

Advanced Metals

Basic Policy of Fiscal 2021 Medium-Term Management Plan

Two issues remained unresolved at the completion of the Fiscal 2018 Medium-Term Management Plan: "Increased inventories" and "a delay in reaping the benefits of large-scale investments made at our domestic production sites." Our new Fiscal 2021 Medium-Term Management Plan recognizes these issues. Under the plan, we will generate synergies between businesses and engage in co-creation with customers with the aim of becoming the "No. 1 company in high-performance advanced metals."

Fiscal 2019 Performance

Specialty Steel Products

Sales of molds and tool steel decreased year on year, due to declining demand in international markets, especially China, as well as inventory adjustments, including ones in our domestic supply chain. Despite an increase in sales of rolls to Japanese customers, sales of injection molding machine parts decreased due to a sharp decline in demand in the third quarter of the fiscal year.

Sales of industrial equipment decreased year on year, reflecting a decline in demand for automobile-related products. Sales of aircraft- and energy-related materials increased due to rises in demand for those materials.

Despite increases in sales of organic EL panel-related components and clad materials for smartphones and batteries, overall sales of electronic materials decreased year on year, due to a decline in demand for semiconductor package components.

Adjusted operating income declined year on year, due primarily to decreasing demand for molds, tool steel, industrial materials, and other mainstay products, as well as falling prices of raw materials and a decline in work-in-process on the back of shrinking market demand.

Functional Components and Equipment

Sales of automotive castings declined year on year due to several factors, including an ongoing decline in demand for light trucks and passenger cars in North America. In addition, demand for castings for commercial vehicles, construction

machinery, and agricultural machinery, which was relatively strong through the second quarter, declined from the third quarter, while demand in Asia was also down. Another factor was the spread of COVID-19 at the end of the fiscal year. Sales of heat-resistant exhaust castings decreased year on year, mainly reflecting a decline in sales of new vehicles and more meticulous order selections among customers seeking to improve earnings. Following a decision to withdraw from the aluminum wheel business, the Company sold a U.S. consolidated subsidiary that manufactured aluminum wheels in March 2019. We are also making progress, as planned, to end production in Japan by September 30, 2020.

Among piping components, sales of pipe fittings to both domestic and international customers remained mostly unchanged year on year. Sales of semiconductor manufacturing equipment decreased year on year due to delays in some capital investment projects, resulting in a decline in overall sales of piping components.

Adjusted operating income declined due to several factors. These included falling demand for automotive castings in North America, a key market, ongoing sluggish sales of semiconductor manufacturing equipment, and the suspension of operations by major customers in response to the COVID-19 outbreak.

		FY2019 results
Specialty steel products	Revenues	¥250.6 billion
	Adjusted operating income	¥5.5 billion
	Adjusted operating margin	2.2%
	ROIC	1.9%
Functional components and equipment	Revenues	¥299.7 billion
	Adjusted operating loss	¥0.9 billion
	Adjusted operating margin	-0.3%
	ROIC	—
Total*	Revenues	¥550.3 billion
	Adjusted operating income	¥4.6 billion
	Adjusted operating margin	0.8%
	ROIC	0.8%

*Simple sum before eliminating intersegment revenues



Clad materials



Castings and fittings