

21
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2024

 **KUROTANI**

Medium-term Management Plan 2027

東証スタンダード 証券コード3168

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August 2024

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Overview of Business Performance

In this consolidated fiscal year, the external environment surrounding our group indicates some signs of economic slowdown due to continued high interest rates in various countries. Meanwhile, economies represented by the U.S. remain stable, while the Chinese economy continues to show sluggish performance.

In this environmental condition, the price of copper, our group's main product, reached a record high of \$10,129 per ton on average at the London Metal Exchange in May, with the copper value in Japan at ¥1,750 per kg. However, by the end of August, it had sharply dropped to \$9,215, with the copper value in Japan falling to ¥1,370 per kg, resulting in a chaotic situation.

For the full year, the average copper price at the London Metal Exchange increased by 4.9% compared to the previous year, while the exchange rate appreciated by 8.8% against the dollar, resulting in an average copper price increase of 14.2% in yen terms.

The overall sales volume fell by 12.3% compared to the previous year, as a result of a 12.5% decrease in sales volume for ingots and a 12.2% decrease for scraps.

As a result, for this financial year, sales revenue amounted to **82.07 billion yen** (a 2.9% decrease compared to the previous financial year), operating profit was **1.45 billion yen** (a 172.1% increase), ordinary profit was **1.037 billion yen** (a 355.9% increase), and net profit attributable to shareholders of the parent company was **532 million yen** (a 212.7% increase).

Key Indicators	Year Ending August 2024
Sales Revenue	¥82,070 million yen
Operating Profit	1,450 million yen
Ordinary Profit	1,037 million yen
Net profit attribute to shareholders of the parent company	¥532 million yen
Equity Ratio	35.6%
Net Profit Per Share	¥37.72 yen
Net Asset Value Per Share	¥671.51 yen

Since the establishment of our company, we have operated under the business philosophy of
“achieve effective resource utilization in resource-scarce Japan and
conduct business in a transparent environment”.

We aspire to expand our non-ferrous metal recycling business globally, supporting diverse industries and leading efforts to protect the global environment.

As we celebrate our 40th anniversary, we are committed to going beyond Japan and developing internationally.

To continue being a company that embodies a circular economy,
we have created a three-year management plan aimed at sustainable growth and enhancing corporate value.

Thanks to all of your consistent support, we are excited to continue improving and expanding our business to meet future challenges and opportunities.

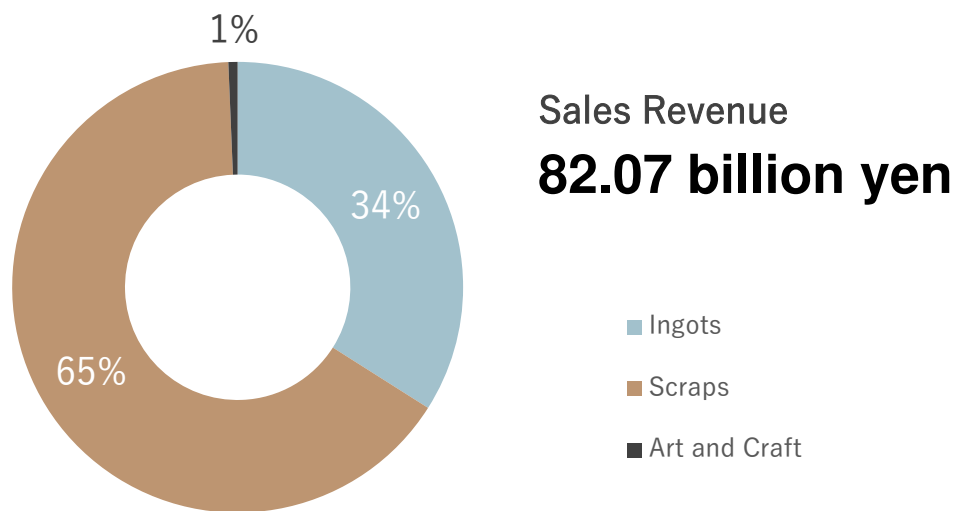
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Our Features and Strengths

1 .1 Company Overview

Manufacturing and Sales of Non-Ferrous Metals and Metal Crafts

Establishment	1870年	Business Office	Headquarters & Factory : 12-2 Nagoe, Imizu City, Toyama Prefecture
Incorporation	1985年11月		Tokyo Branch : 1-15-15 Uchikanda, Chiyoda Ward, Tokyo
Representative	President and CEO Satoru Kurotani		Niigata Branch: 1-542 Shimokido, Higashi Ward, Niigata City
Capital	1 billion yen	Affiliated company	KUROTANI NORTH AMERICA INC.
Number of Employees	126 (as of April 1, 2024))		THAI KUROTANI CO., LTD.



Non-Ferrous Metals Business

Ingots

We collect, blend, and melt recycled raw materials of copper and copper alloys from worldwide, producing approximately 50 types of products tailored to the demands of our clients in terms of shape and weight.



Scraps

We sort and press approximately 150 types of raw materials, sourcing and selling them both domestically and internationally. Meanwhile, some of these materials are utilized in our ingot production.



Art and Craft Business

Leveraging our outstanding technology, we engage in the creation of artistic craft items.



1.2 Our Features and Strengths

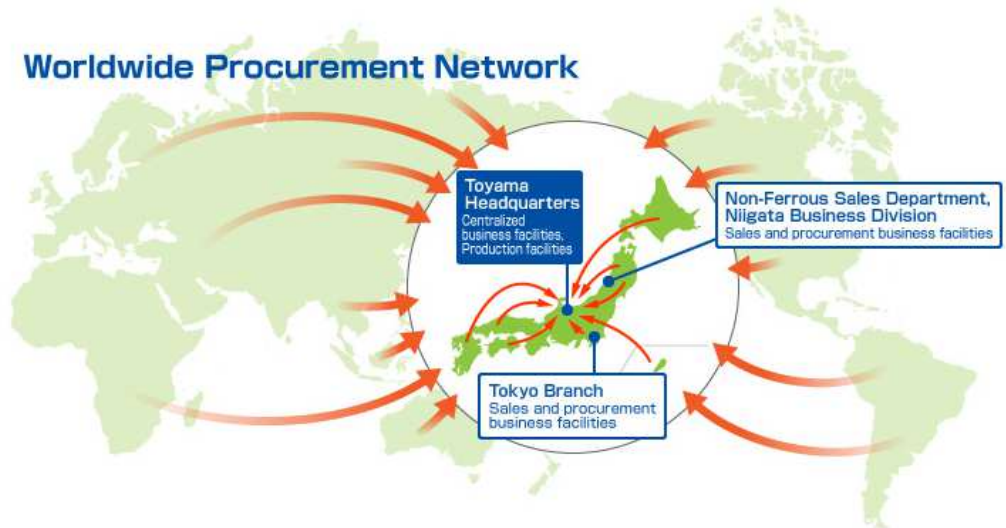
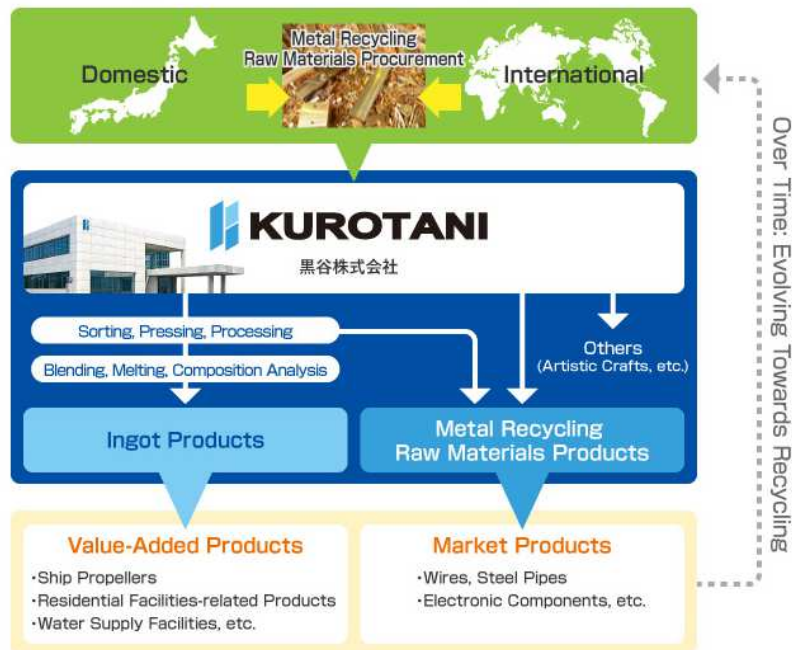
1 The only publicly listed company in Japan specializing in the recycling of copper-based non-ferrous metals.

2 Able to handle the bulk purchase of miscellaneous non-ferrous metals, both ingots and Scrap simultaneously.

3 A global procurement network that enables stable supply

By responding to the requests of our partners, who are suppliers of metal recycling raw materials, and continuously conducting transactions at fair prices, we have built a trust-based relationship. As a result, we have established a global procurement network, enabling a stable supply system for our customers.

Business Models for Ingot Business and Metal Recycling Raw Materials Business



2

Our Business Environment

2.1 Our Business Environment



The environmental trends surrounding our business have undergone significant changes. In this circumstance, we expect for stable supply through the recycling of copper resources.

Importance of copper and future prospects

Copper, with its properties of electric and thermal conductivity, contributes to the improvement of product performance and is utilized in various industries as a vital material supporting daily life, primarily in electrical wires.

In the future, the main drivers for the expansion of copper demand will be: ① Carbon neutrality-related needs and ② AI-related needs

- ① Power generation equipment derived from renewable energy (e.g., solar panels, offshore wind turbines).
- ② The increase in construction of data centers due to the spread of AI

Additionally, the global demand for electrical copper in the medium term is expected to gradually increase from 2024 to 2028, primarily driven by the popularization of EVs, the increase in demand for information communication, and the rising infrastructure needs in emerging countries.

The necessity of copper recycling

- With the increasing emphasis on environmental issues, the necessity of copper recycling is becoming more pronounced. Furthermore, Japan relies 100% on imported copper concentrate, facing challenges in securing stable supplies of raw materials.
- Additionally, due to the impact of resource nationalism (country risk) in South America, which is the largest producer of copper, sourcing copper through recycling is particularly essential.

2.2 Our Business Environment

Societal Aspiration for A Circular Economy

- ▶ The necessity for resource recycling
- * The movement towards establishing a circular economy began in Japan in the 1990s, and legal frameworks have advanced since 2000, expanding the areas in which our company can operate.

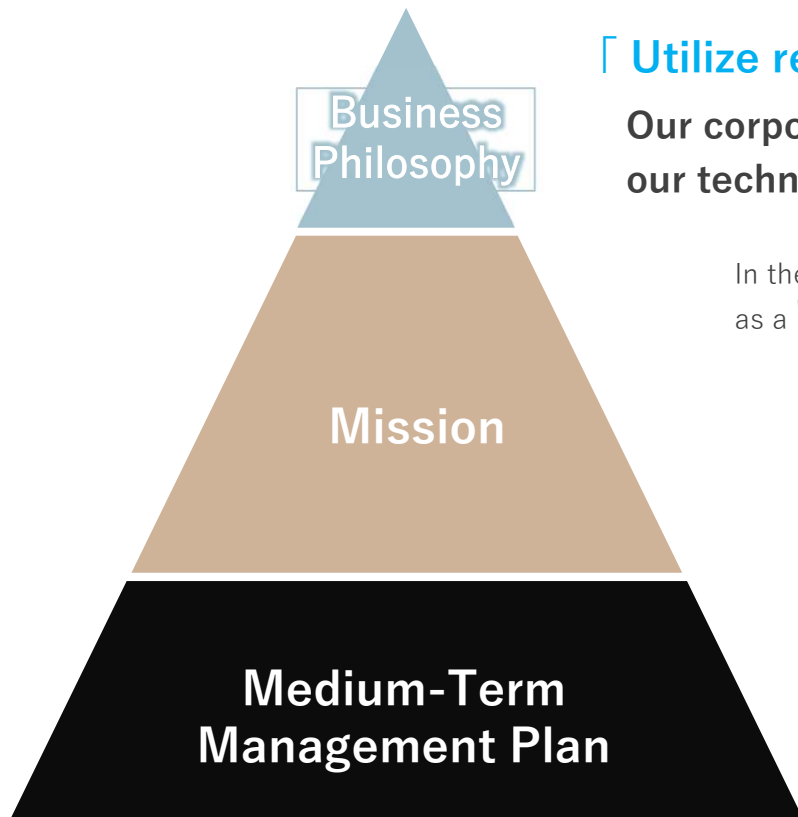


Our Business Areas

3

Overview of the Medium-Term Management Plan

Business Philosophy and Mission



「 Utilize resources effectively in a highly transparent manner.」

Our corporate philosophy is to contribute to society's development through our technology by supporting our customers' manufacturing processes.

In the midst of a rapidly changing social environment, we aim to flexibly respond and advance as a "top runner" in the recycling industry, continuously evolving as a company.

Corporate Slogan

Being a valuable and impact-driven company

Challenge

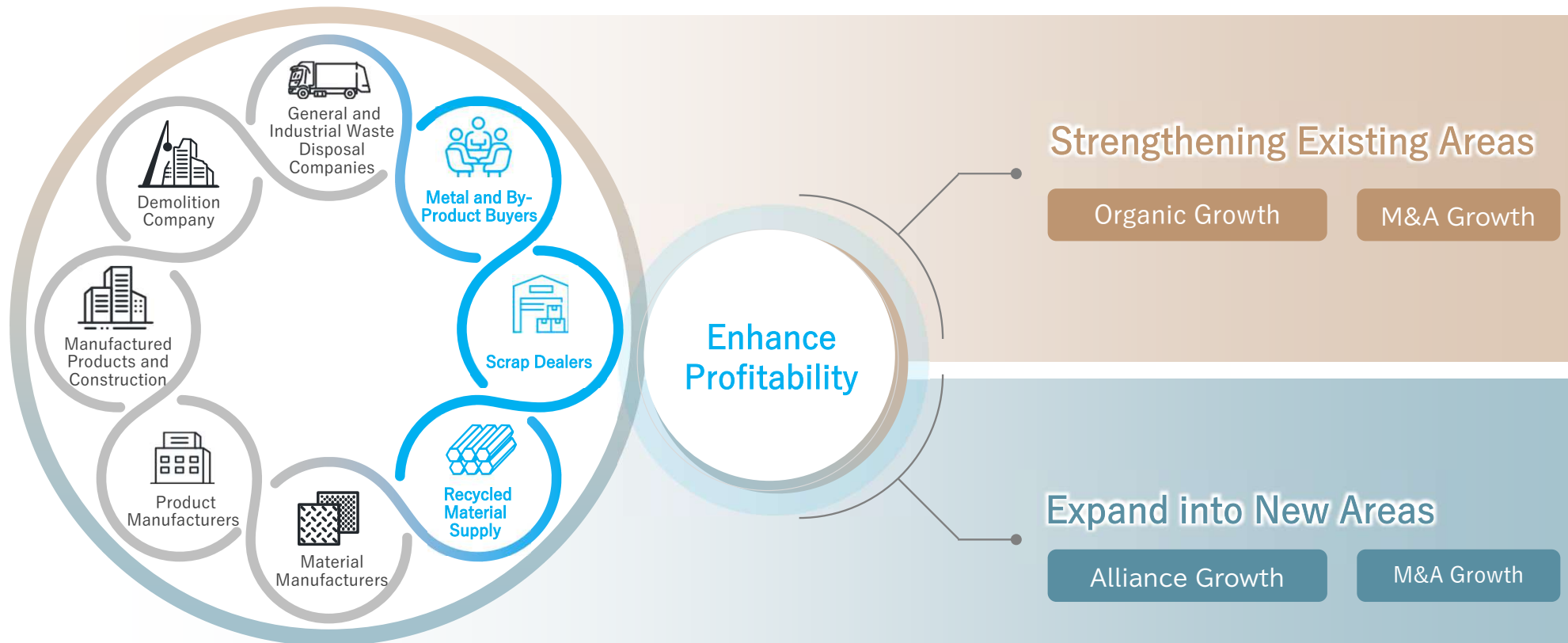
Creation

Contribution

We aim to strengthen our existing areas within the circular economy process—enhancing profitability—and expand into new business fields to secure market opportunities as part of our growth strategy.

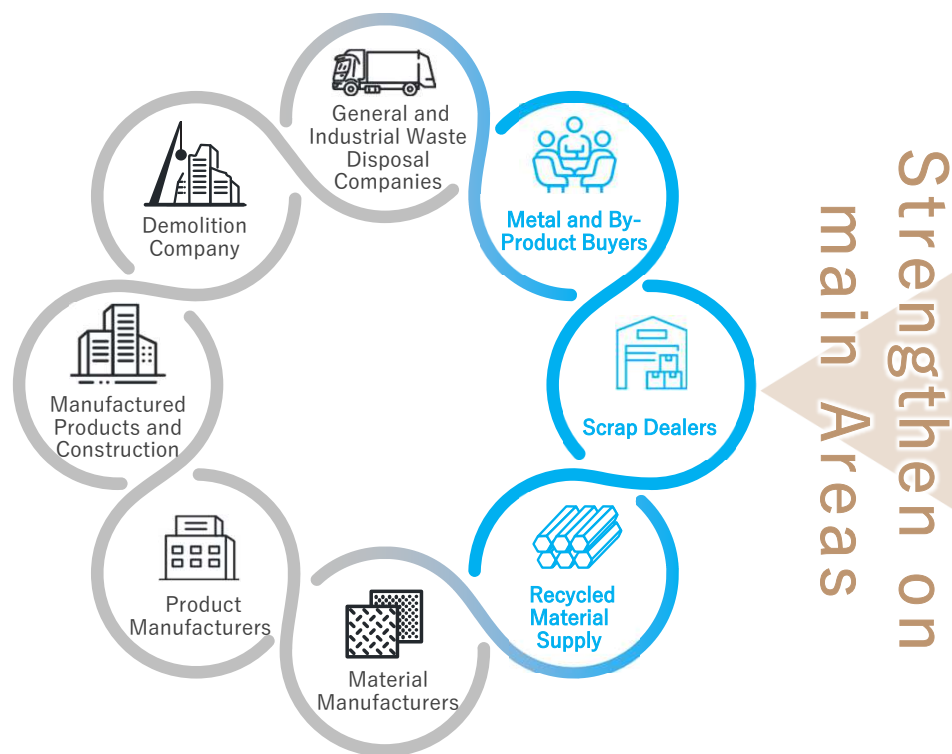
3.2 Overview of the Medium-Term Management Plan

While strengthening existing areas, we aim to expand into new fields and enhance profitability across all processes of the circular economy.



3.3 Strengthening Existing Areas

To further enhance our existing strengths, we will achieve revenue growth through organic development and M&A (horizontal integration), while also focusing on cost reduction and improving profit margins.



Organic Growth

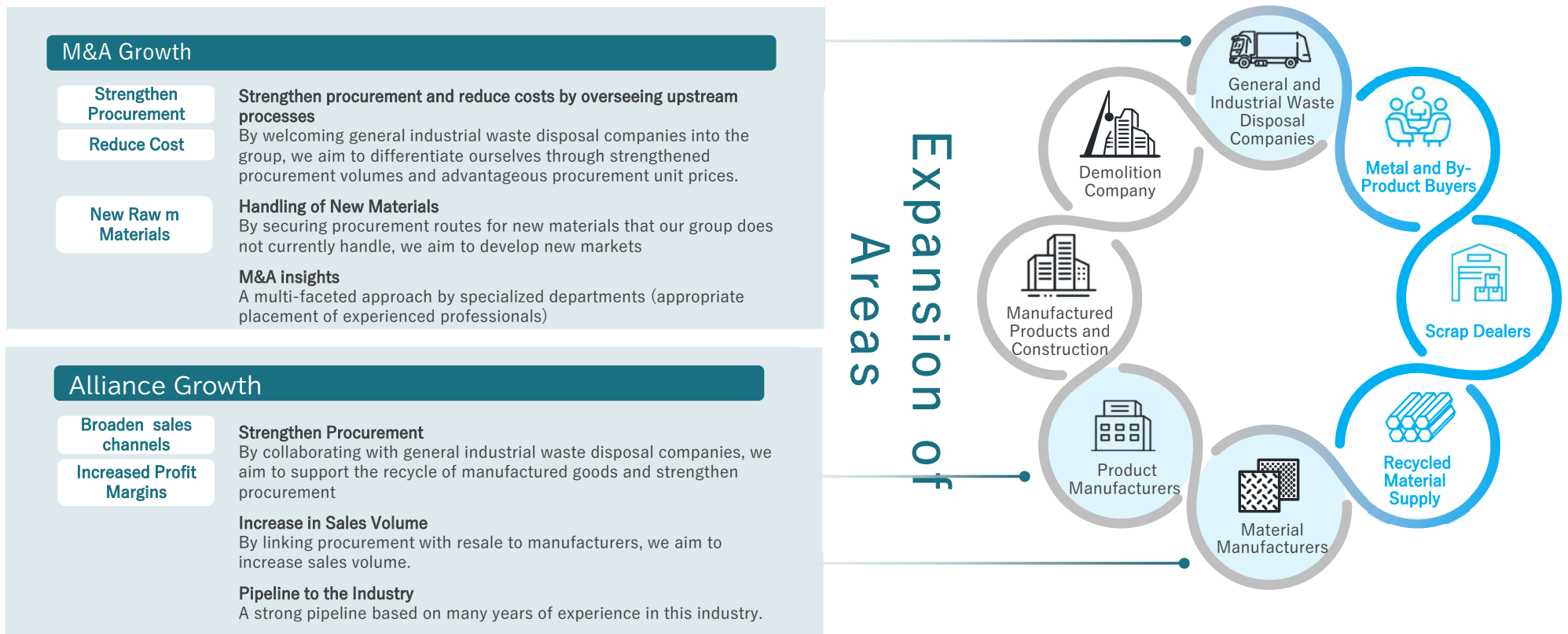
- Strengthen Procurement** **Expanding procurement capabilities through the diversification of sourcing routes**
 Quick response to domestic and international price dynamics.
- Reduce Cost** **Expanding sales power through cost reduction and enhanced price competitiveness.**
 Reducing manufacturing costs through the introduction of new equipment and enhancement of manufacturing capacity. Expanding the sales of high additional value (profit margin) products.
- Risk Hedge** **Ready for market fluctuation risks**
 Correcting imbalances in the procurement structure, flexible adjustments in inventory and effective use of hedging measures.

M&A Growth

- Expand market share** **Horizontal integration (overseas expansion & market share growth)**
 Horizontal integration is a strategy that involves acquiring or merging with competitors within the same industry to expand a company's market share. This approach enhances market influence and allows the company to benefit from economies of scale.
- Reduce Cost**

3.4 Expand into New Areas

- To secure higher profitability (cost reduction) and expand the base, upstream general industrial waste disposal companies aim for growth through M&A (vertical integration), while downstream material and product manufacturers seek growth through business partnerships.
- As a synergy effect with existing businesses, higher profitability (cost reduction) and base expansion are expected.



4

Key Strategies (Materiality)

4.1 Key Strategies (Materiality)

5 Key strategies (materiality) are established for this medium-term management plan, focusing on enhancing the business value of sustainability.



Key Policy

Transition to a high additional value business mode

Transformation of the Business Model

- ☑ Strengthen Recycling Business to Adapt to Future Generation Economy
- ☑ Flexible Responding to Market Prices
- ☑ Expansion of Business Scope and Scale through M&A

Risk Control of Market Fluctuation

- ☑ Flexible Adjustment of Inventory
- ☑ Effective Use of Hedging Strategies
- ☑ Compliance with Target Inventory and Effective use of Low-Grade Melting

Expansion of Sales Power

- ☑ Reduction of Manufacturing Costs and Enhanced Price Competitiveness through the Introduction of New Equipment and Increased Production Capacity
- ☑ Expansion of Unique High Additional Value (High-Profit Margin) Products

Strengthen Procurement

- ☑ Introduction of New Sources / Monthly Average Procurement Contracts
- ☑ Fair Pricing through Enhanced Inspection at Receipt
 - ▶ Expansion of Inspection Personnel and Improvement of Inspection Data Accuracy

4.3 Rebuild the Manufacturing and Sales Structure

Key Policy

Enhancement of productivity and additional value

Sales Expansion of Dissolved Products & High-Profit Products

- ☑ Improvement of Melting Capacity of the No. 2 Electric Furnace (From 5t to 8t)
- ☑ Enhancement of Additional Value for Low-Grade Products
Removal of Contaminants, Concentration of Copper Slag and Contaminated Scrap

Exploration of New Raw Materials and Introduction of New Equipment

- ☑ Industry-University Collaboration Project
- ☑ Establishment of an Integrated Management System for Procurement, Manufacturing, and Sales through DX
- ☑ Scale-Up of Electric Furnaces

Increase in Export Sales

- ☑ Increase in Export Sales Ratio
- ☑ Stabilization of Fundraising
- ☑ Overseas Sales of E-Scrap

Enhance the Additional Value of Scrap

- ☑ Review of Product Mix (Sales Ratio of Ingot and Scrap)
- ☑ Expansion of Sales Items
 - ▶ Widen the Sales from High-Grade to Low-Grade Products

Initiatives of Inventory Reduction

- ☑ Maintenance of Product Inventory
- ☑ Response to Interest Rates Change
 - ▶ Streamline Financial Structure through Inventory Reduction

Concentrate Funds in Profitable Businesses

- ☑ Recycling and Processing of Scrap for Sale
 - ▶ Strengthen of Iron, Lead, and Aluminum
- ☑ Crushing, Sorting and Melting Operations
- ☑ Reduction and Transformation of Unprofitable and Low-Profitability Businesses

4.4 Global Strategy

Key Policy

Raise worldwide recognition and further global expansion in response to rising international demand for copper.

Strengthen the Oversea Market Approach

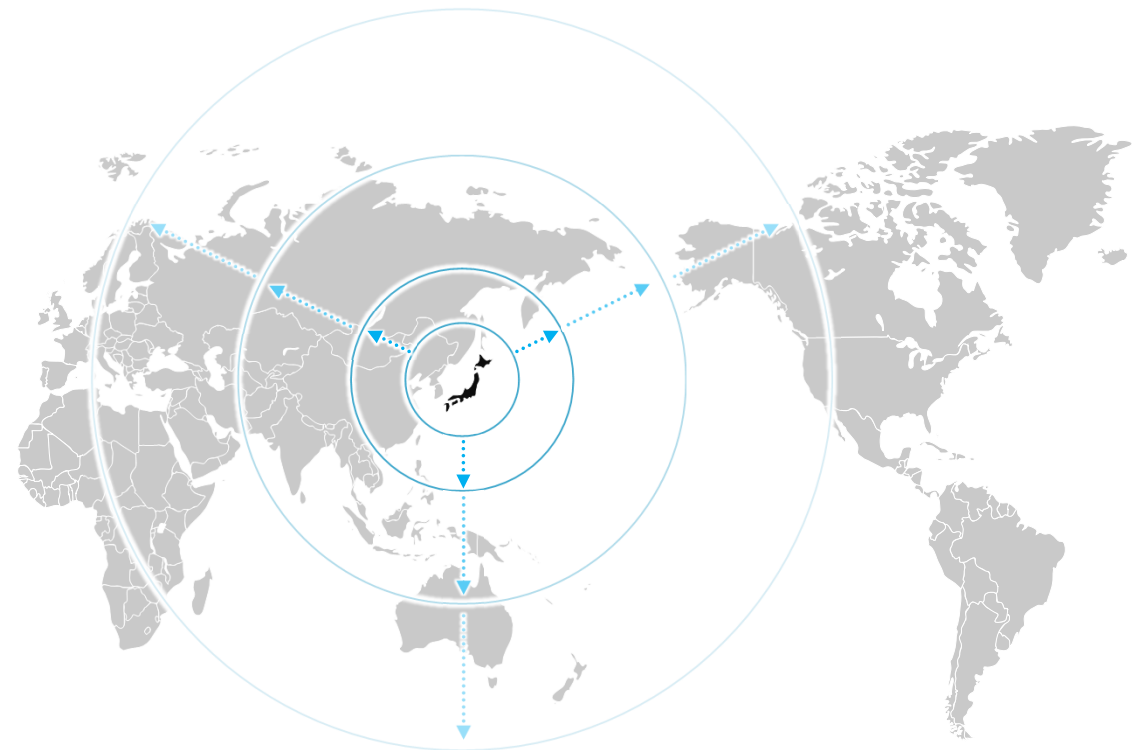
- ☑ Direct Trade and Effective Use of IT
- ☑ Sales to Multinational Players
- ☑ Collaboration with Overseas Trading Partners

Alliances with Overseas Business and Capital

- ☑ Enhancing Sales and Supply Capacity through Capital Alliances with Overseas Business Partner Networks.
- ☑ Strengthening Ties with Various Information Route

Recruitment and Training of Global Talent

- ☑ Overseas Training and Business Dispatch
- ☑ New Employment of Foreign Employees



Key Policy

Be Flexible in Responding to Changes in the Social Environment.

Organizational Structure Change

- ☑ Department of Quality Assurance
 - ▶ Elevated from section to department. Strengthening Inbound and outbound shipment processes.
- ☑ Cost Management Office
 - ▶ Elevated from section to department to respond to changes in the economic environment
- ☑ Establishment of the Department of Logistics
 - ▶ Newly established department for cost reduction through in-house logistics.

Reinforcement of Safety Management

- ☑ Promotion of Labor-Saving and Mechanization
- ☑ Establishment of a Comprehensive Control Room
 - ▶ Remote Operation of Equipment

Strengthen Corporate Governance

- ☑ Strengthening Investor Relations (IR)
(Disclosure in English & Medium-term Management Plan Disclosure)
- ☑ Stable profit distribution to shareholders
- ☑ Ongoing Nomination and Compensation Committee and Outside Director System

Operation and Process Renovation

- ☑ Paperless Operations
 - ▶ Upgrade of the Workflow System
- ☑ Accelerated Decision-Making
 - ▶ Centralization of Corporate Functions

4.6 Promotion of SDGs and Sustainability

Key Policy : Contribution to the development of a sustainable economy.

Carbon Neutral

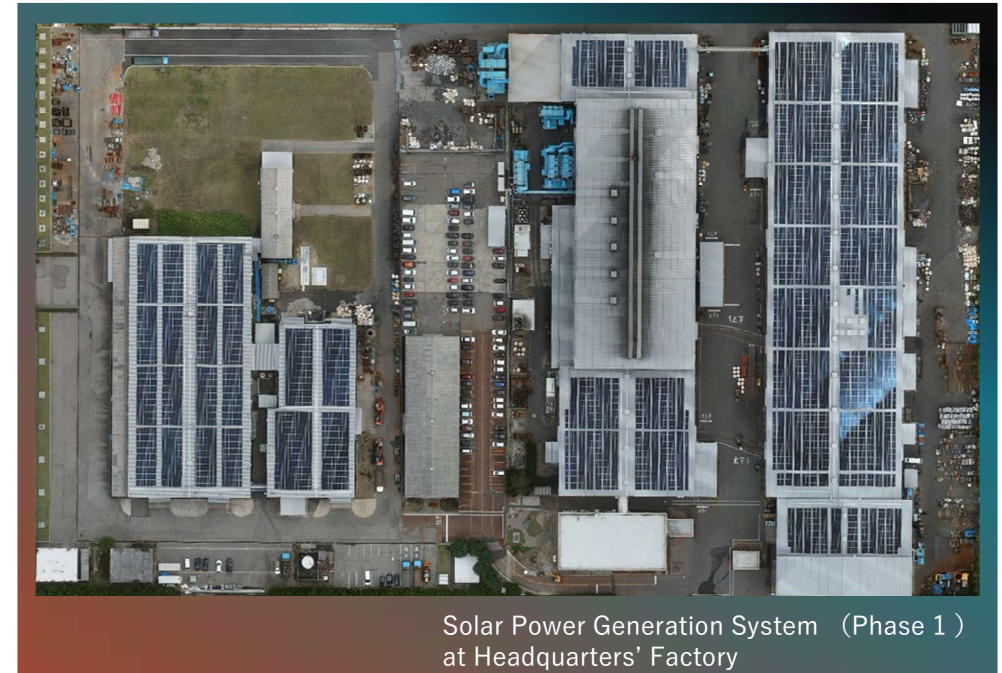
- ☑ Expansion of Solar Power Generation System (Phase 1 construction completed in February 2024)
- ☑ Introduction of Environmental Consulting
- ☑ Monitoring and Reduction of CO2 Emissions

Diversity

- ☑ Communication of Top Commitment
- ☑ Support for Women's Career Development
- ☑ Employment of elderly and Disabled individuals

Well-being in the Workplace

- ☑ Renewal of Internal HR Systems
- ☑ Construction of the Headquarters Welfare Center
- ☑ Initiatives for "Health Management"
- ☑ Renovation of the Tokyo Branch Building



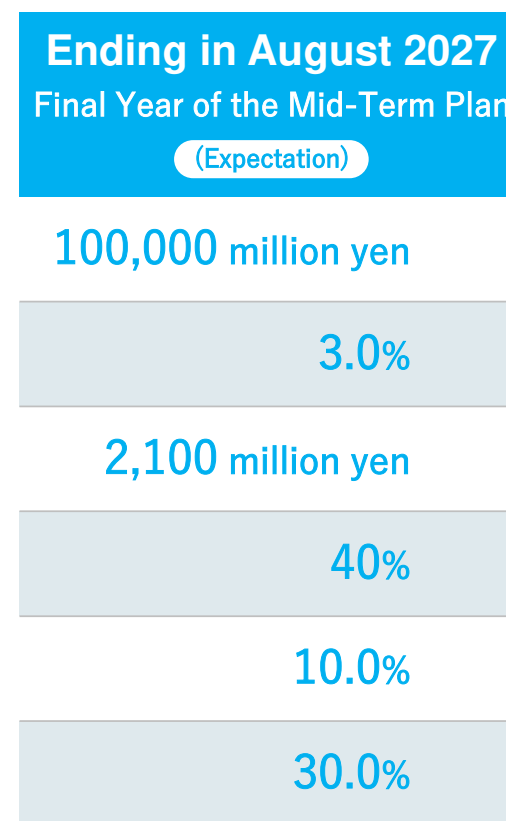
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Key Performance Indicators (Financial Targets)

5.1 Key Performance Indicators (Financial Targets)

Transforming into a 100 billion yen company in the final year of the plan. While securing sales in existing fields, we aim to increase revenue in broader areas, becoming a significant corporate group.

Key Indicators	Year Ending August 2021	Year Ending August 2024
Sales Revenue	62,058 million yen	82,070 million yen
Ordinary Profit Margin	3.4%	1.3%
Net Profit	1,354 million yen	533 million yen
Equity Ratio	36.7%	35.6%
ROE	16.7%	5.7%
Dividend Payout Ratio	15.7%	53.0%



 **KUROTANI**



M E R F

Metal + Recycle + Future