New Mid-term Business Plan

ARS2020

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.

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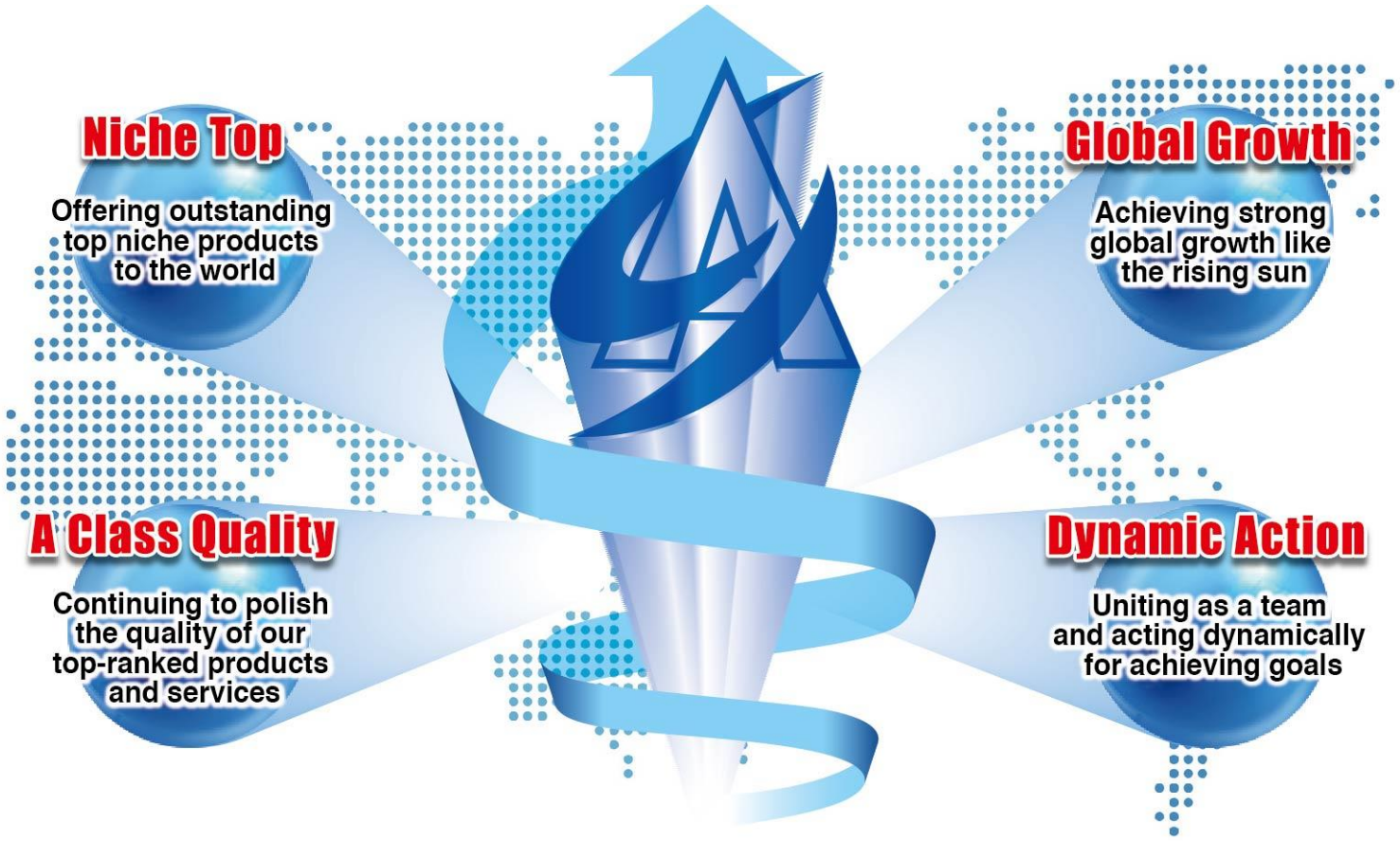
Establishing a solid brand image of ASAHI YUKIZAI as a global Industry leader offering top niche products to meet customer needs



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.

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Asahi Yukizai “ARS2020” Framework

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

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

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**

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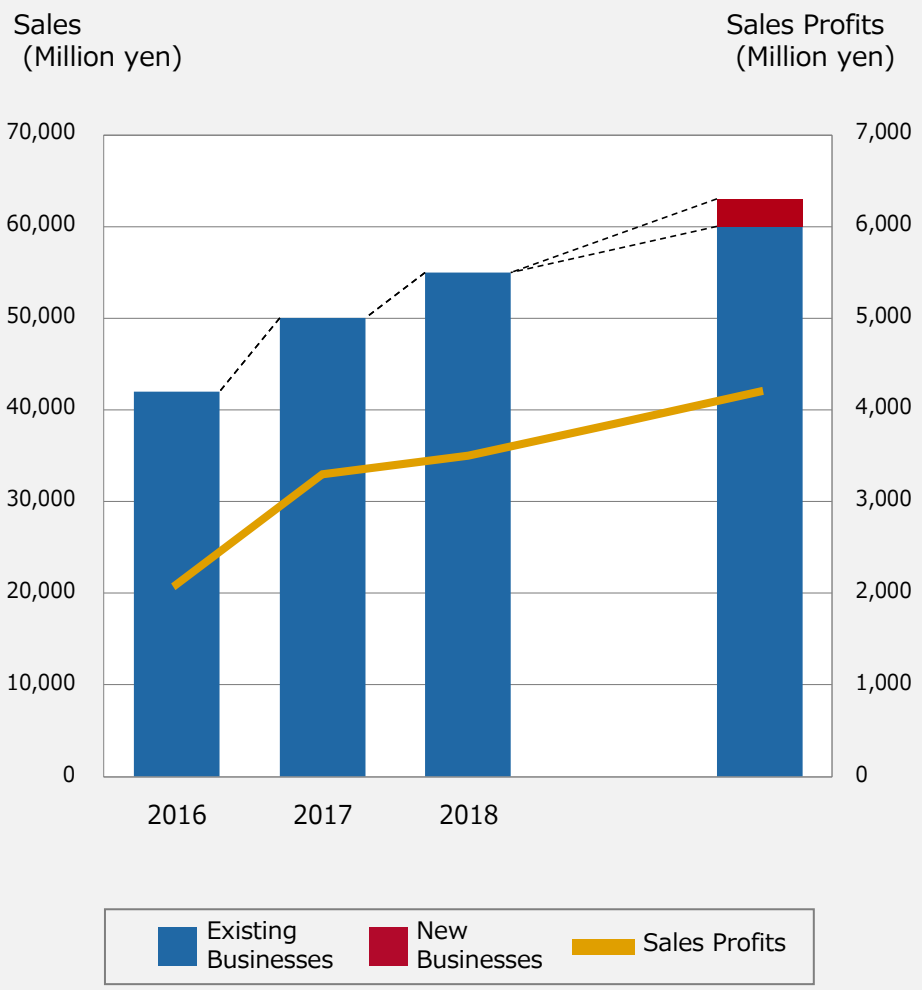
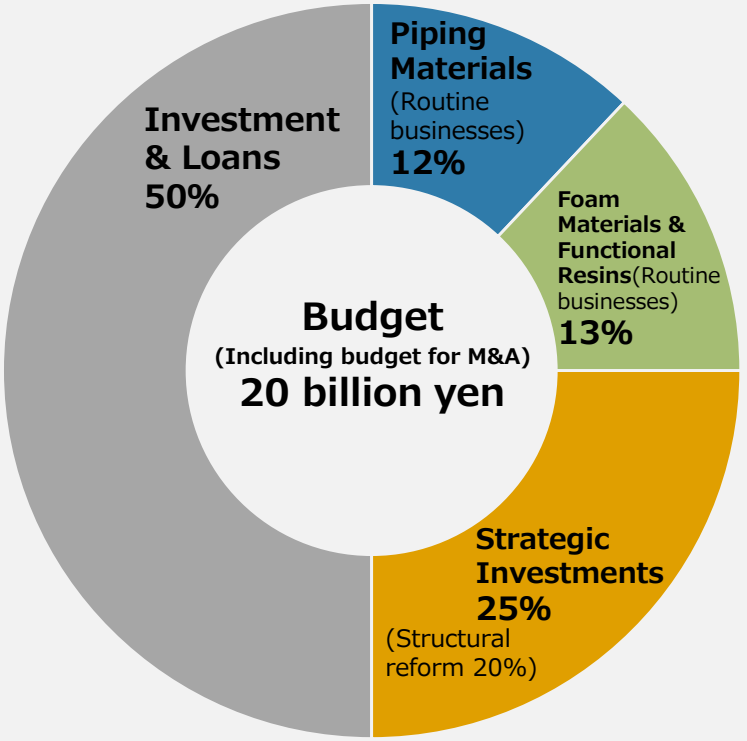
Profit Goals and Investment & Lending Plan

Profit Goals



Investment & Lending Plan



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.

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Review of Previous Mid-term Plan CHANGE 13

Building up a basic structure for growth has been steadily implemented.
Sales and operating profits have not yet reached the goals.

Main Strategies	Results	
	Major Outcomes	Challenges for the future
01 **Strengthening the target businesses** 02 **Increase Profitability of the businesses with stable earnings** 03 **"Lean" Management**	■**Expand product lines of piping materials** (Automatic valves and feeding valves) ■**Open a customer service center** ■**Strengthen commercial distribution channels for piping materials** (AJC) ■**Expand overseas piping material business** (Establishment of 3 distributors and growth of AsahiAmerica) ■**Expansion of resin businesses overseas** (China and India) (Foundry materials & electronic materials/China) ■**Marketing for civil engineering construction materials** (Solidifying materials) ■**Set up water treatment and resource exploitation business** (Acquisition of Dorico) ■**Establish human resources policies**	■**Expansion of focal businesses** (PP & Foam materials) ■**High profitability** (Resin business) ■**Cost reduction**

Goals Planned [2015]		Results	
Consolidated Sales	**45 billion yen**	Consolidated Sales	**41.5 billion yen**
Consolidated Operating Profits	**2.5 billion yen**	Consolidated Operating Profits	**1.6 billion yen**

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Piping Materials

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

ASAHIAV'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

Establish a strong and unique business structure

- 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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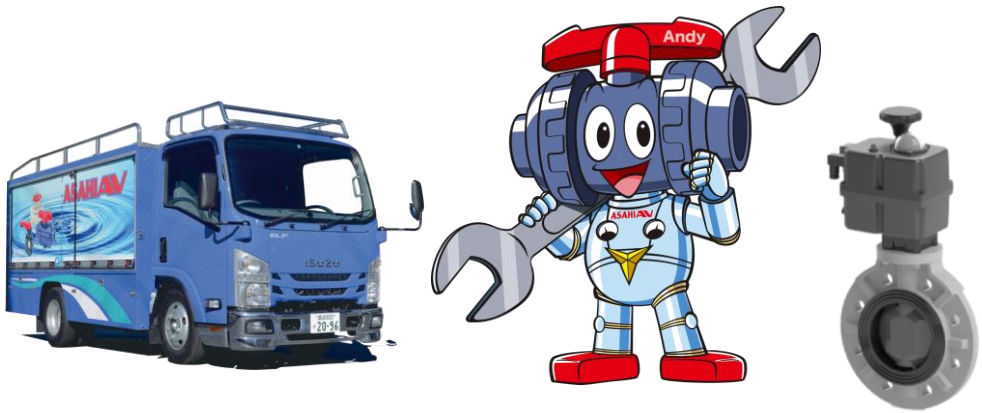
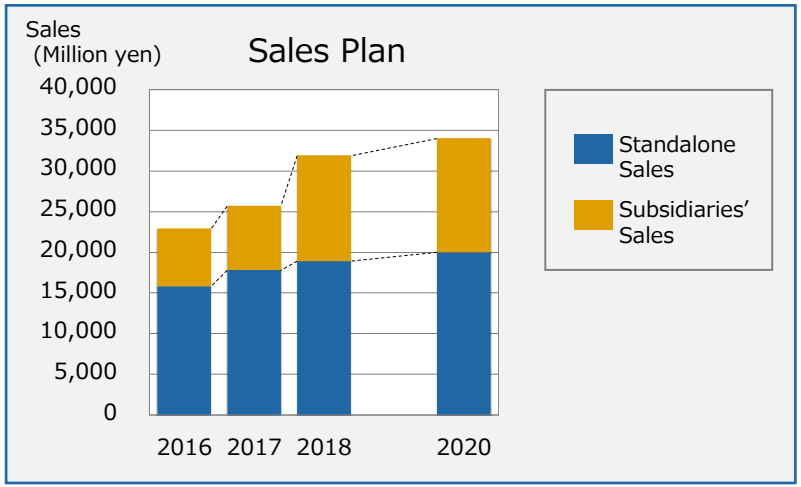
Polish the image of ASAHI AV as a global brand

Strengthen corrosion-resistant piping materials business	Strengthen services	Stable Product Supply
■ Improve product corrosion and heat resistance ■ Increase number of resin products ■ Increase number of top niche products ■ Ensure product quality control	■ Reform commercial distribution ■ One-stop service ■ Improve product utility (custom-made and special-order products) ■ Maintenance (close to customers: improve accessibility of services)	■ Improve product development efficiency ■ Improve competitiveness of domestic manufacturing ■ Strengthen overseas distributors

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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Foam Materials & Functional Resins Business

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)

Directions of the Mid-term Plan

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)

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Action Plan

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**

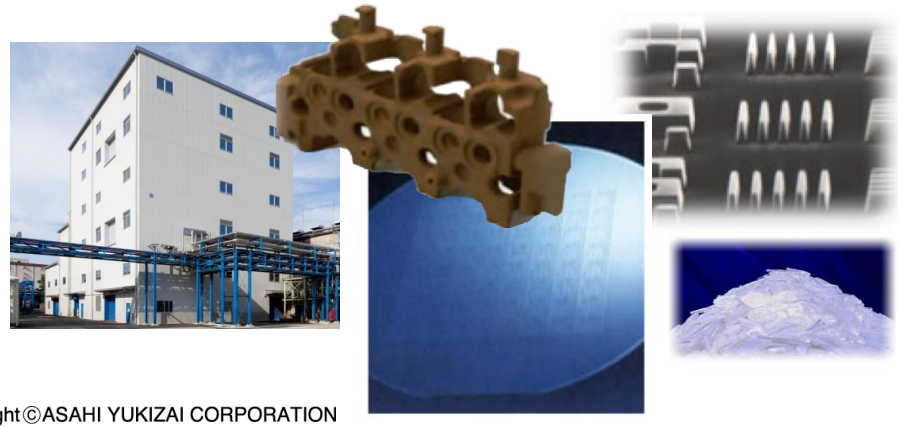
■**Promote process innovation**
(Promote very low level of metal use, and create products to meet next generation process use)

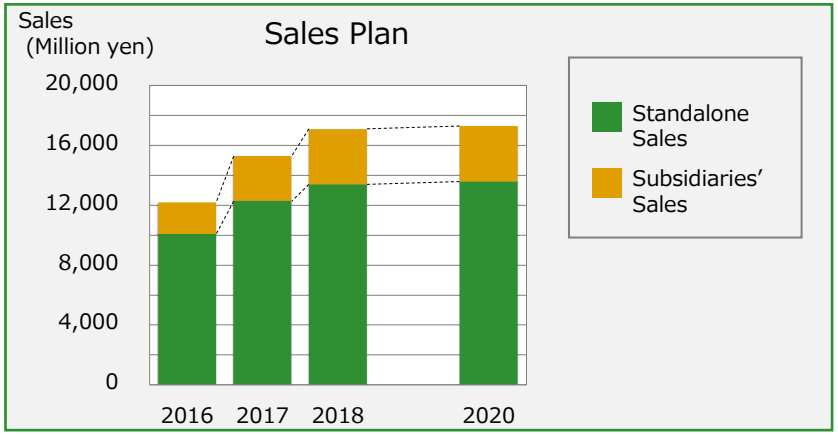
Foam materials

■**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)**





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Water Treatment & Natural Resources Exploitation

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)

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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

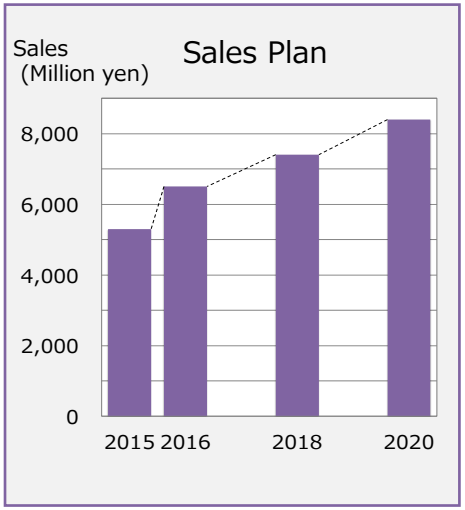
■Foster and strengthen expertise in geothermal excavation
■Strengthen differentiation of services (Construction period, excavation know-how etc.)
■Strengthen relationships with key clients and private electric companies

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



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