New Mid-term Business Plan
The new mid-term business plan, ARS2020 is named based on the abbreviation of Asahi Rising Sun and the year 2020, envisioning strong growth for the Asahi Yukizai Corporation like the rising sun.
Asahi Yukizai’s Goals for 2020 in the ARS2020 Plan

Establishing a solid brand image of ASAHI YUKIZAI as a global Industry leader offering top niche products to meet customer needs

Niche Top
Offering outstanding top niche products to the world

Global Growth
Achieving strong global growth like the rising sun

A Class Quality
Continuing to polish the quality of our top-ranked products and services

Dynamic Action
Uniting as a team and acting dynamically for achieving goals

Basic Principles
We, at Asahi Yukizai Group, promise to create and offer new values to people with a spirit of “challenging, creating, and changing” to contribute people’s affluent lives.
Asahi Yukizai “ARS2020” Framework

Main Strategies

- **Improve product strategies** (customer-centered, increase speed, and top niche)
- **Expand overseas sales** (product strategies, inventories, and human resources)
- **Reform supply chains** (reform commercial distribution and sales channels both in and out of Japan)
- **Renovate manufacturing** (improvement in productivity, and introduction of smart factories)
- **Company-wide efforts for cost reduction**

**Sales:** 63 billion yen  
**Operating Profits:** 4.2 billion yen  
**ROE:** 7% or more

- **Foam Materials & Functional Resins**
  - Sales: 17.5 billion yen
  - Ratio of Overseas Sales: 30%

- **Piping Materials**
  - Sales: 34 billion yen
  - Ratio of Overseas Sales: 40%

- **Water Treatment & Natural Resources Exploitation**
  - Sales: 8.5 billion yen

**Expansion of Businesses (by M&A)**
Expanding each business field

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Approaching the corporation’s 100th anniversary, the aim is to increase investment and loans to expand business areas including strategic investments and M&A (20 billion yen is to be allocated for this in the next 5 years).

※This includes increase in investment and loans to subsidiaries.
Building up a basic structure for growth has been steadily implemented. Sales and operating profits have not yet reached the goals.

<table>
<thead>
<tr>
<th>Main Strategies</th>
<th>Results</th>
</tr>
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<tbody>
<tr>
<td></td>
<td><strong>Major Outcomes</strong></td>
</tr>
<tr>
<td><strong>01 Strengthening the target businesses</strong></td>
<td>■ Expand product lines of piping materials (Automatic valves and feeding valves)</td>
</tr>
<tr>
<td></td>
<td>■ Open a customer service center</td>
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<td></td>
<td>■ Strengthen commercial distribution channels for piping materials (AJC)</td>
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<tr>
<td><strong>02 Increase Profitability of the businesses with stable earnings</strong></td>
<td>■ Expand overseas piping material business (Establishment of 3 distributors and growth of AsahiAmerica)</td>
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<td>■ Expansion of resin businesses overseas (China and India) (Foundry materials &amp; electronic materials/China)</td>
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<td></td>
<td>■ Marketing for civil engineering construction materials (Solidifying materials)</td>
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<tr>
<td></td>
<td>■ Set up water treatment and resource exploitation business (Acquisition of Dorico)</td>
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<td></td>
<td>■ Establish human resources policies</td>
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<table>
<thead>
<tr>
<th>Goals Planned [2015]</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Sales</td>
<td>45 billion yen</td>
</tr>
<tr>
<td>Consolidated Operating Profits</td>
<td>2.5 billion yen</td>
</tr>
</tbody>
</table>
Piping Materials
Visions for 2020

Sales **34 billion yen** Ratio of Overseas Sales **40%**

**ASAHI AV**’s customer value proposition

- Solutions for corrosion problems
- Offering care-free, long life, safe, and easy to handle products

Customer trust through industry leadership and outstanding brand image

### Directions of the Mid-term Plan

- Offer new value, specific for each customer segment
- Establish consistent corrosion-resistant value chains
  - Extend product lines, increase quality of customer service, improve the network with firms and maintenance services for corrosion-resistant piping materials
- Renovate the “NOBEOKA” factory: improve cost competitiveness and meet customization needs

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Polish the image of **ASAHI** as a global brand

<table>
<thead>
<tr>
<th>Strengthen corrosion-resistant piping materials business</th>
<th>Strengthen services</th>
<th>Stable Product Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>■ Improve product corrosion and heat resistance</td>
<td>■ Reform commercial distribution</td>
<td>■ Improve product development efficiency</td>
</tr>
<tr>
<td>■ Increase number of resin products</td>
<td>■ One-stop service</td>
<td>■ Improve competitiveness of domestic manufacturing</td>
</tr>
<tr>
<td>■ Increase number of top niche products</td>
<td>■ Improve product utility (custom-made and special-order products)</td>
<td>■ Strengthen overseas distributors</td>
</tr>
<tr>
<td>■ Ensure product quality control</td>
<td>■ Maintenance (close to customers: improve accessibility of services)</td>
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Build on customer trust and brand power as the number one business in the industry by offering solutions to corrosion problems with care-free, long life, safe, and easy to handle products.

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**Sales Plan**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (Million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>10,000</td>
</tr>
<tr>
<td>2017</td>
<td>15,000</td>
</tr>
<tr>
<td>2018</td>
<td>20,000</td>
</tr>
<tr>
<td>2020</td>
<td>25,000</td>
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**Legend:**
- **Blue** = Standalone Sales
- **Yellow** = Subsidiaries’ Sales

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Foam Materials & Functional Resins Business
Visions for 2020

Sales 17.5 billion yen  Ratio of Overseas Sales 30%

The value that our resin business offers to the customers

Solution to problems in construction  Wide-range of unique product lines to meet various customer needs

Achievements that AV LITE obtained in the last 70 years

Establishing a position as a leading global brand

- Foundry materials
- High functional materials
- Foam materials (Spray form insulation)

With the strength of all personnel, we aim to “establish a structure for stable profits and strengthen custom-made products to meet customer needs.”

- Aggressively invest resources into “winning businesses”
- Create new value for each customer segment
- Promote process innovation (Innovation of manufacturing technology)
With the strength of all personnel, we aim to “establish a structure for stable profits and strengthen custom-made products to meet customer needs.”

**Foundry materials**
- Increase overseas manufacturing and distribution points (Aggressive investment of human resources, offering high quality “Japan-quality” products, and improvement of facility design)
- Develop products and services meeting customers’ needs (Improvement of manufacturing environment and quality of molding)
- Improve manufacturing technology (Cost reduction)
- Strengthen relationship with customers by reviewing commercial distribution channels and renovating sales strategies for meeting customers’ needs

**High Performance Materials**
- Expand and strengthen electronic material business (Aggressive investment in human resources, and improving quality control and manufacturing technologies)
- Expand market focusing on China
- Promote process innovation (Promote very low level of metal use, and create products to meet next generation process use)

**Foam materials**
- Increase share in on-site foam material field
  - Pursue better workability
  - Aggressively create and sell environmentally-conscious products (Zero-Freon ER-X)
  - Stabilize construction product quality and establish a warranty system (Offer high functional foam machine and establish construction group)
- Aggressively develop and expand businesses in civil engineering

⇒ Strengthen manufacturing technologies and SCM (including raw materials and distribution costs) to offer products of highest quality at minimum cost
⇒ Strengthen related businesses utilizing outsourcing (Including M&A and alliances)
Water Treatment & Natural Resources Exploitation
Visions for 2020

2020 Sales 8.5 billion yen

Achieve 10 billion yen of sales in 2023 by increasing and expanding human resources and strengthening comprehensive solution abilities as a group

Directions of the Mid-term Plan

- Focus on and strengthen development of demand in the private sector
- Actively foster and strengthen human resources
- Aggressively strengthen comprehensive solution abilities in water treatment (Utilize synergy effects among the businesses)
- Pursue differentiation in technology and services (Pursuit of NO. 1 and Only in the industry)
- Improve productivity (Increase in sales per person)
Looking toward 2020

Water treatment and engineering business

- Public tap water & sewage works and related fields
  - Improve competitiveness by using synergetic effects of the group (utilizing EDR, films, and corrosion-resistant technologies)
  - Improve general evaluation

- Private sector waste water treatment and related matters
  - Promote strategy to be the industry leader in the area of treating gray water discharged from buildings
  - Tackle food related drainage treatment (drainage water with high concentration of oil)
  - Expand businesses into chemical drainage treatment

Resource development

- Hot spring facilities and related matters
  - Brand differentiation in hot spring excavation (technologies to reduce construction period)
  - Actively pursue related opportunities

- Geothermal exploitation
  - Foster and strengthen expertise in geothermal excavation
  - Strengthen differentiation of services (Construction period, excavation know-how etc.)
  - Strengthen relationships with key clients and private electric companies

Maintenance business (Doriko Aqua Serve Co.)

- Improve management services for gray water discharge treatment (Use of IT technology etc.)
- Expand business areas focusing on key points

Environmental chemical agent business

- Increase production of microbial agents and expand market in the private sector
- Cooperation among the businesses

Sales Plan

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