

Revision of the Midterm Business Plan



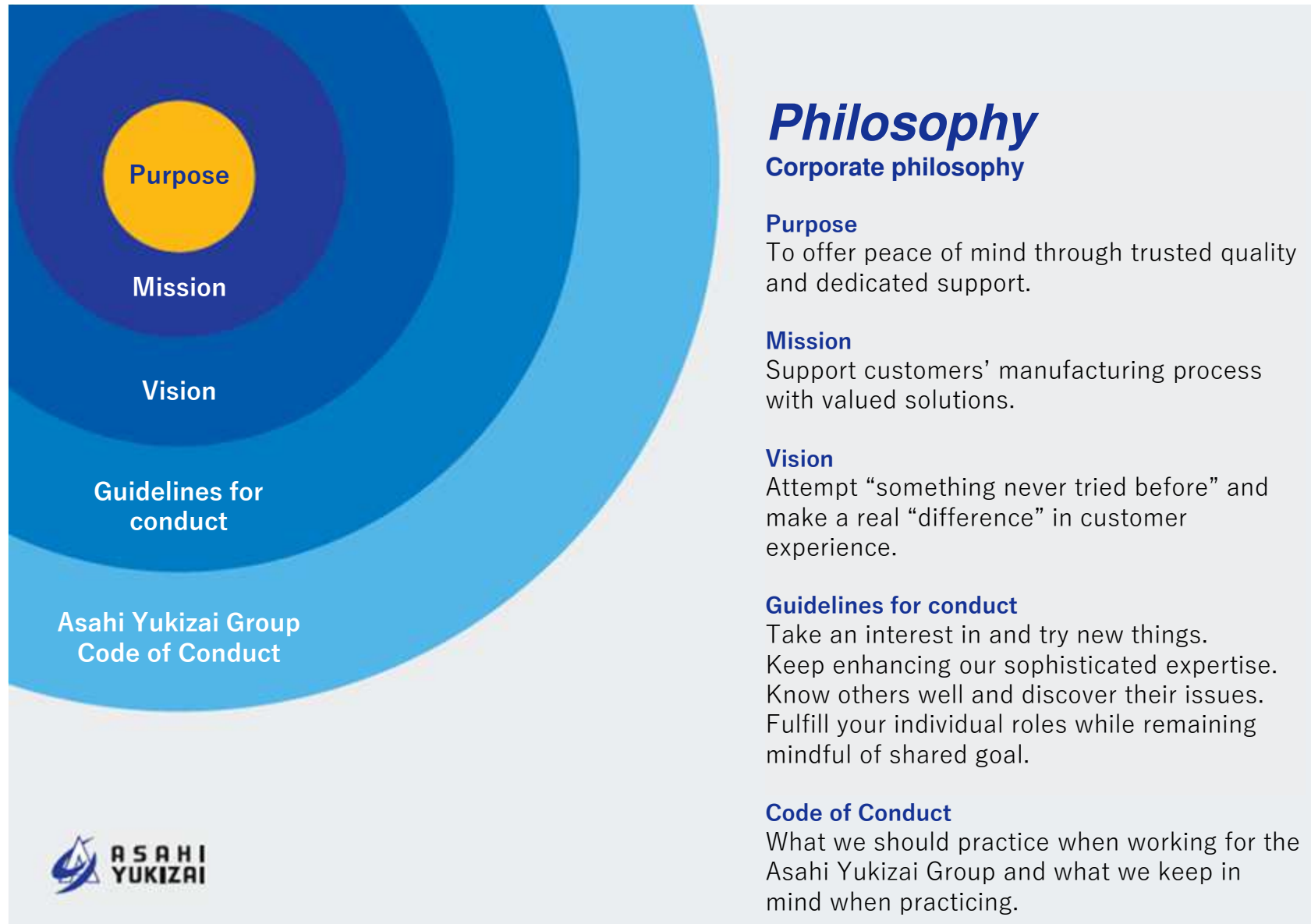
-To be a Great Top Niche company that keeps making a real “difference” -

May 2023 ASAHI YUKIZAI CORPORATION

Aiming to be a **Great Top Niche company** under the Midterm Business Plan "GNT2025," Asahi Yukizai has set four management policies and implemented various measures to capture robust overseas demand and favorable demand in the semiconductor market, and has consequently achieved the FY2025 numerical targets in FY2022. Therefore, we organized the future business environment and market opportunities, checked the progress of the Midterm Business Plan, reviewed the measures for growth and investment plans, and revised numerical targets.

Under our corporate philosophy, we will challenge for the Attempt **“something never tried before”** and make a real **“difference”** with our mission to **"Support customers' manufacturing process with valued solutions."**

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Our customers are promoting activities from the perspective of SDGs to people (society and community) around the world. By supporting these customers with a spirit of providing valued solutions, we aim to provide both economic and social values.



Economic value	Social value
<ul style="list-style-type: none"> • Net sales 110 billion yen • Operating profit 14 billion yen • Operating profit ratio 13% 	<ul style="list-style-type: none"> • Protection, supply, and efficient use of water resources (value development that can contribute to water resource issues) • Energy saving in buildings and climate change mitigation (high-performance insulating materials) • Contribute to the development and production of leading-edge semiconductor devices (Dymatrix, electronics materials) • Increase the ratio of renewable energy (drilling and retrofitting geothermal wells)

To become a Great Top Niche company

1

Pursue growth mainly in our overseas businesses (Valve & Piping Systems Divisions, Resin Divisions) and semiconductor-related products.

2

Improve profit margins by making a real “difference” and creating higher added value.

3

Develop our businesses from the perspective of SDGs to balance economic and social value.

4

Create a new business that can contribute to solving new social challenges.

Formulate our business portfolio strategy by dividing our basic policy into three categories for each Division.

We will make a more flexible allocation of management resources.

Three basic policies

Strengthening and expansion	Deepening / stable growth	Restructuring
Divisions from which we expect significant growth in the future by giving priority in investing management resources.	Divisions from which we expect deepening / stable growth by introducing new high-value-added products and services that meet needs.	Divisions from which we expect structural improvement by restructuring the products and services provided.

Divisions and products		Related markets	Current forecast (FY2023→FY2025)
Valve & Piping Systems Divisions	ASAHI AV ASAHI AV (Valves, pipes & joints)	Capital investment (plants, equipment, semiconductors)	Domestic → Overseas → *
	Dymatrix Dymatrix™ (Valves for semiconductor manufacturing equipment)	Semiconductor manufacturing equipment	→ *
Resin Divisions	Foundry materials AVライト	Automobile production	Domestic → Overseas → *
	Foaming materials セコロン®	Building insulating materials	Domestic →
Advanced Materials Division	Electronics materials	Liquid crystal and semiconductor production	→ *
Water Treatment & Natural Resources Exploitation Divisions	Water treatment	Wastewater treatment facilities for water supply, recycled water, and sewage	Domestic →
	Resource development Maintenance	Development of renewable energy (geothermal)	Domestic →

*Growth in overseas (capital investment, automobile production) and semiconductor-related markets is expected to be slower than the previous forecast.

Target values for 2025

Item	Previously announced value	Revised value	Remarks
Net sales	73 billion yen	87 billion yen	Strong demand in the semiconductor field, both in Japan and overseas, led to favorable results mainly in the Valve & Piping Systems Divisions and the Advanced Materials Division. Market growth rate is expected to slow down from 2023.
Operating profit	6 billion yen	12 billion yen	
Ratio of operating profit to net sales	8%	14%	
EBITDA*	(9 billion yen)	16 billion yen	
ROE	8%	11%	
ROIC	6%	9%	

*Newly set target value

Vision for 2030

Item	Previously announced value	Revised value	Remarks
Net sales	100 billion yen	110 billion yen	Reviewed considering the business plan up to 2025.
Operating profit	10 billion yen	14 billion yen	
Ratio of operating profit to net sales	10%	13%	

Not including M&A

Net sales 87 billion yen	Operating profit 12 billion yen	ROE 11%	ROIC 9%
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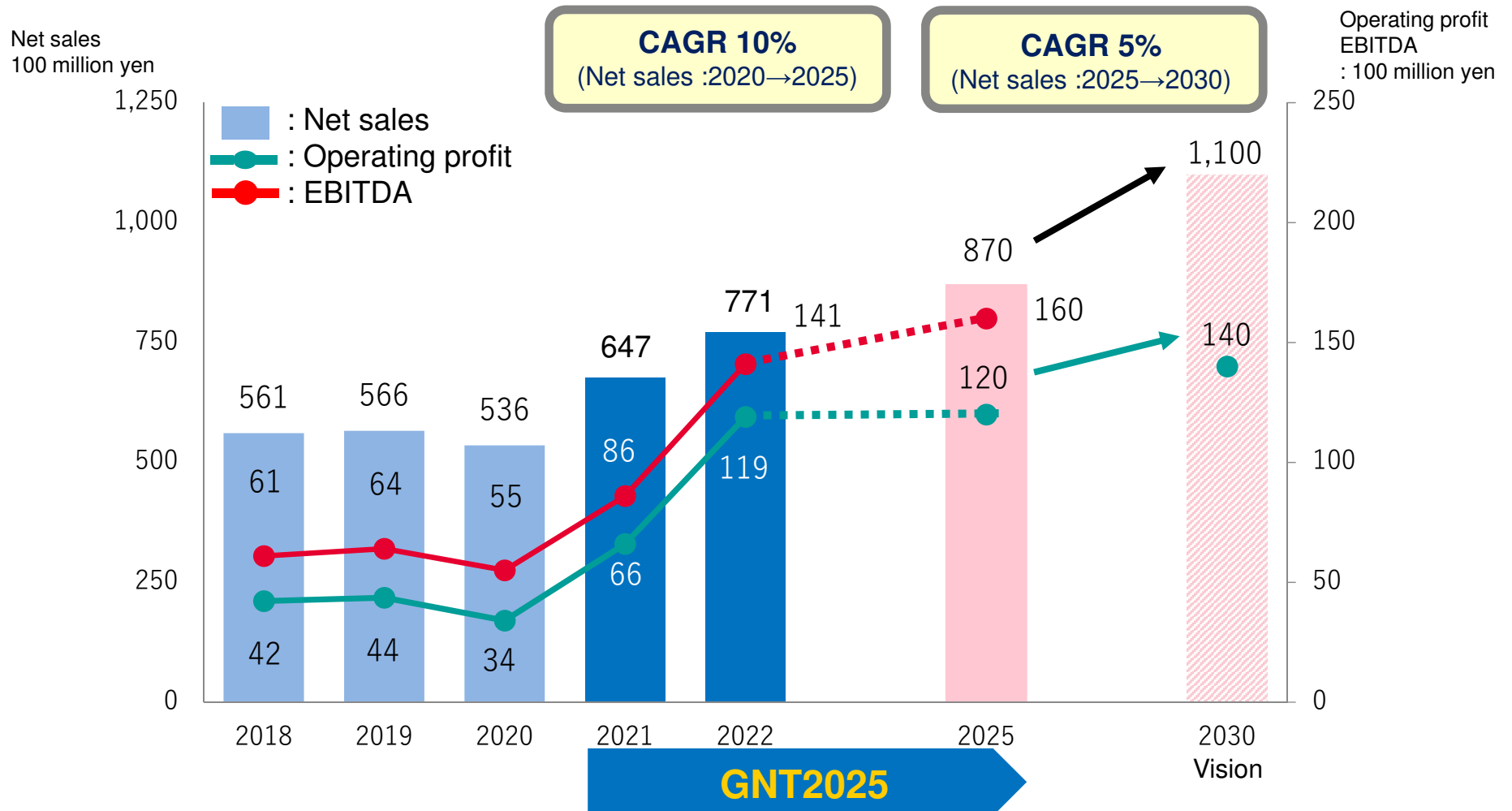
Target values for 2025 (each division)

	Valve & Piping Systems Divisions	Resin Divisions	Water Treatment & Natural Resources Exploitation Divisions
Previously announced value	Net sales 40 billion yen Operating profit 3.5 billion yen Operating profit ratio 9%	Net sales 23.5 billion yen Operating profit 1.8 billion yen Operating profit ratio 8%	Net sales 9.5 billion yen Operating profit 0.7 billion yen Operating profit ratio 7%
Revised value	Net sales 52.5 billion yen Operating profit 9.5 billion yen Operating profit ratio 18%	Net sales 24.5 billion yen Operating profit 1.8 billion yen Operating profit ratio 7%	Net sales 10 billion yen Operating profit 0.7 billion yen Operating profit ratio 7%

For the Valve & Piping Systems Divisions, more business growth in the overseas and semiconductor fields is expected than the previous forecast.

Not including M&A

Net sales 87 billion yen	Operating profit 12 billion yen	ROE 11%	ROIC 9%
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CAGR (Compound Annual Growth Ratio) : Average annual growth rate

Implications of numerical targets for FY2025

<External environment>

In FY2021 and FY2022, semiconductor-related markets in Japan and overseas grew more than expected, and the Valve & Piping Systems Divisions and the Advanced Materials Division expand rapidly. Foreign currency translation effects from yen depreciation also contributed to results.

FY2021 - FY2022

<Results>

Record-high sales and operating profit for two years in a row

FY2022 results

Net sales:	77.1 billion yen
Operating profit:	11.9 billion yen
EBITDA:	14.1 billion yen

<Internal situation>

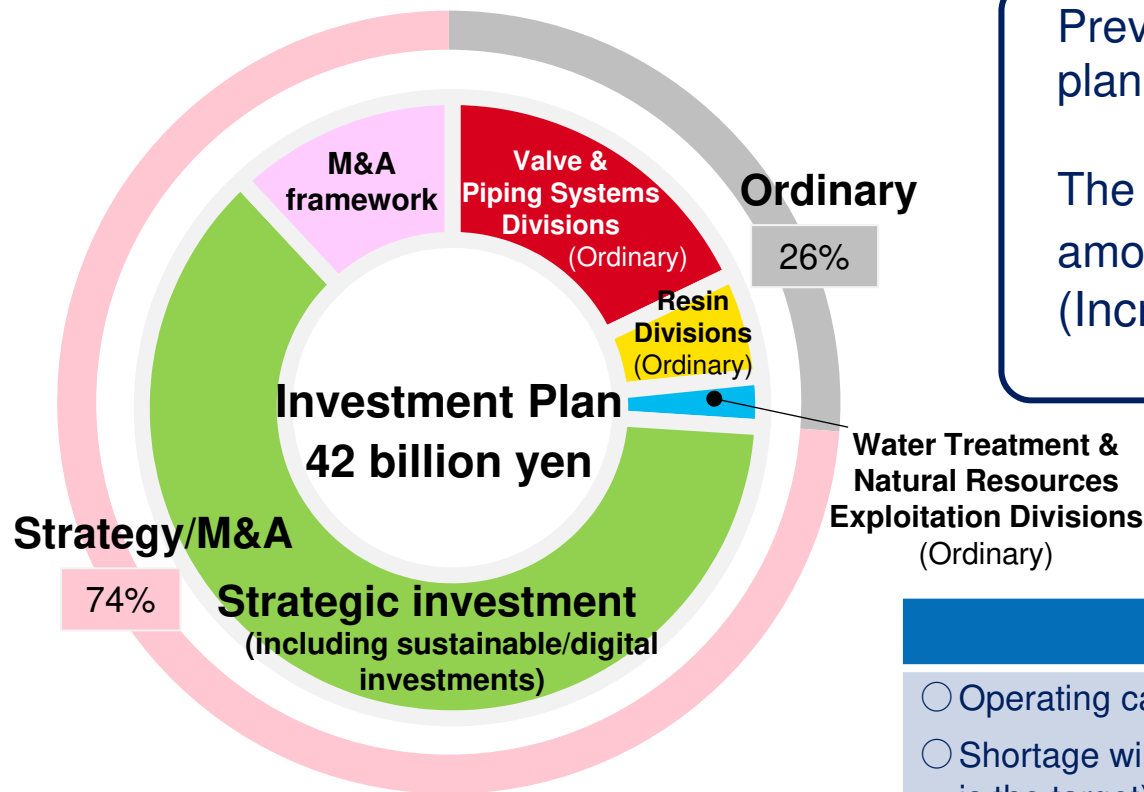
- Lower product cost due to high facility operating ratio
- Lower ratio of fixed costs to sales due to sales increase
- Decrease in surplus production capacity

Toward FY2025

- Although there is a break in the high growth rate of the domestic and overseas semiconductor markets in FY2023, a certain level of growth is expected to continue, and we will aggressively increase production capacity and recruit human resources to expand our business.
- In response to the expected increase in depreciation, labor and other fixed costs due to investment for growth, we will promote rationalization and labor saving through automation and digitalization, etc., and will limit the decline in operating profit ratio to a slight level.
- We aim to gain 12 billion yen for operating profit, the same level as in FY2022. However, EBITDA is expected to be 16 billion yen, about 2 billion yen higher than the FY2022 result.

Review of the investment strategy

Contents of investment	Previously announced value	Revised value	Additional item
Strategic investment	7 billion yen	26 billion yen	<p>Valve & Piping Systems Divisions</p> <ul style="list-style-type: none"> Rebuilding of Nobeoka Plant New Dymatrix plant <p>Resin Divisions</p> <ul style="list-style-type: none"> New electronics materials plant <p>Sustainable/digital Investment</p> <ul style="list-style-type: none"> Introduce solar power generation equipment Introduce a production management system
M&A framework	5 billion yen	5 billion yen	
Ordinary investment (Maintenance/streamlining)	10 billion yen	11 billion yen	
Total investment amount	22 billion yen	42 billion yen	



Previously announced investment plan amounted to **22 billion yen**



The revised investment plan amounts to **42 billion yen**
(Increase of 20 billion yen)

Including M&A investment framework

Sources of funds

- Operating cash flow (including asset efficiency)
- Shortage will be financed by borrowing (D/E ratio of 0.3 is the target)

Shareholder return policy

- Recognize profit distribution as one of the most important issues for the company
- Aim to secure stable dividends and increase dividends by achieving continuous profit growth, while comprehensively considering performance trends, financial strength, and internal reserves necessary for future investment.

Progress and new measures

Divisions	Progressed measures	New measures
Valve & Piping Systems Divisions	<p>Overseas/semiconductor market Started pipe production in China. Constructed a new plant in the U.S. Overseas sales expansion of Dymatrix Expansion of Dymatrix production capacity</p> <p>Strengthen valued solutions Establishment of the Valve & Piping Materials Technical Service Department and support to partner companies</p>	<p>Overseas/semiconductor market Rebuilding of Nobeoka Plant Consideration of a new Dymatrix plant</p> <p>Promotion of digitization Productivity improvement through manufacturing data collection Construction of demand-supply chain</p>
Resin Divisions * Including the Advanced Materials Division	<p>Foundry materials Overseas technology transfer and sales expansion</p> <p>On-site foaming insulating materials Development of high-insulation polyurethane</p> <p>Electronics materials Construction of the second electronics materials plant</p> <p>Molding materials Withdrawal from the business</p>	<p>Foundry materials Development of new products that contribute to conversion to EV and CO₂ reduction</p> <p>On-site foaming insulating materials Establishment of a materials-engineering integrated platform</p> <p>Electronic material Consideration of a new electronics materials plant</p>
Water Treatment & Natural Resources Exploitation Divisions	<p>Water treatment Operational testing of the regenerated chlorine system</p> <p>Resource development Verification of new methods of excavation</p>	<p>Water treatment Business expansion into new areas including biogas</p>

Measures for Business Growth

Valve & Piping Systems Divisions

Overseas
market

- Increase the manufacturing capacity of Nobeoka Plant in response to the expansion of overseas market (core products)
- Cultivation and sales expansion in the electronics industry (semiconductors, LCDs, etc.) in the U.S. and China, where continued growth is expected.
- Expand overseas business by developing markets in emerging countries with mid-range products and introducing strategic products (large-diameter butterfly valves, automatic valves, etc.).

Semiconductor
market

- Promote business expansion through pursuit and commercialization of low-particle technology for Dymatrix and construction of a new plant to meet global demand.



Large-diameter butterfly valve



Low-particle Dymatrix with minimal generation of microscopic foreign matter

Measures for Business Growth

Valve & Piping Systems Divisions

Strengthen
valued
solutions

- Expanding the network of processors nationwide and providing highly reliable thermoplastic piping by training processors and developing technical assistance and installation techniques.
- Strengthen production capacity for pre-fabricated products to respond to shortened construction period and labor shortage in piping installation.
- Foster human resources capable of proposing optimal corrosion-resistant solutions.

Promotion
of
digitization

- Productivity improvement (elimination of bottlenecks) through the visualization of manufacturing site data
- Establishment of a demand supply chain to realize optimization of the one-stop order receiving system for corrosion-resistant materials and the production system



Prefabricated products



Visualization of manufacturing site data

Resin Divisions

Foundry materials

- Improve profitability by helping customers improve their productivity, quality, and work environment with high-functionality products.
- Pursue new business opportunities associated with the shift to EVs in automobiles.
Development of next-generation strategic products that respond to thinner, lighter and more complex casting parts and contribute to CO2 reduction
- Accelerate overseas transfer of the technologies above to become the global No. 1 RCS.

On-site foaming insulating materials

- Establishment of a materials-engineering integrated platform that supports for advanced functionality of insulating materials (e.g., high thermal insulation technology)

Engine parts

↓ Conversion to EV

Battery cooling system, etc.



Continued demand after conversion to EV
Brake and drive parts



Insulating materials and installation machine

+



Insulation

Cast parts are becoming thinner, lighter, and more complex

Value creation of on-site foaming insulating materials

Advanced Materials Division

Electronics materials

- Full production in the second electronics materials plant under construction (Aichi) and the expanded Nantong plant (China), and consideration of a third plant in Japan and a second plant in China.
- Aim to expand the area of electronics materials by leveraging our strengths (low metal technology, synthesis technology, and refining technology).

New business

- Establishment of "closed-type circulating land culture" technology that contributes to solution of the social issues (environmental pollution, protein supply shortage) identified in the business search.
- Business model study on "closed-type circulating land culture"



Water Treatment & Natural Resources Exploitation Divisions

Water treatment

- Improve profitability by providing optimal solutions by upgrading a wide variety of wastewater treatment technologies and construction capabilities.
- Challenge for new areas of technology (e.g., biogas power generation) by exploring wastewater treatment technologies.
- Provide new and highly efficient maintenance services such as remote monitoring system and regenerative chlorine system.

Natural Resources Exploitation

- Shorten construction period, reduce costs, and strengthen safety measures by introducing a new excavation method.
- Strengthen the personnel structure to promote orders in the field of renewable energy.



Water supply facilities



Wastewater treatment facilities



Geothermal power generation drilling site

Develop ESG activities by positioning it as a top priority issue.

In September 2021, the Sustainability Promotion Committee was established to address the issues surrounding sustainability.

<<Purpose>>

- Increase corporate value over the medium to long term
- Minimize risk and expand profit opportunities

<<Items to address>>

Consideration for global environmental issues (activities based on TCFD)
Risk management (e.g., natural disasters due to global warming)
Contribution to ESG through business activities
Investment in human capital (human capital development, work style, treatment, diversity)
Protection and utilization of intellectual property rights and brands
Fair and proper transactions with suppliers
Fair and proper dealings with customers
Promote understanding from local communities

Relationship between business activities and SDGs

Valve & Piping Materials (valve)

We are working to develop valves that can contribute to solution of the world's water resource problems, such as large valves that can be used in large-scale desalination facilities and automatic hydrants that integrate ICT technology.



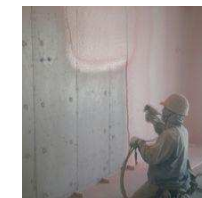
Resin (Foundry materials)

Pursue valued solutions for casting processes in the world by developing casting raw material (resin coated sand) that realizes weight reduction and dimensional stability of casting parts to increase cruising distance with the shift to EVs in automobiles and by realizing raw material regeneration technology



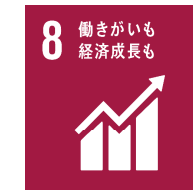
Resin (foaming)

In construction sites where insulation is difficult due to complex wall shapes, hot-water piping, etc., we are working to deliver safety and peace of mind to construction sites by manufacturing eco-friendly raw materials, developing easy-to-use construction machines, and providing high-quality products and services with our group companies.



Valve & Piping Materials (Dymatrix) Advanced Materials (electronics materials)

Asahi Yukizai's goal for innovation in the fast-growing semiconductor field is "low metalization and low particle generation." We aim to become a great niche top company by contributing to the reduction of foreign matter in the semiconductor manufacturing process and impurities in photoresists with our technological and manufacturing capabilities.



Water treatment & natural resources exploitation

One of the issues in Japan's geothermal power generation is the high cost of power generation. We aim to reduce cost by shortening drilling period, and thereby contribute to the development of geothermal power generation as well as expansion of the share of renewable energy and control of greenhouse gas emissions.



Promote the use of digital technology in manufacturing, sales, indirect and other business processes to improve efficiency and labor savings, **increase customer convenience**, and enhance corporate value.

Image of promotion

Laying the
foundation
for
digitization

Digitization of information
Develop the environment for
digitization

Promotion
of
digitization

Visualization and quantification
of manufacturing process
Grand design for the future

Advancement of
operations
through
digitization

Digitization to optimize the
entire supply chain and increase
customer convenience.



Cautionary statement concerning forecasts and estimates

Forecasts and estimates in this document are based on information available at the time of preparation and do not assure or guarantee achievement of numerical targets or measures in the future.

Attachments

6 安全な水とトイレ
を世界中に



Valve & Piping Materials (valve)

Contribute to stable operation of desalination facilities and wastewater treatment facilities with rustproof and durable thermoplastic valves.

Water resource problems are occurring around the world due to "population growth," "climate change," and "water conflicts." Asahi Yukizai contributes to the protection, supply, and efficient use of the world's water resources by manufacturing and selling thermoplastic valves and pipes that make up facilities and pipelines related to the sustainable extraction and supply of fresh water.

Asahi Yukizai has grown as a niche top company by providing "corrosion-resistant solutions" for pipelines in the chemical, semiconductor, water treatment, and aquarium, and other fields, seeking markets around the world where the characteristics of thermoplastic valves and pipes, i.e., "Rustproof (corrosion resistant)" and "Light" (ease of installation), can be utilized.

The next innovations Asahi Yukizai aims for are "larger" and "smarter." We aim to develop valves that can contribute to the world's water resource problems, such as large valves that can be used in large-scale desalination facilities, automatic water taps that integrate ICT technology, and motorized ball valves equipped with a smart actuator.



12 つくる責任
つかう責任



Resin (Foundry materials)

Increase the number of eco-friendly products to improve customers' work environment.

Casting is one of the methods used to manufacture metal parts and products with complex shapes. Casting is a method of pouring molten metal at high temperature into the cavity of the mold (casting mold) made of sand or other material. The mold material used in casting is resin-coated sand, which must be strong enough not to break even when molten metal is poured and dimensionally stable enough to produce the part dimensions as designed.

Asahi Yukizai is the only manufacturer that produces and sells resin coated sand and coating resins used for these molds, and has been contributing to the automotive industry, agricultural machinery, and construction machinery for 68 years as a niche top company that conducts eco-friendly recycling-oriented business by recycling and selling resin coated sand that has been used.

In order to continue to pursue "valued solutions for the world's casting process," Asahi Yukizai will continue to develop low-odor, low-smoke products that enable lighter weight parts (thinner wall) and high-precision dimensional control, while also contributing to the improvement of the manufacturing environment and the environment around the foundry. At the same time, we will also develop efficient recycling technology for resin coated sand to reduce waste generation. Furthermore, by transferring these technologies to China, India, and Mexico, we will globalize manufacturing and sales to increase social and economic values.





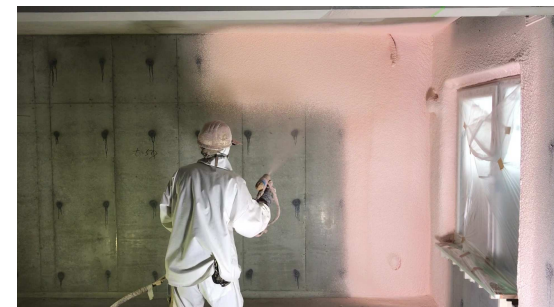
Resin (foaming)

Promote energy saving with high-performance heat insulating materials.

There is a worldwide demand for energy saving in housing and other buildings as a measure against climate change. Asahi Yukizai has developed "Zero-Freon," a non-CFC product that does not contain ozone-depleting substances in on-site foaming rigid polyurethane foam, which offers excellent heat insulation performance and energy saving effects, thereby contributing to energy conservation in buildings and mitigation of climate change.

We are also working on the production of eco-friendly raw materials and the development of easy-to-use construction machinery for construction sites where insulation is difficult due to complicated wall shapes and hot-water piping, etc. Thus, working together with group construction companies we provide high-quality products and services to our customers and deliver safety and peace of mind to construction sites.

Asahi Yukizai further promotes valued solutions for customers and contribute to the Basic Energy Plan with the keywords "construction machinery and high insulation," including the originally-developed construction machinery that reduces raw material loss and enables economical construction, and development of highly insulating raw materials to meet customer needs.





Valve & Piping Materials (Dymatrix) Advanced Materials (electronics materials)

Contribute to the development and production of leading-edge semiconductor devices with low-particle high-performance valves and low-metal semiconductor materials using advanced refining technology.

Asahi Yukizai sells thermoplastic valves and pipes for ultrapure water, pure water, and wastewater pipelines in semiconductor plants not only in Japan but also in the U.S., South Korea, Taiwan, and China, and undertakes some plant construction work in Japan. We also manufacture and sell Dymatrix (small precision valves) for cleaning processes and Falconics (flow control device) for CMP processes to semiconductor manufacturing equipment manufacturers. We also manufacture and sell other semiconductor materials (base resin, matrix of photosensitized materials and underlayer film materials, etc.) in Japan and China, and contribute to our customers by providing various products and services ranging from semiconductor materials to manufacturing equipment and plants.

Asahi Yukizai's next innovation in the fast-growing semiconductor field is "low particle and low metal". In semiconductor manufacturing equipment, it is required to minimize foreign matter contamination in the manufacturing process to improve yield, and in the manufacturing of semiconductors, it is required to reduce metallic impurities in photoresist (lower metal content). To respond to these requirements, our technical and manufacturing capabilities will be useful. By solving these issues, we aim to contribute to technological innovation in the semiconductor field and become a Great Niche Top Company.





Water treatment & natural resources exploitation

Promote construction work for geothermal power generation, a renewable energy source.

The majority of Japan's energy sources are thermal power generation, and there is growing interest in renewable energy sources that can reduce greenhouse gas emissions. As of FY2017, the share of renewable energy in Japan's power supply mix was about 16%, which is low compared to other countries. One reason for this is the high cost of generating renewable energy compared to other countries.

DORICO Co., Ltd., a subsidiary of Asahi Yukizai, drilled Japan's first steam well for geothermal power generation in 1952, and has drilled more than 180 wells to date. Currently, we are drilling and retrofitting geothermal wells mainly in the Kyushu, Hokkaido and Tohoku areas, and also drilling hot spring wells using with the technology developed for the above.

Geothermal power projects are attracting a great deal of attention because they do not emit carbon dioxide and have a low environmental impact, but there are issues such as the time and cost required to develop power generation facilities. Therefore, Asahi Yukizai aims to reduce costs by shortening the drilling period through "more efficient drilling / higher operating ratio of drilling equipment," to contribute to the development of geothermal power generation, increase of the ratio of renewable energy and control greenhouse gas emissions.

