)

- H Human Capital**
Establish an assignment and training system that supports the creative activities of a diverse workforce and provide pleasant and productive workplaces
- E Environment**
Operate environmentally responsible businesses for the reduction of carbon emissions and the reuse of resources
- S Society**
Build stronger ties with stakeholders and take actions that show respect for human rights
- G Governance**
Reinforce internal controls with an emphasis on frameworks for compliance and risk management

Business Foundation (Governance)

Medium-Term Management Plan 2024

Growth Areas (Key Areas for Investment)
 Utilizing Well-Established Business Areas

Basic Policy
 Engaging in Management That Is Conscious of Cost of Capital and Stock Price

1. Enhance profitability and generate new profit sources
2. Utilize capital and optimize its allocation
3. Invest in human capital development

Mobility

- Next-generation materials (batteries and hydrogen fuel cells)
- Lightweight and megacasting-related
- Brake materials and parts
- Motor and actuator materials
- Automotive thermal systems, heat exchangers, and their various parts
- Rare earths and minor metals

Semiconductor-Related

- Semiconductor materials
- Parts for semiconductor production equipment (SPE)

Circular Economies

- Green aluminum
- Recycling
- Urban mining

Acquisition of new companies via M&As

Fiscal 2023

Economic Value

- Net sales: **¥174,901 million**
- Ordinary profit: **¥5,447 million**
- Profit attributable to owners of parent: **¥1,598 million**
- EBITDA: **¥10,253 million**
- ROE (based on shareholders' equity): **2.9%**
- ROIC (based on shareholders' equity): **2.8%**
- Earning power per person (based on consolidated EBITDA): **¥3.17 million**

Social Value

- Promotion of M&As aimed at business succession and contribution to Japanese manufacturing
- Enhancement of recycling business and promotion of a comprehensive recycling-oriented supply chain

Our Vision

Be a comprehensive solution provider for non-ferrous metals

One-stop services covering everything from production to distribution of non-ferrous metal materials, parts, and products

Future-facing market analysis and development of distribution channels driven by trading business

Production technology applied to new sectors, paving the way to gain customers in markets

Cooperation and collaboration between Group companies

Building Resilience to Improve Profitability and Chart a New Growth Curve

Medium-Term Management Plan 2024 (Fiscal 2024–Fiscal 2026)

The ALCONIX Group's new medium-term management plan is underpinned by basic policies aimed at achieving two overall goals: 1) build the Group's resilience to improve profitability and chart a new growth curve, and 2) pursue management that is conscious of cost of capital and stock price while creating a virtuous cycle of products, people, and financial and intellectual capital. Takumi Suzuki, chief strategy officer (CSO) of ALCONIX and the person in charge of developing this plan, has taken some time to explain what he believes are its key parts.

MESSAGE FROM THE CSO

Taking a Proactive Approach: Reframing Key Sectors as Growth Areas

For Medium-Term Management Plan 2024, our aim was to subdivide our three key sectors of automobiles, semiconductors, and electronic materials and parts, and reorganize them according to investment areas for strategic growth. We ultimately reframed these key sectors as growth areas, namely, "mobility," "semiconductor-related area," and "circular economies."

To date, our business in both semiconductors and electronic materials and parts was closely tied to automobile-related products, blurring the lines between these sectors

and automobiles. For this reason, we needed a way to more clearly assert the Group's identity and its commitments. Therefore, we grouped these activities under the heading "mobility," which covers any and all mobility-related business, be it related to non-ferrous metals, electronic materials and parts, semiconductor-related business, or even next-generation materials involving megacasting*—all of which are relevant to the question of what the Group can do in relation to the next generation of automobiles.

We reframed semiconductors as "semiconductor-related" growth areas to cover semiconductor materials and components, as well as products related to front-end and back-end processes for semiconductor production, all of which are handled by our Trading and Manufacturing segments. In this way, "semiconductor-related" covers both semiconductors and semiconductor manufacturing equipment.

That leaves the third growth area, "circular economies." To resonate with our Management Principles, specifically to "conduct environmentally sound business," we have reframed the production and resource supply network as part of this category, referring to aluminum and copper production with a significantly reduced environmental impact at the smelting stage, made possible through recycling or the use of renewable energy. This is well suited to meet customer demand for green materials (recycled materials), which have come to the forefront in recent years.

We defined our previous key sectors as a way to organize businesses acquired through M&As according to their various functions within the production process, categorizing them into sectors based on their final products and customer base. To make categorization easier to understand and reflect the current state of our business, in Medium-Term Management Plan 2024, we have redefined growth areas under the theme of materials and manufacturing (technology), two fields we excel in. Our aim was to show how we effectively utilize the strengths in materials and manufacturing and turn them into new value over the medium to long term.

* Megacasting is an aluminum die-casting technology that allows the entire body of an electric vehicle to be molded as a single unit.

New Business Development as an Extension of Existing Businesses

We have expanded our business domains by promoting M&As. What matters now is how we take the breadth of experience built up through those endeavors and direct it toward future growth. Our expenses will keep rising as interest rates and the costs of labor and logistics increase. We are at a point in time that requires management to be conscious of cost of capital and stock price, and if business does not grow at a

rate that exceeds these rising costs, we will be unable to increase corporate value.

Put simply, we need to review our portfolio with an emphasis on CAGR (compound annual growth rate). To that end, our fundamental approach will be to improve profitability in existing businesses while striving for financial efficiency, with return on invested capital (ROIC) as our primary indicator. To determine which new businesses to pursue, we will prioritize options that derive from existing businesses and can make the most of our current management resources. Then, we will consider whether these potential new businesses can generate corporate value in the future. From there, we will keep making well thought-out choices for our business to grow while filling in gaps in our existing services. Our policy is to enter new domains using strengths cultivated thus far, an approach that I believe will curtail risk. Expanding into completely new areas means that there is little experience in risk control. Therefore, I believe the more appropriate course of action for developing new businesses and portfolio management is to treat new businesses as extensions of our existing ones and achieve major business growth that way.

Crafting a Growth Strategy with a Long-Term Perspective

Medium-Term Management Plan 2024 will continue to follow a rolling format as with previous plans, but we will discuss whether to maintain this format going forward. In times of rapid change and uncertainty, I believe that there is less meaning in making overly detailed short-term plans. Setting an overall direction for the Company from a long-term perspective while following a strategy that stresses agility makes it easier to control risks and, together with our sustainability strategy, provides an easy-to-understand benchmark for measuring corporate value—so I believe a more long-term strategy suits ALCONIX well. Bearing this in mind, a task force rooted in the Corporate Planning Department has already taken the general lead in the process of developing the next medium-term management plan and vision. To construct an effective strategy, it is important to stay mindful of how to control risk and how to devise a plan to make the most of resources allocated to risk management. Since there is no growth without risk, I believe investors are more willing to invest in companies with the ability to identify risks and manage them properly.

As we continue moving forward with current short-term strategies, I, as CSO, will be engaged in developing a long-term management plan—the road map that will direct us toward business growth—with the aim of realizing the future of our dreams, one step at a time.

Takumi Suzuki

Director, Senior Managing Executive Officer and CSO

SPECIAL FEATURE

Toward Our New Stage of Growth

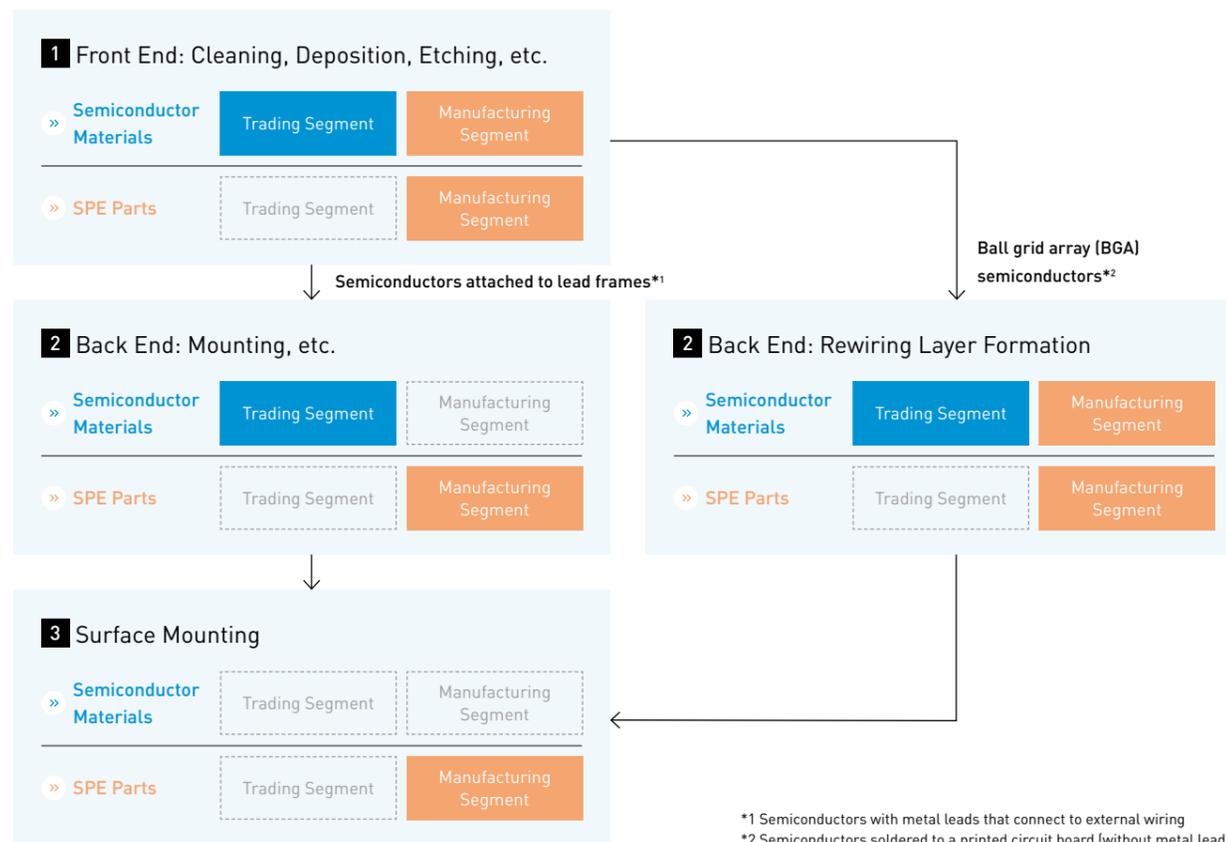
The ALCONIX Group's Medium- to Long-Term Growth Strategies

The ALCONIX Group formulates rolling medium-term management plans that are updated annually and promotes dynamic strategies that facilitate medium-term growth. To better achieve sustainable growth, we have developed a long-term vision for the future, which involves the implementation of medium- to long-term growth strategies. In addition, we have laid out three strategic growth areas in Medium-Term Management Plan 2024 to move forward with a more long-term perspective.

Of these areas, "semiconductor-related" and "mobility" comprise arterial industries that process natural resources to produce products and other commodities, whereas "circular economies" engages with venous industries that collect waste products from items produced by arterial industries, which are reprocessed or redistributed back to manufacturers. As a result, each area plays a vital role within the Group's growth strategy to create a circular value chain in the form of a loop of connecting, creating, and recycling materials and technologies. Moreover, these are areas in which the ALCONIX Group will be able to utilize its strengths to the fullest, maximize its potential, and expand the scope of the value it can provide.

Strategy 1 Semiconductor-Related

The ALCONIX Group has long been involved in several facets of the semiconductor market, from supplying materials for front-end, back-end and surface mounting processes, to parts for semiconductor production equipment (SPE). The current line of thought is that demand for semiconductors will continue to rise to accommodate AI, data centers, and automobiles. With the move toward more sophisticated parts integral to front-end processes and higher integration occurring in the back end, the demand for more precise processing overall will continue to strengthen. We are also exploring the use of our Corporate venture capital (CVC) fund to invest in new wafer materials, bolstering the Group's foundation in semiconductor-related growth areas, and remaining in stride with technological advances and innovations.



Strategy 2 Mobility

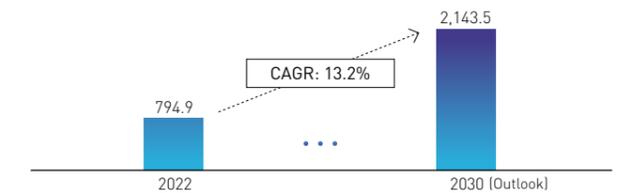
Secondary Batteries for Automobiles

In addition to materials for the batteries themselves, the ALCONIX Group also handles materials for the battery exterior and mechanical parts.

The market for lithium-ion batteries is growing, particularly in the area of mobility. This is due to the increasing adoption of EVs, PHEVs,*1 and other new energy vehicles (NEVs). The expectation is that this trend will lead to the development of high-performance batteries with greater capacity and rapid charging capabilities. Within the ALCONIX Group, battery materials are handled by the Electronic and Advanced Materials Business and ADVANCED MATERIAL JAPAN CORPORATION (AMJ) under the umbrella of the Trading segment, while SOODE NAGANO CO., LTD., which operates within the Manufacturing segment as part of the Metal Processing Business, processes metal parts. ANDEX Co., Ltd.*2

also plays a role in the material recycling process. With the lithium-ion battery market primed for such significant growth, we are committed to building up our business accordingly.

Growth in Market for Secondary Batteries*3 for Automobiles*4 (Billion yen)



*1 Plug-in hybrid electric vehicles. Refers to hybrid vehicles equipped with a high-capacity battery and external charging capabilities
*2 HONG KONG ANDEX ELECTRONIC MATERIAL CO., LTD.
*3 Lithium-ion batteries, nickel-hydrogen batteries, next-generation batteries
*4 Produced in-house based on external materials

Heat Exchangers (Thermal Management Systems)

Thermal management systems are essential for mobility since they affect vehicle performance. Thermal management systems are used for air-conditioning equipment, radiators and other in-vehicle heat exchangers, and housing materials that cover and protect EV batteries and motors. Non-ferrous metals are valued highly for their excellent thermal conductivity and cost performance, making this an area in which the Group can demonstrate its greatest strengths. As NEVs become more widespread, the number of main motors and on-board batteries required per vehicle is increasing, necessitating more complex heat exchangers. Improving thermal efficiency has a direct impact on reducing power consumption and helps extend driving range; as a result, a variety of new parts and processed products are being developed to that end. In addition to their use in the mobility domain, thermal management systems are also used in air-conditioning equipment including air conditioners, refrigerators, and freezers.

Relevant businesses and companies within the Group include the Aluminum and Copper Business, a part of the Trading segment, which handles materials such as copper

tubes and plates, aluminum tubes and plates, and titanium roll flat products, and the Metal Processing Business, a part of the Manufacturing segment, specifically FUJI PRESS CO., LTD., which manufactures high-precision stamped parts, and FUJINE INDUSTRY CO., LTD., which manufactures parts for air conditioners. We will continue to enhance our capabilities in areas related to thermal management systems to ensure we are well attuned to any new developments in the market for these systems and to meet customer needs in good order.



Defining the ALCONIX Group's Purpose and Developing Its Vision



The ALCONIX Group is working to initiate a value chain in which we generate a loop of connecting, creating, and recycling materials and technologies and help create a sustainable society in the process. Many of the materials and products that the Group handles and manufactures have yet to find mainstream use, but we take pride in knowing that all of these materials and products are intended to enrich the life of someone, somewhere, some day. To date, the Group has not only handled and manufactured materials and products but has also leveraged M&As to ensure that companies can carry on with their operations and keep evolving their technologies, while also working to deepen ties with local communities. Moving forward, we will continue to bring together people, resources, and technologies from across the Group, freely and without limit, to draw the future of our dreams—meaning, our dreams and the dreams of our stakeholders. To communicate this sentiment throughout the Group, we have answered the call from senior management and have taken it upon ourselves to define a new purpose and develop a new vision for the Group as we forge ahead.

Medium-Term Management Plan 2023 in Review

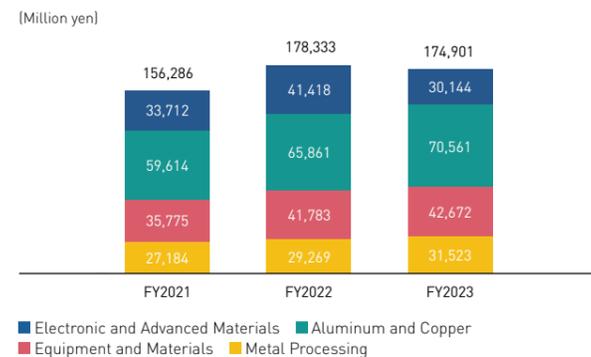
We currently develop three-year medium-term management plans on a rolling basis, meaning that we revise our plans every year. This ensures that we are able to mount a flexible response in times when the external environment that affects our business is opaque and uncertain or the industries we engage in undergo changes.

Summary of Fiscal 2023

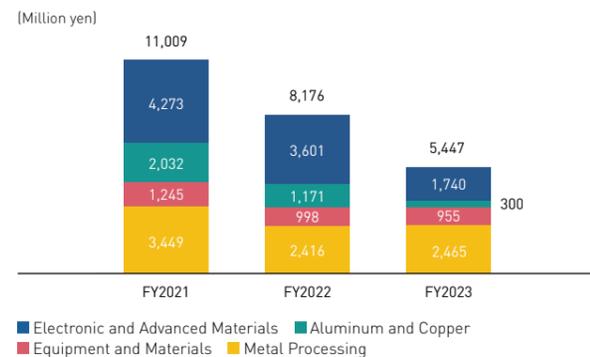
Fiscal 2023 was a year marked by harsh business conditions, owing to low prices for non-ferrous metals. This was particularly apparent in nickel prices, which continued to drop throughout the year. In addition, the semiconductor industry suffered as inventories were utilized at a rate lower than expected due to a delayed recovery in demand, which caused a slowdown in shipments related to semiconductor production equipment (SPE) and chip mounting equipment. Over the course of the year, we made growth investments in our existing businesses. Specifically, two of our Group companies, SOODE NAGANO CO., LTD. and UNIVERTICAL LLC, established new overseas factories in the U.S. and China, respectively. Also, ALUMINUM & COPPER RECYCLING CENTER CORPORATION made domestic capital investments, relocating its Kitakyushu branch and constructing new buildings.

	Fiscal 2022		Fiscal 2023		
	Results	Results	YoY Change	Initial Forecast	Results vs. Initial Forecast
(Billion yen)					
Profit targets					
Net sales	178.3	174.9	-1.9%	186.0	-11.1
Operating profit	8.3	5.4	-34.9%	8.4	-3.0
Ordinary profit	8.1	5.4	-33.4%	8.2	-2.8
Management benchmarks					
EBITDA	13.2	10.2	-22.6%	12.8	-2.6
Return on equity (ROE)	10.5%	2.9%	-7.6pp	9.8%	-6.9pp
Return on invested capital (ROIC)	4.6%	2.8%	-1.8pp	4.5%	-1.7pp
Dividend on equity (DOE)	3.0%	3.0%	—	2.9%	+0.1pp

Net Sales by Segment



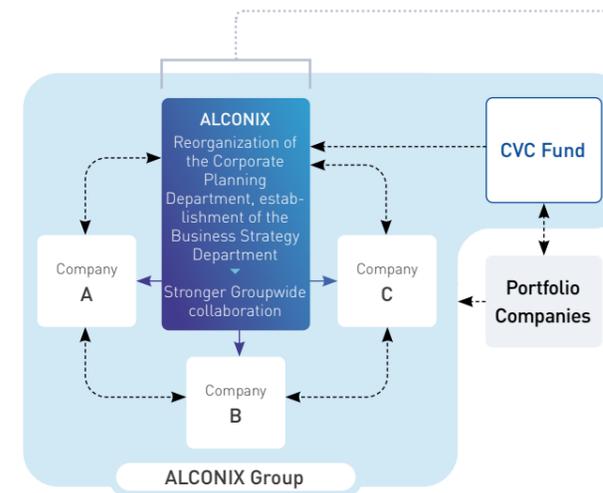
Ordinary Profit by Segment



Note: Figures may not align exactly due to rounding adjustments.

Initiatives to Tackle Core Issues (Results and Issues)

Knowledge sharing and collaboration between sales and engineering personnel led by the Business Strategy Department



The Role and Duties of the Business Strategy Department

- Supporting the development and operation of the Group's internal control system
- Attending board meetings of Group companies (excluding overseas subsidiaries) and providing management advice
- Deliberating on and coordinating Group applications for approval
- Making proposals, planning, negotiating, and implementing and managing organizational restructuring (M&As, CVC funding, etc.) and other investment-related activities
- Coordinating briefing sessions for Group companies' audit & supervisory boards

Knowledge Sharing and Collaboration Event—Activities and Discussion Topics

- Each Group company explained its strengths and issues, and shared key customer information in line with presentation materials.
- During the discussion session, various useful suggestions and proposals were put forth by Group companies. The topics covered included implementation of a data sharing platform to manage customer inquiries and other common issues across the Group.

Note: We will continue to hold regular events in pursuit of Group synergies.

Initiative 1. Reinforce Financial Structure

Results

- Implemented measures to improve capital efficiency that include reducing investment securities and utilizing a cash management system (CMS) to optimize cash and deposits
- Reduced interest-bearing debt and strengthened controls for invested capital
- Improved working capital turnover

Future Initiatives

- Creating separate measures to improve ROIC
- Increasing efforts to improve investment efficiency
- Generating free cash flows for growth investments

Initiative 2. Upgrade Human Capital

Results

- Unified clerical and career-track positions in July 2023
- Increased base pay in line with the rising cost of living and the Company's medium- to long-term growth
- Education and training expenses per person: ¥79,000; training hours per person: 15.5 hours/year
- Increased the ratio of women in managerial positions to 6.4%
- Reduced the gender pay gap to ¥83.8* for managerial employees, ¥86.7* for non-managerial employees, and ¥56.4* for all employees

* The amount women make for every ¥100 that men make

Future Initiatives

- Raising starting salaries for new graduates and increasing base pay for non-managerial employees
- Enhancing employee incentive plan
- Implementing self-directed learning program
- Implementing an education and training program that optimizes the skills of all Group employees
- Continuing to promote the active participation of women
- Promoting diversity and flexible workstyles to help employees balance their childcare and nursing care duties

Initiative 3. Strengthen Governance

Results

- Made decision to revise the basic policy of the internal control system in line with current Group conditions
- Improved employees' understanding of compliance by distributing handbooks and enhancing training
- Reviewed the Group's management system and its system for reporting to management to strengthen governance

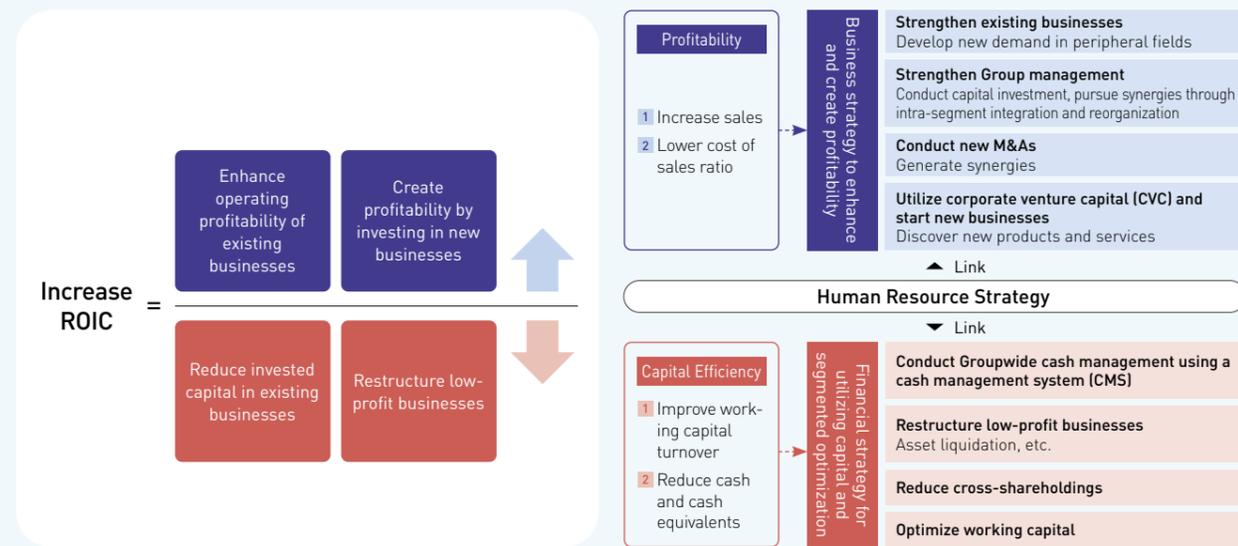
Future Initiatives

- Reviewing the composition and operations of each committee to stimulate discussion and improve operational efficiency
- Building a foundation for collecting, compiling, and analyzing non-financial information across the Group
- Enhancing risk management by mapping out the risk management system and reassessing controls and resource allocation

Medium-Term Management Plan 2024

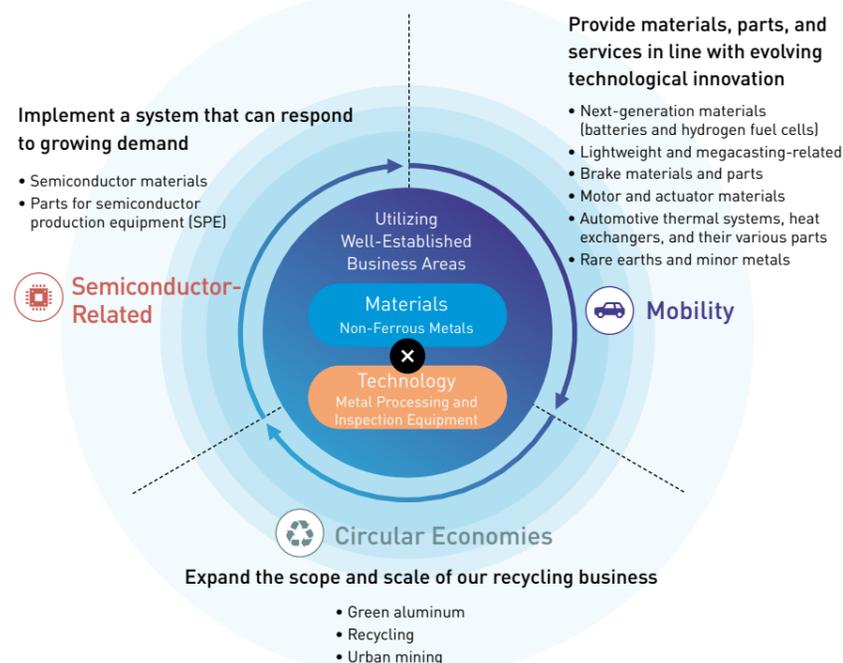
ROIC as the Key to Management That Is Conscious of Cost of Capital and Stock Price

Medium-Term Management Plan 2024 lays out two main goals: 1) build the Group's resilience to improve profitability and chart a new growth curve, and 2) pursue management that is conscious of cost of capital and stock price while creating a virtuous cycle of products, people, and financial and intellectual capital. To achieve these goals, we have set a number of basic policies and identified key issues.



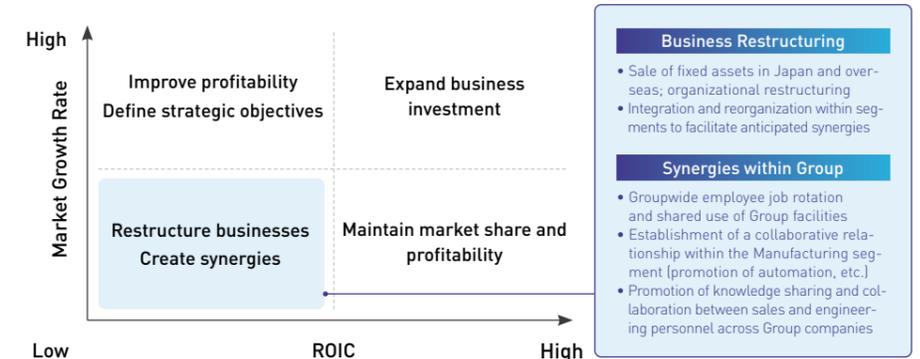
Strategic Growth Investments for Sustainable Growth

Under Medium-Term Management Plan 2024, we have positioned three sectors—mobility, semiconductor-related, and circular economies—as targets for strategic growth investments. This decision was made to respond to changes in social structure and demand and technological innovation while making full use of our knowledge of non-ferrous metals and other materials, plus the technology we have developed in metal processing and inspection equipment. Using these three sectors as a guide, we will take steps to invest actively in new markets and product domains. These moves will initiate a loop of connecting, creating, and recycling materials and technologies and help create a sustainable society in the process.



Portfolio Management That Ensures Resilient Profitability

We plan to examine the viability of each business in our portfolio based on ROIC and market growth rate. From there, we will focus investments on high-profit businesses while restructuring low-profit ones. As we move forward, we will develop a strategic road map for Groupwide growth to build a shared understanding for creating synergies and to further cultivate collaboration among Group companies.



TOPICS



Merger and Reorganization of MARKTEC CORPORATION and TOHOKU CHEMICAL INDUSTRIES, LTD.

As part of our efforts to reorganize Group companies, in May 2024 we merged and reorganized MARKTEC CORPORATION and TOHOKU CHEMICAL INDUSTRIES, LTD., two companies in the Equipment and Materials Business. These two companies have worked in collaboration on several production technologies, including chemical synthesis, powder processing, and particle dispersion, and this merger will enable the post-merger company to take on a wider range of contracts for the development and production of chemical products. Aside from this benefit and a stronger management system, we expect other synergies to arise from this merger. For instance, we plan to leverage MARKTEC's sales infrastructure in domestic and overseas markets to increase the sale of products with high added value and increase profitability as a result.

A Human Resource Strategy in Line with Our Business Strategy

We will invest in our people by identifying the abilities we need to carry out our business strategies and providing these people with opportunities to acquire and demonstrate these abilities, starting from recruitment through to training and beyond. As an additional safeguard against labor shortages, we will invest in facilities, IT, and other labor-saving measures while continuing to ensure safety.



TOPICS



CVC Team Catapult

Team Catapult is a CVC project team and part of the Business Strategy Department that holds monthly meetings for discussing corporate venture capital (CVC). These meetings transcend sales divisions and job titles, providing a space for open discussion on the latest R&D, material technologies, and commercial knowledge. The interaction between experienced senior members and junior members enables each group to inspire the other, which we believe will generate a ripple effect that creates new businesses, strengthens collaborative ties between departments, and also helps members develop their competitive skills.

MESSAGE FROM THE CFO

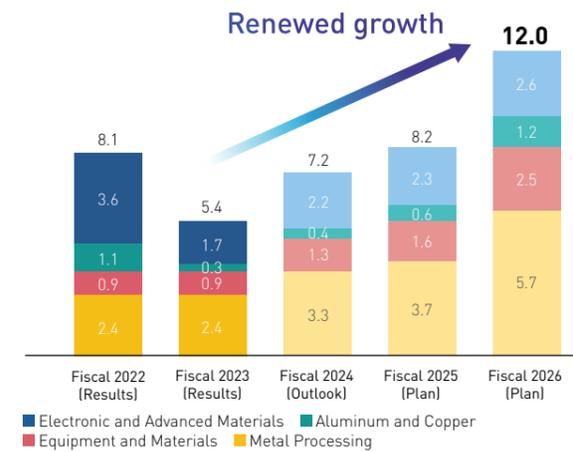


Nobuhiko Takahashi
Director
Executive Officer and CFO

Numerical Targets for Medium-Term Management Plan 2024

Ordinary Profit Plan by Segment

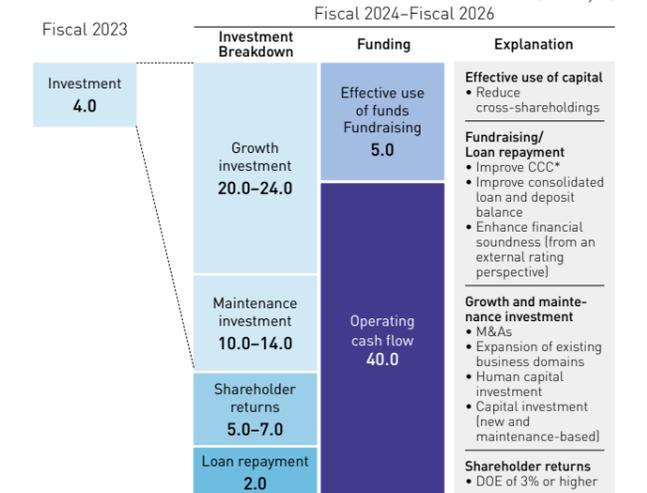
(Billion yen)



Note: Figures may not align exactly due to rounding adjustments.

Capital Allocation

(Billion yen)



* Cash conversion cycle

Progress of Our Medium-Term Management Plan

(Results and Issues in Fiscal 2023, and Outlook for Fiscal 2024)

We ended fiscal 2023 with consolidated net sales of ¥174,901 million, down 1.9% year on year, operating profit of ¥5,463 million, down 34.9% year on year, and ordinary profit of ¥5,447 million, down 33.4% year on year. Furthermore, profit attributable to owners of parent fell 70.9% year on year, to ¥1,598 million, due to extraordinary losses, which included recording an allowance for doubtful accounts in China and the recognition of expenses for structural reforms at one of our subsidiaries. Although semiconductor manufacturing equipment businesses and automobile-related businesses performed well, we were fraught with falling prices for nickel and other non-ferrous metals, sluggish demand for smartphones, and rising costs in the manufacturing sector. Altogether, this harsh business environment led to a drop in profits compared with the previous fiscal year and caused us to fall short of our plans.

In fiscal 2024, we expect semiconductor-related businesses to remain strong and the demand for smartphones to recover gradually, starting from the second half of the year. The non-ferrous metals market appears to have bottomed out recently, so I anticipate that the downturn in fiscal 2023 will have a limited negative impact in fiscal 2024. Compared with fiscal 2023, and assuming these conditions, for fiscal 2024 we project a 5.8% increase in consolidated net sales, to ¥185,000 million, a 31.8% increase in operating profit, to ¥7,200 million, a 32.2% increase in ordinary profit, to ¥7,200 million, and a

181.6% increase in profit attributable to owners of parent, to ¥4,500 million.

Financial Strategy for Group Growth

Our financial strategy is aimed at medium- to long-term growth, which means it must ensure that profitability exceeds cost of capital. ALCONIX's weighted average cost of capital (WACC)* stands at around 5%. Therefore, under our current medium-term management plan, we are aiming for a return on invested capital (ROIC) of 6% or higher, exceeding WACC. In addition, we are aiming for a return on equity (ROE) of 12% or higher.

To improve ROIC, we need to boost profitability and improve capital efficiency. On the topic of boosting profitability, we intend to raise profits by flexing our Group synergies. Furthermore, I expect additional investment in our existing companies to contribute to profits as well. On the back of these efforts, we are planning to record ordinary profit of ¥12,000 million in fiscal 2026, the final year of Medium-Term Management Plan 2024.

To improve capital efficiency, we plan to reduce cash and deposits by ¥6,000 million over the next three years by utilizing our cash management system (CMS), which was introduced in fiscal 2022, the same year I became CFO. We will also reduce investment securities by ¥5,000 million and working capital by ¥9,000 million, with the hope that these improvements to our balance sheet will lead to a higher ROIC.

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

Management That Is Conscious of Cost of Capital and Stock Price—Our Policy for Capital Allocation and Shareholder Returns

Regarding cash flow allocation, we plan to allocate approximately half of our cash flows from operating activities over the next three years toward growth investments in order to accelerate future growth. As always, we will continue to pursue M&As actively, focusing on niche manufacturing companies with strong technological capabilities. We use ROIC as our yardstick for investment decisions, with a strong emphasis on capital efficiency.

We will also promote investments through the corporate venture capital (CVC) fund we established in 2021 as an important medium- to long-term measure toward a new stage of growth.

As for dividends for fiscal 2023, we increased the annual dividend to ¥55.0 per share, which is ¥1.0 higher than our most recent forecast. Our basic policy regarding shareholder returns is to provide steady dividends paid in full. We have set a numerical target for dividend on equity (DOE) of 3% or higher, and we will continue to provide stable shareholder returns going forward.

To Our Stakeholders

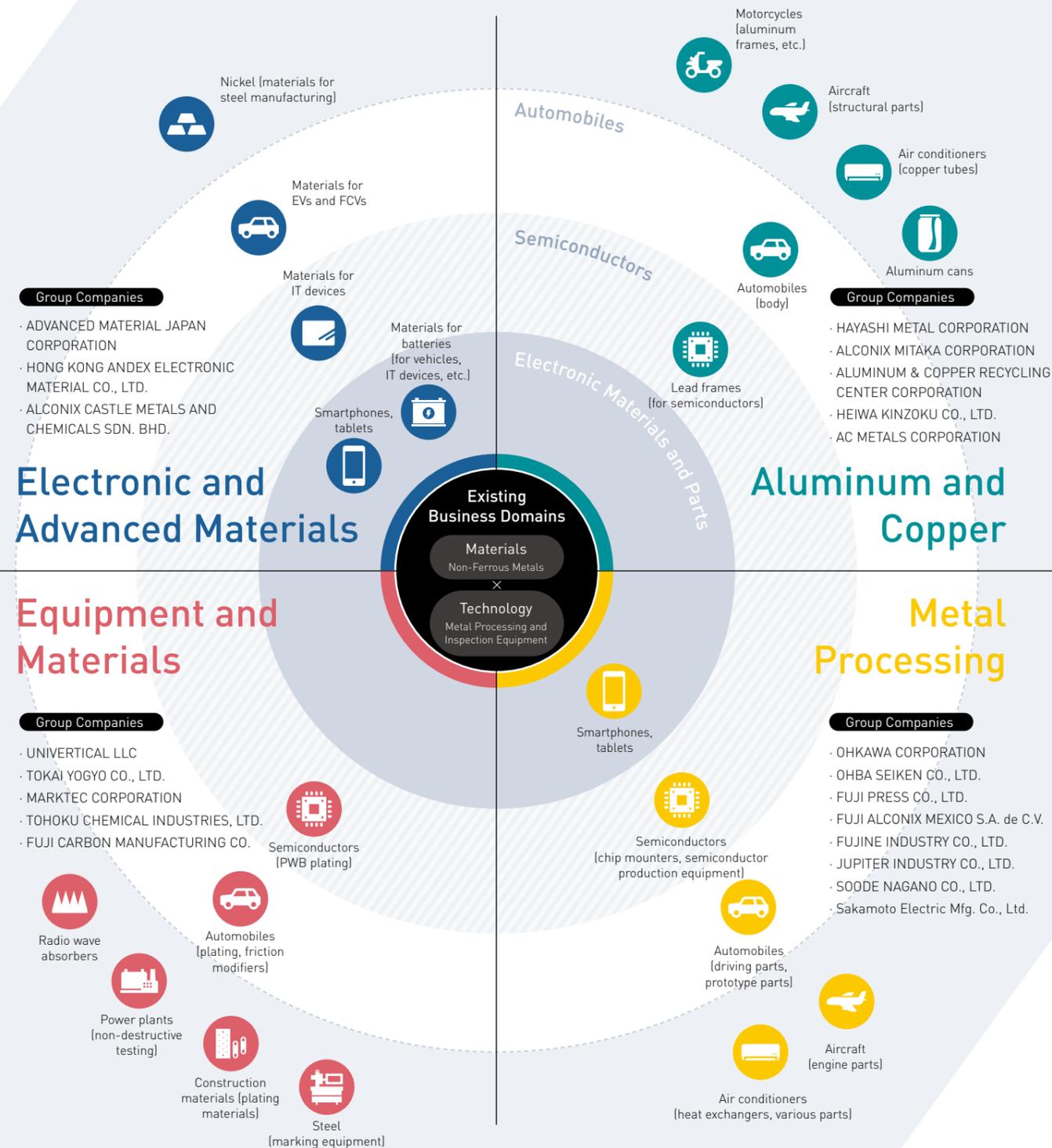
Our price-to-book ratio (P/B ratio) is currently below 1.0, a situation we treat seriously. To address this, we will steadily advance measures that include ROIC management and the provision of appropriate shareholder returns. We will also make every effort to win the approval of our shareholders and investors by offering a clear and detailed explanation of our growth strategy as part of our IR activities. Additionally, as CFO, I will be particularly focused on maintaining a sound financial position and strengthening governance, with a mind toward having a system that enables us to raise the funds necessary for growth, and do so quickly.

The CFOs of today have to be more than financial experts—a good CFO needs to have an active hand in sustainability-related tasks, such as quantifying and disclosing non-financial information. I am no exception. Therefore, I intend to provide more detailed and accurate information about non-financial information, including information related to the recycling business for non-ferrous metals, a current focal point. At the same time, I want to take in any feedback offered up and reflect it in our efforts.

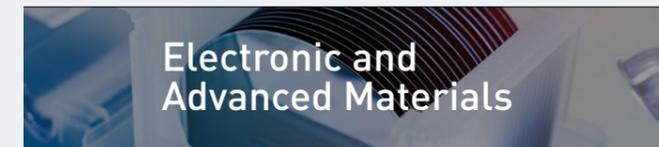
With this in mind, I will continue to cherish every chance to engage in dialogue with our stakeholders and work with other members of the Group toward the medium- to long-term growth of ALCONIX.

Our Businesses

ALCONIX has taken steps to optimize its business portfolio in line with the rapidly changing times. Founded as a trading company specializing in base metals such as aluminum and copper, it has since utilized M&As to enter the manufacturing industry. As a result, ALCONIX has put itself in a unique position among non-ferrous metal trading companies in that it possesses both trading and manufacturing capabilities. We will continue to leverage this unique position to expand our business and further contribute to the development of greater society.



Where Value Is Born



Electronic and Advanced Materials

The Electronic and Advanced Materials Business deals in compound semiconductors, crystal materials, non-ferrous metals, and other core components for electronic parts and batteries in items that include information terminals (smartphones, tablets, etc.), green vehicles (EVs and hybrid vehicles, etc.), and IT equipment. In addition, the business also deals in minor metals essential for improving the functionality of these items. As the channels essential to stably acquiring these components and materials become more diverse, the business is working to find new procurement sources.

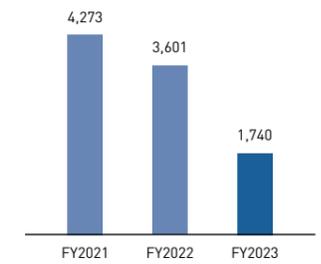
Net Sales

(Million yen)



Ordinary Profit

(Million yen)

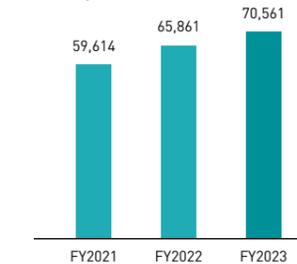


Aluminum and Copper

The Aluminum and Copper Business is made up of a products segment and a raw materials segment. The products segment is ALCONIX's founding business and involves the distribution of rolled aluminum products and copper products to highly regarded manufacturing companies with which the Group holds distribution rights, for use primarily in automobiles, home appliances, and semiconductors. The raw materials segment handles the distribution of recycled and renewed non-ferrous metals, mainly dealing in aluminum and copper scrap for automobiles, ingots of recycled aluminum, magnesium ingots, and metal silicon. We are striving to expand business related to decarbonization and recycling, both of which have garnered considerable attention, and create new businesses through investment and collaboration between Group companies.

Net Sales

(Million yen)



Ordinary Profit

(Million yen)

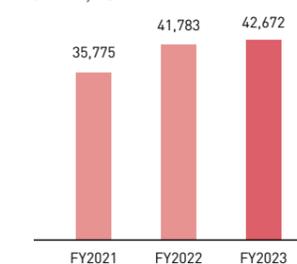


Equipment and Materials

The Equipment and Materials Business continues to grow as a key element for increasing Group revenue and is made up of manufacturing subsidiaries that have joined the Group through M&As. This business deals primarily with equipment used to inspect and measure a variety of parts and products and materials used in the automobile and semiconductor sectors.

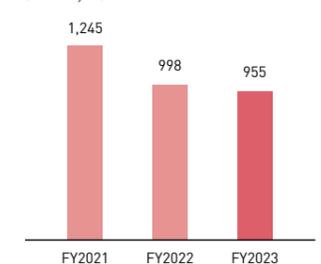
Net Sales

(Million yen)



Ordinary Profit

(Million yen)

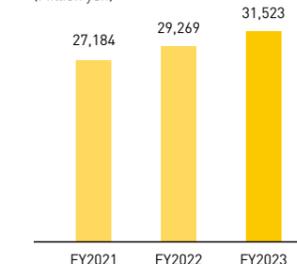


Metal Processing

The Metal Processing Business utilizes some of the best manufacturing, measuring, and analysis equipment in Japan, operated by its highly skilled people to produce a wide range of processed parts for use in smartphones, tablets, and automobiles as well as in the aerospace sector. We are also working to draw on the processing capabilities we have developed within this business thus far to expand into other industrial equipment sectors.

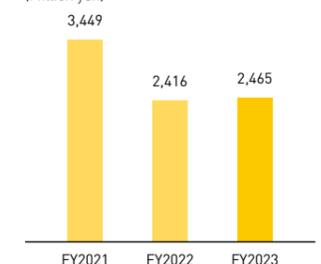
Net Sales

(Million yen)



Ordinary Profit

(Million yen)



Our Competitive Edge

VRIO Analysis

Electronic and Advanced Materials

Value

- Demand for our commodities on the rise precipitated by the rapid pace of digitalization and the resulting uptick in technological innovation
- Highly regarded services, which include the provision of a stable supply of high-performance items and feature high growth potential
- Growing demand for the base metals we deal in such as nickel and tin, as well as minor metals and rare earths used in energy-saving motors and electronic devices stemming from the electrification of automobiles, the increase in new energy vehicles (NEVs), and greater demand for digital equipment

Inimitability

- Large market share in the electronic parts, semiconductors, and batteries sectors, as well as in materials for niche technology sectors
- Investment in growth areas to increase profits as a safeguard against fluctuations in demand for nickel, tin, rare earths, and other materials
- Investment in companies on the cutting-edge of innovation in materials technology via our CVC fund

Rarity

- Ability to offer highly detailed and pertinent information as well as strategy proposals, thanks to talent well-versed in materials for niche technology sectors, including the markets they can be applied in, along with cutting-edge and peripheral technologies
- Ability to meet customer needs with a meticulous attention to detail
- Strong track record in handling a wide range of base metals, minor metals, and rare earths, coupled with strong supplier relationships, which enable a swift and pinpoint response to customer requests
- Ability to address resource nationalism and geopolitical risks on a global scale by offering information on alternative sources for raw materials and putting forth potential solutions

Organization

- Systematic accumulation of a wealth of knowledge about market structure and product characteristics
- Wide-reaching customer base and industry network in materials technology
- Ability to accurately grasp customer needs, develop a plan, and offer solutions in line with customer values
- Stellar information services, raw material procurement, and sales capabilities thanks to extensive product knowledge and supply-demand balance analysis

When ALCONIX was first established, it was a specialized trading company dealing in base metals such as aluminum and copper. In 2009, the Company began utilizing M&As to expand into the manufacturing industry. Since then, it has grown into a unique company that combines both trading and manufacturing capabilities. We will continue to expand business going forward by identifying the unique qualities that give us a competitive edge in a highly active market and by maximizing these strengths.

Aluminum and Copper

Value

- Expansion of bases and promotion of horizontal and cascade recycling to increase the volume and range of items that can be handled as our recycling business grows
- Greater demand for copper sheet materials as AI gains momentum and drives growth in the market for GPU* lead frames
- Range of new commodities handled by this business expected to expand due to growing demand for water electrolysis equipment and steady expansion in the use of Japanese titanium for medical applications

Inimitability

- Long list of successes doing business with major domestic manufacturers of copper products, electrical wire, smelters, rolled aluminum products, construction materials, and a variety of other items

Rarity

- Strong track record and trusted relationships with business partners from many years of dealing largely in aluminum and copper scrap and recycled raw materials, resulting in considerable collection, financial, and sales capabilities
- Extensive knowledge of traditional applications of aluminum, processed aluminum products, lead frames, copper strips, titanium, pure nickel, and other non-ferrous metal products; plus the ability to extend this knowledge to cutting-edge initiatives for new sectors in Japan and overseas

Organization

- Expertise cultivated over many years working with raw materials
- Closed-loop resource recycling system that takes advantage of our long-standing recycling business
- Collaboration of Group companies ALUMINUM & COPPER RECYCLING CENTER CORPORATION, ADVANCED MATERIAL JAPAN CORPORATION, and MARKTEC CORPORATION that enables us to create new recycling businesses
- Deep pool of talent with expert knowledge and perspectives, making it possible for these professionals to play an active role on the global stage

* Graphics processing unit

Equipment and Materials

Value

- Niche commodities, commodities for niche markets, and a distinct business model
- Involvement in a wide range of industries
- Rapid understanding of market trends thanks to a wealth of customer information

Inimitability

- Investment capabilities on a scale not possible for individual Group companies to conduct on their own
- Ability to provide solutions below the threshold of profitability for large companies thanks to our portfolio of small and medium-sized companies
- Each Group company having its own overseas network

Rarity

- Large shares in markets with few competitors
- Ease of maximizing profits
- Capability to handle small-lot, high-mix production

Organization

- Collaborative ties with the ALCONIX Head Office and the Company's Trading segment
- Strong potential for synergies with Group companies in the Metal Processing Business
- Promotion of testing services through the use of the Group's testing facilities

Metal Processing

Value

- Variety of equipment at hand ranging from large to small, encompassing cutting, grinding, and stamping capabilities
- Highly diverse precision machining capabilities that cover a range of metals including aluminum, copper, iron, and stainless steel, as well as specifications that range from thin plates to thick plates and bars
- Full range of high-precision measuring equipment

Inimitability

- Deep well of customer information built up by each Group company
- Knowledge sharing and collaboration within the Group that facilitates the exchange of technology
- Internal value chain that provides the basis for one-stop services

Rarity

- Technological capabilities in highly specialized fields such as battery parts for EVs, hydrogen engine parts, and medical robots
- Craftpeople that are highly adept at precision machining
- Services that cover a wide range of processing methods

Organization

- Financial backing from the ALCONIX Head Office
- Manufacturing hubs spread across a wide area and with equal significance made possible through location-specific strategies
- Prospect of sharing the business' mold design and production services throughout the Group under consideration

Messages from Division Leaders

Electronic and Advanced Materials



Shigeru Kiyama

Executive Officer
General Manager, Electronic &
Advanced Materials Division*1

Greater Profits through High Performance and New Commercial Rights

Fiscal 2023 opened up with a sluggish market for metal ores, and this remained the case throughout the year. The continued decline in nickel prices had a particularly strong impact on overall revenue, resulting in a considerable decrease in revenue and profit. As far as demand, smartphone sales have recovered although the growth rate in terms of units sold is lower than in previous years. However, thanks to this recovery we were able to achieve sufficient sales of products we trade in to contribute toward profits.

We believe that the metal ore market will bottom out in fiscal 2024 and make a turn for the positive, but actual recovery will likely be limited due to fluctuating exchange rates and other factors. In addition, we expect the recovery in the consumer market, which includes smartphones, to occur gradually. Bearing this in mind, we are planning for sales to be on par with fiscal 2023. As for our plans for the medium to long term, we intend to maintain and increase profits on the back of our CVC fund. More specifically, we will establish new commercial rights in materials and manufacturing by using the fund to help us better develop new commodities that take advantage of the latest technologies for use in sectors that include semiconductors and secondary batteries—sectors that are constantly looking for materials that offer even better performance.



Fuyuki Ouchi

Executive Officer
Manager, Osaka Branch
General Manager,
Osaka Sales Department*1

Capitalizing on the Growing Demand for Recycled Materials; Investing in Growth Areas

In fiscal 2023, the metals market continued to suffer from stagnating demand and prices. One positive, however, is that the Osaka Branch managed to finish the year with higher revenue and profits, thanks to increased sales of secondary batteries and electronic parts, two specific growth areas the branch has focused on, as well as the deftness to which it rode the upward trend in demand for recycled raw materials.

We are expecting fiscal 2024 to be much like fiscal 2023 in that we do not expect much of a recovery in the demand for and prices of metals. However, we will remain resolute in our focus on trading in metal raw materials, specifically our specialties such as aluminum alloys, nickel, tin, base metals, minor metals, and rare earths. At the same time, we will devote sales resources to our growth areas. To maintain and increase profits with a particular bent toward the future, we are also working to ramp up procurement of recycled raw materials in response to growing customer needs and provide a means to bypass geopolitical risks by offering alternative sources for raw materials.

Equipment and Materials / Metal Processing



Hiroaki Inoue

Managing Executive Officer
General Manager, Corporate
Planning Department and
Business Strategy Department,
Corporate Division*1

A Move Toward Stronger Group Synergies and More Diverse Production through Knowledge Sharing and Collaboration

ALCONIX originated as a trading company dealing in non-ferrous materials and, over time, has utilized M&As to branch out into metal processing that complements our existing business well. Put another way, the Metal Processing Business' existence is the result of the Company's vertical integration strategy at work. In July 2024, Sakamoto Electric Mfg. Co., Ltd., based in Fukuoka Prefecture, joined the ALCONIX Group. The addition of this company will allow us to tackle back-end processes in semiconductor manufacturing, which was previously a gap in our one-stop coverage—and I believe that this move will add even more value to the Company's value chain. We are also considering different ways to optimize production within our group.

Aluminum and Copper



Shoju Suto

Executive Officer
General Manager,
Non-Ferrous & Industrial
Materials Division

Focusing on Increasing Breadth and Depth of Circular Economies

Domestic automobile production saw a return to form in fiscal 2023 and the trading of aluminum materials for these same automobiles increased accordingly, resulting in an increase in sales. However, there has been an ongoing trend for over two years in which, for each passing month, production and shipment volumes of rolled aluminum and copper products—some of our key trading sectors—have fallen relative to the corresponding month of the previous year. Overall demand has also languished, and prices for non-ferrous metals have remained low, fundamentally hindering the profitability of raw material trading. Ordinary profit took a strong hit as well, due to our delay in adjusting our sales prices to account for higher costs associated with the rise in interest rates, the weak yen, and the higher cost of logistics.

From fiscal 2024, Group companies will work together to increase the breadth and depth of our recycling business to help realize circular economies, increase the volume and range of items handled in cooperation with ALUMINUM & COPPER RECYCLING CENTER CORPORATION, and build recycling centers in areas of Japan without such recycling infrastructure in place.



Hiroyuki Tsuzuki

Executive Officer
General Manager, Aluminum,
Copper & Titanium Division

A Year for Building a Solid Foothold for Further Growth

In fiscal 2023, we found ourselves in a rather harsh business environment, plagued by overall lackluster shipping volumes of rolled aluminum and copper products, rising U.S. dollar interest rates, and a decline in demand for semiconductors.

On the other hand, we are now beginning to see a steady turnaround in market conditions and are beginning to capture demand for decarbonization. Because of this, and the addition of products for the medical field, I believe fiscal 2024 will be a year in which we build a solid foothold for further growth. We view semiconductor post-processing, EVs, eVTOL*2 aircraft, water electrolysis equipment, and medical care as some of the key sectors that will require our services, and we intend to make fiscal 2024 a time for us to take on these challenges, ready and willing.



The Group has a vast collection of cutting and pressing equipment, and as such, I want to encourage knowledge sharing and collaboration among engineers throughout the Group to realize more diverse production. If the Metal Processing Business embodies a vertical integration strategy, then the Equipment and Materials Business embodies the Company's diversification strategy. Each external company will have its own niche product and business framework, but when they join the Group, they are able to synergize with the Metal Processing Business and expand into more new markets in collaboration with our Trading segment. In June 2024, we held our first knowledge sharing and collaboration event with sales representatives and engineers from different Group companies. The event proved to be an effective space for participants to communicate their respective company's strengths and challenges, and a good opportunity to offer proposals and make requests, such as sharing customer information, creating standardized presentation materials, and even setting up a platform that allows users to share inquiries and questions across Group companies. We intend to use these and other opportunities to spark more Group synergies in the future.

*1 As of March 31, 2024

*2 Electric vertical take-off and landing

SPECIAL FEATURE

From mechanical parts for lithium-ion batteries, to mold design and production, and to the manufacture of various types of machinery, we cover a wide range of services to tackle growing social demand.



Where ALCONIX's Comprehensive Strength Is Born—01

SOODE NAGANO CO., LTD.

Since its establishment in 1963, SOODE NAGANO CO., LTD. has operated as a specialist in metal processing with a focus on precision stamping, and it has built a deep well of advanced technical abilities over time. We looked at these abilities and the company's well-oiled production system, which are particularly evident in the manufacture of mechanical parts for lithium-ion batteries, and saw the potential for strong synergies with other ALCONIX Group companies. Therefore, we welcomed SOODE NAGANO into the fold in fiscal 2022.

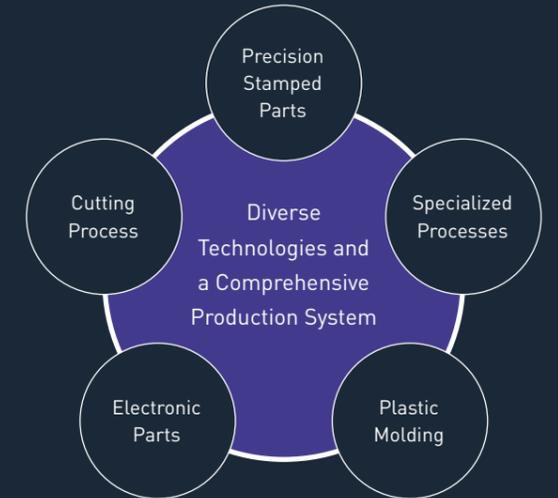
Corporate Information

Establishment:	1963
Business description:	Manufacture of metal stamped parts for lithium-ion batteries, design and manufacture of molds, manufacture of machinery and equipment
Head office:	Okaya City, Nagano Prefecture
Net sales:	¥2,626 million (fiscal 2023)
Number of employees:	119

Value in the Form of Total Stamping Technology Solutions

SOODE NAGANO started off its business with the manufacture and processing of molds and has since expanded its domains to include the manufacture of heat sinks for semiconductors and metal stamped parts for lithium-ion batteries used in electric vehicles (EVs). In order to mass-produce products backed by advanced technical capabilities, we have focused on capital investment to increase the ratio of products we manufacture internally and enable one-stop production in-house. We draw upon the collective pool of experience and wisdom of our engineers to provide comprehensive solutions that combine innovation, development, and creativity.

We expect the Group's Metal Processing Business to enjoy significant synergistic effects from the addition of SOODE NAGANO in terms of technology exchange, expertise sharing, and material procurement. One of the Group's strategic growth areas under Medium-Term Management Plan 2024 is "mobility." EVs are expected to continue to expand globally, and we anticipate that SOODE NAGANO's involvement in the manufacture of related parts will contribute to the Group's expansion in the mobility field.



SOODE NAGANO's Wide-Ranging Technology

When SOODE NAGANO was first established, it undertook small-scale mold production based on drawings shared by subsidiaries of major companies in Nagano Prefecture. However, due to the inconsistent nature of orders, the company switched to mass production of hard disk drives and camera parts and in the process accumulated a wide range of technical capabilities and expertise in quality, cost, and delivery (QCD). The company currently has in-house facilities that help maintain its high quality, with buildings and locations that can enable greater mass production and equipment, such as presses, cleaning machines, and inspection equipment. By promoting in-house production, the company has nurtured several engineers with an adventurous spirit, enabling SOODE NAGANO to achieve even higher quality and faster speeds.

TOPICS A Joint Venture in the U.S. to Expand the Lithium-Ion Battery Business

In November 2023, ALCONIX and SOODE NAGANO announced the establishment of a joint venture in the United States. In anticipation of greater global demand for EVs, ALCONIX has made mobility one of its strategic growth areas. To date, SOODE NAGANO has been manufacturing components for lithium-ion batteries, focusing mainly on domestic operations. However, local production of lithium-ion batteries is growing in the U.S. as a result of preferential tax systems and other factors. Given this trend, the company is opening up a new base in the U.S. to acquire new orders and expand upon existing ones.

Technical Capabilities That Meet Customer Needs and Synergize with the ALCONIX Group

SOODE NAGANO CO., LTD.

Takayuki Soode

Representative Director

SOODE NAGANO was established over 60 years ago. Over that time, we have been dedicated to mold and metal processing and have expanded our business by always researching what the market needs and then trying to provide it. I have been involved in the manufacture of parts for a variety of items, including watches, film cameras, and vehicles, but I feel the winds of change blowing rapidly across every domain. Technology needs to develop with that same level of speed. Therefore, we will draw from our accumulation of technology and wealth of experience to increase the number of items we manufacture in-house and improve our technical capabilities further, while placing an emphasis on human capital development and capital investment.

By joining the ALCONIX Group, we have been able to get a handle on customer needs more widely than ever before. Moreover, we have established a solid foundation that will enable us to keep up with rapid technological innovation. We intend to work together with other ALCONIX Group companies related to its Metal Processing Business to make it a group with comprehensive stamping capabilities. I am pleased to have seized this opportunity to expand into the U.S. market and become a member of the ALCONIX team—and I plan to do my utmost to work toward mutual development.

SPECIAL FEATURE

Creating circular economies with more expansive metal recycling that meets social needs



Where ALCONIX's Comprehensive Strength Is Born—02

ALUMINUM & COPPER RECYCLING CENTER CORPORATION

OSAKA ALUMI CENTER CORPORATION began operations in 2013 as a wholly owned subsidiary of ALCONIX. In 2014, we opened up a branch of the company in the city of Kitakyushu after taking over a copper scrap business in the same city. In addition, we changed the company's name to ALUMINUM & COPPER RECYCLING CENTER CORPORATION. We have since expanded our non-ferrous metal recycling business, with bases in both the Kansai and Kyushu regions of Japan. Our work to promote the recycling of aluminum, copper, and other forms of scrap metal constitutes our efforts to help establish resource recycling businesses.

Corporate Information	
Establishment:	2013
Business description:	Recycling of aluminum and copper scrap (from collection to sales)
Head office:	Hirakata City, Osaka
Net sales:	¥11,097 million (fiscal 2023)
Number of employees:	31

Total Solutions That Contribute to a Resource Recycling-Oriented Society

ALUMINUM & COPPER RECYCLING CENTER operates a recycling business that handles everything from the collection to sales of non-ferrous metal resources such as aluminum and copper. The push to reduce environmental impact has driven up demand for recycled resources, and when such resources are used by manufacturers and other customers, they indirectly contribute to the creation of a recycling-oriented society. Furthermore, demand for aluminum and copper is expected to increase further in response to the electrification of automobiles and infrastructure development in emerging countries. To meet this demand, the company is working to ensure a steady supply of resources with efforts that include expansion and relocation to the Wakamatsu Ward of Kitakyushu to further enhance its collection capabilities.

The ALCONIX Group has highlighted "circular economies" as a strategic growth area under Medium-Term Management Plan 2024. The horizontal recycling of non-ferrous metals carried out by ALUMINUM & COPPER RECYCLING CENTER will play a central role toward achieving one of the Group's goals—to help create a recycling-oriented society by building environmentally friendly businesses.



Competitive Advantages

1 Leading Domestic Collection Capabilities

When there are customers that need large amounts of recycled resources at once, the ability to handle large volumes is an advantage. ALUMINUM & COPPER RECYCLING CENTER has the ability to accommodate a wide variety of customers, which is made possible by its massive site area, which is one of the largest in Japan.

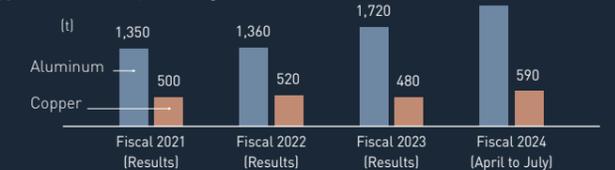
2 The Power of the ALCONIX Group's Sales Capabilities

The brand power and sheer number of ALCONIX Group customers provide a competitive advantage that other companies do not have. Moreover, the Group possesses sales skills honed in the trading industry, which allows it to explain to customers the importance of using recycled resources and provide them with products that meet their needs.

3 Craftsmanship That Supports High Quality

Skills built over the course of many years has turned the task of sorting into an art. ALUMINUM & COPPER RECYCLING CENTER has on-site experts who can visually inspect materials and produce high-quality recycled resources following a meticulous sorting process. This craftsmanship is at the heart of our relationships with customers built on trust.

Amount of Aluminum and Copper Collected (monthly average)



Helping Improve the Comprehensive Strength of the ALCONIX Group

ALUMINUM & COPPER RECYCLING CENTER CORPORATION

Junji Koshiba
President & CEO

Working as a company that engages in the recycling of non-ferrous metal resources, with an emphasis on aluminum and copper, we have expanded since our establishment on the back of careful sorting and the provision of a steady supply, giving buyers confidence in purchasing with us. By working in cooperation with the ALCONIX Group, we have established a flexible payment cycle, which benefits suppliers by enabling them to receive their money right away.

As the decarbonization movement spreads worldwide, resource recycling businesses are becoming an increasingly important part of the ALCONIX Group. One issue, however, is that, despite the Group having a

manufacturing segment, we are not yet able to recover recyclable resources from it. In the future, I would like us to create a loop in which we can recover and reuse recyclable resources from within the Group.

I always tell my employees, "Let's aim for the top." This message also applies to the non-ferrous metal recycling business of the ALCONIX Group as it moves forward. By uniting our industry peers within the Group and increasing the amount of recycled resources we handle, we aim to grow our business into one of the top five in Japan and contribute to the development of resource recycling businesses.

Sustainability

The Sustainable Future of Our Dreams

Message from the General Manager of the Sustainability Promotion Office A New Era with Non-Ferrous Metals

The ALCONIX we know today is the result of years spent leveraging its trading capabilities to create new businesses and open up new markets; it is the result of continued expansion on the back of M&As that have created new trading networks; and it is the result of stalwart efforts to integrate its trading and manufacturing capabilities involving non-ferrous metals. I am proud to say that this work has given back to society, as it has helped support the continued growth of Japanese manufacturing.

The name ALCONIX tells the story of the Company. It is a combination of the first two letters of aluminum, copper, and nickel, three of the key metals we deal in, capped off with the letter "X."

This X factor is notable because it represents our undying will to keep evolving. Personally, I have always been fond of this framing of what makes ALCONIX special, which existed well before the establishment of the Sustainability Promotion Office in 2021. The world has been changing at a breakneck pace, and the rise of terms like "AI" and "DX" makes it clear that we cannot afford to waste any time when it comes to keeping up with technology.

Here is where we need to embrace the X in ALCONIX. We are designers, who screen and analyze a plethora of information and anticipate new industries to develop new businesses and build our presence; but we must also be adventurers, who continue foraging into the unknown and the uncharted, actively challenging ourselves to break through walls and clear through

the haze. As we look toward undeveloped or uncharted territories in the 21st century, we must go beyond the challenge of economic contribution and pursue social contribution—the kind that will help resolve environmental and human rights issues. We want to create a new society, one that is sustainable and kind to the Earth we call home, and we will develop sustainable designs toward that purpose, built upon the ideas of *connection, creation, and recycling.*



Framework for Sustainability



Sustainability-related policies and measures are discussed during meetings of the Sustainability Committee, which is positioned under the Management Committee and chaired by the

chief strategy officer (CSO), who is also a director and senior managing executive officer. The committee is made up of internal directors, with full-time Audit & Supervisory Board members also joining meetings as observers. We have also set up the Sustainability Promotion Office, an organization dedicated to managing and promoting sustainability-related matters.

Our material issues are encapsulated in the acronym "H-ESG," which stands for human capital, environment, society, and governance. Of these issues, human capital is positioned as the highest priority and is handled by the General Affairs & Human Resources Department. As for the other material issues, environment and society are handled by the Sustainability Promotion Office and governance is handled by each department of the Corporate Division under the executive officer in charge of internal control. Each of these organizations work together in coordination with the Board of Directors to mount a comprehensive H-ESG response.

Basic Stance on Sustainability

The ALCONIX Group believes that by addressing social issues and meeting customers' needs, it can realize a sustainable society and increase corporate value. ALCONIX is dedicated to creating new value and contributing to the development of society through the transactions of non-ferrous metal products, as stated in its corporate philosophy. To make this philosophy a reality, we have established the following 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.

Status of Sustainability Initiatives

In 2022, the ALCONIX Group identified four material issues under the acronym "H-ESG." These issues were chosen because of their importance toward "Drawing the Future of Our Dreams," made possible through continued and sustainable growth while fulfilling the Group's responsibilities as a corporate citizen. Of these four issues, human capital forms the fertile ground from which our earnings spring forth. Accordingly, we place the utmost importance on our human

capital policies, from recruitment through to training and promotion.

We will continue to review the materiality of these issues in line with changes in economic trends and the Group's management guidelines.

FTSE Russell ESG Rating

Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
0.6	0.8	1.1	1.1	1.6

Materiality (Material Issues)

		Specific Initiatives	
H Human Capital	Establish an assignment and training system that supports the creative activities of a diverse workforce and provide fair, inclusive, and productive workplaces	<ul style="list-style-type: none"> • Certification as a 2024 Health & Productivity Management Outstanding Organization • Unification of clerical and career-track positions • Higher salaries for new graduate hires and non-managerial employees • Introduction of employee incentive plan • Efforts to eliminate the gender wage gap • Increase in the ratio of women in managerial positions 	People ▶ P.38-42
E Environment	Pursue environmentally responsible businesses for the reduction of carbon and the reuse of resources	<ul style="list-style-type: none"> • Endorsement of the TCFD recommendations • Survey of Scope 1 and 2 greenhouse gas emissions for overseas Group companies • Selection of target categories for Scope 3 (non-consolidated/domestic consolidated subsidiaries) • Survey of Scope 3 emissions for domestic Group companies • Promotion of plastic-free activities through use of Waterlogic® water purifiers 	Climate ▶ P.44-47
S Society	Build stronger ties with stakeholders and take actions that show respect for human rights	<ul style="list-style-type: none"> • Formulation and announcement of human rights policies • Encouragement of Group companies to make local contributions • Updates on dialogues with shareholders and investors 	Human Rights ▶ P.43 Local Contributions by Group Bases ▶ P.43 Regular Engagement Activities with Shareholders and Investors 
G Governance	Reinforce internal controls with an emphasis on frameworks for compliance and risk management	<ul style="list-style-type: none"> • Revision of the basic policy for internal control systems • Efforts to enhance compliance • Review of the Group's management and reporting systems 	Governance ▶ P.48-61

H Human Capital

MESSAGE FROM THE CHRO



We will improve our management framework for human capital development—to maintain our unique business model, ensure competitive strength, and ultimately raise corporate value.

As the person in charge of internal control, I have been working to enhance the Group’s governance. Adding to these duties, I was also appointed as the chief human resources officer (CHRO) in April 2024. In this position, I will also work to build our framework for human capital development and promote dissemination of non-financial information so that stakeholders can gain a more multifaceted understanding of the Group’s growth potential and its efforts to improve corporate value.

Employees are a crucial asset for any company, and in my time with ALCONIX, I have seen firsthand that our people are the ones that support the growth of our business and the creation of new value. It is for this reason that our H-ESG model for materiality places an emphasis on H, which represents human capital, since we are highly aware that this will empower us to achieve our management goals. This is particularly important as the development of new products, entry into new markets, and M&As broaden our business sectors and areas of activity and, by extension, spur a constant increase in the number of employees. Going forward, we will need to recruit and develop critical talent capable of bringing our businesses and employees in sync and embolden them toward generating new businesses and expanding into new markets. In Medium-Term Management Plan 2024, we have positioned investment in human capital as one of our top priorities, and as part of our initiatives, we will work to promote leadership development and prepare women for management roles. Although “reskilling” is a common catch-all term, we emphasize “upskilling,” meaning that we encourage employees to develop knowledge and expertise in a variety of areas in order to thrive in the market and align with the Company’s growth strategy. These skills include languages, business management, cost analysis, and manufacturing.

Due to its unique business model, ALCONIX does not necessarily require a one-size-fits-all group of people, knowledge, and skills. In the same way that threads can be woven together, I believe that we can bring together different types of knowledge, abilities, and experience to form a rich tapestry. Looking at system design, I believe a framework for this has been established under the leadership of our current president. Based on this framework, I, in my role as CHRO, will work on the visualization and quantification of our unique set of collective capabilities—the knowledge, skills, attributes, and experience that people bring to the table. By doing so, we can recognize and wield our full potential, which will improve our economic (corporate) value and social value as a result.

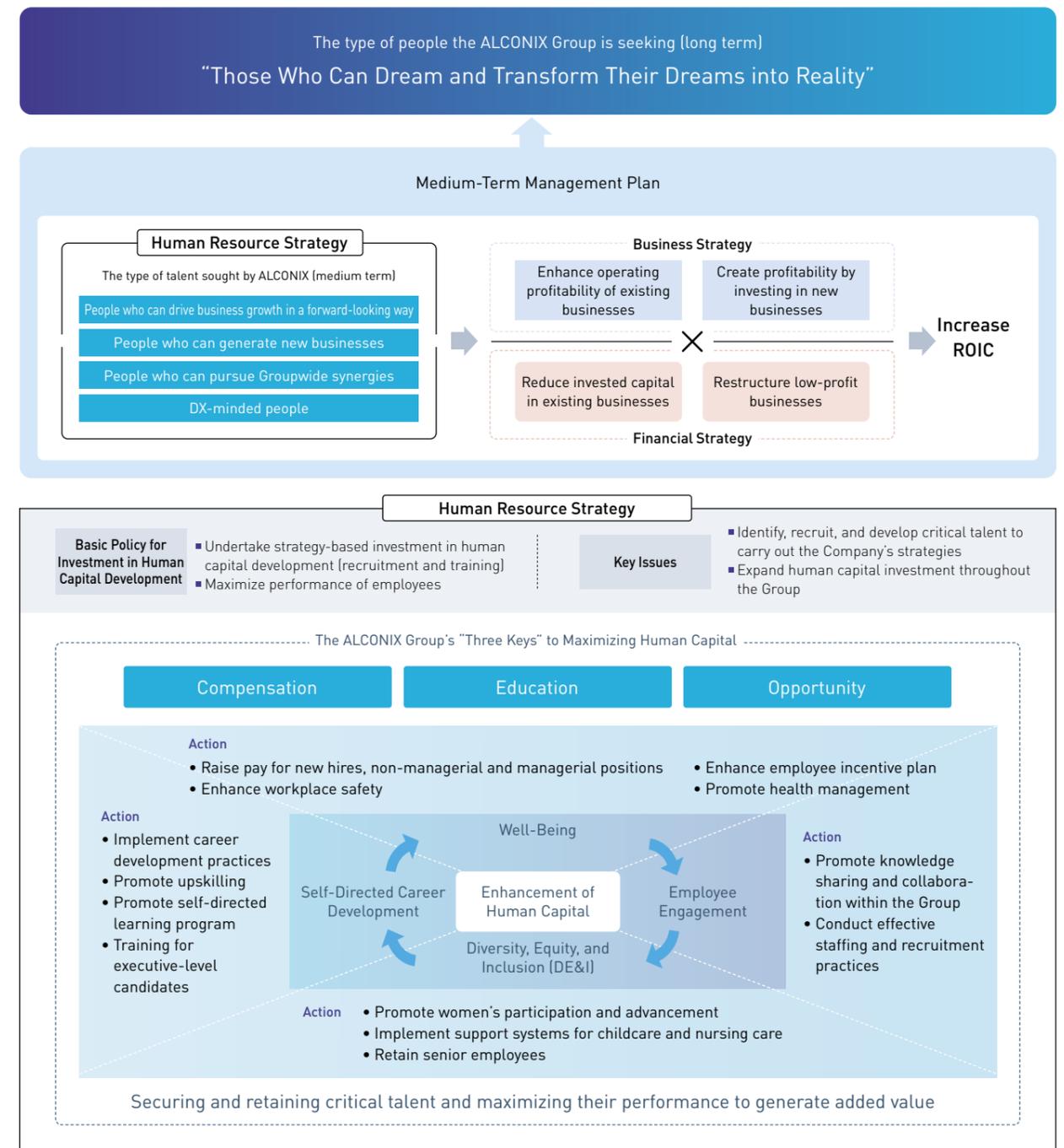
Toshiya Imagawa

Director,
Managing Executive Officer and CHRO

April 1989: Joined Nissho Iwai Corporation (currently Sojitz Corporation)
Toshiya Imagawa has been engaged in sales of steel raw materials and electronic and advanced materials for 33 years, which includes work in South Korea, from 1995 to 2001. He also has had a hand in the establishment of a subsidiary in Taiwan as well as in the establishment, operation, and closure of joint venture factories overseas, and he has shared in the ups and downs experienced with a range of colleagues and customers from various countries. During his time in sales, he focused on bringing in a diverse range of talent and has been closely involved in human resource development ever since.

Human Resource Strategy

We believe that people are the ultimate source of value creation, and therefore it is our top priority to upgrade our framework for human capital development. We need “people who can dream and transform their dreams into reality.” These are people who have the ability to recognize new possibilities for corporate development and business expansion, plus the foresight and drive to make them a reality. In order to recruit, develop, and retain such people, we are working to improve our human resource strategy in terms of offering work that is rewarding, pleasant, and healthy. In addition to these three perspectives, we are also focused on improving, expanding, and providing compensation, education, and opportunity—our “three keys” to maximizing human capital.



Sustainability

The Sustainable Future of Our Dreams

Key #1 ▶ Compensation

Basic Stance

People are the fundamental source of value creation, and we believe that optimal compensation is a key element of improving employee satisfaction so that they can truly flourish in their roles.

Efforts to Improve Salary Levels

In July 2023, we increased the annual salaries of managerial employees. In July 2024, we went one step further and increased the base pay of employees in non-managerial positions, one notable example being a 22% increase in starting salary for new graduate hires. Zooming out, this investment amounts to an overall salary increase for non-managerial positions of 16.4%, covering promotions, increases in base pay, and regular pay raises.

Gender Pay Gap

In July 2023, we unified general and career track job categories to increase opportunities for women and are actively recruiting and promoting women to serve in managerial positions. Notably, there is no pay gap between men and women in the same job category.

Employee Benefits

As part of our efforts to improve employee benefits, we have enhanced our employee incentive plan. In July 2023, we increased the amount we subsidize for stock ownership to 20% of contribution amounts, aiming to promote employee financial wellness.

Category	FY2023 (Results)	FY2026 (Target)
All employees	Men: ¥100; Women: ¥56.4	Increase to ¥60.0 for women
Managerial employees	Men: ¥100; Women: ¥83.8	—
Non-managerial employees	Men: ¥100; Women: ¥86.7	—

Key #2 ▶ Education

Basic Stance

We have created a human capital development program to cultivate the ability to “dream and transform that dream into reality.” In this program, we identify the critical skills that need to be strengthened to execute our growth strategies while consistently providing opportunities from training to demonstrations to enable employees to further hone their skills using their own self-direction and drive.

Enhancing Our Education and Training System

Our education and training system includes a self-directed learning program to assist employees with their personal efforts to develop their careers and to pursue upskilling; position-specific training tailored to new recruits, executives, and everyone in between; and compliance training provided through e-learning and group sessions.

We have also used our push to upgrade training for managerial employees as a way to develop a talent pipeline for executive positions.

As one effort to develop DX-minded people, we are also planning employee-led IT workshops. As part of our sustainability transformation (SX) training, we hold regular training sessions comprising easy-to-understand videos that break down our various sustainability initiatives and policies to raise awareness of these efforts throughout the Company.

Critical Skills Sought by ALCONIX

1

Forward-looking management skills

2

Ability to create new businesses

3

Background in and knowledge of DX/SX

Key Training

- Senior management candidate training
- Training program at Group companies
- DX human capital development and SX training

	FY2023 (Results)	FY2026 (Targets)
Education and training expenses per person	¥79,000	¥180,000
Training hours per person	15.5 hours*	17.5 hours

* Only training during working hours is included. This also covers training that is not related to one's specific duties (language training, etc.).

Key #3 ▶ Opportunity

Our Approach to Promoting Diversity

Measures for Improving Motivation and Performance

We provide employees with opportunities for transfers to other positions and take on challenges if they wish and in keeping with their abilities, and also implement a variety of measures to provide them with a comfortable and rewarding work environment. As part of this, we regularly conduct interviews with all employees to give each person a chance to voice their concerns about their work life and offer positive suggestions and for us to hear them and respond. We have also established systems that allow employees to take the initiative to define and achieve their career goals. Through interviews, employees discuss and share their medium- to long-term career goals and skill development plans with their supervisors.

The outcomes are then used for determining how to proceed with further training, career development, and job placement practices. Our policy is to create a work environment that empowers employees to display their abilities, regardless of their gender, age, nationality, or otherwise, leading to greater corporate value over the long term.

To improve our work environment in terms of making it easier for employees to perform their duties, we have developed a proprietary work-life balance support system that goes above and beyond the provisions of the Act on Childcare Leave/Caregiver Leave. In fiscal 2022, 25 employees utilized this system, increasing to 36 in fiscal 2023.

TOPICS Formulation of a General Employer Action Plan Based on the Act on Advancement of Measures to Support Raising Next-Generation Children

We are working to establish diverse workstyles for employees, including those who are not raising children, and have therefore formulated a general employer action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

	Targets	Implementation Period	Initiatives
Target 1	Gain an understanding of the usage and outcomes of the support system for balancing childcare and nursing care and look for possible areas for improvement	April 2024 onward October 2024 onward	Gain an understanding of system usage and outcomes Look for problems or areas for improvement and select and implement practical measures to improve upon anything identified
Target 2	All employees use an average of 17 days of annual paid leave or more	April 2024 onward (annually)	<ul style="list-style-type: none"> • Track usage of annual paid leave and inform employees of paid leave remaining • Send reminders about utilizing paid leave through the Company's intranet communications

Note: The plan will be implemented over a three-year period, from April 1, 2024 to March 31, 2027.

Promoting Women's Participation and Advancement

Career Development Program Tailored for Women

We have set a 10% target ratio of women in managerial positions under our Medium-Term Management Plan 2024. We have also worked diligently to create a constantly growing pool of potential female managers in the future. In the process, we have succeeded in increasing the ratio of women in managerial positions (non-consolidated) from 3.7% in fiscal 2022 to 6.4% in fiscal 2023.

Furthermore, in July 2023, we did away with the clerical position job category and merged it with the managerial-track job category, moving clerical employees over as well. This has helped our employees see the importance of taking the initiative in directing their career goals while being mindful of their own personal



growth. Adding to this, we hold career seminars on an ongoing basis to give each person the chance to take a good look at their own career trajectory. Going forward, we will expand our efforts to promote the active participation and advancement of women throughout the entire ALCONIX Group.

VOICE



Ms. I Corporate Communications Department

A Few Words from an Active Manager

I have seen the evolution of ALCONIX's internal systems over the past few years, and now I feel we are in a place where our work environment can be tailored to fit our individual life stages. We can also take advantage of the many self-directed training options, which I use as good learning opportunities. Instead of settling into the environment I was given, I made a point to work on myself, year in, year out, expanding my responsibilities until I was eventually rewarded with a management position. My department, Corporate Communications, has only six people, including my supervisor, but we shoulder a wide range of responsibilities. Even when things get busy, we value communication and enjoy working as a team, and I hope we can keep working to resolve any issues that arise in the future.

Sustainability

The Sustainable Future of Our Dreams

Promoting Health Management

Creating a Comfortable Work Environment

Starting from April 2023, every employee is granted 20 days of annual paid leave, regardless of the number of years with the Company. In addition to providing annual paid leave above the legally mandated amount, we also strive for all employees to utilize all 20 days (100%) of their annual paid leave. In fiscal 2023, employees utilized 80.6% of their annual paid leave, and we are working to encourage employees to utilize as much paid leave as they can. We are also working to reduce excessive overtime, with 15 hours of overtime on average logged per month in fiscal 2023.

TOPICS Certification as a “2024 Health & Productivity Management Outstanding Organization”



We have received certification in the large enterprise category under the Health & Productivity Management Program, administered by the Ministry of Economy, Trade and Industry. We draw upon our Health Management Promotion Policy to practice health management and create an environment where each person can work comfortably, feel that their work is rewarding, and develop a strong sense of individuality.

Other Initiatives

Employee health checkups Influenza vaccinations (subsidized by ALCONIX)	Health seminars for all employees, and specifically for women	Membership-based employee benefits
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Improving Employee Engagement

One-on-One Interviews to Maximize Individual Potential

Amid our efforts to promote ALCONIX’s “three keys,” we sit down with each employee on a regular basis for a one-on-one interview as one way of improving employee engagement. Thanks to these and other efforts, we reduced the Company’s resignation rate from 6.9% in fiscal 2022 to 5.8% in fiscal 2023.

We remain committed to providing opportunities to maintain this dialogue and create a work environment that encourages employee retention. In this spirit, we listened to some of our young employees—the next generation of ALCONIX—as they shared their opinions and perspectives.

VOICE

Voices from the Next Generation



Ms. T (left)
Information System Department
Joined the Company in 2022

Mr. S (right)
Information System Department
Joined the Company in 2023

— **About the Work Environment**
S: Our team is pretty flexible when it comes to adjusting our work hours and using our paid leave, which lets us take a balanced approach to work. Many of the more senior employees in my department have taken special paternity leave, so I think that ALCONIX is also supportive of people who reach parenting age and enables them to maintain a good overall balance as well.
T: The work we do every day has a direct link to my career aspirations, and we can also get support through study sessions and similar learning opportunities. On top of that, ALCONIX offers monetary assistance for acquiring certain qualifications and helps subsidize the cost of any studies, which motivates us to set goals and take on challenges. We also have access to training courses outside the Company that we can take as electives, so all in all, I think we are in a great environment for improving ourselves.

is done by talking with management about the work environment and the Company’s organizational operations. Even though it is only my third year since joining the Company fresh out of university, I take my position as a representative of the association with a positive mindset and face the challenge head on, making full use of the relationships I have built with my colleagues to represent all of our thoughts. I don’t just want to take part in building a system, I want to help create a good corporate culture as well.

— **About Opportunities to Be Heard**
S: We employees have many opportunities to make our voices heard. We can express ourselves through regular employee interviews and through the Employee Relations Association led by Ms. T, and it is clear that the Company is very willing to listen. That being said, I would like for there to be more ways for us to hear from management. I believe that greater mutual understanding will lead to greater employee engagement.

— **About the Employee Relations Association**
T: The Employee Relations Association is an organization that exists to make the Company better, and this

S Society

Formulating Our Human Rights Policy

In June 2024, we formulated the ALCONIX Group Human Rights Policy, in line with the UN Guiding Principles on Business and Human Rights and Ministry of Economy, Trade and Industry guidelines.

Helping realize a sustainable society is a key aspect of “Drawing the Future of Our Dreams,” our corporate slogan. In that same vein, we have clearly stated our respect for human rights within the ALCONIX Group Code of Conduct.

Therefore, we make every effort to ensure that all Group officers and employees share a common respect for human

rights and practice it in their everyday duties. Going forward, we will continue to address human rights issues within the Company and in our supply chain in earnest, and we will work together as a group to further strengthen our human rights initiatives to maintain our standing as a corporate group trusted by our stakeholders.

The ALCONIX Group Human Rights Policy
<https://www.alconix.com/en/company/statement/#human-rights>

The Group’s Contributions to Local Communities

1. Decent Work and Economic Growth

Some examples of the activities undertaken by the ALCONIX Group that have led to job creation, as well as achievements, are provided below.

4 QUALITY EDUCATION	FUJI PRESS CO., LTD. (Obu City, Aichi Prefecture)	Manufacturing Metal Processing	Employment rate of people with disabilities in fiscal 2023: 4.7% (above the legally mandated rate of 2.5%)
	TOKAI YOGYO CO., LTD. (Toyota City, Aichi Prefecture)	Manufacturing Equipment and Materials	Acceptance of potential employees from the Toyota Career Center, a facility that assists people in transitioning to hired positions. The company’s policy is to hire those that match available job openings.
8 DECENT WORK AND ECONOMIC GROWTH	FUJI CARBON MANUFACTURING CO. (Anjo City, Aichi Prefecture)	Manufacturing Equipment and Materials	Acceptance of practical trainees from Toyohashi University of Technology
	JUPITER INDUSTRY CO., LTD. (Miyako City, Iwate Prefecture)	Manufacturing Metal Processing	Every year, the company works with local high schools to provide hands-on job training to help students develop their employment and career outlooks.
	TOHOKU CHEMICAL INDUSTRIES, LTD. (Nasukarasuyama City, Tochigi Prefecture)	Manufacturing Equipment and Materials	Participation in company information sessions held at nearby high schools organized by Hello Work, a consultation service for people looking for work that is operated by the Japanese government.

2. “GO! Plastic Smart with Waterlogic®”

The Waterlogic® water purifier is an ALCONIX product available as an integrated dispenser that connects directly to the water supply or as a separate countertop model. Each of these products utilizes the customer’s water supply to provide safe, secure water without the need for plastic bottles, reducing plastic waste in the process. The Company is currently running an initiative called “GO! Plastic Smart with Waterlogic®” to contribute to local communities through greater use of Waterlogic® products. As an example of activities under this initiative, we are making efforts to install Waterlogic® water

purifiers in government buildings, schools, daycares, and other facilities in areas where our Group companies are located, while simultaneously making efforts to register these companies as SDG Partner Companies. Not only will this initiative reduce plastic waste, it will also help ensure that locals have access to delicious drinking water.

Details of the Group’s activities regarding this initiative will be updated regularly on the website below, operated by ALCONIX.

GO! Plastic Smart with Waterlogic®
<https://www.waterlogic.com/>



E Environment

Basic Stance on Climate Change

The ALCONIX Group has positioned the promotion of environmentally friendly business as one of its material issues, and recognizes that climate change will have a significant impact on achieving this goal in terms of formulating strategies and making business decisions. To address this, in fiscal 2023 we endorsed the recommendations put forth by the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, we will continue to maintain a good understanding of the

effects of climate change and any related initiatives on our business activities and of the financial impact of any countermeasures, and contribute to environmental and social sustainability through appropriate disclosure and relevant initiatives. Furthermore, to ensure the Group's sustainable growth and increase its corporate value, we will actively use the disclosed information to engage in dialogue with stakeholders.

Disclosures Recommended by the TCFD and ALCONIX's Response

Recommended Disclosures	Details	ALCONIX's Response
Governance	Disclosure of the organization's governance regarding climate-related risks and opportunities	Sustainability-related policies and measures are discussed at meetings of the Sustainability Committee, which is chaired by the chief strategy officer (CSO). The Sustainability Promotion Office, which handles the practical operations of the Sustainability Committee, submits specific plans and policy proposals to the committee, which then deliberates and investigates the details of these plans and proposals and reports its findings to the Board of Directors via the Management Committee.
Strategy	Disclosure of the impacts of climate-related risks and opportunities on the organization's business strategy and financial planning	We used two scenarios developed by the International Energy Agency (IEA) to analyze transition risks, focusing on automobile-related products. In the 1.5°C scenario, demand for the copper and rare metals handled by the Group is expected to increase sharply due to the shift to zero-emission vehicles (ZEVs). This growth opportunity outweighs the risk of a decline in demand for internal combustion engine vehicles. In the 2.7°C scenario, the shift toward ZEVs will progress to a certain extent, but internal combustion engine vehicles will not be completely phased out. As long as new car sales increase, we expect to capitalize on demand for both ZEVs and internal combustion engine vehicles and achieve growth accordingly.
Risk Management	Disclosure of the organization's methods of identifying, assessing, and managing climate-related risks	In light of the fact that the Group operates a wide range of businesses, the Sustainability Committee has established a system that makes it possible to oversee the management of newly identified risks and opportunities from a sustainability perspective. Specifically, the committee reports any climate change-related risks and opportunities identified via scenario analysis to the Board of Directors. The Board of Directors discusses measures for adaptation and mitigation based on these and instructs divisions in charge of business execution on specific measures to take. By adopting this practice, the Board of Directors has incorporated a system for evaluating sustainability-related risks and opportunities within its process for devising business plans.
Metrics and Targets	Disclosure of the metrics and targets used to assess climate-related risks and opportunities	As an initial step toward addressing climate change, the ALCONIX Group began calculating its greenhouse gas (GHG) emissions in fiscal 2021. Until fiscal 2023, we only calculated Scope 1 and Scope 2 emissions for the Company and its domestic consolidated subsidiaries (as well as their consolidated subsidiaries). However, from fiscal 2024 onward we will calculate Scope 1 and Scope 2 emissions for our overseas bases and Scope 3 emissions for our domestic bases to better assess the status of emissions throughout our entire supply chain. In the future, we will expand the scope of calculations further and begin developing reduction targets and plans.

External Evaluations

Since fiscal 2022, we have responded to the questionnaire provided by the CDP,* an international NGO that works with companies in their efforts to disclose their environmental impact. The survey for fiscal 2023 dealt with climate change. After submitting the survey, we received a score of "C" based on our responses.

We will continue to respond to the survey in future years and put forth efforts to improve upon this score.

* An NGO that requires participating companies to disclose environmental information on behalf of institutional investors and purchasing companies worldwide. The CDP's disclosure system is the international standard for environmental disclosure.

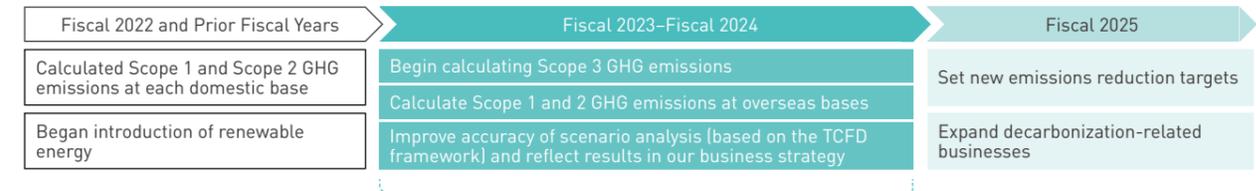


ALCONIX's responses for the CDP Climate Change 2023 Questionnaire (Japanese only) | https://www.alconix.com/assets/docs/sustainability/cdp_2023.pdf

Progress under Our Climate Change Road Map

The Group is working to address climate change in line with the road map laid out in Medium-Term Management Plan 2023. Here, we will focus on our progress up to the first half of fiscal 2024.

Road Map



Began calculating Scope 3 GHG emissions

From the start of fiscal 2024, we began calculating Scope 3 emissions for ALCONIX and its domestic consolidated subsidiaries (as well as their consolidated subsidiaries). Calculations were weighted heavily toward Scope 3 emissions under Category 1, purchased goods and services, which are relatively higher than other categories owing to the Group's Trading segment. Moreover, the scope of calculations in fiscal 2024 will be limited to domestic bases, but in subsequent years, we plan to broaden the scope of calculations to include overseas bases and to expand the categories covered by calculations.

Category	Fiscal 2023 (t-CO ₂)	Calculation Method, Emission Intensity, etc.	Target
1. Purchased Goods and Services	1,042,601	Calculated by multiplying the purchase price or purchase amount of purchased products by the emission intensity coefficient from the Ministry of the Environment database*1	21 companies, covering the Company, its domestic consolidated subsidiaries, and their consolidated subsidiaries
2. Capital Goods	9,875	Calculated by multiplying the acquisition cost of non-current assets by the emission intensity coefficient from the Ministry of the Environment database	As above
3. Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2	2,779	Calculated by multiplying the amount of electricity and steam purchased by the emission intensity coefficient from the Ministry of the Environment database and the amount of fuel purchased by the emission intensity coefficient from the LCI database*2	As above

*1 Ministry of the Environment database: Emission Factor Database on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 3.4), released by the Ministry of the Environment

*2 LCI database: IDEA Version 3.1, released by the IDEA Lab, part of the Research Institute of Science for Safety and Sustainability for the National Institute of Advanced Industrial Science and Technology

Note: We are currently establishing calculation methods for Category 4 and beyond; therefore results for these categories have not been included for fiscal 2023.

Began calculating Scope 1 and 2 GHG emissions at overseas bases

Up to the end of fiscal 2023, we only calculated Scope 1 and Scope 2 emissions for domestic bases owned by the Company and its domestic consolidated subsidiaries (as well as their consolidated subsidiaries). However, from fiscal 2024 onward we will utilize the know-how we have acquired to expand the calculation of these emissions to cover our overseas bases.

Fiscal 2023 (t-CO ₂)	Scope 1	Scope 2	Total
Overseas bases	2,539	16,754	19,293

Note: Includes results for 31 consolidated overseas subsidiaries and their respective subsidiaries

Improved accuracy of scenario analysis (based on the TCFD framework) to reflect in management strategy

The TCFD/GHG Working Group, under the umbrella of the Sustainability Committee, is in the process of selecting suitable scenario analysis methods and target businesses to analyze, taking into consideration the Group's business structure and available data.

As we work to formulate our next medium-term management plan, which is scheduled to be disclosed in May 2025, we will be looking into GHG reduction targets and plans.

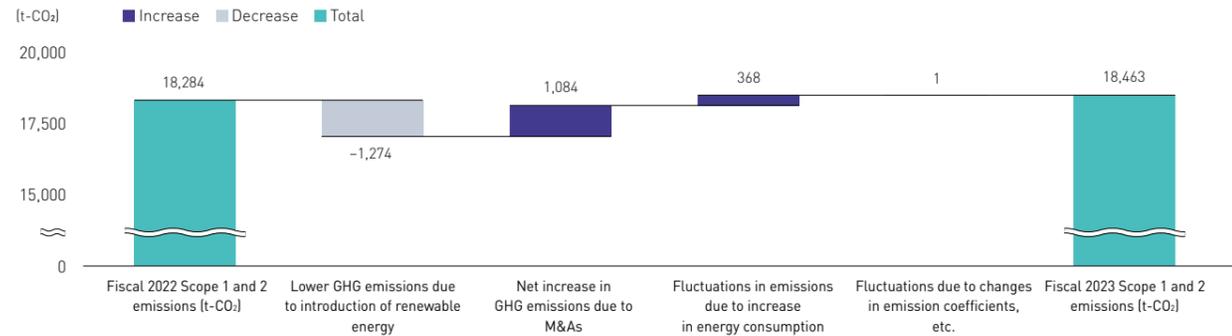
The Group's Approach to Reducing GHG Emissions

The Group is in the process of setting medium- to long-term reduction targets and related KPIs from the perspective of achieving carbon neutrality by 2050.

As a specific example, we are pushing for decarbonization at Group companies in our Manufacturing segment that use large amounts of electricity to operate their production machinery through full-fledged implementation of energy conservation measures, switching to renewable energy, and installing solar panels. In addition to reducing GHG emissions generated by our business activities, we will also leverage our businesses to realize a carbon-neutral society and work actively to minimize our impact on the environment.

Sustainability

One-Year GHG Emissions (Scope 1 and Scope 2 for All Consolidated Domestic Bases)



GHG Emissions by Segment

Indicators	Business Segment	Fiscal 2021	Fiscal 2022	Fiscal 2023
GHG emissions: Scope 1 and Scope 2	Trading	832 t-CO ₂	623 t-CO ₂	816 t-CO ₂ *
	Manufacturing	15,734 t-CO ₂	17,660 t-CO ₂	17,647 t-CO ₂ *
	Groupwide	16,568 t-CO ₂	18,284 t-CO ₂	18,463 t-CO ₂ *

* Figures differ from those stated in the Securities Report for fiscal 2023, which was disclosed on June 20, 2024, due to a more detailed examination of emissions.

TOPICS Sustainability Efforts at MARKTEC CORPORATION

Our management policy is to “strengthen the self-direction and drive of each Group company.” Therefore, we value the sustainability initiatives put forth by Group companies of their own accord. MARKTEC CORPORATION is one such company, and here we will introduce some of its sustainability efforts. As part of these efforts, the company installed a solar power generation system at its Narita factory in July 2023 and began using electricity verified with Non-Fossil Certificates at its head office in Ota Ward, Tokyo in July 2024, facilitating the use of renewable energy in its business activities. MARKTEC also produces eco-friendly products on an ongoing basis that reduce environmental impact and conserve resources and energy, reducing emissions throughout the supply chain and promoting environmental conservation past the point of sale. In addition, MARKTEC introduced carbon credits in April 2023 to offset some of the emissions that remain despite the above efforts.

1 Renewable Energy

The solar power generation system installed at MARKTEC’s Narita factory follows a surplus power circulation model under an on-site power purchase agreement (PPA) in which the PPA project developer supplies electricity in excess of MARKTEC’s own consumption to other users. Compared with previous models, where MARKTEC was the sole user of the electricity produced, this model reduces emissions by 90 t-CO₂/kWh per year, more than double the amount. Furthermore, although the decision to utilize electricity verified with Non-Fossil Certificates for its head office means a higher unit price, the introduction of a unique electricity rate plan and capital investments in energy-efficient air-conditioning equipment are expected to lower costs overall. The company is also working to increase worker mindfulness toward saving electricity by disseminating information internally about monthly electricity usage.



carbon credits. In keeping with MARKTEC’s proprietary eco-concept, the company is working to tie its Eco Check® series of aerosol dye penetrant inspection agents to the purchase of carbon credits. Upon the sale of these products, which are made primarily from natural and cosmetic ingredients and are designed to be safe for people and the environment, the company purchases J-Credits to offset any emissions from their production.

3 Refurbishment Business Initiatives

MARKTEC unveiled a machinery and equipment refurbishment business in July 2024 as a business model for a recycling-oriented society and circular economy. Although there was no previous market for used machinery in the machinery sales sector, refurbishing attempts to solve two social issues at once by helping reduce the high start-up costs associated with buying new machinery and by promoting the reuse of resources. The company hopes to use its refurbishment business to breathe life into the used machinery market and help realize a circular economy. Moreover, MARKTEC is hard at work developing new recycling-conscious technologies for non-destructive testing products and will continue to roll them out in the future.

2 Carbon Credits

In addition to directly reducing GHG emissions, the company offsets any residual emissions it cannot eliminate itself with



Eco Check® series of aerosol dye penetrant inspection agents

The Sustainable Future of Our Dreams

Column >> ALCONIX MITAKA CORPORATION: An Environmentally Friendly Business

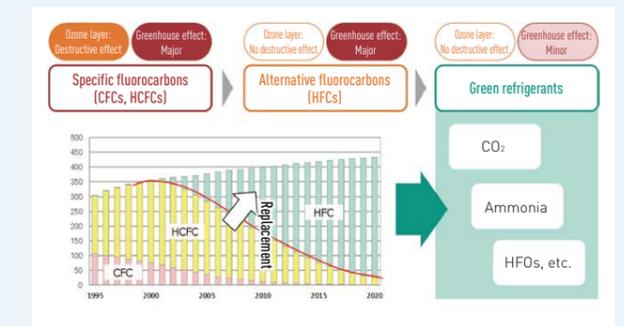
Green Refrigerants Becoming a Mainstay in the Cold Chain

The cold chain requires controlled, low-temperature conditions. Refrigerators and freezers—and by extension, the refrigerants that move heat from low-temperature areas to high-temperature areas—play a crucial role in this chain. However, the dominant refrigerants in use are chemical substances called fluorocarbons, which are highly damaging greenhouse gases. Although there has been considerable progress in switching over from ozone-depleting fluorocarbons (CFCs/HCFCs) to non-ozone-depleting alternatives (HFCs),* HFCs still produce a greenhouse effect ranging from several multiples of 10 to over 10,000 times that of CO₂. Therefore, the reduction of fluorocarbons, even alternative fluorocarbons, has become an increasingly urgent component of combating global warming, leading to the gradual introduction of restrictions on their production and import.

Green refrigerants, which have a low global warming potential, are being promoted as new alternatives to HFCs. Notable among green refrigerants are what are known as the five “natural refrigerants”—ammonia (NH₃), carbon dioxide (CO₂), water (H₂O), air, and hydrocarbons (HCs).

These and other green refrigerants are becoming mainstay refrigerants in the cold chain, and the Ministry of the Environment and Tokyo Metropolitan Government provide subsidies to support the purchase of energy-saving equipment that use natural refrigerants, which has high

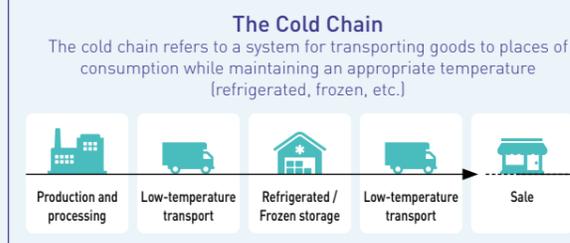
initial costs. Outside of the cold chain, there is also a movement to switch to refrigerants used in chillers in semiconductor equipment from fluorocarbons to green refrigerants. With the backing of the national and metropolitan governments, the trend toward using CO₂ refrigerants as a measure against global warming is increasing with each passing year, meaning the switch to refrigerators and freezers that utilize CO₂ refrigerants is expected to grow in kind.



Source: Materials from the Ministry of the Environment’s FY2023 Briefing on the Act on Rational Use and Proper Management of Fluorocarbons

BAU: Business-as-usual
 CFCs: Chlorofluorocarbons (specific fluorocarbons)
 HCFCs: Hydrochlorofluorocarbons (specific fluorocarbons)
 HFCs: Hydrofluorocarbons (alternative fluorocarbons)
 HFOs: Hydrofluoroolefins. HFOs are widely used as a refrigerant in freezers and air conditioners, and it is believed that their use will benefit the environment by reducing GHG emissions associated with the cooling process.

* In keeping with the Montreal Protocol, Japan pledged to completely phase out both production and consumption of CFCs by 2005 and HCFCs by 2020. Japan and other developed countries have also begun to gradually reduce production and consumption of HFCs, with a target of reducing their respective production and consumption by 85% by 2036 (baseline value: average from 2011 to 2013).



Using Thin, Lightweight, High-Strength Copper Alloy Tubes to Help Popularize CO₂ Refrigerants

Group company ALCONIX MITAKA CORPORATION handles copper alloy tubes, which are essential for refrigerators and freezers that utilize CO₂ as a refrigerant. The company’s strength has always been its ability to handle a wide variety of copper tubes, but one day, over 10 years ago, an inquiry came from a business partner about whether the company could start handling copper alloy pipes. This dates back to when the company supplied copper alloy tubes for piping work in trial installations of refrigerators that used a CO₂ refrigerant at environmentally conscious retail stores. At one point, shipping volumes for these products reached several times their normal levels, driven by a growing global awareness of environmental issues.

Copper alloy tubes are composed of over 90% copper plus cobalt, and are characterized by a strong resistance to heat, pressure, and corrosion. CO₂ refrigerants exert greater pressure on copper tubes than fluorocarbons, requiring the use of thick-walled copper tubes. However, the copper alloy tubes handled by ALCONIX MITAKA can withstand this pressure while being 20%–30% lighter, reducing the burden on plumbers and improving work efficiency. Since these tubes also require less copper, they have a lower manufacturing cost per tube.

CO₂ refrigerants are notable among green refrigerants for being nonflammable, nontoxic, odorless, and extremely safe. However, most refrigerated warehouses are large, so much of the refrigeration equipment used in these warehouses still relies on specific fluorocarbons or alternative fluorocarbons due to costs. On the other hand, green refrigerants will become a necessary point of consideration as a measure to find alternatives to fluorocarbons by 2030, as stipulated by the Ministry of the Environment’s “Plan for Global Warming Countermeasures.” Moreover, the company anticipates that there will be a particularly strong demand for CO₂ refrigerants due to their nonflammable nature from companies looking to prevent disasters in large warehouses. With these factors in mind, ALCONIX MITAKA is working to popularize and increase sales of its copper alloy tubes.



Copper alloy tubes

Corporate Governance



Directors and Audit & Supervisory Board Members (as of June 20, 2024)

01 / Hiroshi Teshirogi
Representative Director,
President and CEO

Reasons for Appointment:
Since joining ALCONIX, Hiroshi Teshirogi has been involved in the aluminum and copper products business and was appointed as a director in 2014. He has demonstrated strong leadership skills with respect to trade in Japan and overseas, trilateral transactions, and the development of overseas operations, and he also possesses management experience from his tenure at a consolidated subsidiary.

02 / Takumi Suzuki
Director, Senior Managing Executive
Officer and CSO

Reasons for Appointment:
Since joining ALCONIX, Takumi Suzuki has been involved in corporate planning and has contributed to the business expansion and formulation of management strategies of the ALCONIX Group. He has played a significant role in strengthening the consolidated profit structure by planning and overseeing M&As, primarily in the manufacturing sector. He has also demonstrated strong leadership skills with respect to the establishment and execution of business strategies for the ALCONIX Group as a whole, and possesses extensive knowledge and a high level of expertise.

03 / Toshiya Imagawa
Director, Managing Executive Officer
and CHRO

Reasons for Appointment:
Since joining ALCONIX, Toshiya Imagawa has demonstrated his ability to launch new businesses, increase the market share of existing products in the Electronic and Advanced Materials Business, and establish a solid revenue base for ALCONIX. He has also served as a director (part-time) of a number of domestic and overseas manufacturing subsidiaries and overseas corporations, accumulating a significant amount of knowledge and experience with respect to corporate group management.

06 / Yukino Kikuma
Outside Director

Reasons for Appointment:
Yukino Kikuma has highly specialized skills and knowledge in company management as an attorney. She has expertise in corporate law and experience involving mass media accumulated over a wide-ranging career.

07 / Yukiko Imazu
Outside Director

Reasons for Appointment:
Yukiko Imazu has highly specialized skills involving corporate law as an attorney and a broad range of experience and knowledge, especially in personnel and labor matters.

08 / Hideki Matsuo
Outside Director

Reasons for Appointment:
Hideki Matsuo has many years of corporate experience from his tenure at Mitsui Chemicals, Inc. and extensive knowledge involving management, manufacturing, and technology. In particular, he has expertise concerning the establishment of safety management systems and infrastructure at factories.

04 / Nobuhiko Takahashi
Director, Executive Officer and CFO

Reasons for Appointment:
Nobuhiko Takahashi was primarily involved in overseas corporate finance operations at a major financial institution and served as a branch manager of an overseas branch. After joining ALCONIX, he was appointed as the general manager of the Finance Department and has demonstrated his knowledge and ability as an expert in international finance.

05 / Masao Hisada
Outside Director

Reasons for Appointment:
Masao Hisada worked in various senior positions during his career at Hitachi, Ltd. in such areas as global business operations, procurement, and marketing. He has also demonstrated strong leadership skills as the president and chairman of a Hitachi Group company. He possesses extensive experience and insight as a management expert cultivated throughout his career.

09 / Junichi Kitagaki
Full-Time Audit & Supervisory Board
Member

Reasons for Appointment:
Since joining ALCONIX, Junichi Kitagaki has long served as the head of our U.S. subsidiary, contributing to the expansion of business in that country, while also holding key positions in the managing department of the Group's U.S. plating materials manufacturing subsidiary. He possesses knowledge and experience in all aspects of manufacturing and industry with regard to business management.

10 / Shigeo Ogi
Outside Audit & Supervisory Board
Member (part-time)

Reasons for Appointment:
Shigeo Ogi has considerable specialized knowledge as a certified public accountant with many years of international experience and significant insight concerning corporate management.

11 / Ryoko Takeda
Outside Audit & Supervisory Board
Member (part-time)

Reasons for Appointment:
Ryoko Takeda has considerable specialized skills as an attorney, deep management insights, and expertise in corporate law.



SPECIAL FEATURE

Roundtable Discussion with the CEO and Outside Directors

The ALCONIX Group's Human Capital— The Source of Value Creation

Greater Diversity for Greater Growth

The ALCONIX Group has positioned "Human Capital" as its most important material issue, driven by the belief that the growth of every individual is vital toward realizing its vision for the future, summed up by its corporate slogan "Drawing the Future of Our Dreams." To delve deeper into this topic, Representative Director and CEO Hiroshi Teshirogi and outside directors Yukino Kikuma and Yukiko Imazu sat down to talk about the Company's related efforts to date, future plans for human capital development, and hopes and expectations for employees.

Yukiko Imazu
Outside Director (left)



Hiroshi Teshirogi
Representative Director,
President and CEO (center)



Yukino Kikuma
Outside Director (right)



1.

ALCONIX's "Three Keys" to Developing Its People

Teshirogi ALCONIX is a company with its origins in trading, so we have always stressed the importance of developing our people. As a result, it is natural that we place human capital at the top of our list of material issues. As CEO, I want employees to stay with the Group for a long time, and with this in mind, I have been working to create a comfortable and enjoyable workplace for every

employee by improving working conditions and giving employees the chance to challenge themselves. In this same vein, we have highlighted compensation, education, and opportunity as the "three keys" to maximizing human capital. I am proud to say we have made significant improvement in each area since I became the executive in charge of the Corporate Division five years ago. Thanks to these efforts, there has been an increase in the amount of promising talent that could potentially lead the Group forward in the future, which is fundamental to a good succession plan.

This plan is one of the elements of our human resource strategy and systems that is constantly being updated and revised, a process vital for success down the line.

Kikuma When trying to create an environment that encourages self-directed growth, it is important that each employee develop the ability to identify and solve problems on their own. In that sense, I think ALCONIX's "three keys" and its greater human resource strategy will work wonders for the Company's sustainable growth. In particular, I think

giving employees the opportunity to learn outside their company will not only lead to personal growth but will also allow them to see their company from a bird's-eye view, which will spark innovation and business expansion from a completely new perspective. From my perspective as an outside director, I get the impression that the members of management have distinct personalities across many different backgrounds while the employees clearly seem capable, albeit somewhat reserved. However, this may very well be a case of me not meeting enough people, and I am hoping there is someone out

there who has the integrity of the founder* of ALCONIX who can drive the evolution of the Company from the ground up.

* The late Chairman Eiitsu Masaki, ALCONIX's first representative director and president

Imazu It is true that the Company projects something of a modest spirit. That being said, the people I have spoken to directly seem energetic, assertive, and ambitious in all the right ways, and I also feel a strong undercurrent of perseverance within them. ALCONIX expands with each passing year, but I would like the Company to keep up its

SPECIAL
FEATURE

Roundtable Discussion with the CEO and Outside Directors

Building the Foundation for Realizing Our Dreams



Yukiko Imazu
Outside Director
Appointed in June 2022
Currently in third year of appointment

efforts to meet with its employees and value the opportunities to hear from them directly. Also, as climate change, global situations, and other factors make the future more difficult to predict, the Company's senior management should always consider what steps it needs to take in terms of human capital to ensure ALCONIX remains relevant amid these changing times. For Mr. Teshirogi to realize his vision for the Company, not only is it important to keep salaries at a competitive level, it is absolutely essential to establish a workplace where employees are motivated and feel like they are growing. By utilizing its "three keys," I believe ALCONIX can cultivate its fundamental resource for creating value, human capital, and build a business that enriches the lives of each and every employee, rather than simply relying on money to keep people together.

Teshirogi If we are to increase corporate value, I believe we need a diverse workforce that truly enjoys their job because they feel a great sense of purpose and satisfaction at work. To that

end, we are working in many different directions to create an environment in which employees can work with a certain degree of flexibility. For example, we have introduced a support system to help employees balance their childcare and nursing care duties and give employees a variety of workstyles to help them fulfill their job responsibilities while meeting their personal or family needs.

As a result of these efforts, 100% of eligible male employees took special paternal leave. Our hope is that, by giving employees the support they need to take active care of the ones they love, all employees, regardless of gender, will have a platform for success.

Kikuma I think bringing in a proprietary system in support of work-life balance is a stellar initiative. All of us directors share a common desire for employees to feel glad that they joined ALCONIX and are happy in their working lives. At Board meetings, we have repeated discussions about how the Company can show its appreciation to employees and be a place where they value their workplace and colleagues and feel proud to be part of the team. I want every employee, including those at Group companies, to feel free to communicate their views and voice their concerns if they have a problem with their work environment or ideas for improvements. Quite often the voice of one person speaking out can represent the opinions of many.

2.

Key Points of the Human Resource Strategy under Medium-Term Management Plan 2024

Teshirogi In Medium-Term Management Plan 2024, we are taking one step further by identifying critical skills we would like our employees to have and providing them with the opportunities, both in terms of training and avenues for them to

demonstrate their abilities. The goal is to create a virtuous cycle that improves engagement, promotes DE&I and self-directed career development, and supports employee well-being. We want to enable employees to adopt a flexible approach to work that gives them support to help balance their work and personal lives. In order to ensure diversity within the Group, we need to make sure women have the means to play an active role. Therefore, at ALCONIX CORPORATION, we have decided to adopt a basic policy of a 1:1 male to female hiring ratio for new graduates and to promote recruitment activities that are more gender-neutral than ever before.

Kikuma I agree with Mr. Teshirogi, in that I also believe that the Company's sustainable growth depends highly on its ability to enable all of its employees to thrive, regardless of their age, gender, nationality, or any other characteristic. Every employee has their own unique identity and story, and for true diversity, a company must foster an inclusive environment in which every



Hiroshi Teshirogi
Representative Director, President and CEO

employee feels valued and heard. As a first step, I think it is important for ALCONIX to work toward its goal of an equal gender ratio.

Imazu On this topic of diversity, over 20% of the directors at the ALCONIX Head Office—which includes Ms. Kikuma and myself—are women, with each of us serving in outside director roles. I believe that increasing the number of women in managerial positions will give women greater representation and a larger role in decision-making. Ultimately, having a diverse range of perspectives among leadership will raise the resilience of the organization, business, and company. It is particularly important that the Head Office take the lead in the pursuit of diversity since it can serve as the role model for Group companies, many of which are locally based and small and medium-sized organizations. To that end, this should be treated as an issue that requires the attention of senior management, not just the General Affairs & Human Resources Department.

3.

Future Issues to Consider in Order to Drive Up Growth

Teshirogi We have been working to buttress our internal control system to improve Group governance, but we need to step up these efforts to achieve further growth. One of the benefits of increasing the ratio of women in managerial positions is that it will bring a breath of fresh air, with unique perspectives and insights different from those we have seen before. As a result, the management team—myself included—believes that doing such will improve employee engagement and retention, and lead to better evaluations from external organizations. The ratio of female managers was in the 3% range until fiscal 2022 but jumped to 6.4% in

fiscal 2023, which was a jump of 2.7 percentage points from the previous fiscal year, illustrating slow yet steady progress toward diversity. With this in mind, as far as promoting diversity on a Groupwide level, there is still plenty of room for improvement.

Kikuma At Board meetings, we often try to identify the issues that the Group should address. It's true that the Company promotes a unique childcare and nursing care support system. However, it's also true that, when employees take extended leave under these systems, there is a greater burden on others in the same department. This is why I hope that all employees can have a voice in these discussions since they are the ones who are ultimately affected. Creating a workplace that is comfortable for *everyone*—one that invokes the feeling that "we're in this together," instead of some people having to simply put up with it—is a difficult task, and one that cannot be completed overnight. I would like to see repeated dialogue and in-depth discussion between senior management and employees to help see this through. It is my hope that every employee will embrace drive, curiosity, and compassion and address the challenges they face in their daily work with an open mind receptive to other ideas and new experiences.

Imazu Throughout my professional life, there have been times when I felt I was at a crossroads or was unsure of what to do. At times like these, the strong support of the people around me, who were there to listen to my concerns and lift my spirits, was a great help. This is why I think that ALCONIX's efforts to bring together people with similar concerns, such as its meet-ups for employees who are parents, have a highly positive impact and are an effective complement to the Company's institutional support systems. However, Ms. Kikuma made a good point—the Company needs to consider the people who cover for those engaged



Yukino Kikuma
Outside Director
Appointed in June 2020
Currently in fifth year of appointment

in childcare or nursing care because they deserve support as well. As a lawyer, I have handled a number of issues with labor relations, and I plan to use the experiences from both my work and personal life to deliver constructive input at Board meetings going forward.

Teshirogi New challenges await as we forge a path toward the future of our dreams, and the Group's people are one of the driving forces that will take us through these challenges and to our destination. In Medium-Term Management Plan 2024, we have made their importance clear. As a business strategy, we must truly integrate our Group companies to create synergies. Diversity is the key. As we pursue greater diversity, I hope to draw upon the unfiltered opinions of Ms. Kikuma, Ms. Imazu, and the other outside directors to help guide us along the way. Reflecting external voices such as theirs in Group management will help us achieve our goals of meeting stakeholder expectations and creating corporate value.

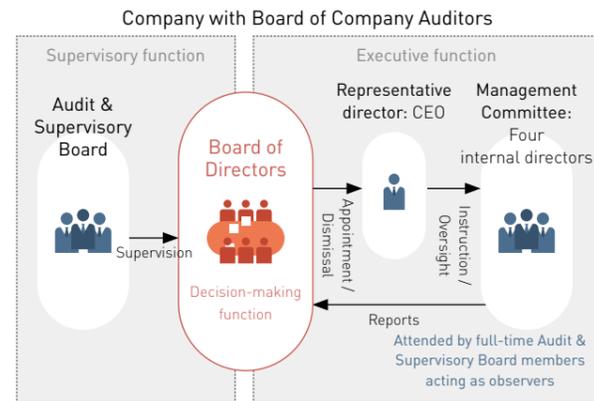
Corporate Governance

Building the Foundation for Realizing Our Dreams

Basic Approach to Corporate Governance

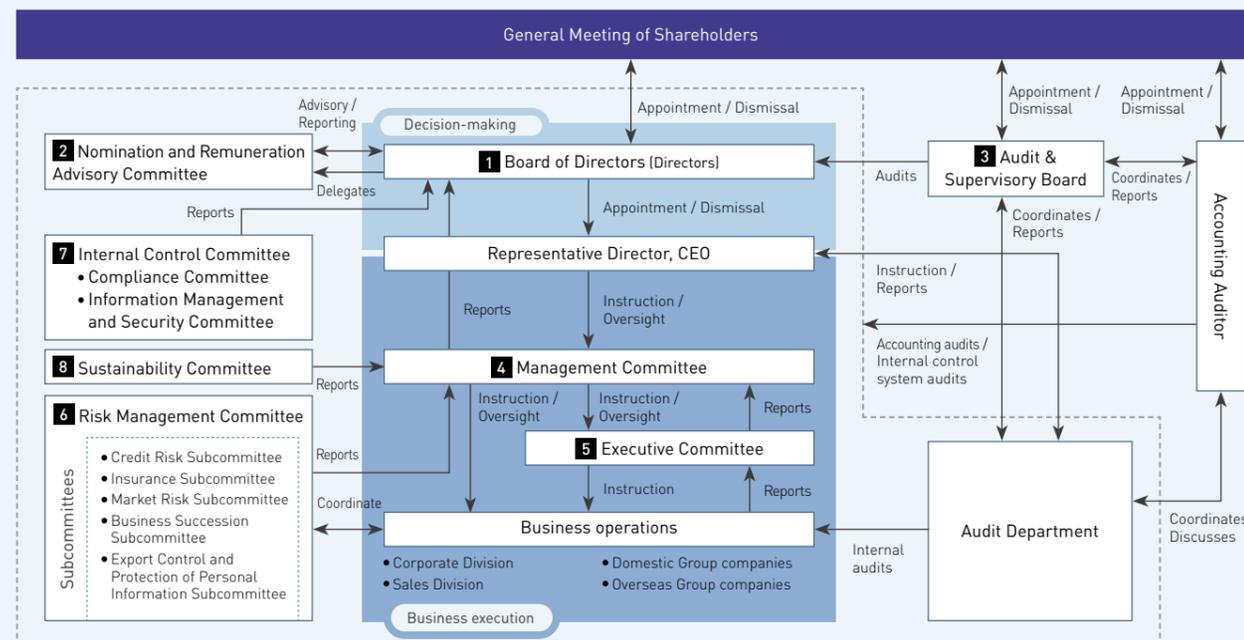
ALCONIX recognizes the medium- to long-term enhancement of corporate value as its most important management issue and makes efforts to strengthen its management structure as it endeavors to draw the future of our dreams. We comply with all laws, regulations and corporate ethics, operate in a highly fair and transparent manner, and strive to be an honest and reliable corporate group.

Organizational Design and Governance System



The Company emphasizes prompt decision-making in order to implement M&As and investments in a flexible manner. With this focus on decision-making in mind, the Board of Directors has opted for a company with board of company auditors organizational design. We believe that the appointment of outside directors who can advise management from an objective and comprehensive standpoint and who have a wealth of experience and broad and deep insight enables accurate and prompt decision-making that incorporates external perspectives. In addition, to ensure the independence of its supervisory function, the Company has appointed outside Audit & Supervisory Board members with expertise in law and accounting, who supervise and monitor the Board of Directors in a transparent and appropriate manner.

Governance System (as of June 21, 2024)



Strengths of ALCONIX Governance

Point 1 ▶ Strengthening Internal Control

Appointment of a Managing Executive in Charge of Internal Control; Strengthening of Internal Control Groupwide

With the increase in companies joining the Group through M&As, we appointed a managing executive in charge of internal control (currently the CHRO) in 2021 from the perspective of strengthening internal control throughout the Group. The CHRO works closely with the Audit & Supervisory Board and Audit Department and continues to develop and implement the Group's internal control systems.

Point 2 ▶ Increasing Board Effectiveness

Strengthening of Our Supervisory Function with a Board of Directors Comprising One-Half Outside Directors

Independent outside directors account for one-half of the Board of Directors. In addition, we strive for diversity within the Board of Directors by making sure it is composed of people with different backgrounds and abilities. This ensures that the Board of Directors is equipped with the expertise and experience that the Group needs.

Major Meetings and Committees

		Meetings in Fiscal 2023
1	Board of Directors The Board of Directors, comprising eight members (four of whom are outside directors), makes management decisions (management policies and plans, the appointment and dismissal of senior management, and other important business execution decisions) based on thorough discussions at regular monthly meetings and extraordinary meetings held as necessary.	13
2	Nomination and Remuneration Advisory Committee The Nomination and Remuneration Advisory Committee is an advisory body to the Board of Directors composed of two outside directors (with one outside director appointed as chairman) and one full-time internal director. The committee deliberates on matters that include succession plans for the chief executive officer; the nomination of directors, executive officers, and other management positions involving business execution; and remuneration.	11
3	Audit & Supervisory Board The Audit & Supervisory Board, comprising three Audit & Supervisory Board members (two of whom are outside Audit & Supervisory Board members), meets regularly once a month, with extraordinary meetings held as necessary. The Audit & Supervisory Board deliberates on reports from each Audit & Supervisory Board member and forms audit opinions. The Audit & Supervisory Board also liaises with the Internal Control Department, the Audit Department, auditors at Group companies, and the Accounting Auditor to exchange opinions and share information when necessary.	14
4	Management Committee The Management Committee meets once a month, attended by four internal directors and one full-time Audit & Supervisory Board member as an observer, to conduct advance deliberations on important matters related to business execution, capital policy, corporate organization, strategic risks, and other matters requiring resolutions or reports by the Board of Directors.	12
5	Executive Committee The Executive Committee consists of four internal directors, all four of whom concurrently serve as executive officers, seven other executive officers, the general manager of the Nagoya branch, and one full-time Audit & Supervisory Board member who participates as an observer.	12
6	Risk Management Committee Positioned under the Management Committee, the Risk Management Committee is chaired by the general manager of the Corporate Division and is made up of internal directors and department general managers from the Corporate Division. The committee oversees the identification of significant Group risks and the status of risk management measures implemented by the CEO and other management team members, as well as the related duties of each department tasked with formulating plans and responding to these risks. Furthermore, subcommittees have been established under the Risk Management Committee to handle various risks. The subcommittees identify and analyze various potential risks, formulate countermeasures, and conduct evaluations.	12
7	Internal Control Committee The Internal Control Committee, chaired by the representative director, president and CEO, is responsible for managing matters related to the overall internal control system and its maintenance, matters involving the maintenance and operation of internal controls related to financial reporting (including disclosures), and the centralized management of various matters related to internal control. Compliance Committee The Compliance Committee is chaired by the director in charge of internal control and comprises four internal directors, with a full-time Audit & Supervisory Board member and the general manager of the Audit Department serving as observers. The committee formulates basic policies and action plans related to compliance, and is responsible for creating, updating, and revising the ALCONIX Group Compliance Manual and ensuring that all executives and employees are familiar with its contents. The results of these efforts are reported to the Internal Control Committee and the Management Committee, establishing a system for legal and regulatory compliance and crisis management. Information Management and Security Committee The Information Management and Security Committee, chaired by the representative director, president and CEO, is made up of four internal directors, the executive officer in charge of information management and security, and the general manager of the Information System Department. The committee is engaged in efforts related to information management, security, and systems reform as well as cyber risk countermeasures, among other issues.	4 3 4
8	Sustainability Committee The Sustainability Committee, chaired by the CSO and consisting of four internal directors and a full-time Audit & Supervisory Board member as an observer, aims to appropriately address ALCONIX sustainability, while the Sustainability Promotion Office, subordinate to this committee, is mainly responsible for the formulation of various policies and the resolution of ESG-related issues.	4

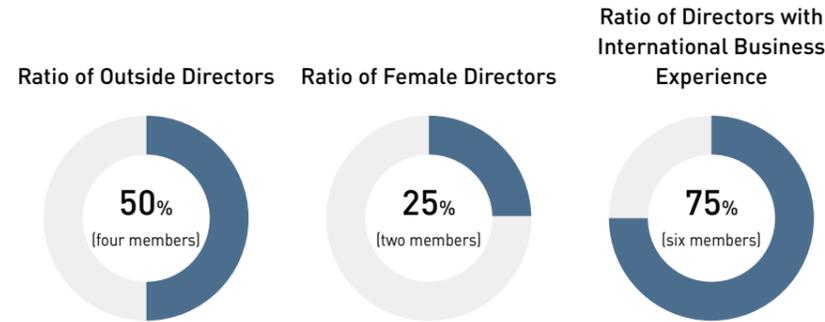
Notes: 1. The full-time member of the Audit & Supervisory Board and the general manager of the Audit Department attend all committee meetings as observers.
2. Each committee listed above serves as a forum for substantive discussion and consensus building. Therefore, the composition of these committees is subject to reorganization in accordance with conditions at the time to increase effectiveness in these roles.

Corporate Governance

Building the Foundation for Realizing Our Dreams

Composition of the Board of Directors

The Board of Directors is composed of four full-time directors and four outside directors, who make management decisions based on thorough discussions at regular Board meetings held once a month, as well as at extraordinary Board meetings held as necessary.



Skill Matrix

As an integrated company with a trading segment that develops global business and a manufacturing segment possessing strong technological capabilities and competitive advantages, ALCONIX appoints directors and Audit & Supervisory Board members with extensive business experience and the expertise

and knowledge to establish effective corporate governance focused on sustainable growth. The skill matrix that serves as the basis for the appointment of directors and Audit & Supervisory Board members is as follows. (As of June 20, 2024)

	Name	Position	Main Areas of Expertise							
			Corporate and business management	Sales and marketing	International and global experience	Finance, accounting, and tax	Legal affairs and compliance	Governance and risk management	Human resource management	Manufacturing
Directors	Hiroshi Teshirogi	Representative Director, President and CEO	●	●	●				●	
	Takumi Suzuki	Director, Senior Managing Executive Officer and CSO	●	●	●	●	●	●	●	
	Toshiya Imagawa	Director, Managing Executive Officer and CHRO		●	●		●	●		●
	Nobuhiko Takahashi	Director, Executive Officer and CFO		●	●	●				
	Masao Hisada	Outside Director	●	●	●					●
	Yukino Kikuma	Outside Director					●	●	●	
	Yukiko Imazu	Outside Director					●	●	●	
	Hideki Matsuo	Outside Director	●		●			●		●
Audit & Supervisory Board Members	Junichi Kitagaki	Full-Time Audit & Supervisory Board Member		●	●	●	●	●		●
	Shigeo Ogi	Outside Audit & Supervisory Board Member (part-time)			●	●		●		
	Ryoko Takeda	Outside Audit & Supervisory Board Member (part-time)			●		●	●		

Note: We will continue to expand and revise the skill matrix, adding items deemed necessary from the perspective of enhancing Group corporate value and achieving sustainable growth.

Agenda and Discussion Items for Board of Directors Meetings in Fiscal 2023

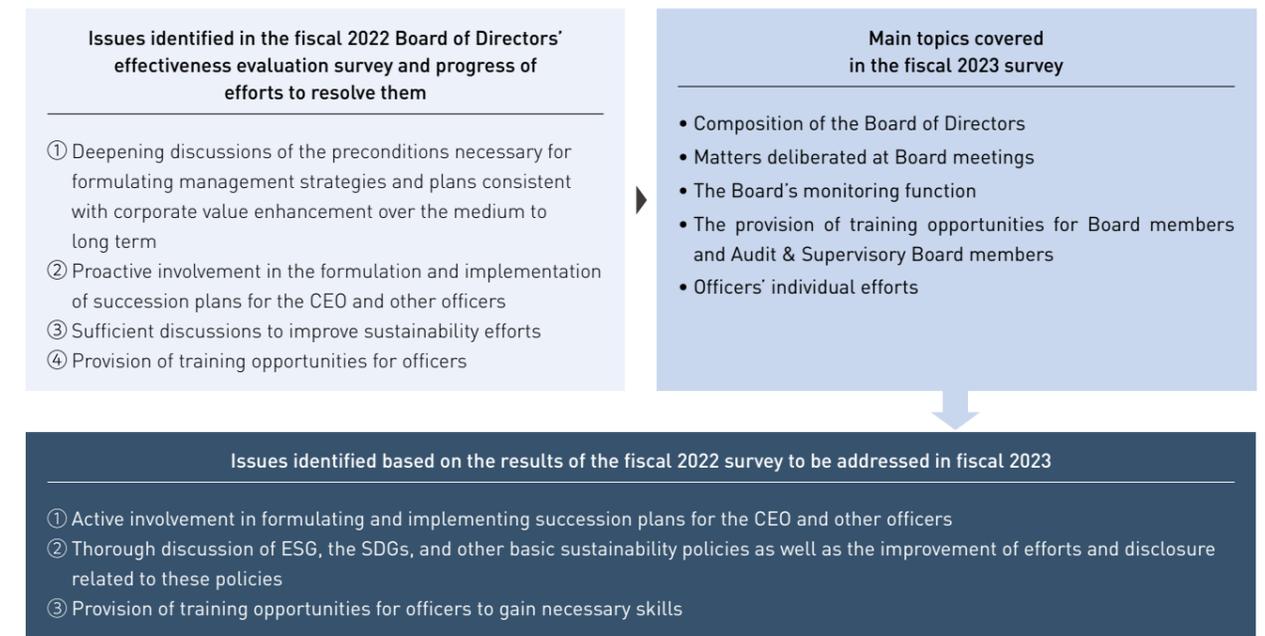
Category	Main Items of Discussion
Overall Management	<ul style="list-style-type: none"> Formulation of Medium-Term Management Plan 2024 Reports pertaining to dialogue with institutional investors Review of cross-shareholdings
Matters Related to Internal Control and Corporate Governance	<ul style="list-style-type: none"> Revision of basic policy for internal control system Reporting on the activities of the Risk Management Committee Agenda for the Ordinary General Meeting of Shareholders
Sustainability	<ul style="list-style-type: none"> Reporting on the activities of the Sustainability Promotion Office Endorsement of TCFD Reviews of CDP reporting
Investment Activities	<ul style="list-style-type: none"> Commencement of agreement with SOODE NAGANO CO., LTD. to establish a joint venture in the United States Reporting on CVC activities
Others	<ul style="list-style-type: none"> Financial plan for the fiscal year Board of Directors' schedule for the year

Evaluation of the Effectiveness of the Board of Directors

Once a year, we conduct a survey of all directors and Audit & Supervisory Board members who are members of the Board of Directors to identify issues related to the effectiveness of the Board of Directors, which are then evaluated and analyzed. The evaluation of the effectiveness of the Board of Directors for fiscal 2024 confirms that the composition and operating procedures of the Board of Directors are appropriate. Some

issues included the content of deliberations and support systems that are currently in place.

The evaluations were generally positive and confirmed that there was active discussion and deliberation taking place at meetings. Therefore, the Board of Directors has been deemed effective in its role.



Corporate Governance

Building the Foundation for Realizing Our Dreams

Audit System

Audit & Supervisory Board

Chairperson	Junichi Kitagaki (Full-Time Audit & Supervisory Board Member)
Composition	Internal Audit & Supervisory Board members: One member (full-time) Outside Audit & Supervisory Board members: Two members
Main role and authority	<ul style="list-style-type: none"> Formulates policies and audit plans for Audit & Supervisory Board members Attends Board of Directors meetings and other important meetings, inspects important documents and reports from directors and employees, and conducts on-site inspections of Group companies to audit directors' execution of duties Verifies correspondence between audit results and audits performed by the Accounting Auditor

The Audit & Supervisory Board deliberates on reports from each Audit & Supervisory Board member and forms audit opinions. The Audit & Supervisory Board also liaises with the Internal Control Department, the Audit Department, auditors at Group companies, and the Accounting Auditor to exchange opinions and share information when necessary.

MESSAGE



Susumu Kosaka
Executive Officer, Corporate Division
General Manager of the Risk
Management Department and General
Manager of the Audit & Supervisory
Board Member Office

Audit & Supervisory Board Member Office Initiatives

The Audit & Supervisory Board Member Office was established in April 2022 as an organization supporting the Audit & Supervisory Board with overall auditing duties to strengthen governance. In addition to managing the operation of the Audit & Supervisory Board, serving as its secretariat, this office also provides support services that include formulating audit plans, coordinating auditor hearings, and compiling audit records. It also engages in daily efforts to improve the efficacy and efficiency of the audits performed by the Audit & Supervisory Board members through operational management, such as sharing with the Audit & Supervisory Board the results of audits conducted by the Audit Department, Accounting Auditor, and Group company auditors, which facilitates regular opportunities for two-way communication and cooperation with the Board of Directors.

Advisory Bodies

Nomination and Remuneration Advisory Committee

Chairperson	Masao Hisada (Outside Director)
Composition	Internal directors: One member (full-time) Outside directors: Two members
Main role and authority	<ul style="list-style-type: none"> Determines policies and procedures for selecting candidates for directors and Audit & Supervisory Board members Determines draft proposals for appointments and dismissals Determines draft proposals for executive officer and other senior management candidates Determines remuneration policies for directors and Audit & Supervisory Board members Determines draft proposals for remuneration for directors and Audit & Supervisory Board members Determines individual remuneration for directors and executive officers

The Nomination and Remuneration Advisory Committee is an advisory body to the Board of Directors composed of two outside directors (with one outside director appointed as chairman) and one full-time internal director. The committee deliberates on matters that include succession plans for the chief executive officer; the nomination of directors, executive officers, and other management positions involving business execution; and remuneration.

Officer Remuneration

Basic Principles for Remuneration (Excluding Outside Directors)

■ Remuneration as a Means to Support Sustainable Value Creation for the Group

- Remuneration is set at a level that provides a healthy degree of motivation to promote sustainable growth and corporate value creation over the medium to long term.
- Performance-linked remuneration is granted fairly and equitably and is determined via a quantitative evaluation based on financial performance, and a qualitative evaluation based on the recipient's efforts to address issues in accordance with the Company's medium- to long-term strategy, the extent of decision-making regarding the appropriate allocation of management resources from a medium- to long-term perspective, and the extent of decision-making regarding investments (M&As, capital investments, etc.) based on appropriate risk-taking. This method ensures that the Group's management is aware of their responsibility for the operating results for each fiscal year.

- Continuous long-term incentives linked to medium- to long-term performance of the Group are granted with the goal of creating sustainable corporate value.
- The Group promotes long-term stock ownership while such remuneration serves to ensure that its recipient, i.e., a director, maintains a shared interest with other shareholders.

■ Ensuring Objective and Transparent Remuneration Decisions

- The policy for determining remuneration, as well as amounts paid to individual directors, is deliberated upon by the Nomination and Remuneration Advisory Committee, of which the majority comprises outside officers.
- We ensure that remuneration is set at an appropriate level by referencing survey data from external research organizations, making objective verifications, such as comparing levels with other companies in the same industry or of the same size, and taking into consideration the characteristics of the Group's business.

Remuneration System

Remuneration for directors (excluding outside directors) comprises fixed remuneration and performance-linked remuneration, which is provided as monetary remuneration (Board Benefit Trust), performance-linked stock remuneration, in which company stock is provided in light of sustainable creation of corporate value, and restricted stock remuneration, which is aimed at maintaining a sense of shared value with shareholders through the continued holding of company stock.

(1) Composition of Fixed Remuneration

Supervisor salary: Fixed remuneration is granted, taking into account a director's supervisory function (uniform for all) and the degree of responsibility placed upon representatives (representative directors only).

Executive salary: Fixed remuneration is granted according to a director's position (payment for executive duties) plus fixed remuneration according to the role that C-suite executives play in business execution, when applicable.

(2) Composition of Performance-Linked Remuneration

In addition to fixed remuneration, performance-linked remuneration is granted as a percentage of the executive salary granted for executive duties, ranging from 0-100%.

The amount for each director is determined by the degree to which the Group achieved its consolidated ordinary profit and ROE targets for the fiscal year, both of which are key indicators from a management perspective, and by qualitative contributions by the individual director. This method clarifies responsibility toward operating results for each fiscal year.

(3) Composition of Stock-Based Remuneration

Board Benefit Trust (BBT): 16%
Restricted stock remuneration (RS): 8%

Total Remuneration Amount for Each Officer Classification, Total Remuneration Amount by Type, and Number of Applicable Officers (Fiscal 2023)

Officer classification	Total remuneration amount (million yen)	Total remuneration amount by type (million yen)			Number of applicable officers
		Fixed remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors (excluding outside directors)	281	214	41	25	5
Audit & Supervisory Board members (excluding outside members)	24	24	—	—	2
Outside officers	80	80	—	—	7

Note: The amount paid to directors includes the remuneration for executive officers who also serve as directors.

Basic Policy for Determining Remuneration for Outside Directors

Remuneration for outside directors performing their supervisory function independent of business execution is limited to fixed remuneration (supervisor salary). This amount is set after comparison with companies in the same industry or of the same size as ALCONIX. The Nomination and Remuneration Advisory Committee deliberates over the remuneration amount for outside directors and then drafts a proposal for a total amount within the limit approved at the Ordinary General

Meeting of Shareholders. This proposal is submitted to the Board of Directors for approval. (As a general rule, remuneration of outside directors does not change, regardless of the number of years they have served. However, the chair of the Nomination and Remuneration Advisory Committee and its members receive a separate payment for committee membership.)

Corporate Governance

Building the Foundation for Realizing Our Dreams

Risk Management

Basic Policy

The ALCONIX Group handles non-ferrous metals in a wide range of fields utilizing a business model that integrates trading and manufacturing. This presents a variety of risks. The Risk Management Committee, chaired by the general manager of the Corporate Division, meets once a month to identify risks and issues for the entire Group and discusses

countermeasures. Under this committee are subcommittees that discuss topics related to a specific risk category assigned to them. Going forward, the committee will continue to build collaborative ties with related departments in order to serve as a central point of understanding and analysis of Groupwide risks, with the aim of addressing these risks swiftly.

Subcommittee	Key risks (or issues) to be addressed / Countermeasures for mitigating risks	Countermeasures for mitigating risks	Department in charge	Meetings to be held in fiscal 2024
Credit Risk Subcommittee	Risks related to business partner trustworthiness	<ul style="list-style-type: none"> In accordance with credit limit management regulations, we set credit limits for each of our business partners and strive to reduce risk by controlling the receivables balance through annual reviews. The Credit Risk Subcommittee works to control risk through discussions concerning large borrowers and portfolio management that include borrower groups and countries of affiliation. 	Risk Management Department	12 (monthly)
	Country risks	<ul style="list-style-type: none"> We identify countries and regions with high country risk based on ratings from external credit rating agencies, and when selling, we strive to reduce risk by utilizing trade insurance and other measures as necessary. The Credit Risk Subcommittee collects, analyzes, and shares information on the status of credit portfolios by country, as well as political and economic information and institutional changes in countries and regions. 	Risk Management Department	4
Insurance Subcommittee	Insurance appropriateness review	<ul style="list-style-type: none"> We strive to transfer and reduce various risks by examining the effectiveness and efficiency of insurance across the entire Group. 	Risk Management Department	2 or more
Market Risk Subcommittee	Risks caused by fluctuating transaction prices in the market (exchange rate, commodity price fluctuation, and interest rate risks)	<ul style="list-style-type: none"> In principle, we hedge against exchange rate risk by using forward exchange contracts. In principle, we hedge against the risk of commodity price fluctuations by using commodity futures contracts. To reduce the risk of rising interest rates, we make efforts to mitigate the risk by reducing borrowings and optimizing the ratio of fixed and variable interest rates. The Market Risk Subcommittee monitors the status of these hedges, optimizes inventory levels, reduces borrowings, and examines risk control measures, such as optimizing the ratio of fixed and variable borrowing interest rates. 	Finance Department, Accounting Department	4
	Risks related to stock prices and other securities (including cross-shareholdings)	<ul style="list-style-type: none"> The Market Risk Subcommittee examines the business performance, financial conditions, and trading status of each investment target, while considering the market environment, stock prices, and other trends to determine whether the benefits of continued shareholdings are commensurate with investment risks, as well as considering reductions in cross-shareholdings and other measures. 	Finance Department	2
Business Succession Subcommittee	BCP measures	<ul style="list-style-type: none"> In response to disaster risks such as natural disasters and pandemics, we minimize risks by formulating business continuity plans (BCPs) and creating disaster action manuals for each office and subsidiary, and taking measures such as conducting disaster prevention drills and introducing safety confirmation systems. The Business Succession Subcommittee implements requisite countermeasures such as collecting information, analyzing, reporting, and examining measures to ensure the business continuity of the entire Group. 	General Affairs & Human Resources Department	2
Export Control and Protection of Personal Information Subcommittee	Security export control	<ul style="list-style-type: none"> With regard to national security regulations, we ensure legal compliance through the development of internal rules, the implementation of awareness-raising activities targeting all officers and employees, training, and other activities. The Export Control and Protection of Personal Information Subcommittee considers measures that promote appropriate export transactions through monitoring and other efforts, and engages in the thorough sharing of information. 	Risk Management Department	1 or more

Compliance

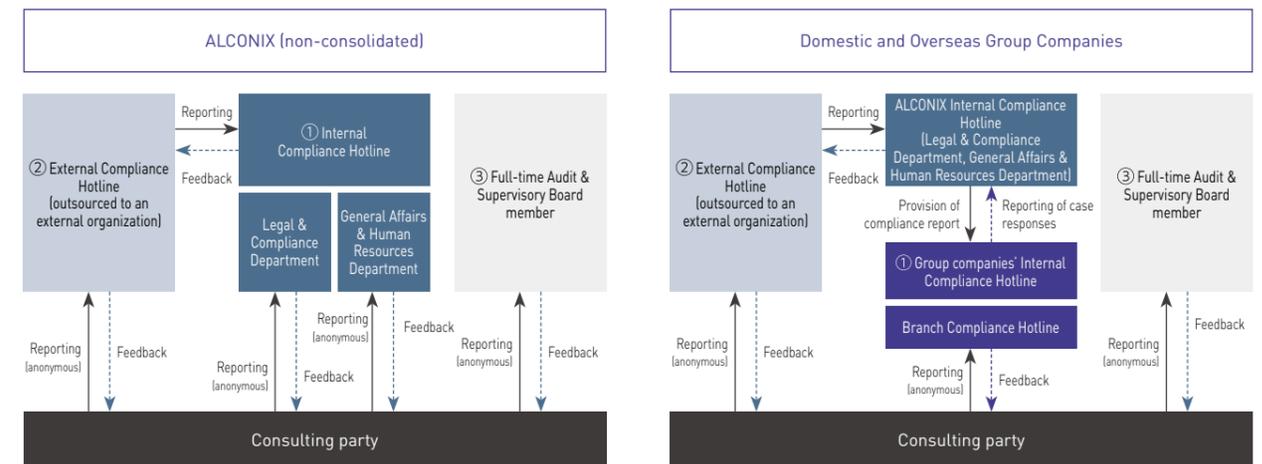
Basic Policy (Basic Stance)

ALCONIX has established a Compliance Committee chaired by the director in charge of internal control. Based on the basic policy and implementation plan formulated by the committee, the Company has released the ALCONIX Group Code of Conduct and the Declaration of Harassment Prevention as well as distributed a Compliance Handbook. In addition to these efforts, which aim to minimize risk of violations, personnel in charge of managing departments at the Head Office and Group companies work together to develop systems and conduct training to promote compliance.

The Group has also introduced a global internal reporting

system (the Internal Compliance Hotline) for use by all executives and employees working in Japan and overseas, with the goal of prevention and early detection of legal violations and misconduct. In addition to the Internal Compliance Hotline, we have set up an External Compliance Hotline. We ensure anonymity and neutrality when receiving reports and work diligently to protect whistleblowers, prohibiting any detrimental activity toward them. Cases of particular importance are reported to the Board of Directors and the Audit & Supervisory Board by the Compliance Committee. In fiscal 2023, there were 14 cases reported via the internal reporting system.

Compliance Consultation and Reporting System



Initiatives Aimed at Strengthening Group Governance

MESSAGE



Yuzo Yasui
Executive Officer, Corporate Division
General Manager of the Business Management Department

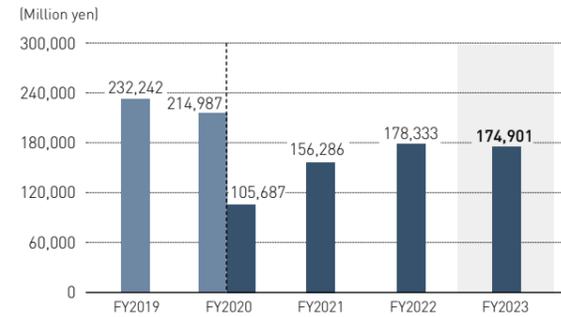
Business Management Department Initiatives

Since its establishment in April 2023, the Business Management Department has formulated and maintained regulations for ALCONIX CORPORATION, overseas subsidiaries, and Group companies; constructed and formulated operational rules for a document management platform compliant with Japan's revised Electronic Book Preservation Act; streamlined the internal system for preparing documents for external disclosure; and facilitated smooth Board operations in its role as secretariat to the Board of Directors. In formulating and maintaining regulations and business rules to strengthen and advance Group governance, we are always mindful of ensuring that they meet governance requirements and effectively facilitate compliance and management. Although we still have a long way to go on the path toward realizing our ideal form of Group governance, we will remain steadfast in our efforts to realize further improvements as we address individual issues going forward.

Data Section

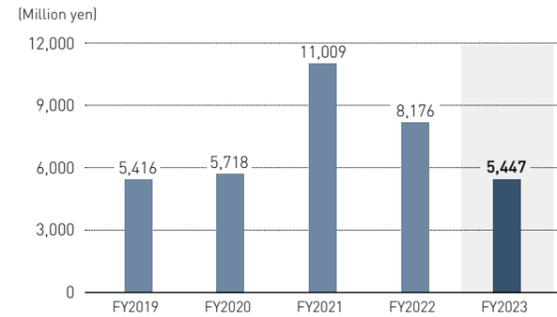
Financial Highlights

Net Sales

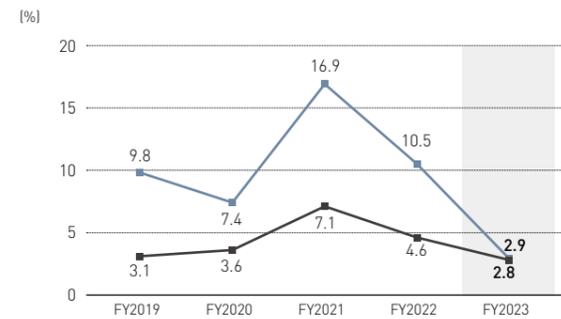


Note: The revised Accounting Standard for Revenue Recognition has been applied to figures from fiscal 2021 onward. The figure for fiscal 2020 has been adjusted according to the revised accounting standard. Figures prior to fiscal 2020 follow the previous accounting standard prior to the revision.

Ordinary Profit

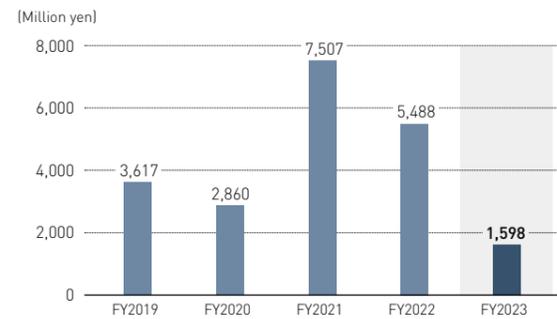


ROIC / ROE

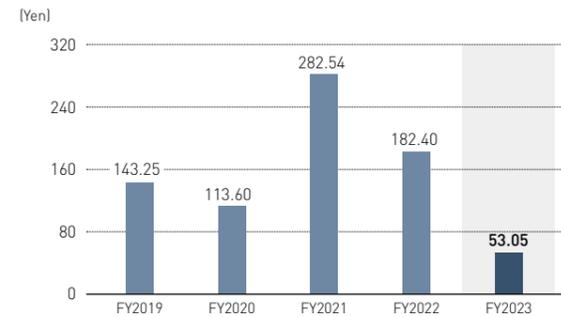


Note: Figures for ROIC and ROE are based on shareholders' equity.

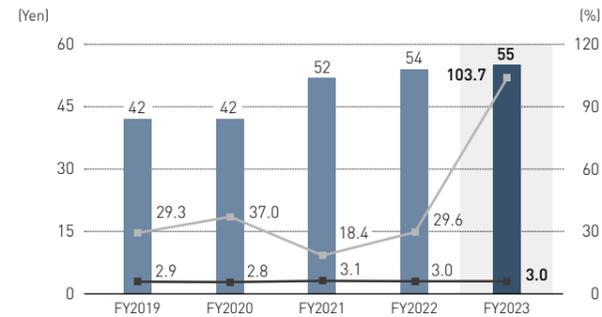
Profit Attributable to Owners of Parent



Net Income Per Share



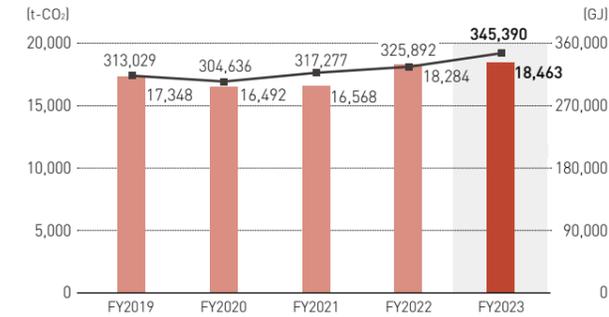
Dividends Per Share, DOE, and Dividend Payout Ratio



Note: Figures are based on shareholders' equity.

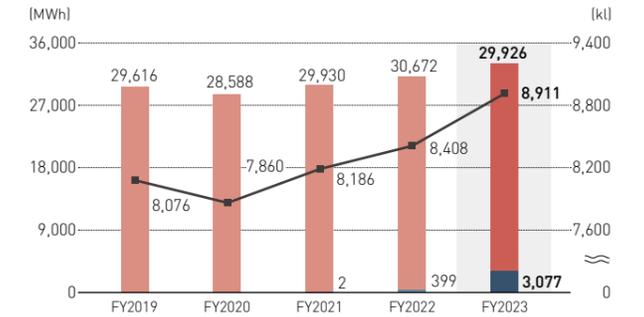
Non-Financial Highlights

CO₂ Emissions and Total Energy Consumption from Business Activities



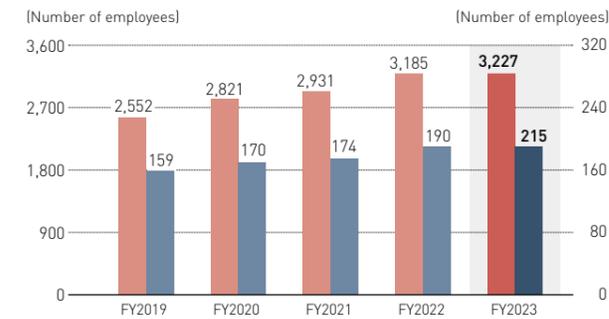
Scope: Domestic bases of ALCONIX CORPORATION and ALCONIX Group companies
Note: Total energy use is calculated by aggregating power consumption [MWh] and fuel use [crude oil equivalent] [kl].

Power Consumption and Fuel Use Resulting from Business Activities (crude oil equivalent)



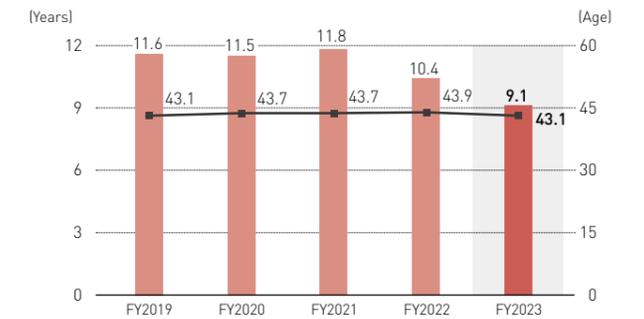
Scope: Domestic bases of ALCONIX CORPORATION and ALCONIX Group companies

Human Capital

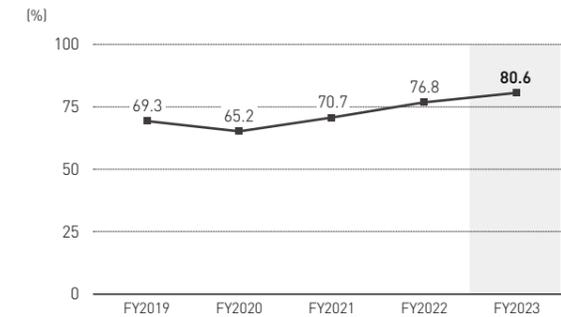


Scope: Domestic bases of ALCONIX CORPORATION and ALCONIX Group companies

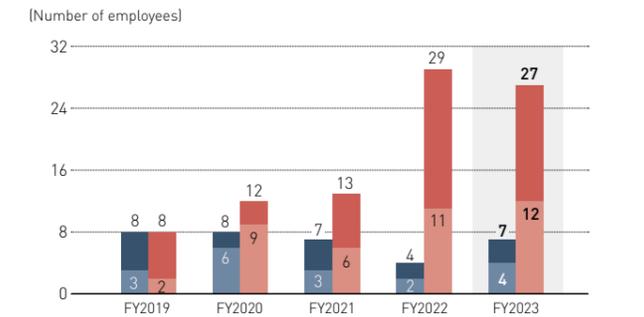
Average Length of Employment and Age of Employees (non-consolidated)



Rate of Taking Annual Paid Leave



Number of New Graduate and Mid-Career Hires



Data Section

Eleven-Year Summary of Financial Data

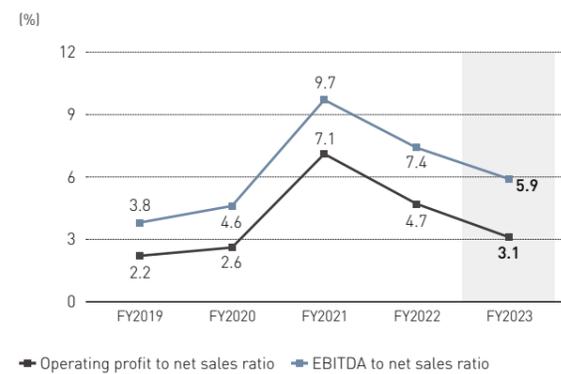
		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Operating Results (million yen)	Net sales*1	183,749	201,543	201,755	201,948	247,931	257,437	232,242	214,987	156,286	178,333	174,901
	Operating profit	3,484	4,584	3,792	4,168	7,323	6,257	5,176	5,621	11,020	8,393	5,463
	Ordinary profit	3,600	5,205	4,281	4,352	7,939	6,254	5,416	5,718	11,009	8,176	5,447
	Profit attributable to owners of parent	3,144	3,505	4,977	3,083	5,336	4,009	3,617	2,860	7,507	5,488	1,598
Financial Position (million yen)	Total assets	85,664	89,848	111,570	113,647	130,197	143,851	134,463	147,917	176,437	191,890	182,890
	Net assets	21,368	26,951	31,323	34,119	38,626	39,673	41,277	43,372	57,331	63,047	66,350
	Shareholders' equity	17,664	20,794	25,260	27,853	32,633	35,166	38,320	38,646	50,431	54,325	54,304
	Interest-bearing debt*2	29,913	30,130	38,611	38,091	46,053	58,408	51,648	59,122	61,799	71,824	55,199
Cash Flows (million yen)	Cash flows from operating activities	1,992	550	10,630	140	2,849	5,279	9,091	4,098	(3,329)	226	15,215
	Cash flows from investing activities	(2,428)	(105)	(5,188)	(1,524)	(5,166)	(10,770)	(3,171)	(2,472)	(3,257)	(7,045)	(2,622)
	Cash flows from financing activities	1,414	(1,445)	2,112	(1,019)	3,900	9,625	(7,993)	2,849	5,760	5,896	(19,281)
	Free cash flow	(436)	445	5,441	(1,383)	(2,317)	(5,490)	5,919	1,626	(6,586)	(6,818)	12,592
Per Share Information (yen)	Net income per share	123.69	137.38	193.54	119.66	206.56	155.20	143.25	113.60	282.54	182.40	53.05
	Net assets per share	819.11	1,026.91	1,155.66	1,255.62	1,423.87	1,489.59	1,578.62	1,709.55	1,889.53	2,075.25	2,180.07
	Dividends per share*3	16	20	22	22	32	39	42	42	52	54	55
	Dividend payout ratio (%)	13.1	14.6	11.4	18.4	15.5	25.1	29.3	37.0	18.4	29.6	103.7
Financial Indicators (%)	ROE	19.3	18.2	21.6	11.6	17.6	11.8	9.8	7.4	16.9	10.5	2.9
	ROIC	—	—	—	—	6.8	4.3	3.1	3.6	7.1	4.6	2.8
	Shareholders' equity ratio	24.3	29.3	26.7	28.5	28.3	26.3	30.1	28.9	32.2	32.6	35.9
	Net debt-to-equity ratio	0.8	0.7	0.6	0.7	0.8	1.0	0.7	0.8	0.6	0.7	0.5

*1 The revised Accounting Standard for Revenue Recognition has been applied to figures from fiscal 2021 onward.

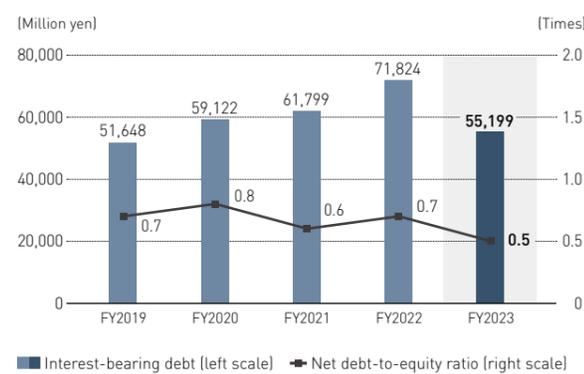
*2 Interest-bearing debt = Short-term borrowings + Commercial paper + Current portion of long-term borrowings + Current portion of bonds payable + Bonds payable + Long-term borrowings

*3 Dividends per share figures reflect stock splits conducted in fiscal 2014 and fiscal 2017.

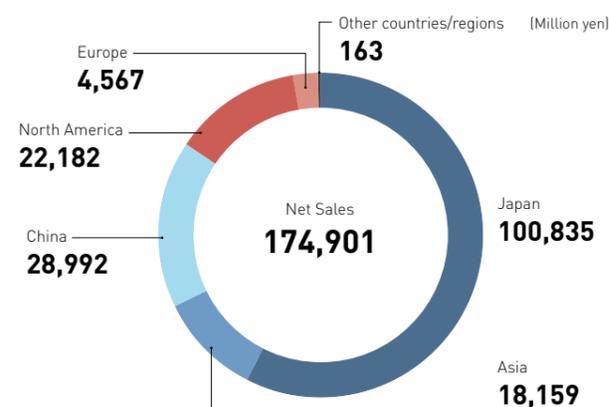
Operating Profit to Net Sales Ratio / EBITDA to Net Sales Ratio



Interest-Bearing Debt / Net Debt-to-Equity Ratio

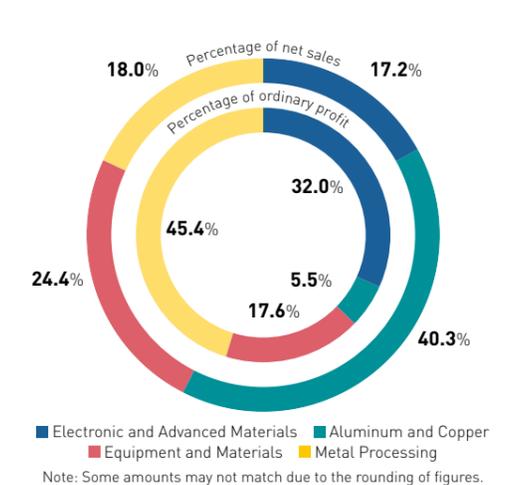


Net Sales for Fiscal 2023 by Country/Region



Notes: 1. Sales are classified by country or region based on the location of the customer.
2. Asia excludes China and Japan.

Net Sales and Profit Ratio by Segment



Data Section

Shareholder Information (As of March 31, 2024)

Status of Shares

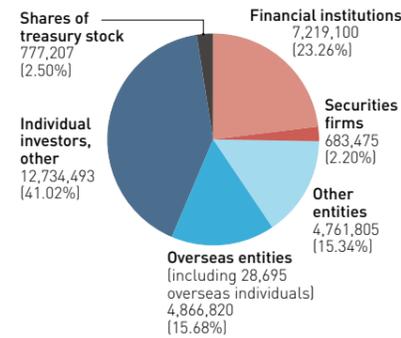
Stock Exchange Listing Prime Market segment of the Tokyo Stock Exchange
 Securities Code 3036
 Total Number of Outstanding Shares 31,042,900
 Number of Shareholders 50,530

Major Shareholders

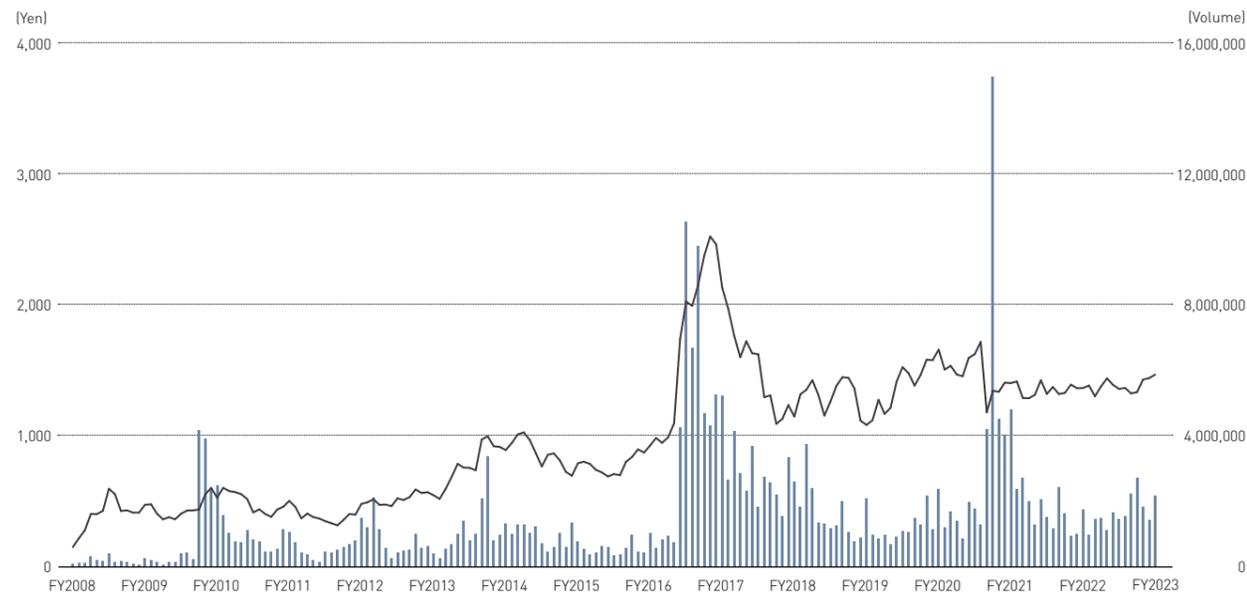
Name of shareholder	Number of shares held (Shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,185,000	10.5
Custody Bank of Japan, Ltd. (Trust Account)	1,269,700	4.2
BBH FOR FIDELITY LOW-PRICED STOCK FUND	1,045,552	3.4
FUJI CORPORATION	948,000	3.1
Kobe Steel, Ltd.	900,000	2.9
Mizuho Bank, Ltd.	792,000	2.6
Sumitomo Mitsui Trust Bank, Limited	595,200	1.9
MUFG Bank, Ltd.	520,000	1.7
RE FUND 107-CLIENT	500,000	1.6
ALCONIX Employee Stock Ownership Association	420,800	1.3

Note: Treasury stock (777,207 shares) has been excluded when calculating shareholding ratios.

Shareholder by Investor Type (Number of shares)



Share Price Information



— Share price (adjusted closing price) (left scale) ■ Trading volume (right scale)
 Note: The adjusted closing price has been revised to reflect stock splits implemented in previous years.

Corporate Information (As of March 31, 2024)

Company Profile

Issue Name ALCONIX CORPORATION
Head Office Sanno Park Tower 12th Floor, 2-11-1 Nagatacho, Chiyoda-ku, Tokyo 100-6112
Date of Establishment July 1, 1981
Capital ¥5,830 million
Number of Employees 3,227 (Consolidated)
Type of Business Import/export and domestic sales of non-ferrous metal products and resources, including minor metals and rare earths
Financial Institutions Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited
Settlement Date March 31
Ordinary General Meeting of Shareholders Held in June

Group Companies

Domestic ADVANCED MATERIAL JAPAN CORPORATION
 HAYASHI METAL CORPORATION
 OHKAWA CORPORATION
 ALCONIX MITAKA CORPORATION
 ALUMINUM & COPPER RECYCLING CENTER CORPORATION
 OHBA SEIKEN CO., LTD.
 TOKAI YOGYO CO., LTD.
 HEIWA KINZOKU CO., LTD.
 MARKTEC CORPORATION
 FUJI PRESS CO., LTD.
 TOHOKU CHEMICAL INDUSTRIES, LTD.
 FUJI CARBON MANUFACTURING CO.
 FUJINE INDUSTRY CO., LTD.
 ALCONIX VENTURES CORPORATION
 AC METALS CORPORATION
 JUPITER INDUSTRY CO., LTD.
 SOODE NAGANO CO., LTD.
 SAKAMOTO ELECTRIC MFG Co., Ltd.
Overseas UNIVERTICAL LLC
 FUJI ALCONIX MEXICO S.A. de C.V.
 HONG KONG ANDEX ELECTRONIC MATERIAL CO., LTD.
 ALCONIX CASTLE METALS AND CHEMICALS SDN. BHD.
 Soode Kansas Corporation

Please scan the QR code below for more details (corporate website).



Note: In order of entry and establishment as a Group company

Organizational Chart (As of March 31, 2024)

