



ARISAWA

INTEGRATED REPORT 2023

Arisawa Mfg. Co., Ltd.



Corporate Philosophy

Arisawa as a business came into being in 1909 with the production of Battenberg lace, where it cultivated expertise that would later attain a new height with the epochal introduction of glass fiber.

What followed was a string of novel materials from Arisawa featuring unheard-of properties, to which the company went on to apply innovative technologies.

This process enabled Arisawa to build up coherent production systems and a unique technical edge integrating the "weaving, coating, and molding" elements while consistently fulfilling users' needs.

Arisawa's current offerings include, among others, electronic materials for use in PCs, mobile phones, etc., industrial application structural materials

(e.g. honeycomb sandwich panels for use in aircraft interiors), electrical insulating materials, and display materials, all of which contribute to the development of various industries.

We at Arisawa Mfg. Co., Ltd. have our mind set on opening a vista for the future as we remain proactive in our efforts to develop innovative materials.

CIC

"Create, Innovate, and Challenge"

Better today than yesterday better tomorrow than today

~ Take a step forward to create a better future ~

Editorial policy

Since the first issuance of an environmental report in FY2005, the Arisawa Group has provided information about its social contribution activities through business in its mid-term management plan and initiatives on climate change (disclosure based on the framework of TCFD recommendations).

This integrated report is intended to provide new opportunities for dialogue by presenting stakeholders, including shareholders and investors, with the company's initiatives toward the improvement of its corporate value over the medium to long term.

Scope of the report

This report covers Arisawa Mfg. Co., Ltd. and its domestic and overseas group companies and affiliates. In this report, "Arisawa", "we", "us", or "our" means Arisawa Mfg. Co., Ltd., and "our group" means the entire Arisawa Group.

Coverage period of the report

The coverage period is from April 1, 2022, to March 31, 2023, but note that some descriptions may include activities before and after this period when necessary.

Other reference information

For technical terms, such as our group's products mentioned in this report, see our website (Technology/Products > Glossary).

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About Arisawa

Policies

Management Policy

On the basis of the motto "Create, Innovate and Challenge", we pledge to:

- (I) create new values and enhance customer satisfaction.
- (II) discover customer demands and create new businesses with our creative technologies.
- (III) strengthen corporate structure by improving our quality and productivity.
- (IV) contribute to solving the social and environmental issues, and realize the sustainable growth.

Our Action Guideline

- (I) We compare what we are today with what we were yesterday, rather than comparing ourselves with others.
- (II) We do a job to be proud of in the future as a professional manufacturer with a strong will and a humble heart.
- (III) We take a step forward to challenge, instead of looking for an excuse of cannot to do.
- (IV) We give the highest priority to safety, and fulfill our own roles and responsibilities for zero accidents

ESG Policy

In all aspects of our business activities, we actively addresses a variety of issues related to environment, society and governance and aims to achieve sustainable growth.

CSR Procurement Policy

We procure materials in compliance with laws and internal policies and based on the mutual understanding and trust with our suppliers.

Environmental Policy

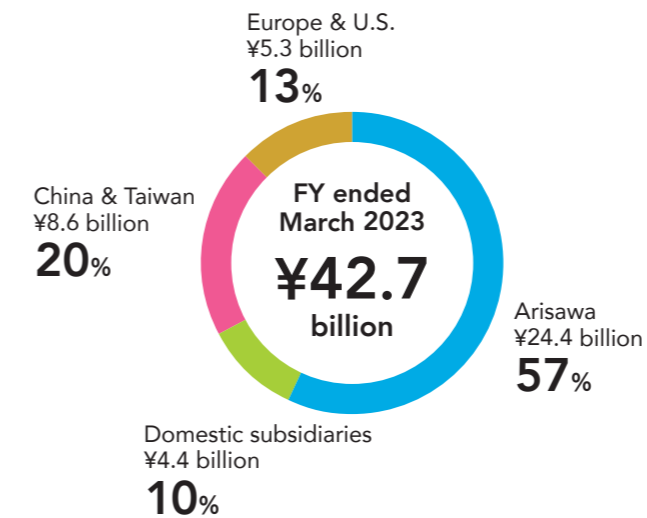
We strive to reduce environmental loads, promote environmental conservation, and help solve social and environmental issues in our whole business activities, from development and design to manufacturing of electronic materials, industrial structural materials, electrical insulating materials, and display materials, to achieve sustainable growth.

Quality Policy

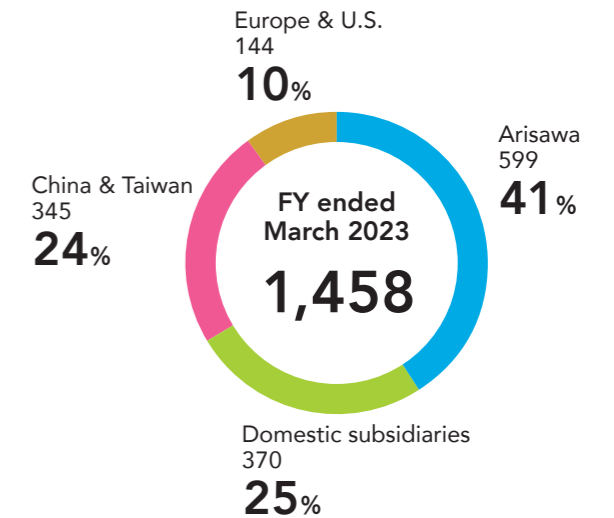
We pledge to supply the high quality product that meets the reliability and needs of the customer by standing in the customer's viewpoint.

Global Business Operations (As of March 31, 2023)

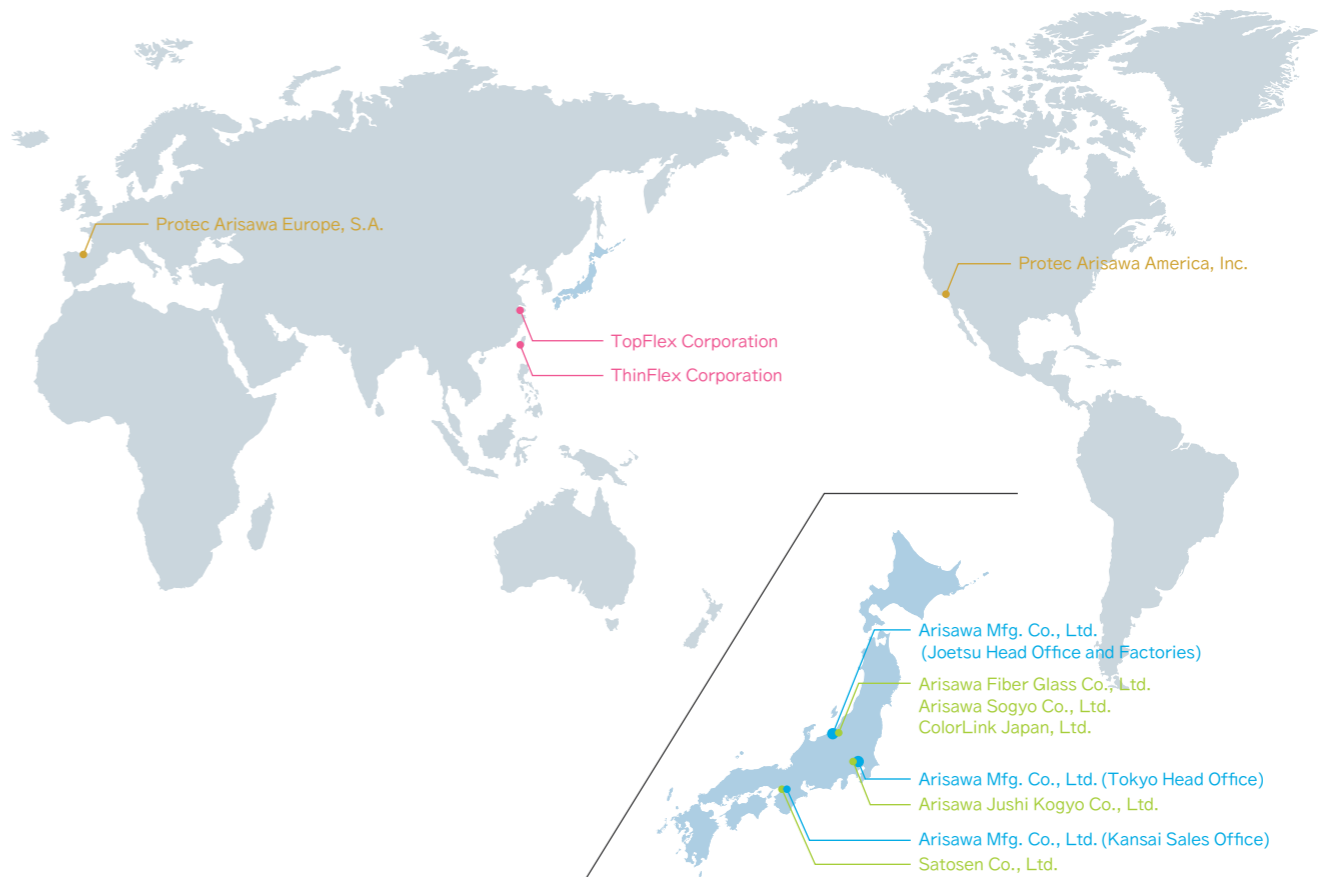
Sales



Number of employees



Global Offices



About Arisawa

Message from Representative Director

Being a company that keeps evolving by passing down the knowledge and technologies cultivated since its founding to the next generations

Representative Director and CEO

Yuta Arisawa

Background of Issuing the Integrated Report

Arisawa as a business came into being in 1909 with the production of Battenberg lace, where it cultivated expertise that would later attain a new height with the epochal introduction of glass fiber. Since then, we have produced new products through research and development and technological innovation to materialize our dreams while living up to customers' expectations.

Our core technologies are "weaving, coating, and molding", and we thoroughly pursue the corresponding manufacturing, formulation, and processing technologies. We have manufacturing sites in Taiwan, China, European countries, and the U.S. and use various technologies at them to meet worldwide customers' needs.

This is our first attempt to issue a periodic integrated report. The first issue introduces the sources of our corporate culture and our long-term goals and also provides our stakeholders with information about our group's initiatives for the sustainable growth of social contribution and corporate value.

Impetus for the Growth of Arisawa

Since our foundation, we have developed and offered products and services through trial and error while listening to the opinions of customers to exceed their expectations even a little bit. Our mission is to persistently surprise and delight customers by going above expectations.

We repeatedly attempt to integrate our knowledge and technologies cultivated since our foundation to provide them as services. Most of these knowledge and technologies are something like tacit knowledge, such as experiences and instincts, which is hard to put into words. However, we itemized and organized all of them and prepared manuals including specified manufacturing conditions. By sharing this stored explicit knowledge among related departments, we have improved our work environment for all members to appropriately carry out their tasks.

Manufacturing and development require patience. To address customers' demands, we have conducted steady experiments. Developing products that fulfill their expectations also requires us to search for various possibilities, which may result in unexpected by-products. These can be called induced accidents. The reason why we have grown and developed for more than 100 years must be that we have placed importance on "tacit knowledge" and "induced accidents".



About Arisawa

Message from Representative Director

A corporate culture that allows employees to keep developing unique technologies

For 10 years since I became the Representative Director and CEO of Arisawa, I have managed the company with a focus on "succession and evolution". To keep us surviving and growing, I always ask all of our employees for some favors.

First, I want them to keep trying new things in their work without being afraid of failure. If they fail, they should learn from the failure by investigating the cause or reason and do better next time.

Second, they must never stop taking steps forward. We have a corporate value of "Better today than yesterday better tomorrow than today". It means that employees should not compare themselves to others but think that they can do better than yesterday, one day at a time. That is why it is important to repeat trial and error and learn from failure. Maintaining this corporate culture that allows for failure can lead us to achieve CIC ("Create, Innovate, and Challenge")—the basic motto of our management policy.

As a river stagnates when it stops flowing, a company

stagnates and begins to lose ground once it is satisfied with the current situation and stops taking steps forward. Each employee's step is small but when put together will be a huge driving force for the entire company.

If we move forward with all employees working hard and encouraging each other based on the spirit of "Better today than yesterday better tomorrow than today", we will keep evolving towards further prosperity over the next 100 years.

Reaching out for new demands

Regarding the social environment surrounding us, economic activities have been resumed by easing restrictions on people's activities during the spread of COVID-19 infections. However, there is still an uncertain outlook for the economy due to the continued high prices of energy and raw materials amid the prolonged Ukrainian crisis and the weaker yen, global inflation, and demand decline in the Chinese market.

Especially, electronic materials, one of our group's main business fields, have been affected by the downturn in demand for PCs and smartphones since the latter half of FY2022 partly due to the rebound of stay-at-home



demand. Meanwhile, the slump of the aircraft industry due to the COVID-19 crisis hit the bottom, and the demand for honeycomb sandwich panels for use in aircraft interiors is beginning to pick up again.

In the electronic material field, smartphones are getting wider and thinner and gaining improvements such as a longer battery life. Other features are also expected to be available in the future, such as faster communications, IoT devices, and touch-free operation devices. To address such demand, we are working hard to be the first in the industry to develop high-grade products.

Looking at the global market trend in the medium to long term, we assume that the demand is highly likely to rise. We will increase our presence not only in the information device field, which has a short life cycle of product models, but also in the next-generation mobility field, including electric vehicles, for long-term and stable growth. Regarding an entry to the next-generation mobility field, the same process of using obtained information for material development is applicable, so I believe that we can leverage our experience and knowledge. However, since this field requires more endurance and reliability than the information device field, we will consider the entry after strengthening collaboration with business partners and receiving advice from them.

For aircraft materials, we are developing ones to be certified as next-generation aircraft materials. As well as developing and offering lighter and stronger materials while in compliance with strict safety standards, we will urge not only large but also small and medium-sized aircraft manufacturers to adopt the materials.

Even in the life science field, which continues strong growth, such as water treatment, we will tap into new

markets where our technologies can be leveraged for further expansion.

By regarding environmental issues as important, we will also drive initiatives for the renewable and new energy fields and increase the percentage of products that contribute to saving energy and resources. To achieve our announced goals (Scope 1 and 2) of carbon neutrality by 2030, we promote the procurement of green energy, energy-saving equipment, and the use of solar energy generation (onsite PPA).

The update and replacement timings of existing systems are business opportunities for us. To quickly respond to new demand from customers and predict potentially increasing demand, we need to improve existing products and always sow the seeds of new products. I tell the research and development team members to spend 15 percent of their working hours studying what they like. Free study stimulates employees' intellectual curiosity, hopefully leading to innovation. For example, if there is one good idea out of 50 ideas submitted, I think it is enough.

Another means of company growth is M&A. M&A allows us to offer new lineups of technologies and products for continued growth as a group. Whether to implement M&A or not relies the most on the existence of "a synergistic effect with the strengths of our business". The important thing is not to bring us short-term profits but to improve our corporate value in the long term. Newly joined group companies ThinFlex and Protec have steadily shown a synergistic effect and supported the growth of our group, which I am confident are examples of M&A success.



About Arisawa

Message from Representative Director

Growing for the next 100 years

With support from various stakeholders, including clients, suppliers, shareholders, and local community members, as well as the efforts made by our predecessors, we have developed and supplied materials required in the times, contributing to society. Consequently, we have grown in size to a company listed on the Prime Market with over 1,400 employees in total as a group. This is due entirely to the cooperation of many people involved in our businesses. Let me sincerely thank all of them again.

The environment surrounding us was not entirely smooth sailing. Our executives and employees are serious, sincere, honest, patient, and hungry for challenges. I would say that a strong relationship of mutual trust between executives, employees, and stakeholders helped us overcome various crises to survive in the industry. We are a technology-based company with long-cultivated unique technologies of "weaving, coating, and molding" as core competencies. In the competitor value chain of electronic and industrial structural materials, nothing can take the place of the current relationship, where we are first provided with demand and proposal of new materials for prototyping from clients and for development from material manufacturing partners. To maintain this healthy business cycle, it is crucial for us to keep investing in research and development and human resources even in tough times.

For investment in human resources, which is important as well as research and development, we provide frameworks and opportunities that encourage employees to be more ambitious. A key factor could be increased engagement, such as creating a better work environment where the curiosity of employees is respected to maximize their capabilities and stimulating internal communication. We will invigorate the entire workplace by actively hiring experienced personnel and having women play more active roles while cherishing traditionally good things.

We take pride in selling not only "products" but also "reliability". Selling "reliability" means that we deliver "relief" along with "products" to customers. "Relief" means that we first continuously provide the promised performance (specifications) and then stably supply the quantity needed by customers whenever needed. Keeping doing such simple and basic things faithfully makes "products" and "reliability" inseparable, resulting in the safe delivery



of "relief". I believe this is what the Arisawa brand offers. Together with our employees, I would like to secure the trust of customers, continuously receive orders from them, and keep offering high-quality products to them.

Last of all, let me speak about our governance. To strengthen the management monitoring, we have appointed a new Board of Directors with a majority of independent outside directors. Five of six Nomination and Compensation Advisory Committee members are also independent outside directors, and even the chairperson is an independent outside director. We chose persons who can complement the skills our executives do not have according to the published skill matrix. The skill matrix revealed our need to enhance the knowledge of financial markets, so we spent three years to find a new director who is familiar with finance. She started serving as a director this fiscal year and has already provided us with valuable opinions. The enhanced monitoring allows management with a sense of serious purpose.

I am sure that we will have a bumpy road ahead. Our products must become the foundation of advanced technology, contributing to creating a better future. To keep our business activities growing permanently over the next 100 years as a public entity of society, we will make further efforts to aim higher.

About rebranding

We renewed our corporate logo on April 1, 2023. (See Rebranding on page 16.)

(1) "What should not be changed" and "what should be changed" There was

There was an opportunity to think about what is the most characteristic of the Arisawa brand. It may be

"seriousness" or "honesty," but everyone must have a different impression. If I am asked to describe Arisawa in a word, I would not be able to find the right one for a while. To contemplate our brand again internally, we launched a rebranding project, by taking advantage of the senses and intellectual abilities of young employees, who will play active roles in the company in the years to come.

This year marked the 114th anniversary of Arisawa. In these long years of history, we posted an unconsolidated operating loss for the fifth straight fiscal year. However, we overcame such a crisis situation and have conducted corporate activities with vitality. This could be attributed to our corporate culture persistently established by our predecessors, unique technologies, and high-quality products, all of which are built on our underlying motto called CIC ("Create, Innovate, and Challenge") - something like our DNA. This DNA, which has supported our history of more than 100 years, must be passed down to the next generations.

Society is ever-changing, and we need to change, accordingly. To rebrand the company, we figured out "what should not be changed" and "what should be changed". In the end, we decided to change brand expression while maintaining our long-inherited CIC spirit. The renewal of our corporate logo is just one of the approaches for rebranding, hopefully leading to the establishment and widespread of our brand image sooner or later.

(2) Implications of the word "Pieces"

I asked myself what our predecessors have made. My answer is that they have created value for customers. The engineering division creates new value, the manufacturing division materializes that value, and the technical division provides the value to customers. This is what we have persistently done for more than 100 years. I had the project team members come up with a new slogan that expresses the mission of passing this tradition down to the next generations. It is "Where Future Pieces Arise".

This slogan represents that unique pieces (materials and parts) are born and raised in this company and shaped into high-tech products that support a better future. It also implies huge responsibilities attached to us as the front-runner of product-making and our commitment to the continued advancement of technology.

This logo renewal is only the beginning of our rebranding. The logo is a tool and just one piece of rebranding us. It is not easy to have our new brand penetrate the market. The important thing is that we help make people's lives better through our daily work. The pieces we made are built into various end products, such as aircraft interiors, smartphones, and tablets. Our products are rarely recognized by users. Therefore, another purpose of our rebranding project is to let our employees take pride in doing behind-the-scenes jobs as "unsung heroes".

