



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

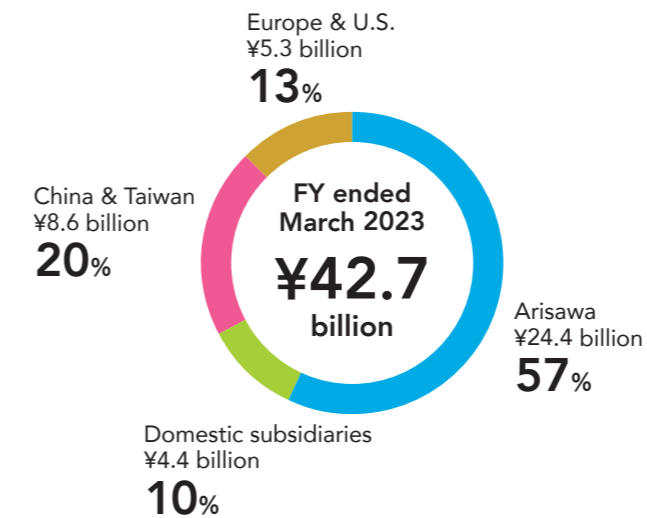
We strive to reduce environmental loads, promote environmental conservation, and help solve social and environmental issues in our whole business activities, from development and design to manufacturing of electronic materials, industrial structural materials, electrical insulating materials, and display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

Quality Policy

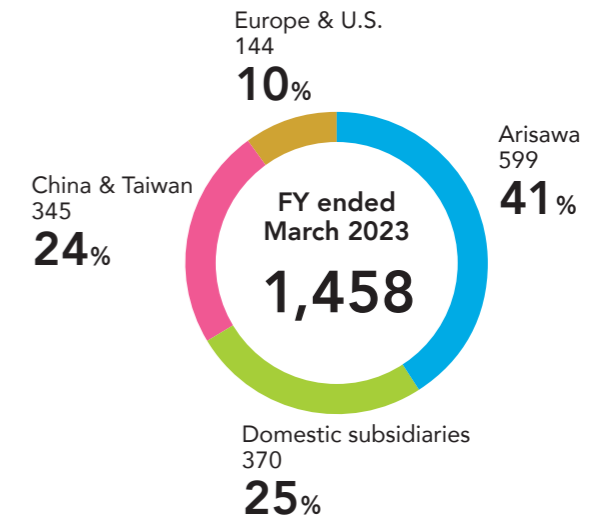
We pledge to supply the high quality product that meets the reliability and needs of the customer by standing in the customer's viewpoint.

Global Business Operations (As of March 31, 2023)

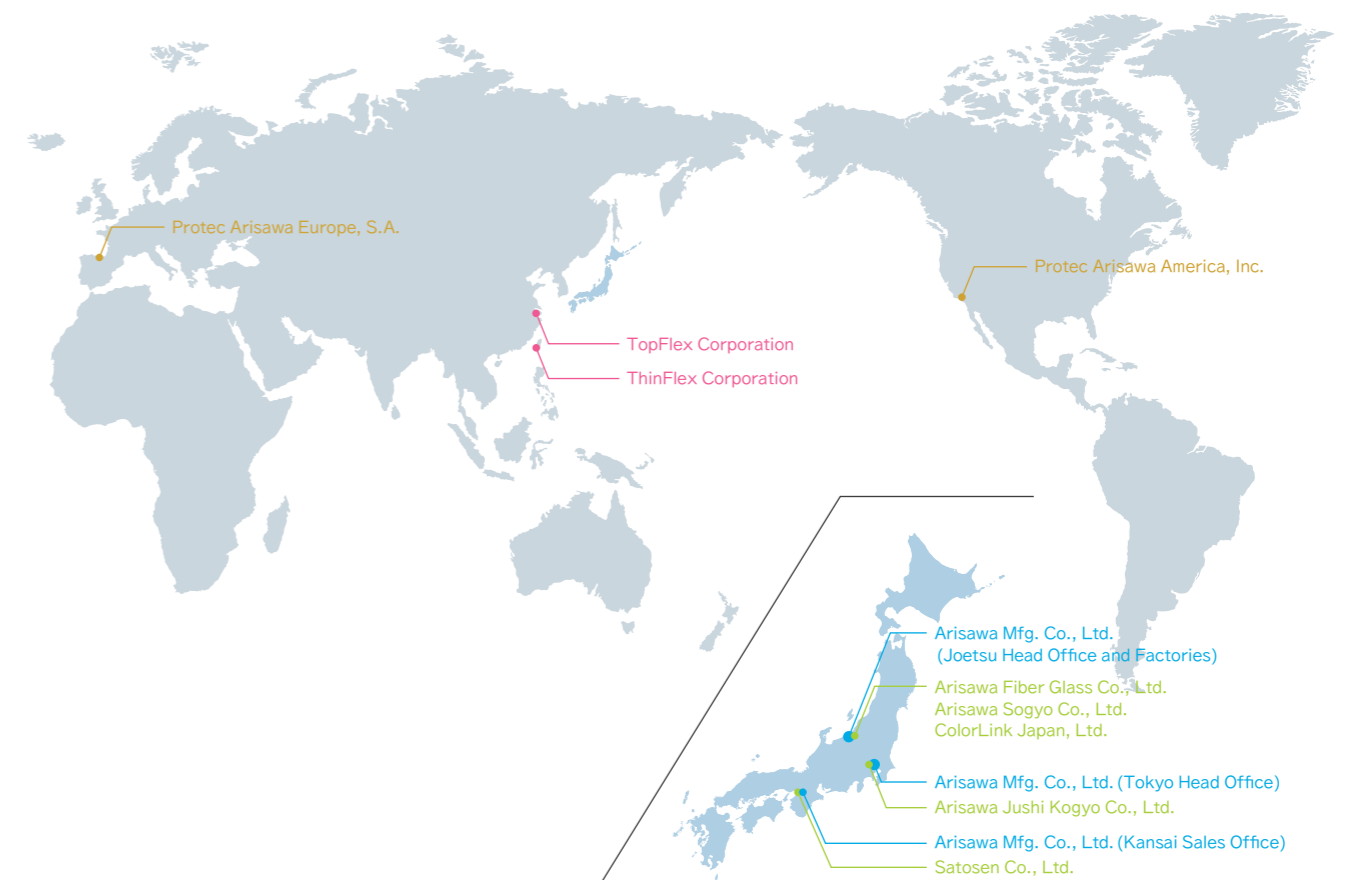
Sales



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.

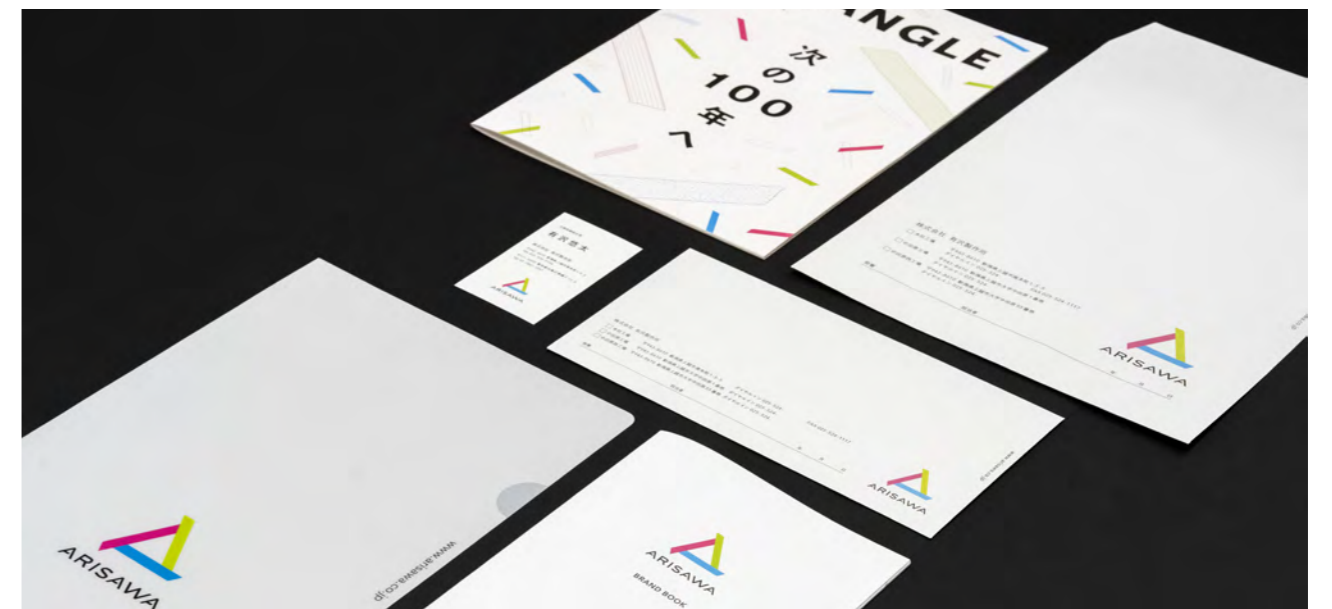
Society is ever-changing, and we need to change, accordingly. To rebrand the company, we figured out "what should not be changed" and "what should be changed". In the end, we decided to change brand expression while maintaining our long-inherited CIC spirit. The renewal of our corporate logo is just 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".



Value Creation

History of Value Creation

Arisawa has contributed to society for 114 years by developing its unique technologies of "weaving, coating, and molding".

1900
1950
2000

First foundation

Starting "weaving" technology

The history of Arisawa began in 1909 with the production and sales of Battenberg lace. As it is said that more than 7,000 people of about 27,000 people of Takada City (presently part of Joetsu City) were engaged in Battenberg lace making, this company's foundation coincided with the trend.

In the same year, the company was renamed Nihon Braid Co. Ltd., which inspired the company's original logo "NB". In 1910, the company established Toyo Braid, a joint-stock company that domestically produces braids (fabric tapes)—the basic material for Battenberg lace—which were imported before then, leading to the invention of "weaving" technology. The company had 800 weaving machines and 600 artisans at its peak and was renamed again to Nihon Braid in 1919.

Affected by the aftermath of the Great Depression, Nihon Braid was forced to be reorganized due partially to the rise of low-priced Chinese Battenberg lace. When Nihon Braid was reorganized to become a privately managed firm, Arisawa Seisakusho, in 1930, Japanese industries were at the bottom. However, as the encouragement policy set by the Japanese government for such domestic products as electrical insulating tapes provided a supportive backdrop, the company gained top-rating clients, such as Toshiba and Mitsubishi, and established the foundation of what Arisawa is today. There was also a time when the company was boosted by fastener tapes --other narrow woven fabrics.

During World War II, the company shifted its main production to electrical insulating tapes and fabrics for military use to get through the tough times.

Second foundation

From "weaving" to "coating" and then to "molding"

In 1949, Arisawa Seisakusho became Arisawa Mfg. Co., Ltd. and introduced the glass cloth manufacturing equipment, which became a major turning point for the company. After entering the glass tape fabric market, the company started testing the production of glass cloths for laminates in 1951. This helped the company develop its "weaving" technology.




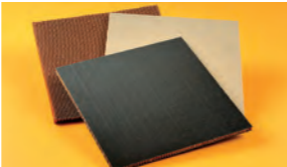
The company launched the testing of "coating" technology around the same time and started the mass production of glass cloth products with silicone rubber applied in 1958, which it can be said was the beginning of its full-scale coating business.

In 1961, immediately after being listed on the 2nd Section of the Tokyo Stock Exchange, the company started producing not only impregnated paper for decorative boards and ski sheets but also products made by applying its "molding" technology such as filament winding and pultrusion. The company also launched the prototyping of reflective aluminum screens at the request of Sony and started their shipments in 1972. They became the company's primary business, which defined one of its key moments.

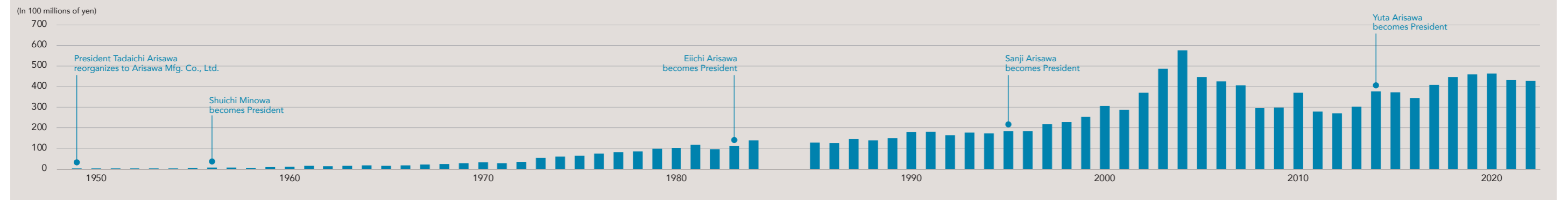
By not only improving the basic technologies of "weaving, coating, and molding" but also integrating them and even introducing another technology of "combining", the company has produced products that meet the requirements of the times. The major products include polarizing films, materials for flexible printed circuit boards, honeycomb sandwich panels for aircraft, Fresnel lenses, and 3D filters.

History of the major affiliates

- Arisawa Sogyo 1974
- Arisawa Jushi Kogyo 1966
- Polatechno 1991
- ColorLink Japan 2007
- Protec Arisawa Europe / Protec Arisawa America 2010
- ThinFlex / TopFlex 2009
- Satosan 2017

Transition of sales



Value Creation

Value Creation Process

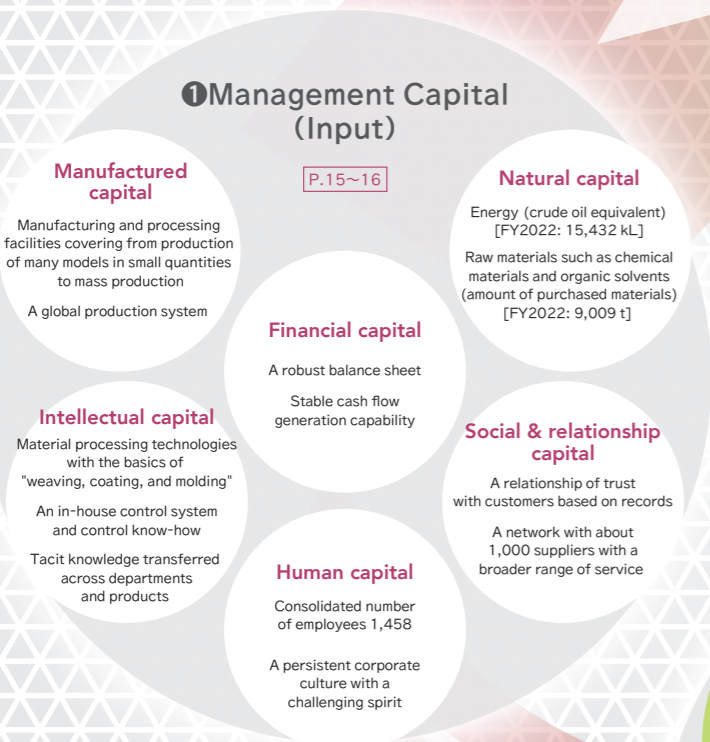
Arisawa started its business with the making of one braid about 100 years ago. We at Arisawa have supported various kinds of product-making by developing products using glass fiber and other new materials and innovating technologies in response to the needs of the times. With responsibility and pride as a company involved in the initial stage of product-making, we will move forward more smoothly and actively to change product-making around the world for the better in the next 100 years.

Our group's current major product segments include electronic materials, industrial structural materials, electrical insulating materials, and display materials. Through value-creation activities to support these segments, we offer products and services that help people have richer lives. We are committed to creating social and economic values by tackling the four issues "contribution to a decarbonized society", "development of diversified human resources and improvement in job satisfaction", "promotion of circular economy", and "enhancement of governance" through activities to be a strong company that can achieve sustainable growth.

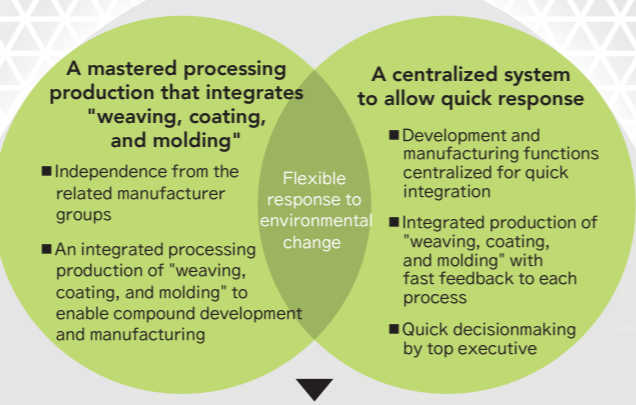
External environments (social issues)
 -Climate change -Resource depletion -Ecosystem collapse
 -Tightening of regulations -Diversification of values and lifestyles
 -Aging society -Divisions of the supply chain
 -Exposure of human rights issues -Mobility of workplaces
 -Progress of innovation -Exposure of geopolitics and cyber risks

⑤ Materiality / ESG Policy

P.19~20



② Competitive advantages and business model evolution



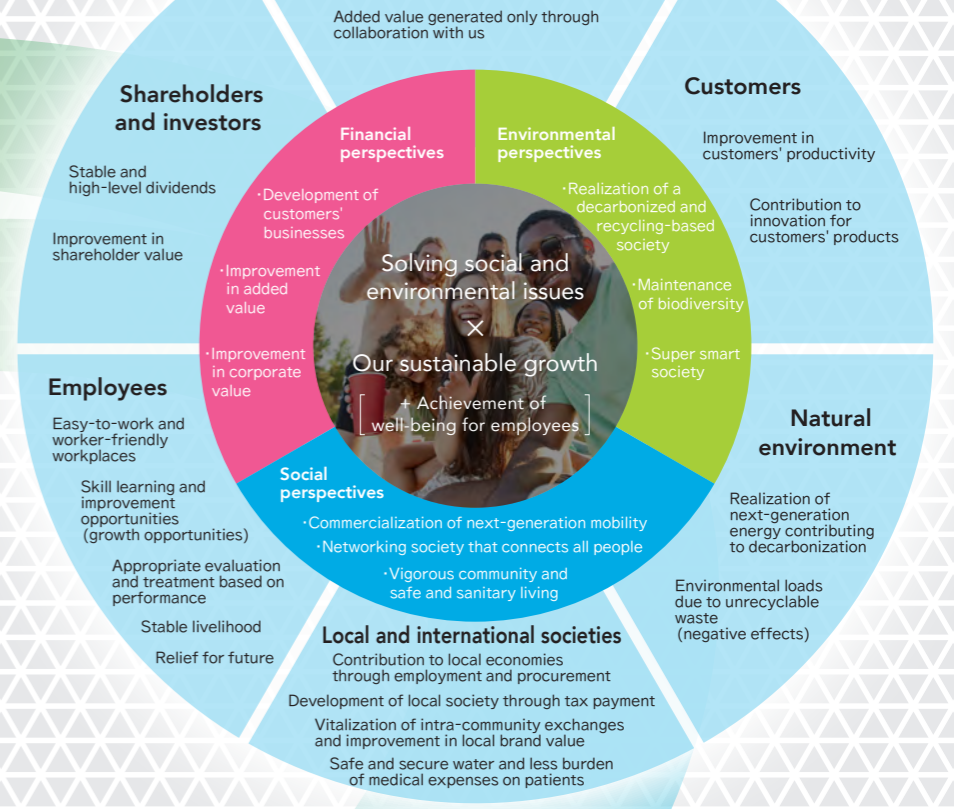
Existing businesses utilizing competitive advantages + Innovative new businesses based on the CIC spirit
 Evolution of the mid-term model

- Evolution into a proposal-based business through active discovery of needs
- Evolution into an industry front-runner leading toward a decarbonized society
- Evolution into "weaving, coating, and molding" + "combining"
- Evolution into a global manufacturer from Joetsu to the world

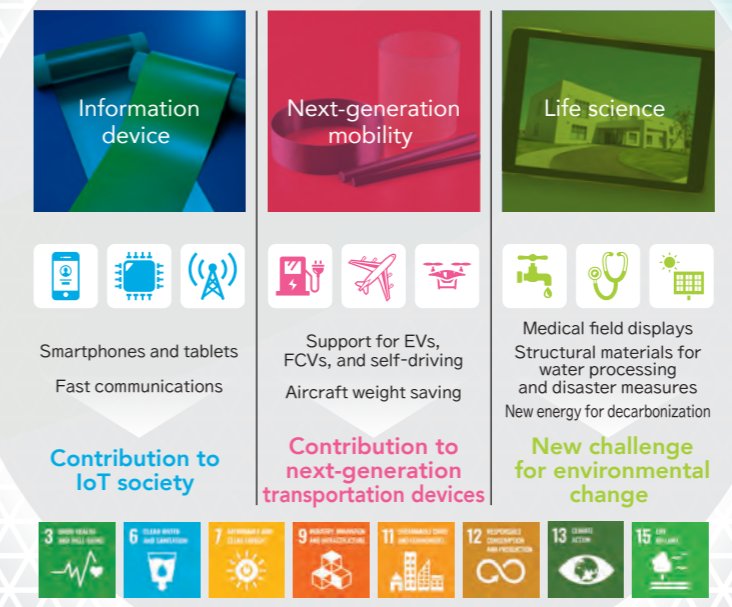
C I C

"Create, Innovate, and Challenge"
 Better today than yesterday better tomorrow than today

④ Value Provision (Outcome)



③ Products contributing to a sustainable future (Output)



Value Creation

Management Capital to Support Value Creation

With the capital built up through repeated growth as our foundation, we will further increase our competitive advantages. While evolving the value creation process through business strategy management and active initiatives on ESG issues, we raise our corporate value.

Financial capital

We have not only working capital but also financial capital that allows stable and flexible operation to implement capital investment, M&A, and DX investment for growth as necessary. Major financial resources are flexibly gained from cash flow from operating activities and borrowings from financial institutions.

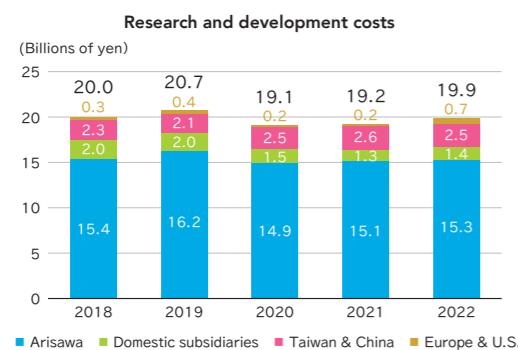
We set an ROIC goal of 6 % in our mid-term management plan, aiming for profitability enhancement and capital efficiency improvement. Specifically, we first maintain a healthy cash flow through business and secure financial soundness, and then actively allocate the capital to new business investment and research and development investment for further growth. We will return the resulting surplus appropriately to our stakeholders.

Intellectual capital

Since our foundation, we have improved our core technologies of "weaving, coating, molding", and "combining" through trial and error to fulfill customers' needs. We have many experienced engineers who have been involved in development to highly integrate these technologies and optimize the functions.

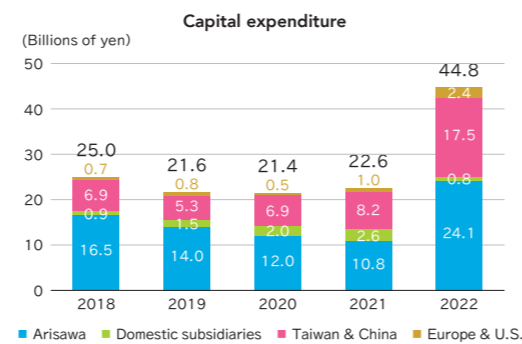
Our unique technologies made through research and development with new innovations based on the experiences passed down from senior employees to junior employees are positioned as important assets that contribute to the growth of customers' businesses. By understanding the characteristics of products required by customers and the in-house manufacturing process and incorporating our core technologies cultivated over the years, we proceed with obtaining an optimized design.

We established a "15 % culture", where employees engaged in development can spend 15 percent of their working hours studying what they like, and also set up a program called "the new product development award", which is one of the incentives to employees who contribute to the development of new products. We will continue to improve the environment so that more new products and businesses are born.



Manufactured capital

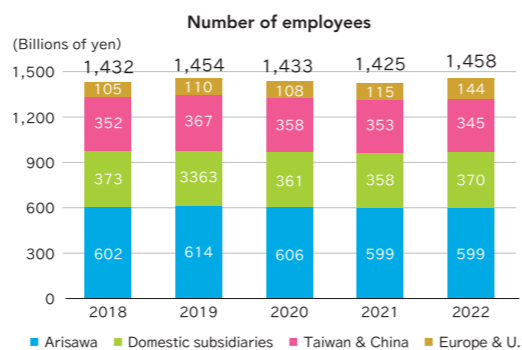
We use facilities that can produce many models in small quantities to better cater to various customers' needs. With facilities that can handle medium to mass production to respond to the expansion of the scale of customers' businesses and an integrated production system, from earlier and post-processes to inspection, we deliver advanced quality control and stable supply. In addition, in-house development of a control system for production facilities achieves production efficiency improvement and cost reduction.



Human capital

Our executives and employees are traditionally serious, sincere, honest, patient, and hungry for challenges, which we can say has supported more than 100 years of our history. By integrating knowledge and technologies cultivated since our foundation step by step through trial and error, we have offered highly reliable products to customers.

We have multi-skilled operators who can handle various products, trained operators with adapting capabilities, and development specialists, and many of them have been long employed. Turning tacit knowledge into explicit knowledge helps us build a stronger human network.



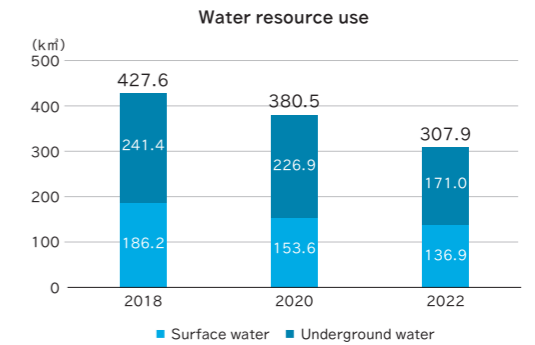
Social capital

Based on the relationship of trust with suppliers, we grasp the circumstances of each industry and take such measures as advanced procurement of risk materials. We have also diversified suppliers to establish a stable supply chain. Promoting CSR procurement with respect for human rights, labor rights, and the environment while ensuring material quality and stable supply allows high-quality and stable product-making. With the importance placed on continuous partnership with suppliers based on trust, we conduct procurement for mutual sustainable growth.

At the time of our entry into the FRP field, when we only had weaving technology, we sincerely focused on prototype-making to materialize requests while being given technical advice by heavy electric manufacturers. These experiences helped us build a strong relationship of trust with clients. A person from a trading company once told me, "Mr. Arisawa, your company is a department store of prototypes." We would like to cherish the relationship with clients who contact us first in the consideration or prototyping phase, which is a great asset to us.

Natural capital

In the manufacturing process, we introduce renewable energy, improve energy use efficiency, and reduce CO₂ emissions, water resource use, and waste disposal.



Rebranding

On April 1, 2023, Arisawa renewed its logo and announced the brand message shown below. The company produces and develops "future pieces" to create its own value.

LOGO

Before (~2023.03)



"NB" is the design logo of its former company Nihon Braid. The company stayed long with this logo for about 100 years.

After (2023.04~)



The triangle is designed like "A" of Arisawa. Its three sides represent the company's core technologies of "weaving, coating, and molding", and its three colors represent "cherry blossoms", "sky and sea", and "mountains and fields" of Joetsu City.

We put our thoughts into the logo, hoping to produce something new and unique to Joetsu based on these three technologies.

CORPORATE MESSAGE

The value of a great invention or a great product serving our daily life may vary significantly, depending on the comprising material or parts. The responsibility of a player in the first stage of manufacturing is huge and heavy. Arisawa is fully aware of this.

We manufacture a variety of pieces of material and parts for finished products that are not visible to many consumers. But they certainly exist as indispensable part of our daily life. Our products shore up the continuing advancement of technology, by providing the basis for cutting-edge technology and the footing for further technological development. Arisawa, in a way, is the first runner in a relay of manufacturing who helps blaze a path to the future.

Such future-oriented pieces will be produced here and form distinctive shapes.

Weaving, coating and molding. That is what we basically do to manufacture our products. While boosting technological innovation, we strive to be a corporation that pays keen attention to the realization of a society friendly to people and the earth. When the first step of manufacturing becomes advanced, the world of manufacturing will undergo vast changes.

Located at Takada in Joetsu City, an area under severe winter weather but otherwise blessed with the beauty of nature, Arisawa will continue producing original pieces, dreaming forward to the exciting future.

Where Future Pieces Arise

Value Creation

Sources of Value Creation (Business Model)

We aim to create a sustainable society and ensure its growth by creating a business model with originality while tackling social issues and then providing various values to our stakeholders.

Initiatives toward business model evolution

Improvement in sustainable corporate value

To efficiently operate business portfolio management for further improvement in corporate value, we focus on capital cost-conscious management with ROIC set as an indicator. As it is important that our management direction is properly understood and empathized by our stakeholders, we also provide opportunities for active dialogue.

Promotion of human resource strategy

To keep offering products and services that exceed the expectations of customers and society, we deploy a human resource strategy that encourages, supports, and nudges motivated employees for their growth. We also promote a comprehensive organizational strategy so that employees can work lively under the new Arisawa brand.

Enhancement of competitiveness for value creation

We enhance our competitiveness by creating new value through the active promotion of carbon neutrality and development activities targeting new growing markets.

Quality improvement

Utilizing know-how cultivated through APS (our production management system), we will improve our services and quality including ones in new fields.

New value creation and challenge for new fields through co-creation

We will create new value through co-creation by finding more partners who can share the same empathy through open innovation. We will also expand our business into new fields to increase value proposition for further expansion of corporate value.

Promotion of coexistence and shared prosperity with the environment

Toward long-term coexistence and shared prosperity with society, we promote eco-friendly product and technology development to actively create new value.

Direction of business model evolution

We expand the areas of proposal-based business through the active discovery of needs by leveraging the experiences in the existing business fields with competitive advantages. We develop needs with our innovative proposals and high-quality product-making based on the CIC spirit to create new businesses.



New Initiatives for Value Creation

ARISAWA INNOVATES!

With eyes on the next 100 years

The Innovation Center is scheduled for completion in December 2024 toward growth for 100 years to come

Our Innovation Center aims to be a base for open innovation where unprecedented new value is created through the integration and co-creation of technologies with other companies and research institutes. To achieve this goal, we introduced a design that stimulates more communication throughout the company.

For example, the office floor for the engineering division is located on the circulation to our cafeteria. To share ideas immediately, a workshop space is installed next to the laboratory. This center with an open and connected space is designed in the image of an igloo. By breaking down silos to share one space with people from different departments and fields, we create a place where people and ideas come and go.



Perspective drawing of the exterior of the Innovation Center (above-ground 3-story building)

Management Policy

Sustainability Management

As "contribute to solving the social and environmental issues, and realize the sustainable growth" is mentioned in our Management Policy, we understand that active engagement in social and environmental issues is required in our business activities. Specifically, we set KGI goals, such as achieving our goals (Scope 1 and 2) of carbon neutrality by 2030, and specified them in our mid-term management plan. Toward these goals, we have worked on solving climate change issues, promoting human capital management, and reducing emissions.

ESG Policy In all aspects of our business activities, we promote environmental conservation and contribute to solving social and environmental issues, aiming to achieve sustainable growth.

ESG promotion organization

We set up the ESG Committee in December 2021 to take the initiative on climate change issues. Director and Senior Managing Operating Officer was appointed the chairperson, and Executive Officers and Division Managers were appointed the committee members to promote the activities. The ESG Committee holds four meetings a year to raise awareness and promote sustainability-conscious management and discuss such themes as a response to climate change, realization of a decarbonized society, respect for human rights, consideration for work conditions, and fair and appropriate transactions with clients.

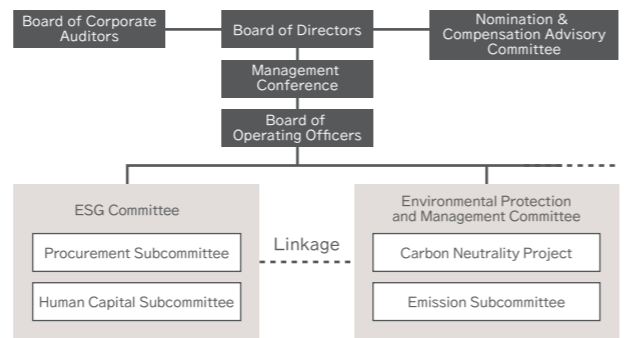
Regarding environmental conservation activities, the Environmental Protection and Management Committee, which works with the ESG Committee, supervises the progress of activities conducted by the Carbon Neutrality Project and the Emission Subcommittee and continuously improves them.

The Procurement Subcommittee sets up the CSR Procurement Policy under the supply chain management and promotes CSR activities with suppliers.

Under the concept of human capital management contributing to corporate value improvement, the Human Capital Subcommittee was established in March 2023 to link management strategy to human resource strategy. It holds a monthly meeting to discuss such matters as setting up a human resource strategy.

Each committee periodically reports important agenda

items and activity status to the Board of Operating Officers, the Management Conference, and the Board of Directors, and the Board of Directors makes final decisions. The Board of Directors checks the progress of the mid-term management plan, discusses measures for issues, and reflects the results in the management strategy and risk management and assessment based on the periodic reports. As shown above, the Board of Directors is responsible for debating ESG-related agendas and supervising the goal-setting and the progress of initiatives.



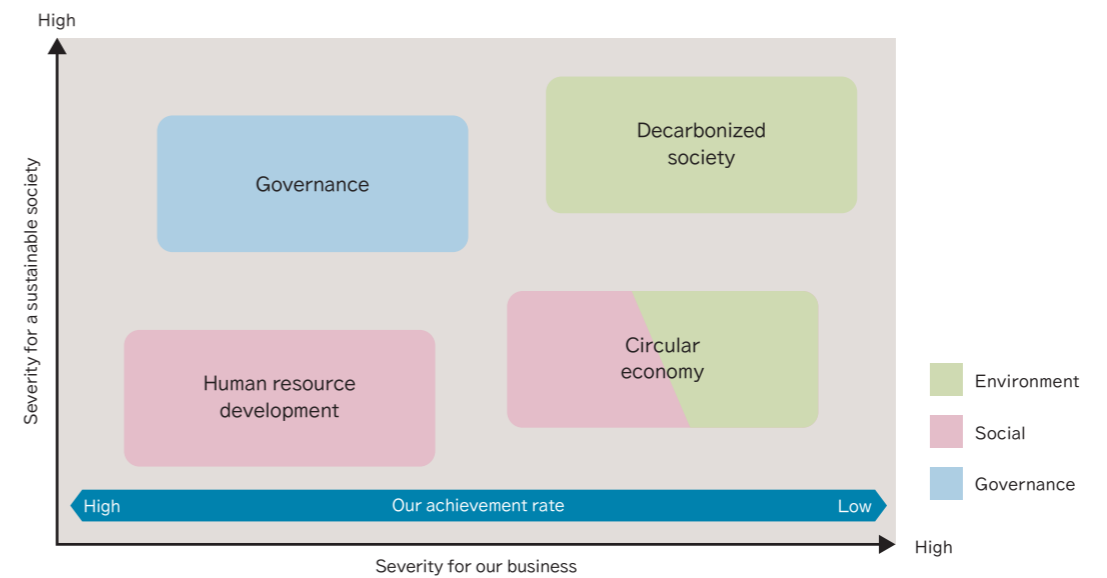
Board of Directors	- Supervise the entire sustainability
ESG Committee	- Promote the entire activities to overcome challenges for sustainability, such as establishing a general sustainability policy, coordinating to set division goals, and managing their progress
Procurement Subcommittee	- Procure eco-friendly materials, provide suppliers with training on human rights, labor rights, safety and health, and corporate ethics in accordance with the CSR Procurement Policy, and establish a socially acceptable supply chain
Human Capital Subcommittee	- Develop human resources who can implement CIC and promote human resource development by linking management strategy to human resource strategy - Develop future leader candidates who can achieve diversity and ensure equal opportunities
Environmental Protection and Management Committee	- Manage budgets and conduct company-wide coordination for activities to reduce environmental loads, such as setting goals for the Carbon Neutrality Project and the Emission Subcommittee and managing their progress
Carbon Neutrality Project	- Establish and implement measures to achieve carbon neutrality by 2030, such as capital investment, technological innovation, use of renewable energy, and improvement in energy use efficiency
Emission Subcommittee	- Take the initiative in reducing, removing, and recycling emissions and waste generated in business activities - Research the technology trend toward the realization of zero emissions in 2050

Materiality (key issue) identification

We discussed how to respond to changes in external environments due to environmental issues and how to contribute to international Sustainable Development Goals (SDGs) at the ESG Committee meetings. Consequently, we designated the following four items as materiality to be tackled in our mid-term management plan: "Contribution to a decarbonized society", "development of diversified human resources and improvement in job

satisfaction", "promotion of circular economy", and "enhancement of governance". To solve these issues, we make company-wide efforts.

In the process of identifying materiality, we had the ESG Committee narrow the items down to four based on the severity for a sustainable society and the severity for our business.



Initiatives on materiality

We set KGIs (key goal indicators) to achieve in each materiality to increase our corporate value.

Materiality	KGI (Key Goal Indicator)	Promising global goals
Contribution to a decarbonized society	- Achieve carbon neutrality by 2030 - Replace with renewable energy	- Promote energy and resource saving - Offer low environmental load materials
Development of diversified human resources Improvement in job satisfaction	- Develop next-generation human resources - Be a company where all employees can work lively	
Promotion of circular economy	- Reduce emissions - Establish a sustainable supply chain	
Enhancement of governance	- Be an organization with a strong sense of ethics - Build an organizational structure with an open-door policy	

Management Policy

Mid-Term Management Plan

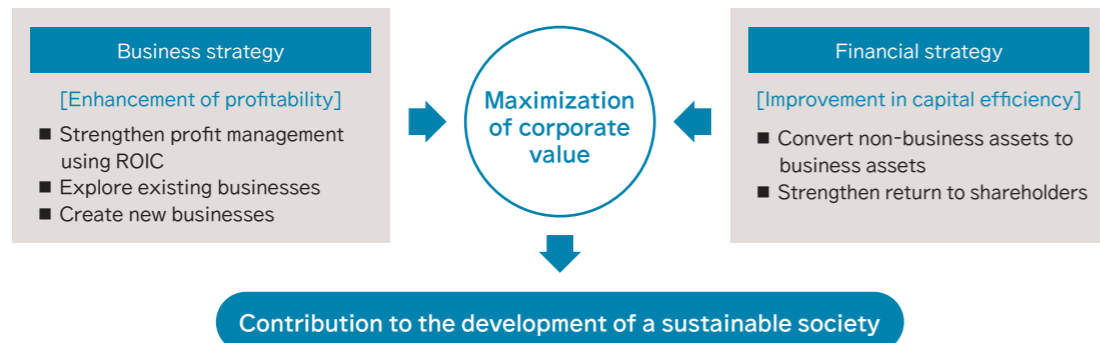
Background of formulating a mid-term management plan and its basic policy

The environment surrounding us has the following various types of issues: Climate change, resource depletion, ecosystem collapse, tightening of regulations, diversification of values and lifestyles, aging society, divisions of the supply chain, exposure of human rights issues, mobility of workplaces, exposure of geopolitics and cyber risks, and progress of innovation. While being strongly requested to tackle these issues by stakeholders, including investors, companies must produce benefits to continue business.

Our group formulated a mid-term management policy based on the management policy (see page 3) with the motto of "Create, Innovate, and Challenge" and released it in October 2020. By maximizing our corporate value with both business strategy and financial strategy, we aim to achieve an ROIC goal of

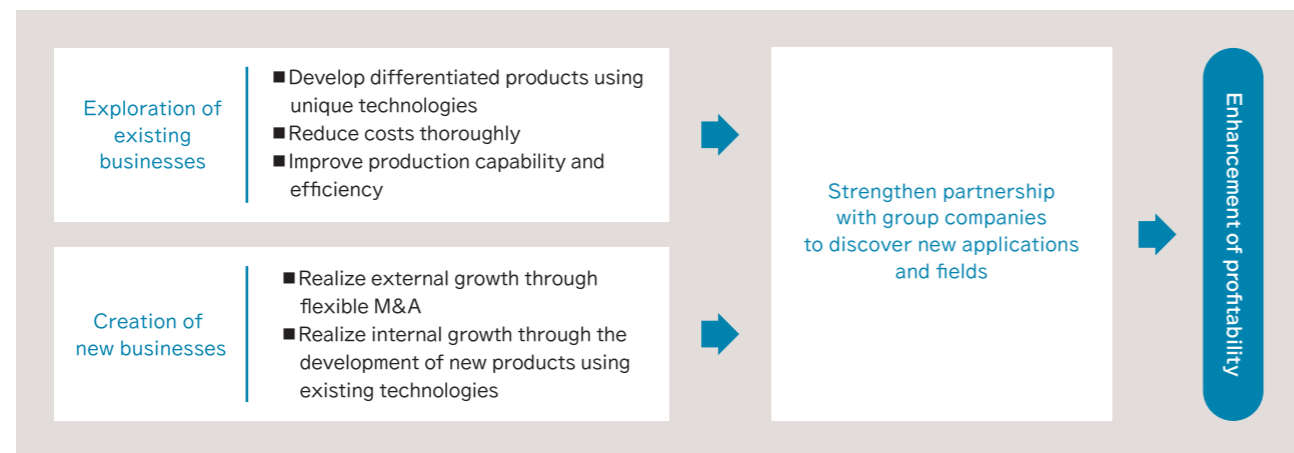
6 % in FY2024 (fiscal year ending March 2025).

Our group strives to work on technological innovation and product development while fulfilling users' needs and realize its sound survival and sustainable growth, thereby increasing its mid- to long-term corporate value. Specifically, to maintain or expand the revenue base of existing businesses, we implement strategic investments in a new business that maximizes the synergy effect with existing businesses and has high profitability of capital, as well as improving and expanding production capability and investing in the development of new products that anticipates users' needs. We also select themes that have impacts on society and the environment and aim to address their issues through business.



Business strategy

We enhance profitability through "exploration of existing businesses" and "creation of new businesses" and also develop differentiated products with a focus on fields with growth prospects.



Financial strategy

We improve capital efficiency by actively returning surplus to shareholders while managing cash flow effectively and converting non-business assets to business assets.

Capital investment	Return to shareholders	Strategic investment
Exploration of existing businesses <ul style="list-style-type: none"> Maintain and expand the revenue base Develop new applications 	Active return <ul style="list-style-type: none"> Total return ratio: 80% or more Set the dividend payout ratio as 80% and consider share buyback as necessary by taking demand for funds into account. 	M&A and new businesses <ul style="list-style-type: none"> Tap into new markets through external growth Create new businesses using existing technologies



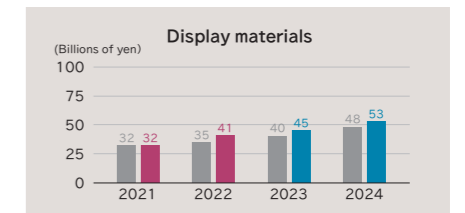
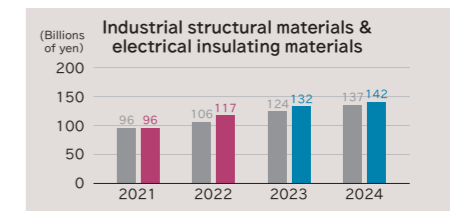
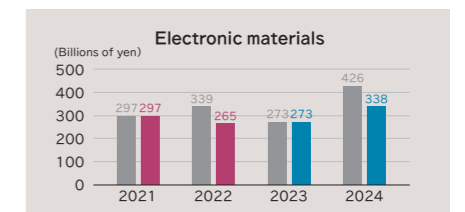
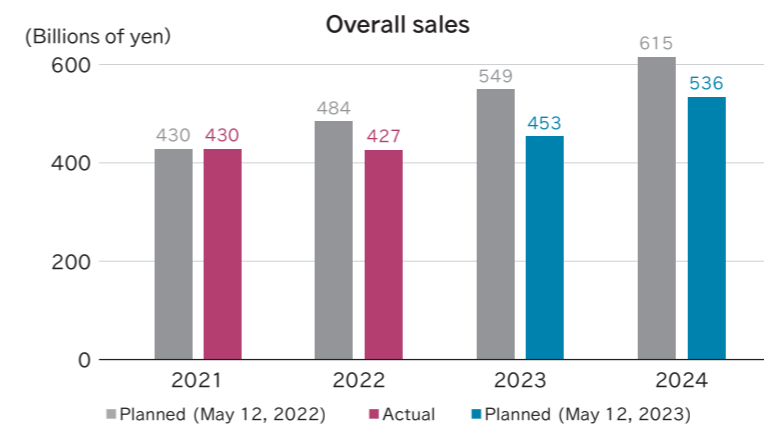
Planned and actual sales

We set an ROIC goal of 6 % by the end of FY2024, which is higher than the capital cost of 5.9 % (as of the end of FY2022).

The actual sales for FY2022 fell short of the planned sales announced on May 12, 2022. The main reasons why we failed to meet the planned sales and revised the estimates downward in the mid-term management plan are the prolonged adjustment of inventories such as smartphones and semiconductors in the electronic material market, one of our main businesses, and the slumping Chinese economy and its slow recovery. The anticipated growth specified in the plan is likely to occur one or two years later than expected due to the rebound of stay-at-home demand

and the delay in market recovery. Meanwhile, the sales of FRP pressure vessels for industrial structural materials showed steady growth due to the increased demand in the seawater desalination business. In addition, the sales of honeycomb sandwich panels for aircraft were recorded higher than expected due to the recovery in demand in the aircraft industry.

Amid the lingering stagnation of the electronic material market, we will attempt to put our business back on track in FY2023 and FY2024 by steadily implementing the business strategy specified in the mid-term management plan.



Changes in ROIC	2021	2022	2023	2024
Value announced on May 12, 2022	4.4%	4.4%	5.6%	6.6%
Value announced on May 12, 2023	4.4% (actual)	2.8% (actual)	2.7%	5.2%

■ Planned (May 12, 2022) ■ Actual ■ Planned (May 12, 2023)

Management Policy

Businesses / Outline of Each Segment

Our group offers various products by leveraging our excellent processing technologies and centralized production system.

Electronics Materials

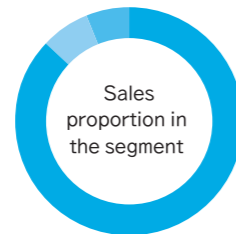
P25-26

This is our group's main business, which accounts for more than 60 percent of our consolidated sales. There are production sites in Japan, Taiwan, and China. This business contributes to the growth of society mainly in the information device field.



Sales and proportion of major products

Sales
265
billion yen



Sales breakdown in the segment

Materials for flexible printed circuit boards & semiconductor-related materials	87%
Rigid printed circuit boards	7%
Glass cloths for printed circuit boards & prepregs for rigid printed circuit boards	6%

Display Materials

P29-30

This is a group of our products that can be recognized by general people. This business contributes to the development of people's rich lives by offering materials for medical and amusement use.



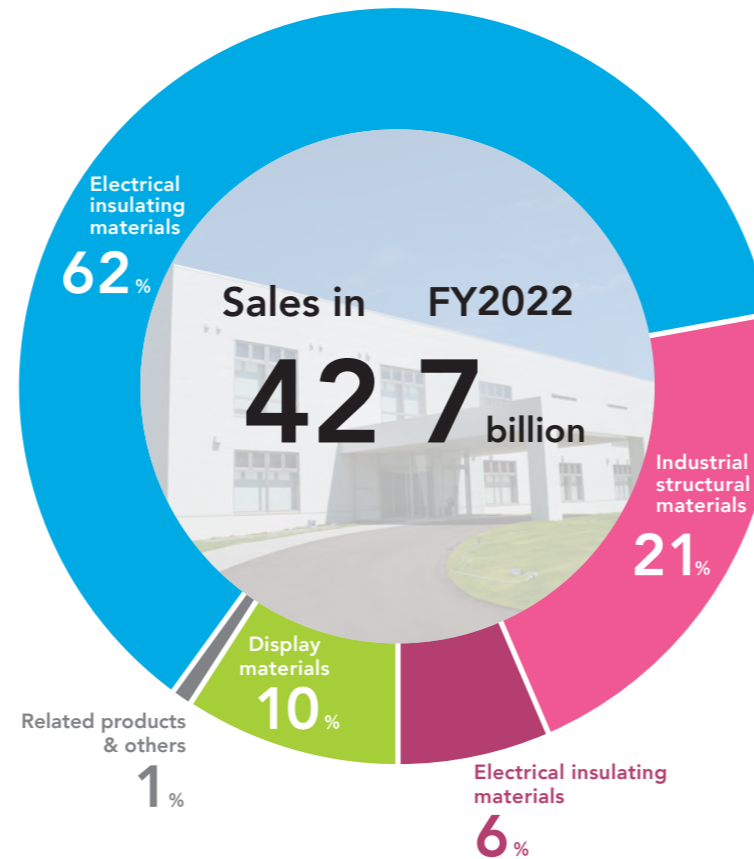
Sales and proportion of major products

Sales
42
billion yen



Sales breakdown in the segment

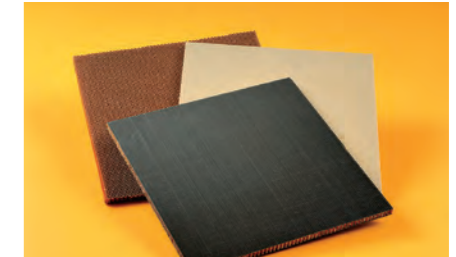
Polarization control optical components	54%
3D display-related materials	38%
Others	8%



Industrial Structural Materials

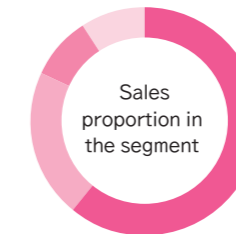
P27-28

This is the second pillar of our group's business. There are production sites in Japan, Spain, and the U.S. This business contributes to society by offering materials to improve fuels for aircraft and vehicles and produce new energy and clean water.



Sales and proportion of major products

Sales
91
billion yen



Sales breakdown in the segment

FRP pressure vessels for water treatment	61%
In-vehicle materials	21%
Honeycomb sandwich panels for aircraft	9%
Others	9%

Electical Insulating Materials

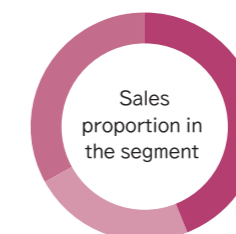
P27-28

This is a group of products with a long history. This business contributes to creating a livable society by offering insulating materials and heat dissipation materials for generators.



Sales and proportion of major products

Sales
26
billion yen



Sales breakdown in the segment

Prepregs for electrical insulation	44%
Glass cloths & glass tapes	23%
Others	33%

Related products & others The related product and other businesses handle pultrusion molding production, golf driving range operation, and logistics and transport.

Management Policy

Strategy by segment

Electronic Material Segment

In the electronic material field, we develop and manufacture materials for printed circuit boards, semiconductor-related materials, and printed circuit boards, all of which are key devices for information and communication society, using the following four core technologies:

Surface processing technology to maximize the performance of glass cloths

Compounding technology of mixing denaturants and chemicals into thermosetting resins

Resin coating technology

Laminating

Our group's products range from prepregs for rigid printed circuit boards to materials for flexible printed circuit boards (FPC). Especially, our materials for flexible printed circuit boards have gained acclaim for its production process with excellence in flexibility, anti-migration property, and heat resistance at high temperatures and ultra-narrow gaps. With the deep trust of customers, we have retained our position as one of the top manufacturers specializing in electronic materials.

Business locations

[Arisawa]
(Nakadahara Factory, Nakadahara-nishi Factory, Minami-honcho Factory)
Materials for flexible printed circuit boards, prepregs for rigid printed circuit boards, & semiconductor-related materials

[Arisawa Fiber Glass]
Glass cloths for printed circuit boards

[Satosen]
Rigid printed circuit boards

Overseas offices

- [ThinFlex] (Taiwan)**
Materials for flexible printed circuit
- [TopFlex] (China)**
Materials for flexible printed circuit boards

Analysis of the present situations

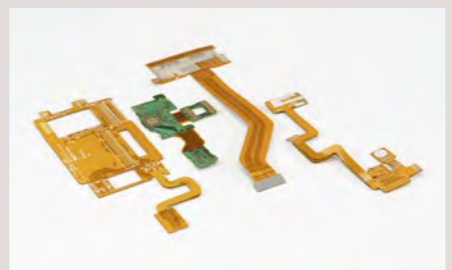
SWOT analysis based on the present business environment is shown below:

S Strengths	W Weaknesses
<ul style="list-style-type: none"> -Design flexibility with in-house resin compounding technology -Support for various types of processing using equipment 	<ul style="list-style-type: none"> -Lower production efficiency due to the production of many models in small quantities -An excessive number of inspectors required to maintain quality
O Opportunities	T Threats
<ul style="list-style-type: none"> -Differentiated products with high functionality and high quality -Flexible proposals, selected from a variety of products 	<ul style="list-style-type: none"> -Low-price strategy of overseas competitors -Slowdown in demand growth for PCs, tablets, and smartphones

Business environment

Electronic devices, such as smartphones, are becoming more highly functional, and electronic circuits have a higher circuit density through refining, accordingly.

There are growing needs for materials supporting fast transmission, high heat dissipation, high heat resistance, and large current in a wide range of application areas, from home appliances to in-vehicle parts, and we work on developing highly functional products in response to these needs.

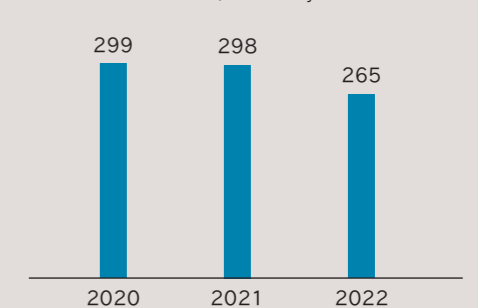


Business strategy

To enhance profitability according to the mid-term management plan, we work on "exploration of existing businesses" and "creation of new businesses".

Regarding electronic materials, we aim to grow them as our primary business with two strategies. We develop new products mainly in the mobile, semiconductor, and in-vehicle fields for business expansion. We also deepen ties with our group companies to strengthen the business foundation in the Asian markets.

Sales transition (Billions of yen)



Business summary for FY2022 and measures and outlook for FY2023

The sales of materials for flexible printed circuit boards and glass cloths for printed circuit boards experienced a significant decline from the previous year due to the downturn in demand for PCs and smartphones, especially in the Chinese market, since the latter half of FY2022. Regarding materials for smartphones, deliveries of materials for flexible printed circuit boards began for new domestic users and in cooperation with ThinFlex for Chinese users.

The semiconductor and in-vehicle markets are expected to grow in the long term, so we have developed differentiated products to be used in these markets.

In FY2023, there is still an uncertain outlook for the econo-

my due to the continued high prices of energy and raw materials amid the prolonged Ukrainian crisis, global inflation, and demand decline in the Chinese market.

Inventory adjustments continue due to the decrease in demand for PCs and smartphones, and it is assumed that it will take a while for the sales of materials for flexible printed circuit boards and glass cloths for printed circuit boards to recover.

Amid fierce competition in products and costs with overseas competitors, we will boost our competitiveness by offering differentiated products and establishing global ties with our affiliates.

	Exploration of existing businesses	Creation of new businesses
Business strategy	<p>Business enhancement in the mobile field</p> <ul style="list-style-type: none"> ■ Create value for customers and continue growth by offering products with originality ■ Develop new products and strengthen the business foundation in the Asian markets by establishing ties with our group companies 	<p>Commercialization in the semiconductor and in-vehicle fields</p> <ul style="list-style-type: none"> ■ Develop new products and enter new fields ■ Expand business in growing fields by strengthening competitiveness in production and technology
Goals for FY2023	<p>Higher functionality for application to circuit boards</p> <ul style="list-style-type: none"> ■ Higher density, extra-fine line, and tiering of mobile circuits ■ Fast-transmission, high-frequency, and 5G/6G millimeter-wave compatible circuits ■ In-vehicle: High heat-resistant, large-current, and longer circuits 	<p>Development in preparation for versatile application</p> <ul style="list-style-type: none"> ■ Enter new fields (Explore the needs for application to other than circuits) ■ Offer environmentally sound products ■ Co-develop products by strengthening partnership with customers, material manufacturers, and private research institutes

TOPICS

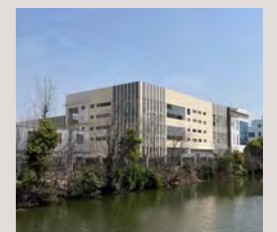
Start operation of new coating machine ai-coater in September 2023

We started operating a new small experimental coating machine known as ai-coater in September 2023. It helps us reduce the product development period. We will also use this machine to promote open innovation to win over co-development projects and new OEM projects.



Set up a new production line in TopFlex

To capture business opportunities in the growing market of flexible printed circuit boards in Asia, mainly Greater China, we set up a new production line in TopFlex (wholly owned by ThinFlex) and will begin the operation in the first half of FY2024.



Management Policy

Strategy by segment

Industrial Structural Material and Electrical Insulating Material Segment

In the industrial structural material and electrical insulating material fields, we pursue FRP (Fiber Reinforced Plastic) molding technology based on our core technologies of weaving and resin impregnation technology. FRP molded products are made by laminating prepregs, which are semi-cured through the impregnation of resin into the fiber, turning them into a desired shape, and applying heat and pressure to it.

Using glass fiber with insulation capability and heat resistance and carbon fiber with lightweight, high strength, and a high module of elasticity as main materials and leveraging FRP-specific anisotropy generated by the orientation of fiber optimizes FRP materials to bring out desired mechanical and thermal properties. With these characteristics, they are used in electrical insulating materials for such devices as generators and motors, materials for aircraft interiors, primary structural materials, general industrial structural materials, materials in the in-vehicle and new energy fields, and materials for sports equipment.

Business locations

[Arisawa] (Nakahara Factory & Minami-honcho Factory)
FRP pressure vessels for water treatment (filament winding molded products), honeycomb sandwich panels for aircraft, prepregs, prepregs for electrical insulation)

[Arisawa Fiber Glass]
Glass cloths, glass tapes, special fiber woven products

[Arisawa Sogyo]
FRP (pultrusion moldings), prepregs

[Arisawa Jushi Kogyo]
FRP

Overseas offices

[Protec Arisawa Europe, S.A.] (Spain)
[Protec Arisawa America, Inc.] (U.S.)
FRP pressure vessels for water treatment (filament winding molded products)

Analysis of the present situations

SWOT analysis based on the present business environment is shown below:

<p>S Strengths</p> <ul style="list-style-type: none"> -Consistent development and manufacturing through the integration of core technologies of "weaving, coating, and molding" -Flexible new resin formulation and improvement 	<p>W Weaknesses</p> <ul style="list-style-type: none"> -Easily affected by market changes due to many types of limited products sold to specific customers -Lower production efficiency due to the production of many models in small quantities -Long-term experience required in human resource development
<p>O Opportunities</p> <ul style="list-style-type: none"> -Demand recovery in the aircraft field -An entry to markets requiring high heat resistance, high pressure resistance, and gas resistance 	<p>T Threats</p> <ul style="list-style-type: none"> -Competition in costs with domestic and overseas competitors -Competition in costs with other materials (metal, ceramic, etc.)

Business environment

Amid the shift to a decarbonized society, the demand for FCVs (Fuel Cell Vehicles) and EVs (Electric Vehicles) has been growing, which requires transportation methods, including aircraft, to be lighter weight for improved fuel efficiency. There is also a growing demand for new energy sources that replace fossil fuels.

In the life science field, demand is also up for products for water treatment (seawater desalination) and infrastructure reinforcement as measures against disasters. Our group has developed highly functional products to fulfill these needs.

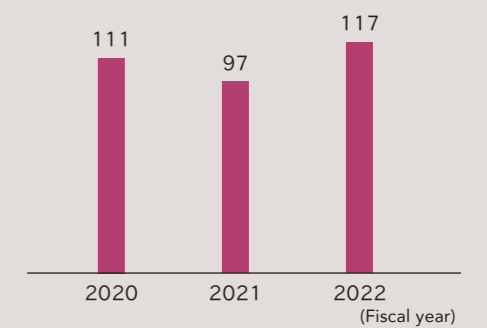


Business strategy

To enhance profitability according to the mid-term management plan, we work on "exploration of existing businesses" and "creation of new businesses".

Regarding industrial structural materials and electrical insulating materials, we develop unique products for further growth, focusing on the transportation infrastructure, water treatment, and new energy fields as our main businesses.

Sales transition (Billions of yen)



Business summary for FY2022 and measures and outlook for FY2023

The sales of industrial structural materials for FY2022 increased from the previous year due to the steady demand for FRP pressure vessels for water treatment and in-vehicle materials.

The demand for honeycomb sandwich panels for aircraft began to pick up again in the latter half of FY2022. The sales of electrical insulating materials for infrastructure were stably solid. FRP pressure vessels for water treatment saw an increase in sales due to the technical support to Protec and have been considered to be applied to the medical field. Regarding in-vehicle materials, we deepened relationship of trust with users and developed differentiated products in new fields.

In FY2023, the COVID-19 pandemic has finally shown signs of abating after a few years, and the aircraft industry is on a moderate recovery track. It is also expected that there will be continued strong demand in the water treatment field. Meanwhile, the prices of energy and raw materials continue to soar, which will need to be closely watched.

By continuing to produce differentiated products through the expansion of application of our materials into new fields, such as filament winding technology to other fields than water treatment, we will boost competitiveness through global cooperation with our affiliates.

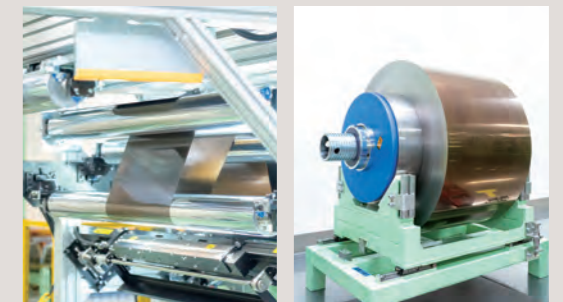
	Exploration of existing businesses	Creation of new businesses
Business strategy	<p>Business enhancement in the transportation infrastructure field and revenue expansion in the water treatment field</p> <ul style="list-style-type: none"> ■ In-vehicle: Make differentiation and enter markets using unique technologies ■ Aircraft: Increase added value through the anticipation of users' needs ■ Water treatment: Create new demand by developing high-performance products 	<p>Commercialization in the hydrogen energy field</p> <ul style="list-style-type: none"> ■ Enter the hydrogen energy and superconductivity fields and promote the development for commercialization
Goals for FY2023	<p>Higher functionality and versatile application</p> <ul style="list-style-type: none"> ■ Aircraft: Increase the production of honeycomb sandwich panels for interiors and develop new materials* ■ Water treatment: Create new demand by developing high-performance products, as well as ultra-high-pressure vessels ■ In-vehicle: Adopt new mechanical components and materials for FCVs and EVs 	<p>Development in preparation for versatile application</p> <ul style="list-style-type: none"> ■ Hydrogen energy: Do a carbon-neutral business mainly for materials and products ■ Superconductivity: Expand the adoption range by grasping needs and developing customized products ■ Offer environmentally sound products ■ Co-develop products by strengthening partnership with customers, material manufacturers, and private research institutes

* High-strength lightweight panels, etc.

TOPICS

Our ultra-thin coating technology is applied to Toyota's FCV MIRAI

Our ultra-thin coating technology is applied to the special titanium foil used for MIRAI --hydrogen fuel cell vehicle by Toyota Motor Corporation. Special titanium foil is used in a flow channel (separator) for power generation by combining hydrogen and oxygen. During press molding, the mold heavily wears as titanium is hard. However, we succeeded in applying lubricant to this special titanium foil with a thickness of a few micrometers. Applied lubricant results in less mold wear, reducing the number of mold replacements by half compared to conventional technologies.



Management Policy

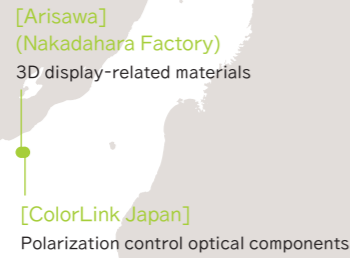
Strategy by segment

Display Material Segment

In the display material field, we have expanded our technological areas from front screen molding, UV molding, and thin film coating to 3D images. Xpol® is a 3D image display filter with fine polarizing elements arranged in order. Attaching this filter to a flat panel display, such as an LCD, allows 3D images to be viewable without flickering through polarized glasses. This filter has been used mainly for medical purposes, such as endoscope monitors.

We have developed an optical retardation element (wave plate) that can be a phase difference plate using a photo-alignment layer and a polymerizable liquid crystal and offered it as a product. We not only offer optical materials but also add a bit of contrivance to them to gain the trust of customers. One such example is lamination processing. Our advanced lamination technology has been developed through the experience of handling a wide range of optical materials and has been highly acclaimed. By reconsidering the properties of "light", we will work on further product development.

Business locations



Analysis of the present situations

SWOT analysis based on the present business environment is shown below:

S Strengths -Xpol® brand value -In-house 3D optical design -Mass production factories available for in-house core processing -Flexibility for the production of many models in small quantities	W Weaknesses -Energy costs required to operate mass production facilities (a higher processing cost percentage) -A lower level of compounding technology than molding technology
O Opportunities -Growth opportunities in the Asian markets -Spread of minimally-invasive treatment to the medical field -Acceleration and penetration of remote surgeries due to a shortage of doctors	T Threats -Emergence of different types of 3D displays -Competition in costs with overseas competitors

Business environment

Under circumstances where a shortage of doctors and the concentration of population in urban areas have occurred, the spread of fast communications allows remote surgeries and robotic arm surgeries, hopefully reducing the workload on doctors. As the demand for displays is also expected to rise in the education field due to the progress of digitization, we have developed highly functional products to meet these needs.

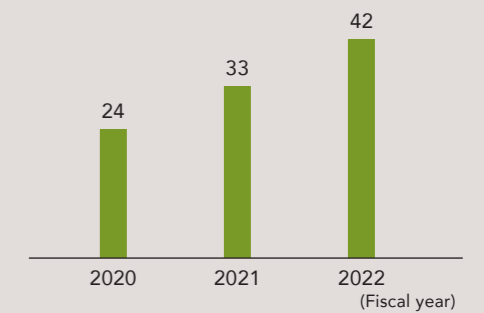


Business strategy

To enhance profitability according to the mid-term management plan, we work on "exploration of existing businesses" and "creation of new businesses".

Regarding display materials, we will expand the sales of new products utilizing our unique technologies mainly in the medical high-definition display field.

Sales transition (Billions of yen)



Business summary for FY2022 and measures and outlook for FY2023

An increase in the sales of 3D-related materials and ColorLink Japan's sales of materials for the use of polarization pushed up the total sales for FY2022 from the previous year.

Regarding 3D-related materials, we are working on reducing costs through process improvement, expanding their application to non-medical purposes, and preparing demonstration content for proposals to companies in the target fields.

In FY2023, we aim to continue growth through the expansion of our businesses, mainly Xpol®, and the development and sales of new products. Regarding 3D displays, we are planning to expand the sales channels for educational and general industries

(non-medical fields) while capturing business opportunities in the medical field in the Chinese market. We will also work on achieving a higher definition.

By offering differentiated products, such as PSA (Pressure Sensitive Adhesive) sheets, and establishing global ties with our affiliates, we will boost our competitiveness.

	Exploration of existing businesses	Creation of new businesses
Business strategy	Business enhancement in the medical high-definition display field ■ Expand the share of endoscopes and microscopes and attract overseas users ■ Expand the sales channels for telemedicine and robotics use ■ Meet the needs for a higher definition	Commercialization in new fields ■ Expand 3D filter application into non-medical fields
Goals for FY2023	Higher functionality and versatile application ■ 3D display: Expand the sales channels in the Chinese market and non-medical fields and achieve a higher definition ■ Screen: Improve the yield rate through technical support to affiliates and expand the application of existing products	Development in preparation for versatile application ■ Offer environmentally sound products ■ Co-develop products by strengthening partnership with customers, material manufacturers, and private research institutes

TOPICS

Begin offering medical 3D monitors for robotic surgeries

Medical 3D monitors, which are designed for endoscopic and microscopic surgeries, have been offered for robotic surgery use since FY2023. They were originally introduced as monitors for assistants around the robotic arm, but we are seeing this opportunity as a chance to apply them as cockpit monitors for operators. As the patent for the major robotic surgery system da Vinci expired, there are many new entries from various manufacturers. The expansion of sales channels by gaining new customers will help expand the needs not only for robotic surgeries but also for the purpose of existing endoscopic and microscopic surgeries.



Management Policy

Financial strategy

Aiming for further growth and corporate value improvement

Our consolidated financial results for FY2022 saw sales and profit declines with net sales of ¥42.7 billion (down 0.9%, year on year) and operating profit of ¥2.2 billion (down 32.9%, year on year). This is because economic activities have been resumed by easing restrictions on people's activities during the spread of COVID-19 infections, but 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, global inflation, and demand decline in the Chinese market.

In FY2023, harsh external environments are likely to continue, such as continued high energy prices and inflation. Even in such business circumstances, we will develop attractive

differentiated products and expand their sales to further improve and enhance profitability.

Our group drew up a new mid-term management plan in 2020 with FY2024 set as the target year to clarify that we will be committed to exploring existing businesses and creating new businesses. We actively return surplus to shareholders and improve capital efficiency by managing cash flow effectively and converting non-business assets to business assets from the financial strategic viewpoint for a stronger revenue base while proceeding with a business strategy targeting fields with prospective future growth.

Aggressive and defensive business management through the introduction and spread of ROIC management

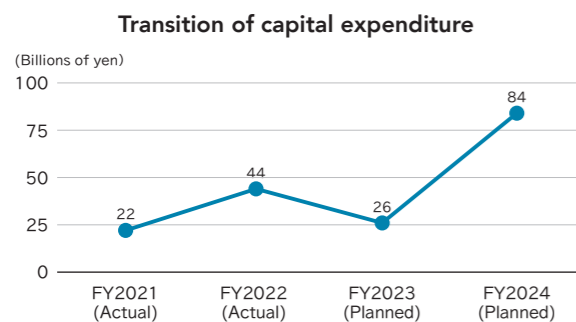
Our group used to set a financial target with operating profit margin and ROE as our KPI goal. To adapt to changes in expectations required in our business environment and by our stakeholders, however, we decided to adopt ROIC as our KPI goal toward the shift to capital cost and corporate value-conscious management based on the mid-term management plan formulated in

FY2020. The set goal is 6% or more, which is higher than our shareholders' cost of capital WACC of 5.9% (as of the end of FY2022, calculated by us based on the value measured by a third-party organization).

In addition, we use ROIC not only for management KPI but also as a judgment tool for investment in facilities.

Investment for growth

Our group allocates funds we have now and will gain during the current fiscal year to production capital expenditure to support the expansion of existing business areas and growth investment to create new business. We also spend capital on quality improvement, research and development, human resource development, and digitization to aim at strengthening the business foundation. Achieving continuous growth while maintaining our competitive advantages through these activities will lead to a virtuous cycle that allows reinvestment for further growth of our group.



Details of capital expenditure for FY2022 to 2024

Increase in production capability	
8.1 billion >	<ul style="list-style-type: none"> - Production facilities in ThinFlex (Expansion of sales in the Chinese market) - Production facilities for insulating films for semiconductor boards (Expansion of existing businesses)
Improvement in the production process	
1.1 billion >	<ul style="list-style-type: none"> - A waste heat recovery system - Onsite solar energy generation (Promotion of carbon neutrality) - A production management system and security measures (Promotion of DX)
New product development	
5.9 billion >	<ul style="list-style-type: none"> - Innovation Center (Establishment of an open innovation base) - A small coating machine and testing facilities (Exploration of existing businesses and creation of new businesses)

Policy of determination on dividends from surplus, etc.

We will proactively return its funds earned during the period to shareholders as well as invest them in the maintenance and expansion of its revenue base for existing businesses and the creation of new businesses. Specifically, the company's basic

policy is a total return ratio of 80% or more for performance-linked dividend and we will respond flexibly to an acquisition of treasury shares in total consideration of demand of funds, financial conditions, etc.

Business overview for the past 5 years

(Millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
Operating results					
Net sales	44,728	45,970	46,439	43,089	42,722
Operating profit	3,119	2,762	3,118	3,320	2,228
Ordinary profit	4,297	2,783	3,578	4,204	2,717
Profit attributable to owners of parent	2,861	212	2,160	3,911	2,856
By Segments					
Electronic materials					
Net sales	28,770	29,765	31,650	29,768	26,543
Segment profit	2,620	2,331	2,981	2,907	1,223
Industrial application					
Net sales	8,395	8,974	8,842	7,053	9,128
Segment profit	1,393	1,475	939	872	1,315
structural materials					
Net sales	3,127	2,984	2,340	2,604	2,582
Segment profit	430	366	192	303	184
Display materials					
Net sales	3,699	3,427	2,820	3,253	4,162
Segment profit	114	235	221	815	1,024
Financial Position					
Total assets	73,096	71,709	67,257	68,689	67,659
Net assets	53,462	49,018	47,444	47,965	47,107
Equity ratio (%)	69.3%	64.3%	68.8%	69.6%	69.5%
Return on equity (%)	5.7%	0.4%	4.7%	8.3%	6.0%
Interest-bearing liabilities	7,905	8,356	8,273	9,073	10,240
Return on Invested Capital (%)	3.9%	3.6%	4.2%	4.4%	2.8%
Cash flows					
Cash flows from operating activities	2,893	4,837	610	5,901	3,471
Cash flows from investing activities	(3,304)	6,580	1,567	2,869	508
Cash flows from financing activities	(576)	(4,431)	(5,703)	(4,042)	(2,572)
Cash and cash equivalents at the end of period	7,718	14,725	11,488	16,893	18,535
Per-share Indication					
Basic earnings or loss per share (Yen)	79.15	6.14	64.94	117.40	86.46
Net assets per share (Yen)	1,397.78	1,387.76	1,388.50	1,434.46	1,422.43
Price earnings ratio (Times)	10.0	130.7	15.4	8.2	14.5
Dividend per share (Yen)	30.00	30.00	39.00	95.00	90.00
Consolidated dividend payout ratio (%)	37.9%	488.6%	60.1%	80.9%	104.1%
Number of shares issued and outstanding (Thousands of shares)	36,226	36,381	34,470	33,614	33,541
Other					
Capital expenditure	2,500	2,168	2,144	2,268	4,486
Depreciation	1,901	1,982	2,107	2,170	2,290
Research and development expenses	2,001	2,074	1,905	1,926	1,991
Consolidated number of employees	1,432	1,454	1,433	1,425	1,458

Note: The Accounting Standard for Revenue Recognition, etc. are applied to the figures from FY2021.

Sustainability (E)

Environmental Management

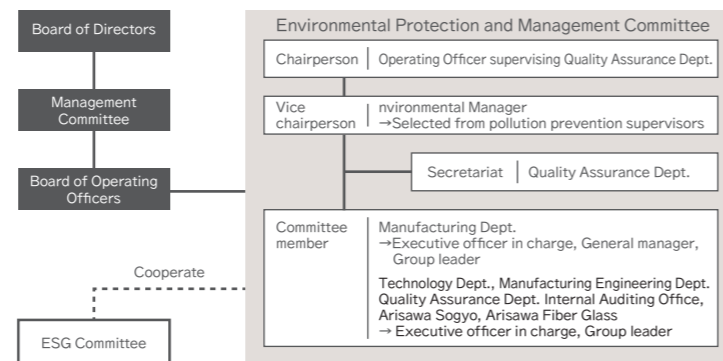
Environmental Policy

Our corporate group will carry out the following measures in order to reduce environmental loads and promote environmental conservation for our overall business activities from development and design to manufacturing of electronic materials, industrial application structural materials, electrical insulation materials and display materials, and to contribute to solving the social and environmental issues and realize the sustainable growth.

- ❶ To strive towards the prevention of environmental pollution by accurately determining the environmental impact of our business activities, products and services.
- ❷ To comply with environmental laws, regulations, agreements and other requirements to which we have agreed.
- ❸ To establish and carry out "Environmental Goals" and review them periodically in promoting environmental activities.
- ❹ To develop the products and technologies contributing to reducing environmental loads.
- ❺ To strengthen the management of hazardous chemical substances which might have an impact on the environment.
- ❻ To strengthen the management of air, water, and soil pollution and strive to maintain biodiversity.
- ❼ To work toward resource saving, energy saving, industrial wastes reduction and recycling promotion.
- ❽ To contribute to reducing greenhouse gas and creating a recycle-based society by introducing renewable energy and recyclable resources.
- ❾ To raise awareness of all employees through environmental education and enlighten them so that they will take responsible actions for a sustainable society.
- ❿ To continually improve the environmental management system by performing periodic internal environmental audits and management reviews.

Promotion Structure of Environmental Protection

Environmental protection activities are promoted as a whole by the factories and affiliates on the premises at three sites (Minami-honcho, Nakadahara, and Nakadahara-nishi) in Joetsu-shi. The Environmental Protection and Management Committee uses the PDCA cycle and is engaged in the protection activities in cooperation with the ESG Committee.



Material Balance

Our group strives to reduce environmental loads by understanding the balance between energy and resource inputs in business activities and CO₂ and waste emissions generated as a result.

INPUT		FY2021	FY2022
Energy Inputs			
Fuel	Sum (crude oil equivalent)	8,663 kL	7,332 kL
	City gas	7,456 千m ³	6,307 千m ³
	LPG	5.0 ton	4.0 ton
Electricity	(crude oil equivalent)	9,544 kL	8,100 kL
	Electricity	38,117 千kWh	32,327 千kWh
Purchased items			
	Sum	10,262 ton	9,009 ton
	Raw materials	9,264 ton	8,078 ton
	Incl. organic solvent	580 ton	608 ton
	Secondary materials	998 ton	931 ton
Water inputs			
	Total inputs	380.5 千m ³	307.9 千m ³
	Surface water	153.6 千m ³	136.9 千m ³
	Underground water	226.9 千m ³	171.0 千m ³

OUTPUT		FY2021	FY2022
CO₂ emissions			
	Sum	32,564 ton	26,681 ton
	Fuel	16,747 ton	14,165 ton
	Electricity	15,817 ton	12,516 ton
Organic solvent air emissions			
	Substances subject to the PRTR system	110 ton	135 ton
Industrial emissions			
	Sum	1,658 ton	1,643 ton
	Recycled (reused)	1,605 ton	1,596 ton
	Landfill disposal	53 ton	47 ton
Chlorofluorocarbon emissions			
	Emissions by a chlorofluorocarbon	— ton	1.12 ton

Period covered: FY2022 (April 2022 to March 2023)
 Business sites: Joetsu Head Office and Minami-honcho Factory (including Arisawa Fiber Glass Co., Ltd. and Arisawa Sogyo Co., Ltd. within the premises)
 Nakadahara Factory (including Arisawa Sogyo Co., Ltd. within the premises)
 Nakadahara Nishi Factory (including Arisawa Sogyo Co., Ltd. within the premises)

Environmental Targets, Results and Assessment for FY2022

We have established the environmental management system in accordance with ISO 14001, and we identify and evaluate important environmental risks and opportunities through its operation and determine how to address environmental issues.

No.	Environmental	Target Values	Results	Evaluati
1	Develop the products and technologies contributing to reducing environmental loads	Develop 6 items or more during the period	Developed 6 items	Achieved
2	1) Survey environmental hazardous materials of existing purchased specifications	Obtain data and guarantees as required	230	Achieved
	2) Grasp the disclosure of CSR procurement policy and the measures of suppliers	Survey 30% of sellers	31%	Achieved
3	Neither cause a new environmental pollution or health damage, nor commit the material violation of laws and regulations to sustain biodiversity	Commit no material violation of laws and regulations	0	Achieved
4	1) Save energy (reduce electricity and city gas)	Save energy at Minami-honcho Factory Reduce energy amount kL by 1% compared to the past results, or reduce energy amount kJ/processing output by 1% compared to the previous year	Reduced by 18% compared to the past results Reduced by 1.1% compared to the previous year	Achieved
		Save energy at Nakadahara Factory and Nakadahara Nishi Factory Reduce energy amount kL by 1% compared to the past results, or reduce energy amount kJ/processing output by 1% compared to the previous year	Reduced by 18% compared to the past results Reduced by 3.6% compared to the previous year	Achieved
	2) Achieve zero emissions (recycling rate = amount of recycling / amount of industrial waste disposal)	Maintain a recycling rate of 90% or higher	97.1%	Achieved
5	3) Reduce industrial waste	Reduce industrial waste by 2% compared to FY2020	Reduced by 5.8% compared to FY2020	Achieved
5	Reduce CO ₂ emissions (achieve carbon neutrality by FY2030)	Reduce CO ₂ emissions by 21% compared to FY2020	Reduced by 37.3% compared to FY2020	Achieved
6	1) Conduct a general education and training	Conduct once a year at each department	Conducted	Achieved
	2) Conduct training for employees engaged in specified work	Conduct once a year at a relevant department	Conducted	Achieved
	3) Conduct training for hired and transferred employees	Conduct at hiring or transferring	Conduct as required	Achieved
7	1) Conduct volunteer activities	Conduct once a year or more	Conducted once	Achieved
	2) Issue an environmental report	Publish on our website in October	Issued in October	Achieved

Environmental Compliance

We received two complaints about noise from neighborhood in FY2022.

Both were due to the operating sound of air conditioner compressor units. We obtained the neighborhood's approval by implementing measures, such as installing soundproof shielding plates on the units, changing operating hours, and limiting the number of units in operation.

We will continue to promptly respond to complaints about environmental issues through communication with parties concerned.

Employee Education on Environment

We conduct general education every year aimed at increasing employees' environmental awareness, including compliance with environmental laws and regulations related to our business activities, sharing of information with stakeholders, and spread of our environmental targets.

In addition, we have established the procedures for preparing for and responding to emergency, including the prevention of environmental pollution due to disasters and accidents, and conduct education and training every year at the factories and research facilities at high environmental risks. No incidents occurred that could have a major impact on a surrounding environment in FY2022.

Furthermore, we are implementing measures to expand specialized knowledge, such as training ISO 14001 internal auditors and educating employees engaged in specific tasks.

Sustainability (E)

Responding to Climate Change

We support the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). We have also participated in the TCFD Consortium, a platform where supporting companies and financial institutions discuss. We consistently improve our environmental protection activities by promoting the reduction, etc. of electricity and gas consumption, hazardous chemical substance, and industrial waste in accordance with the Environmental Policy, as the Environmental Protection and Management Committee deliberates on the activities.

Under the philosophy that the solution of environmental issues leads to value creation for society as well as the reduction of business risks, we publicized "Carbon Neutral Initiatives" on our website in June 2021 because we especially recognize climate change as a pressing issue.

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



Governance (Promotion Structure)

We established the ESG Committee in December 2021 in order to take the lead in addressing climate change issues.

At the committee, a director and senior managing operating officer serves as a chairperson, and operating officers and general managers of each division serve as members, promoting the organized activities.

The ESG Committee deliberates four times a year on themes, such as responding to climate change, realizing a decarbonized society, respecting for human rights, considering for working environment, and having fair and appropriate transactions with business partners, in addition to enlightening and promoting sustainability-conscious management.

Important matters to be deliberated and the status of the activities, etc. are regularly reported by each committee to the Board of Operating Officers, the Management Committee and the Board of Directors, and the Board of Directors makes the final decision.

Please refer to the ESG Promotion Structure on page 19 for a promotion system on ESG.

Metrics and Goals

We have implemented various measures to improve energy use efficiency. From now on, we will not only expand the deployment of the measures, but also aim to achieve carbon neutrality in FY2030 (compared to CO₂ emissions in FY2020)* in terms of direct emissions (Scope1) and indirect emissions (Scope2) by using renewable energy and purchasing carbon neutral gas as well as promoting the development of low-carbon products.

Risk Management

We recognize that climate change-related risks are important management issues. Therefore, the ESG Committee identifies and assesses the climate change-related risks, and reports to the Board of Operating Officers, the Management Committee and the Board of Directors, thereby defining key issues. We improve our risk management system by managing these risks.

As for assessing the climate change-related risks, upon identifying climate change factors in businesses, we assume the changes of future regulations, and societal, technological and climate conditions for each 1.5°C and 4°C scenarios.

Please refer to the materiality and KGI on page 20 for the issues that we address and our vision for the future.

Strategy

We analyzed the effects as of 2030 by using two scenarios, the 4°C scenario* and the 1.5°C scenario*, targeting at our whole supply chain from purchase, development, production to sales of products and services. Upon scenario analysis, the ESG Committee identified significant risks and opportunities related to climate change and assessed financial impacts that those would have.

*Source: The Ministry of the Environment "Practical Guide for Scenario Analysis in line with TCFD Recommendations 3rd edition"

Risks				
Transition / Physical	Factors	Financial Impacts	Assessment	Responses
Transition Impact of transition to a decarbonized society	Carbon price (carbon taxes)	·Increase in operating costs due to the implementation of carbon taxes	[1.5°C]Large	·Set targets for energy saving and CO ₂ emissions reduction in the company-wide environmental targets ·Set targets for achieving carbon neutrality by 2030 ·Save energy and purchase renewable energy ·Set targets for a recycling rate ·Reduce energy consumption by productivity improvement ·Consider renewing with energy-saving equipment in compliance with regulations ·Promote capital expenditure by introducing ICP
	Emissions trading	·Additional costs incurred for credit purchases, etc.	[1.5°C]Large	
	Response to GHG emissions regulations	·Increase in costs for renewing equipment fixtures with high efficiency ·Regulations on the use of chlorofluorocarbon	[1.5°C]Large	
	Plastic regulations	·Increase in costs due to regulations on plastic packaging materials	[1.5°C]Medium	
	Renewable energy policy	·Increase in energy costs due to higher renewable energy prices	[1.5°C]Large	
	Change in raw material costs	·Increase in procurement costs due to carbon taxes and other regulations ·Increase in raw material costs due to soaring crude oil and copper prices	[1.5°C]Large	
	Change in customer reputation	·Decrease in sales due to suspension in trading and market share loss when environmental friendliness cannot be addressed	[1.5°C]Large	
	Change in investor reputation	·Avoidance of investment and loan from financial institutions and investors when disclosing climate change-related information is delayed	[1.5°C]Large	
Physical Impact of natural disasters	Increased severity of extreme weather events	·Increase in costs to deal with the suspension of operations and logistics functions ·Delivery delay of procured materials ·Increase in procurement (transportation) costs	[1.5°C]Medium [4°C]Large	·Store inventory of four months' worth of raw materials whose replacements are not available in raw material procurement ·Require suppliers of BCP measures ·Dual vendor system ·Increase productive capacity with capital expenditure ·Renew aged buildings
	Rise in average temperature	·Increase in energy costs with increase in the frequency of the use of air-conditioners	[1.5°C]Small [4°C]Medium	

Opportunities				
Transition / Physical	Factors	Financial Impacts	Assessment	Responses
Transition Impact of transition to a decarbonized society	Emissions trading	·Additional revenue when emission allowances are excess	[1.5°C]Large	·Set targets for energy saving and CO ₂ emissions reduction in the company-wide environmental targets ·Set targets for achieving carbon neutrality by 2030 ·Save energy and purchase renewable energy ·Set targets for a recycling rate ·Reduce energy consumption by productivity improvement ·Consider renewing with energy-saving equipment in compliance with regulations ·Promote capital expenditure by introducing ICP
	Progress of low-carbon technologies	·Increase in sales of materials for electronic parts due to the increased demand for EV ·Increase in sales of materials for fuel cell due to the increased demand for fuel-cell vehicles ·Increase in sales of materials for hydrogen generation devices due to the increased demand for hydrogen energy ·Increase in sales of carbon cloth prepregs and honeycomb materials due to the increased demand for the weight reduction of vehicles and aircrafts	[1.5°C]Large	
	Change in customer reputation	·Increase in market share by receiving a high reputation in markets when environmental friendliness can be addressed	[1.5°C]Large	
	Change in investor reputation	·Easiness to obtain investment and loan from financial institutions and investors when climate change-related information is disclosed more than other companies	[1.5°C]Large	
Physical Impact of natural disasters	Increased severity of extreme weather events	·Increase in sales of seawater desalination treatment devices due to the impact of water stress ·Increase in demand for and sales of electronic devices due to lower human mobility	[1.5°C]Medium [4°C]Large	·Promote sales in the electronic materials field and of filament winding products

Assessment (small, medium, large): analyzing quantitatively and qualitatively, and assessing relative impacts.

Sustainability (E)

Promotion of Circular Economy

Emission Policy

In order to realize a sustainable society, it is required to make an early transition to an economic system with less environmental impact; it is required to break away from an economic system (linear economy) that uses a large amount of natural resources and fossil fuels, produces and consumes a large quantity of industrial products, and disposes of these products in mass quantities and to make a shift to a circular economic system by treating as "resources" industrial products which are considered "waste" in the conventional economic system and circulate those by recycling (Recycle), reusing (Reuse) and reducing (Reduce).

We have been working to reduce and reuse emissions and waste generated by our business activities through the activities. To accelerate activities for reducing and reusing, we established the Emission Subcommittee within the Environmental Protection and Management Committee in FY2022.

Long Term Targets for the Emission Subcommittee

[1] Reduce industrial waste emissions by 30% compared to FY2020 by 2050.

[2] Achieve the zero emissions of industrial waste related to development and manufacturing by 2050.

Toward these targets, we will continue to reduce waste and recycle industrial waste that is not currently recycled.

Outsourcing Disposal of Hazardous Industrial Waste

We outsource the disposal of industrial waste to disposal operators. In compliance with laws and regulations, such as the "Act on Waste Management and Public Cleansing," we properly issue an industrial waste control documentation (manifest) and check the process up to the final disposal destinations. We also conduct on-site inspections (including document examinations) of disposal operators as needed to confirm that our emissions are disposed of properly.

Green Purchasing

The green purchasing ratio was 87.4% in value terms.

Activity Results

Regarding the reduction of industrial waste emissions, we conduct monthly waste patrols in our factories to identify items that may be subject to reduction. Regarding zero emissions, we investigate whether any new materials are available for recycling, and work toward a goal of achieving a recycling rate of 90% or higher for a single year.

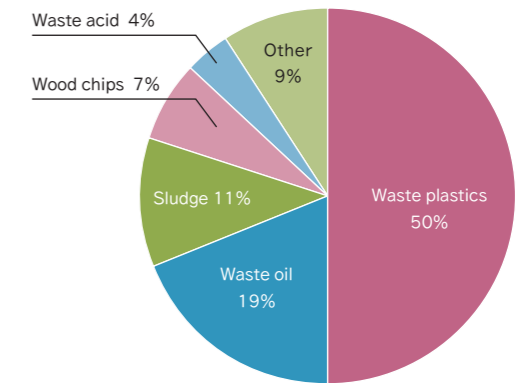
As a result, we are now able to recycle glass waste, PVC pipes and PVC cutting waste in FY2022. In addition, we are considering recycling by the distilled separation of cleaning waste liquid, separation of paper tubes with mouthpieces into steel and paper tubes, and compaction of plastic platelets.

Industrial Waste and Recycling Rate

Industrial waste emissions were 1,643 tons. The breakdown of the emissions is 50% for waste plastic, 19% for waste oil, 11% for sludge, 7% for wood chips, 4% for waste acid, and 9% for other.

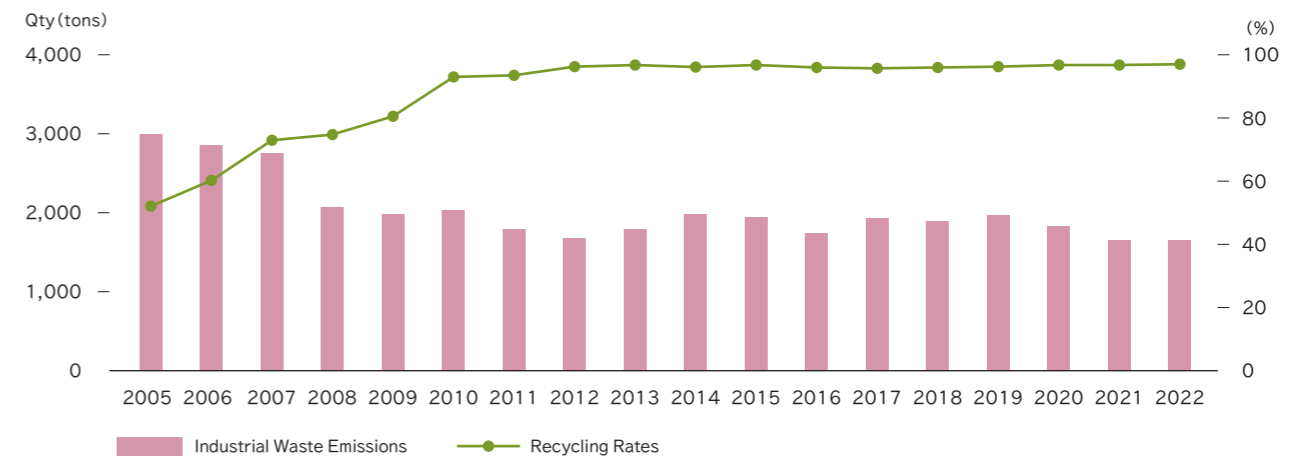
Waste plastic emissions were reduced by 0.4% from the previous year.

In order to achieve the zero emissions of industrial waste related to development and manufacturing by 2050, we are continuing to promote active recycling (thermal recycling or material recycling), and the recycling rate in FY2022 was 97.1%.



Types and Ratio of Industrial Waste

Trends in Industrial Waste Emissions and Recycling Rates



Sustainability (S)

Human Resource Management

Human Capital Management Policy

Human resources are the source of value creation and the driving force to achieve sustainable growth and development for our group. With growing attention to diversity, collaboration, and health management, we will continue to improve a working environment and update human resource development plans to create workplaces that we can be proud of and feel comfortable and are eager to work in. To further enhance our corporate value, we are focusing on attracting and developing diverse human resources, including creative and flexible leaders and digital

human resources.

In FY2023, we established the Human Capital Subcommittee within the ESG Committee.

The Human Capital Subcommittee will work on a wide range of activities aimed at building an organization suitable for executing business strategies, such as improving the attractiveness of leaders, creating a better environment for employees in positions, examining a dynamic human resource portfolio, and relearning skills that are lacking in the organization.

Initiatives on Recruitment and Ensuring Diversity

Our basic policy in recruitment is to ensure diversity and achieve equal opportunity, and we attract a diverse range of new graduates for research and development positions, regardless of region and school.

The first female director was appointed in June 2021, and two of the directors are female as of June 2023 through the implementation of various development plans and efforts to promote the active participation of women. In addition, the first female operating officer was appointed in June 2022 through internal promotion.

We will furthermore aim to increase the ratio of women in management positions to 20% by the end of FY2024. Additionally, in order to respond to environmental changes and take on new business challenges speedily, we also place emphasis on the mid-career hiring of professionals with advanced knowledge and experience in specialized fields.

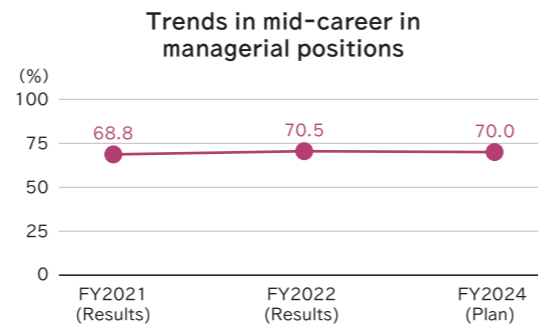
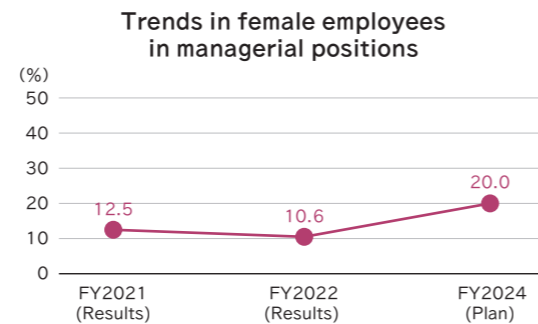
We believe that new ideas and solutions are created by people with different backgrounds and experiences getting together and thinking about things from each perspective, which will lead to an increased corporate value. We regard diversity as an important management issue and will continue to promote it.

Human Resource Development

With regard to the human resource development, we aim to enhance job satisfaction for each and every employee and improve organizational power by striving to provide a wide range of opportunities for skill development, including improvement of basic skills with position-based trainings, external trainings, and self-development with e-learning.

New employees receive one-on-one guidance from an individually assigned trainer and learn their tasks in accordance

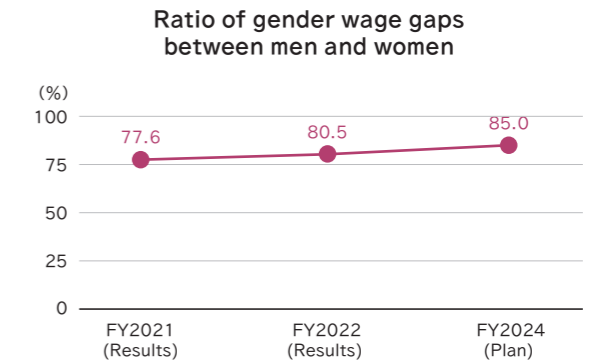
with a new employee development plan. Career consultation by a career consultant or industrial counselor is also available. In addition, we are working to develop and promote human resources and future leadership candidates who can think independently and practice CIC, which is at the core of our management policy, through communication, such as direct dialogue between management and young employees in executive officer courses.



Fair Evaluation and Treatment

We adhere to meritocracy regardless of age, gender, or career in recruiting, promoting and appointing, and have introduced a system to encourage the growth of employees through multidimensional evaluation and feedback based on the management by objectives (MBO).

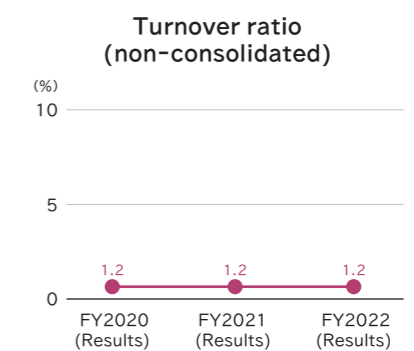
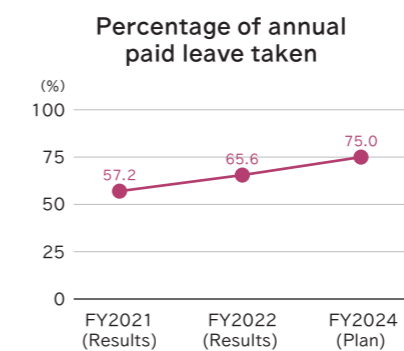
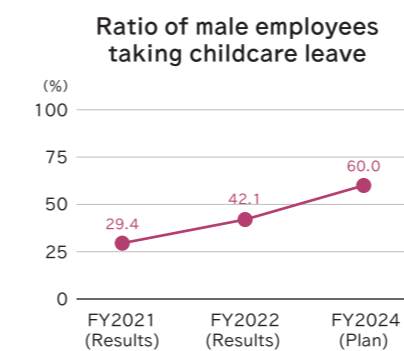
We also aim to build a strong organization through salary increases based on evaluations and an incentive system based on job responsibilities. Examples of the incentive system for employees include an employee stock ownership plan for employees in management positions, the allocation of bonuses based on performance evaluations, awards on Culture Day (awards to employees for long service, excellent work efficiency, and contributions to improving the company's performance), and a reward system for proposals that contribute to improved productivity.



Promotion of Work-life Balance

As we value each employee's independence and creativity, and coexistence and co-prosperity with the company and protect workplace safety and physical and mental health, we are working on ensuring a healthy work environment that respects human rights and is free from discrimination. While giving first priority to ensuring human safety and health in all processes of our business activities, we will respect the personality and individuality of each and every employee, foster a free and open-minded corporate culture that respects diversity, and maintain a cheerful and rewarding work environment.

As an example, depending on a type of work, we have adopted systems, such as flextime, teleworking, and staggered working hours. As a result, the rate of male employees taking childcare leave and the percentage of annual paid leave taken are on the rise. We also support employee asset building through employee shareholding associations and selective defined contribution plans. It is a company's obligation to provide a comfortable work environment for its employees, and this contributes to high employee retention rates by making it easier to maintain work-life balance and improving operational efficiency.



Corporate Culture

We do not use titles that imply hierarchical relationships, such as jyoushi (boss) or buka (subordinate), and encourage employees to address each other by attaching the Japanese honorific san to names. We believe that this will protect the health of our employees, create a comfortable workplace, and eventually improve productivity and encourage innovation, which result in increasing corporate value.

Sustainability (S)

Occupational Health and Safety

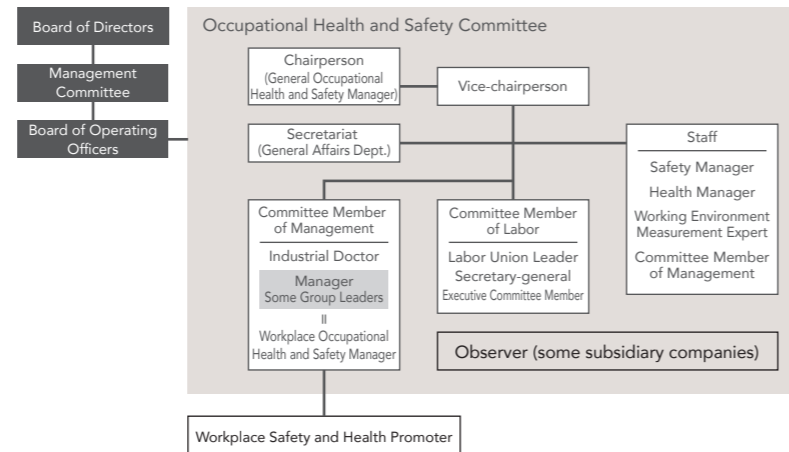
Under the “Safety Declaration” and “Our Action Guideline,” all of our employees and the employees of our subcontractors who work with us participate in promoting safety activities with the aim of achieving zero accidents.

<p style="text-align: center;">Safety Declaration</p> <ol style="list-style-type: none"> 1. We will aim to be a good company that places safety first, live up to the trust of our customers, and fulfill social responsibilities. 2. We will build a safe and comfortable workplace through a zero accident campaign in which all employees participate, always keeping safety awareness in mind. 3. We will not do or let anyone do risky behavior. We will build a disciplined workplace that follows standard work and rules. 	<p style="text-align: center;">Our Action Guideline</p> <p>We give the highest priority to safety, and fulfill our own roles and responsibilities for zero accidents.</p>	<p style="text-align: center;">Priority Goals of Occupational Health and Safety for FY2022</p> <ol style="list-style-type: none"> 1. Accidents are caused by habituation and carelessness. Always go back to basics and do standard work. 2. Give a warning immediately if you see something unsafe. The words that are given and the feelings that are wished for are zero accidents. 3. Safety greetings and pointing and calling are carried out by all.
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Promotion System of Occupational Health and Safety

At each workplace, group leaders carry out decisions as a workplace safety and health promoter. A director and general manager acts as a general occupational health and safety manager, who reports on important matters to and is monitored and supervised by the Board of Directors.

In addition, under the management policy of labor-management cooperation, we hold regular meetings with the union on occupational health and safety and outsourcing safety meetings to raise the safety awareness of all employees.



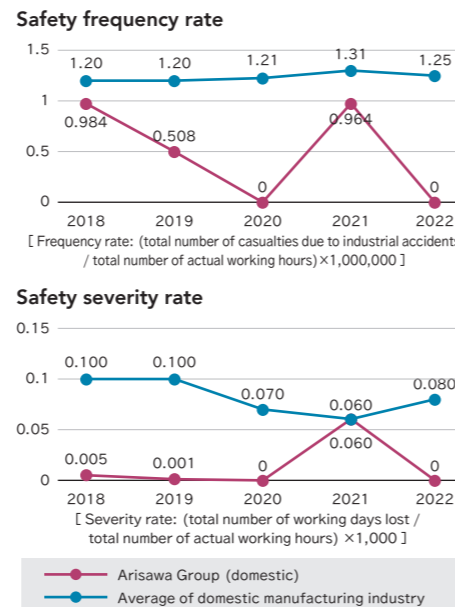
Occupational Health and Safety Initiatives

To achieve the goal of “no accidents,” we continue to engage in daily safety activities, such as safety patrols, safety education and training, and occupational health and safety risk assessments as well as report on near-miss (hiyari-hatto) incidents at each workplace, hazard prediction training, 4S activities (4S stands for Seiri, Seiton, Seisou, and Seiketsu, or Sorting, Setting-in-Order, Shining, and Standardizing), and rotational safety announcements.

In order to prevent accidents and disasters, it is important to ensure the safety of manufacturing processes and the soundness of facilities and to continue stable operations. At each factory, we make plans to inspect and renew facilities, prioritize them according to risk and importance, and carry out inspections, repairs, and renewals in sequence. In addition, we are proceeding with risk assessments when installing facilities as a measure to prevent similar accidents from happening again, besides confirming the effectiveness of countermeasures using past accident cases.

As a response to emergencies, we have in place a disaster prevention system for self-protection at each business facility and conduct various disaster prevention drills in accordance with the annual plan in case an accident occurs. Specifically, we conduct company-wide fire drills, joint fire drills with a fire department, and company-wide earthquake drills (BCP activation drills).

We also maintain close contact with our domestic consolidated subsidiaries to share information and apply safety and other measures to them.



Supply Chain Management

In 2022, we established the Procurement Subcommittee and announced the CSR Procurement Policy with the aim of procuring environmentally friendly products and services and building a supply chain free of social issues related to human rights, health, ethics and so forth.

We will actively promote CSR activities in order to fulfill social responsibilities through business activities. Through those activities, we will work to address a variety of issues and aim at sustainable growth in continuing our business activities.

CSR Procurement Policy

1. Establishing a Company Structure to Facilitate CSR (Corporate Social Responsibility)

- Develop management policies and action guidelines on CSR.
- Establish an organizational structure which promotes CSR.

2. Fair Trade

- Prohibit the offering and receiving of inappropriate profits and advantages.
- Conduct trading through fair and free competition.

3. Human Rights, Ethics, and Legal Compliance

- Prohibit human rights abuses (harassment, discrimination, abuse, and corporal punishment) and respect human rights.
- Prohibit forced labor and overwork, and appropriately manage working hours and days off.
- Have no relationships with anti-social forces (individuals and groups) and do not engage in transactions with such forces.
- Identify and comply with laws, regulations and rules applicable to business activities.

4. Ensuring Quality and Safety

- Establish and implement a quality management system, and promote quality assurance activities.
- Comply with laws and ensure sufficient product safety regarding internally designed products.
- Identify risks, such as potential accidents, earthquakes, fires and flood damage, and establish a safe working environment.

5. Environmental Consciousness

- Acquire a certification, such as the one of Environmental Management Systems (EMS), and promote environmental activities systematically.
- Comply with laws and regulations related to environmental protection pertaining to air, water quality, soil, and chemical substance.
- Work on environmental load reduction in our business activities (biodiversity conservation, and resource saving and energy saving).
- Appropriately manage and dispose of waste generated in operations in accordance with laws and regulations. Promote recycling and set a continuous reduction goal.

6. Information Management and Contribution to Society

- Establish and appropriately manage an information security system.
- Take measures against internal and external threats, such as computer virus.
- Actively participate in social contribution activities.

7. Business Continuity Plans (BCP)

- Establish BCP, and build and raise awareness about a risk management system to prepare for unforeseen situations.
- Promote efforts to suppliers.

8. Responsible Mineral Procurement

- Prohibit and monitor the use of minerals which might serve as a source of funds for groups involved in internal conflicts and disputes.

Procurement Initiatives

Based on the CSR procurement policy, we started a supplier survey using a CSR check sheet in FY2022. We will ask our major existing suppliers to complete a survey once every five years, and new suppliers, in principle, to complete a survey before starting business.

Of the approximately 300 suppliers of our raw materials, we conducted a questionnaire survey of approximately 150 suppliers in FY2022, and received responses from approximately 90 companies. As a result of totalizing the self-diagnosis, there were 10 suppliers with scores below 70, and we are getting alignment on items that require improvement.

In the future, we will establish a mechanism to regularly conduct a cycle of investigation, diagnosis, risk assessment, and follow-up.

Respect for Human Rights

The CSR questionnaire includes questions on the reporting system for violations of basic human rights and legal and ethical violations, the consultation service, and the disciplinary policy and procedure. In the FY2022 survey, there were no negative responses regarding human rights due diligence, so we did not request any measures to prevent, mitigate, or suspend such issues. Furthermore, we believe that conducting surveys and interviews with individual employees of the suppliers will be one of our future tasks.

Regarding the working environment of the suppliers, we conduct fact-finding surveys on the production environment at the time of quality audits.

Sustainability (S)

Quality Improvement Initiatives

Quality Policy

Under our quality policy “Arisawa pledges to supply the high quality product that meets the reliability and needs of the customer by standing in the customer’s viewpoint,” we will implement the following activity guidelines. We believe that for a company to survive and develop sustainably, it is absolutely necessary to comply with laws and regulations and provide products of the quality that customers expect. In order to ensure thorough quality compliance, we will promote measures, such as enhancing education and strengthening quality fraud checking functions.

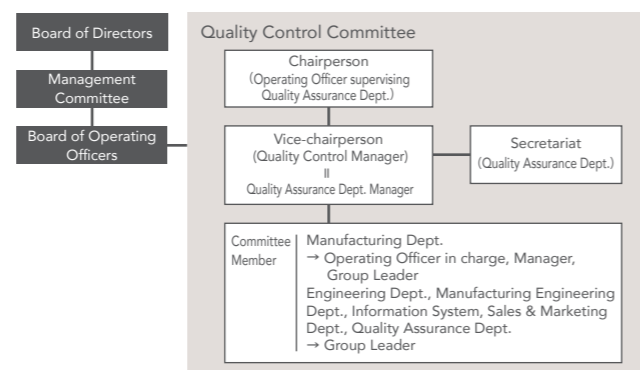
Activity Guidelines	1. We will regularly review our quality management system and continually improve its effectiveness in order to meet the requirements of ISO 9001/JIS Q 9100.
	2. We will monitor our manufacturing processes and strengthen control through our quality management system to ensure that the products we provide meet the needs of our customers and society and increase customer satisfaction.
	3. We will set the following quality targets and do our best in order to achieve the quality policy.
	(1) Reduction of complaints that are caused by the company
	(2) Reduction of internal percent defective
	(3) Proper operation and management of measuring instruments
4. We will set quality targets on a yearly basis and review them as necessary.	
5. We will conduct internal audits to confirm the effectiveness of our quality management system, and strive to maintain and improve it.	
6. We will provide education and training to all employees to ensure that they are fully aware of our quality policy in order to effectively utilize our quality management system.	

Quality Control System

We have acquired ISO 9001 (target sites: Arisawa Mfg. Co. and Arisawa Fiberglass) and JIS Q 9100 (target products: aircraft materials). Based on the quality assurance system we have established, we will work to improve the quality of our products and services.

In addition to the Company-wide Quality Control Committee (once a year), Factory Quality Control Committee (once a year), and Line Quality Control Committee (twice a year), which are held regularly, the Individual Quality Control Committee deliberates individual cases.

The structure of the Company-wide Quality Control Committee is shown in the figure on the right.



Quality Control Initiatives

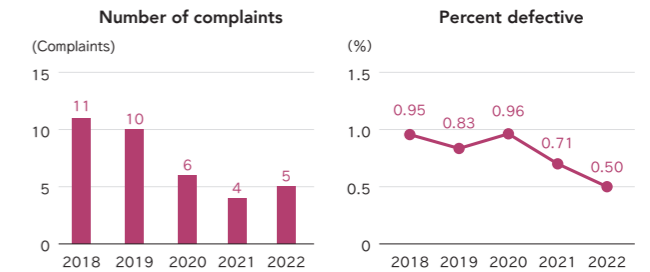
In the mass production of new products, the Quality Assurance Department and other related departments are involved from the design and development stages, conducting risk assessments and accompanying process risk patrols prior to the transfer of production. For existing products, the Quality Assurance Department and the Manufacturing Department jointly conduct the quality patrols of each process to identify potential risks and thereby prevent complaints.

In order to incorporate customer needs and improve customer satisfaction, we make improvements by reflecting evaluations and complaints from stakeholders in each process. This cycle enables us to improve our quality management system. Additionally, in order to maintain and improve the quality management system, we conduct internal audits twice a year to check the operational status.

Targets and Results of Initiatives for FY2022

(1) Zero complaints that are caused by the company

By identifying potential risks and taking countermeasures with the use of FMEA and risk assessment, we not only reduce the risk of complaints, but also strive to raise the quality awareness of each and every employee and reduce human errors, such as careless mistakes, through quality education. In addition to complaints, we also took seriously and examined carefully the points raised by our customers and worked to correct them and prevent their recurrence in the same way as complaints.



(2) Reduction of Internal Percent Defective

Each manufacturing group set targets for major products and worked to reduce percent defective. Specifically, through interviews during the process patrols, we identified quality risks that operators and inspectors perceived on a daily basis from the bottom up, and prevented defects from occurring.

(3) Collaboration with Suppliers

We regularly evaluate suppliers for quality-related nonconformities and their responses on a regular basis and conduct supplier audits as necessary. We also hold regular quality meetings with the suppliers of major raw materials and raw materials used in important products to share customer and company requirements, and are promoting quality improvement initiatives.

(4) Customer Satisfaction Survey

We conduct customer satisfaction surveys twice a year to check requirements for us regarding technical support, delivery schedules and so forth, and are working to improve customer satisfaction from various aspects.

(5) Proper Operation and Management of Measuring Instruments

We keep our measuring instruments in proper condition at all times by sounding an alarm at each calibration cycle through the operation of the instrument management system.

(6) Management and Promotion of Quality Plans

- We achieved 100% of the quality targets of each department for FY2022.
- We passed the initial audit that integrated ISO 9001 and 14001. This has led to reductions in the number of man-hours and costs required for auditing.
- Standards are kept up-to-date and can be viewed by each department through the document management system.

(7) Quality Education

We conduct general education every year to disseminate company-wide and group-wide quality targets. Additionally, we conduct “education to provide products with higher quality” aimed at fostering quality awareness among all employees in the Manufacturing Department, as well as product safety and counterfeit product prevention training in departments subject to JIS Q 9100.

We strive to improve and strengthen our quality management system through close exchange of opinions with stakeholders, and by promoting employee education, we aim to instill in all employees an awareness of emphasizing quality from the perspective of stakeholders.

Sustainability (G)

Corporate Governance

Basic Concept of Corporate Governance

We have a corporate governance system in place to increase corporate value through sustainable growth and to maintain social credibility and is also making efforts to secure efficient and equitable management and to enhance management transparency through proactive disclosure.

In terms of management efficiency, to ensure expeditious decision making, we aim at management by a selected few and restrict the number of directors to the requisite minimum. We also employ the operating officer system to ensure speedy execution of operations and collect highly accurate information under the

decisions of the Board of Directors, where outside directors and outside corporate auditors attend.

In terms of equitable management, in line with the basic policy concerning the improvement of the internal control system, we improve organizations and systems for the purpose of ensuring legal compliance. In order to enhance transparency, we promote communication with our shareholders and general investors through IR activities, etc. and conduct disclosure practices as actively and promptly as possible.

Changes in Enhancement of Corporate Governance System

Although we are a company with a board of company auditors, we have in place the Assignment and Remuneration Advisory Committee, which is voluntary, that deliberates matters related to the appointment and dismissal of directors, appointment and removal of representative directors and directors responsible for business execution, succession plan and director remuneration, and reports to the Board of Directors.

The company's Board of Directors currently consists of four internal directors and five outside directors (including two female directors) for a total of nine directors. The evaluation of the effectiveness of the Board of Directors are conducted by a third-party organization to ensure fairness.

FY	Items	Board of Directors			Board of Corporate Auditors		Operating Officers			Served as directors
		Inside	Outside		Inside	Outside	Inside	Outside		
		Male	Male	Female	Male	Male	Male	Female	Female	
2015	· Issuance of corporate governance report	5	2		1	2	11		5	
2016	· Self-assessment of the effectiveness of the board of directors	5	2		1	2	11		5	
2017		5	2		1	2	11		5	
2018		5	2		1	2	11		5	
2019	· Non-renewal of the anti-takeover measures · Establishment of the Assignment and Remuneration Advisory Committee (voluntary advisory body)	4	2		1	2	11		4	
2020	· Assessment of the effectiveness of the Board of Directors by a third party organization · Introduction of exercising voting rights by an electromagnetic method	4	3		1	2	11		4	
2021	· Change of stock-based compensation for directors from stock options to restricted stocks	4	4	1	1	2	11		4	
2022		4	4	1	1	2	11	1	4	
2023		4	3	2	1	2	10	1	4	

Outline of Corporate Governance System

As for execution of operations, to ensure speedy execution and control of the management policy and management plans determined at the regular or extraordinary meetings of the Board of Directors, the Board of Operating Officers (comprising 1 chief executive officer and 10 operating officers for a total of 11 members) is in place in pursuit of management proactively and accurately.

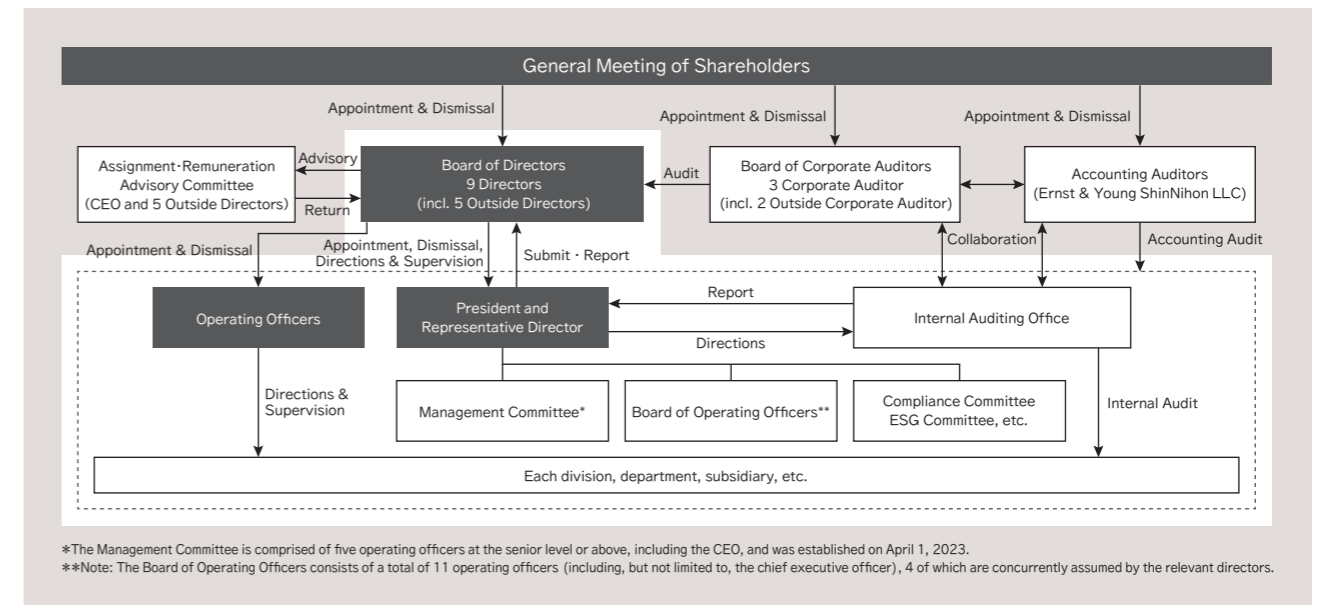
Each operating officer plans and promotes operations under his or her supervision upon approval at the Board of Directors or extraordinary meetings of the Board of Directors as well as the regular meeting of Management Committee (established in FY2023 to deliberate and coordinate basic management policies based on decisions of the Board of Directors, other important matters related to management, and to conduct preliminary deliberations on matters to be discussed at the Board of Directors meetings) or the Board of Operating Officers and strives for efficient and speedy execution of their duties pursuant to the Regulations for the Segregation of Duties and Official Authority, etc.

As an internal audit division, three full-time employees are assigned to the Internal Auditing Office, which is independent of

other organizations of the company and conducts scheduled audits and special audits as appropriate. As for the scheduled audits, an audit plan is made for each term pursuant to the relevant internal regulations, and audits are conducted after the final decision by the chief executive officer. Audit results are notified to the relevant departments along with specific advice and recommendations, while reporting to, and opinion exchanges with, the corporate auditors are also made.

The certified public accountants who conduct the accounting audit of the company are two members of Ernst & Young ShinNihon LLC, and the composition of assistants involved in the accounting audit work of the company is determined in accordance with the selection standards of the audit corporation and specifically includes 11 certified public accountants and 8 others.

The results of auditing by the internal audit division and the details of accounting audits by the accounting auditors are reported to the Board of Corporate Auditors, and the corporate auditors share in the recognition of such results in the course of their auditing to enhance their collective audit function.



Number of meetings held and main agenda items in FY2022

	Board of Directors	Board of Operating Officers	Assignment-Remuneration Advisory Committee	Board of Corporate Auditors
Chairperson	CEO	CEO	Outside Director	Full-time Corporate Auditor
Attendee	Director (including outside directors), Corporate Auditor (including outside directors)	Operating Officers, Corporate Auditor (full-time only)	CEO and Outside Director	Outside Corporate Auditor
The Number of Meetings	9times	15times	3times	9times
Deliberation Items	Quarterly financial results and performance forecasts, annual management strategy, medium-term business plan, governance, general meetings of shareholders, etc.	Quarterly financial results and performance forecasts, capital investments, annual management strategy, monthly business reports, etc.	Appointment and dismissal of directors, Remuneration of directors, etc.	Advice to internal audits, validation of accounting audit results, etc.

Sustainability (G)

Board of Directors

Approach to the Board of Directors' Diversity

The company's basic approach is to have the Board of Directors composed of individuals with a wealth of experience, deep insight, and a high level of expertise, within the limits of 15 directors and 4 corporate auditors set forth in the Articles of Incorporation, while taking into consideration their balance of knowledge, experience, and abilities related to each business and

operation. Regarding diversity, we have appointed multiple directors who have extensive experience in international business and who have experience as managers at other companies. The composition also takes gender and age into consideration.

Skill Matrix

In the medium-term business plan, we set the goal of aiming to maximize corporate value by executing a cycle of business strategies and financial strategies. We will pursue the business strategies to strengthen profitability by delving into existing businesses and creating new businesses and the financial strate-

gies to improve capital efficiency by converting non-business assets into business assets and returning profits to shareholders. The Board of Directors is comprised of individuals with the skills and insight necessary to achieve these goals.

Name	Corporate Management	Business strategy / marketing	R&D/ technological strategies	Finance / accounting / financial market	HR / labor / HR development	Legal / risk management	International experience
Representative Director Yuta Arisawa	○	○	○	○			○
Director Takeshi Masuda				○	○	○	
Director Osamu Nakajima		○	○				○
Director Makoto Tai		○	○				
Outside Director Koji Nakamura	○	○					○
Outside Director Kazuo Abiko	○				○		○
Outside Director Hirotoshi Takada	○	○					○
Outside Director Miho Numata	○				○	○	
Outside Director Makiko Horie				○			○
Corporate Auditor Hisashi Masumura				○	○	○	
Outside Corporate Auditor Koichiro Tanaka	○			○			○
Outside Corporate Auditor Koichi Yokota	○			○			

Policy on Appointment and Dismissal of Directors

In nominating candidates for executive managers and directors and corporate auditors, we select those who have extensive experience, deep insight, and a high level of expertise, suitable for executive managers or directors or corporate auditors in the company. The Board of Directors determines the nomination of candidates for directors based on the report of the Assignment and Remuneration Advisory Committee, and candidates for corporate auditors by getting consent of the Board of Corporate Auditors.

Dismissal will occur in the event that any of the following cases is applicable: (1) a relationship with antisocial forces is found, (2) laws, regulations, or articles of incorporation are violated, causing a significant loss to our group, (3) the execution of duties is significantly impeded, or (4) it becomes clear that the requirements of the appointment criteria are not met. In that case, after deliberation by the Board of Directors, a decision is made to dismiss a position or to submit a proposal for dismissal to the general meeting of shareholders.

Outside Directors

A majority of five members out of the nine directors is independent outside directors as defined by the Tokyo Stock Exchange and the Board of Directors is engaged in constructive discussions, including their objective opinions from an independent standpoint. The outside directors, who have a wealth of experience and a wide range of insight, also provide advice and recommendations to ensure the appropriateness and legitimacy of the Board of Directors' decision-making.

On the other hand, we support outside directors in the performance of their duties by collecting and providing them with

information on economic conditions, industry trends, relevant laws and regulations, corporate governance, financial accounting, and other matters necessary for them to fulfill their roles and responsibilities.

Specifically, we arrange seminars for outside directors provided by external organizations, where our operating officers in charge regularly provide explanations on business plans and strategies, the status of various businesses, business environment, and management issues, while arranging inspection tours of product manufacturing processes.

Name	Reasons for Appointment and Expected Role	Attendance Rate
Koji Nakamura	Koji Nakamura, an Outside Director, has been involved in corporate management in Japan and overseas for many years, having served as Senior Executive Managing Officer of Mitsui & Co., Ltd. and as Director at Sanko Gosei Ltd. The Company has appointed him because we deem that he has extensive insight and knowledge regarding global management from his experience as a managing officer at a global company and that he will deliver opinions from an outside perspective with regard to the overall management of the Company, particularly in the area of business strategy, and increase the rationality and transparency of the Company's management.	100%
Kazuo Abiko	After graduating from Graduate School of the California State University, Kazuo Abiko, an Outside Director, was appointed the General Manager of Tokyo Studio and General Manager for Northeast Asia at Associated Press while also working as the President of Foreign Correspondents' Club of Japan. The Company has appointed him because we deem that he will deliver opinions from an outside perspective and increase the rationality and transparency of the Company's management by leveraging his knowledge in international communication and standards and ethics of journalism, including his work as a part-time lecturer at Tokyo University of Foreign Studies and Sophia University thereafter.	100%
Hirotoshi Takada	Hirotoshi Takada, an Outside Director, has served the Representative Director of NIPPON SEIKI CO., LTD. and as Chairman, etc. of overseas subsidiaries, has been engaged over many years in sales and product planning, etc. in the automobile industry; has a deep knowledge of that industry. The Company has appointed him because we deem that he will deliver opinions from an outside perspective and increase the rationality and transparency of the Company by leveraging his abundant experience and broad knowledge as a manager of a company in the manufacturing industry with a global business.	100%
Miho Numata	Miho Numata, an Outside Director, is Representative of NUMATA LAW OFFICE, and by serving as Civil Conciliation Commissioner of Tokyo Summary Court and as Outside Corporate Auditor of Tokyo Boeki Holdings Corporation, while managing the law office, she has a well-balanced career. The Company has appointed her because we deem that she will deliver opinions from an outside perspective and increase the rationality and transparency of the Company by using her in-depth knowledge and experience as a legal expert who has worked as an attorney at law for many years, and her sophisticated knowledge relating to governance and compliance, etc.	100%
Makiko Horie	Makiko Horie, an Outside Director, was engaged in sales to institutional investors, company surveys, and operation related to the Japanese stock market at a global financial institution, and also involved in management consultation and launching of start-ups. The Company has appointed her because we deem that she can reflect on management strategies the status of the Company that investors expect by leveraging her experience and increase the rationality and transparency of the Company.	Newly Appointed

Evaluation of the Effectiveness of the Board of Directors

We analyze and evaluate the effectiveness of the Board of Directors based on a questionnaire survey to all directors and corporate auditors with the aim of improving the functioning of the Board of Directors. The survey is conducted on the condition of anonymity in order to elicit unreserved opinions from the subjects. The implementation of the survey and the tabulation and analysis of the results are outsourced to an external organization, and the Board of Directors deliberates based on the report to address issues.

The results of the survey conducted this spring determined that the company's Board of Directors has a composition with the balance and diversity necessary to fulfill its roles and responsibilities,

and that free and open and constructive discussions are held at meetings, ensuring the effectiveness of both decision-making and supervision related to business execution.

On the other hand, as the role of subsidiaries in consolidated financial results increases in importance, it has been pointed out that further efforts are needed in discussions regarding subsidiary management and that training for directors and auditors needs to be further enhanced, and the Board of Directors shared the recognition of those points. We will continue to work on issues identified by these analyses and evaluations and aim for increasing our corporate value.

Sustainability (G)

Board of Directors

Policy of Determination on Amount of Remuneration, etc. of Directors and Corporate Auditors

We have in place the Assignment and Remuneration Advisory Committee consisting of five outside directors and the president for a total of six members and chaired by an independent outside director as an advisory body to the Board of Directors in order to improve the independence, objectivity and transparency of the procedures for determining the remuneration of directors and to enhance corporate governance. A calculation method of the details of individual remuneration for directors is determined at the Board of Directors based on deliberations and reports by the Assignment and Remuneration Advisory Committee.

Basic Guidelines for Remuneration System for Directors

- The system should encourage the management to improve their performance through associating the performance with remuneration and to exercise their solid entrepreneurship for sustainable development of the company.
- The system should reflect not only financial performance but also appreciation for proactive initiative with the basic spirit of "Creation, Innovation and Challenge."
- The system should attract excellent human resources for management who can contribute to sustainable development and enhancement of corporate value of the company.

Remuneration Structure

In the case of 100% achievement of KPI, the ratio of remuneration to executive directors is as follows.



Stock-based remuneration is provided in the form of restricted stock-based remuneration (programmed to lift restrictions of transfer upon retirement) for the purpose of sharing interests with shareholders.

Outside directors are paid only basic remuneration in consideration of their role of supervisory function that they play.

Details and Reasons for Selection of the Key Performance Indicators (KPI) for Performance-Based Remuneration

Consolidated operating profit for the single fiscal year has been adopted as the Key Performance Indicators for performance-based remuneration. The reasons for selecting such Indicators is that i) they are a financial indicator which represents the result of primary business activities of companies, ii) they use net operating profit less adjusted taxes (NOPLAT) to calculate ROIC which is a target figure to be achieved of the medium-term business plan, and iii) they are a financial index used in the bonus system for employees.

Out of amount of carbon dioxide emission reduction held up in our Carbon Neutral Project, the company added goal attainment levels with respect to reduced usage resulted from improving energy use efficiency to the Performance Indicators from FY2022, and reflected them in remuneration from July 2023.

Matters Concerning Determination of Remuneration for Directors

The Assignment and Remuneration Advisory Committee is consulted on individual remuneration based on a resolution by the Board of Directors. The details of the consultation include basic remuneration amounts for each director and the evaluation allocation based on the performance of a division of which each director is in charge in the performance-based remuneration. The Board of Directors determines each remuneration pursuant to the report of the Assignment and Remuneration Advisory Committee.

Verification of Validity of Remuneration

The Assignment and Remuneration Advisory Committee confirms that the individual remuneration of directors is calculated in accordance with the policy for determination on the remuneration of directors, verifies its validity, and submits reports to the Board of Directors.

The Assignment and Remuneration Advisory Committee uses an objective and multifaceted benchmark analysis of remuneration based on "Management Remuneration Database" run by an outside remuneration consultant, Willis Towers Watson (WTW), to verify the validity of the individual remuneration of directors.

Remuneration of Corporate Auditors, etc.

The company's basic policy is to pay an appropriate level of remuneration to each corporate auditor for the performance of his or her duties.

The remuneration for corporate auditors is determined through discussions among the corporate auditors, taking into consideration whether they work full-time or part-time and the division of audit work. The remuneration for corporate auditors is fixed remuneration only, which is paid on a monthly basis, with an emphasis on strengthening their independence from management.

The aggregate amount of remuneration, etc. of each category of directors and corporate auditors, the breakdown of such aggregate amount by the type of remuneration, etc. and the number of directors and corporate auditors covered

Category of directors and corporate auditors	Aggregate amount of remuneration, etc.	Breakdown by the type of remuneration, etc.			Number of directors or corporate auditors covered
		Fixed remuneration	Performance-based remuneration	Monetary remuneration, etc.	
Directors (excluding outside directors)	203.51 million yen	106.50million yen	60.26million yen	36.74million yen	4
Corporate Auditors (excluding outside corporate auditors)	13.08million yen	—	—	—	2
Outside directors and outside corporate auditors	31.00million yen	—	—	—	7

Cross-shareholdings

Method of Verifying the Reasonableness of Shareholding

Regarding all cross-shareholdings held, the Board of Directors yearly gives comprehensive consideration to quantitative analysis of transaction performances and returns, etc., qualitative analysis of status of business, business strategies, background of acquisition, etc., as well as risk of shareholding, and then verifies and evaluates the propriety of such shareholding.

Following items are verified through the quantitative analysis:

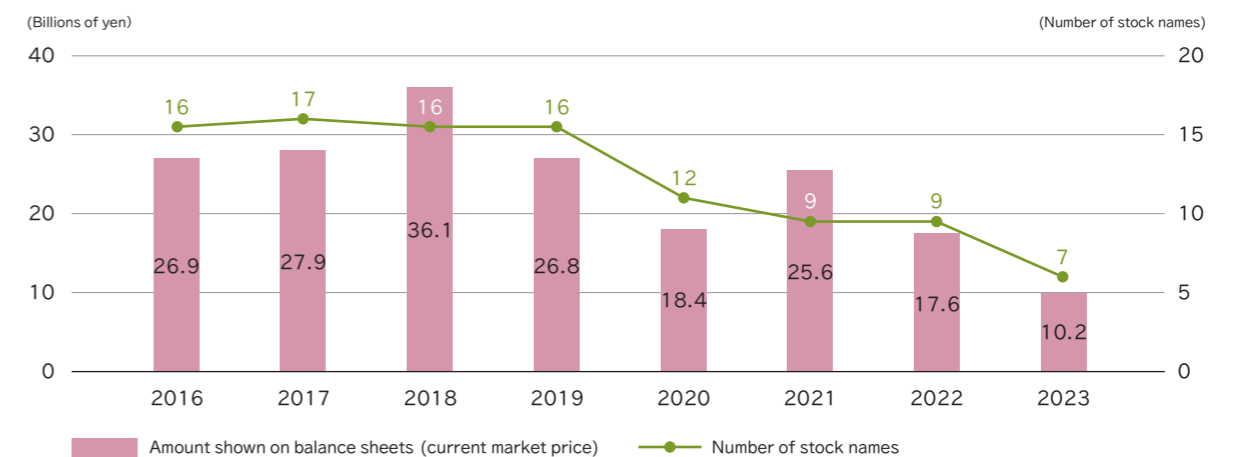
- 1 Balance of dividend earning rate and capital cost
- 2 Annual amount of transaction and amount of profits
- 3 Profit or loss from valuation of stock

Reduction of Cross-shareholdings

Regarding cross-shareholdings, the company passed a resolution at the Board of Directors held on May 12, 2022 to progressively sell off and reduce the stock names with a reduced need to be held to maintain business relations.

Specifically, at the fiscal year ended on March 31, 2022, the company sold off some shares of eight names out of nine held at the end of March 2022. We will continue to scrutinize the need to hold the stock names and sell off and reduce the names with a reduced need to be held.

Trends in Cross-shareholding



Sustainability (G)

Directors and Officers

Directors



President and
Representative Director
CEO
Yuta ARISAWA

CAREER HISTORY

Apr. 1992 Joined Mitsubishi Electric Corporation
Feb. 2002 Joined JPMorgan Securities Japan Co., Ltd.
Aug. 2003 Joined the Company
Apr. 2007 Assistant General Manager, Manufacturing Dept.
Apr. 2009 Operating Officer of the Company
Jun. 2010 Director and Senior Operating Officer of the Company
Jun. 2011 Director and Senior Managing Operating Officer of the Company
Jun. 2014 President, Representative Director of the Company (current)
Jun. 2015 Chief Operating Officer (COO) of the Company
Jun. 2017 Chief Executive Officer (CEO) of the Company (current)



Director
Senior Managing Operating
Officer supervising
Manufacturing Dept.
and Administration Dept.
Takeshi MASUDA

CAREER HISTORY

Oct. 1990 Joined the Company
Nov. 2003 Group Leader, Administration Planning Group
Jul. 2008 Assistant General Manager, Manufacturing Dept.
Oct. 2010 General Manager, Corporate Planning Dept.
Jun. 2011 Operating Officer of the Company supervising Corporate Planning Dept.
Jun. 2015 Operating Officer
Jun. 2021 Director and Senior Operating Officer of the Company
Jun. 2023 Director and Senior Managing Operating Officer of the Company (current)



Director
Senior Operating Officer
supervising Electronic Materials
Sales & Marketing Dept.; Div. Chief,
Business Promotion Div.;
Deputy Div. Chief,
Innovation Promotion Div.
Osamu NAKAJIMA

CAREER HISTORY

Apr. 1989 Joined Mitsui & Co., Ltd.
May 2011 Department Manager, Solar Business Div., Functional Chemicals Business Unit of Mitsui & Co., Ltd.
Apr. 2013 Department Manager, Advanced Materials Div., Functional Chemicals Business Unit of Mitsui & Co., Ltd.
Jul. 2014 Department Manager, Business Development Div., Basic Chemicals Business Unit of Mitsui & Co., Ltd.
Oct. 2015 Joined the Company as Operating Officer of the Company supervising Electronic Materials Sales & Marketing Dept.
Jun. 2016 Director and Senior Operating Officer of the Company (current)



Director
Senior Operating Officer
supervising Development
Support Dept. and Innovation Center
Preparatory Office; Div. Chief,
Innovation Promotion Div.;
Deputy Div. Chief,
Business Promotion Div.
supervising Analysis Center
Makoto TAI

CAREER HISTORY

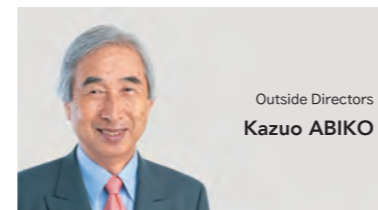
Apr. 1988 Joined Daiichi Denko Co., Ltd. (currently Sumitomo Electric Wintec, Inc.)
Mar. 2002 Joined the Company
Jul. 2006 Group Leader, Electronic Materials Group, Research & Development Dept.
Apr. 2010 Assistant General Manager, Electronic Materials Dept.
Apr. 2012 General Manager, Research & Development Dept.
Jun. 2015 Operating Officer of the Company supervising Electronic Materials Research & Development Dept.
Jun. 2019 Operating Officer
Jun. 2023 Director and Senior Operating Officer of the Company (current)



Outside Directors
Koji NAKAMURA

CAREER HISTORY

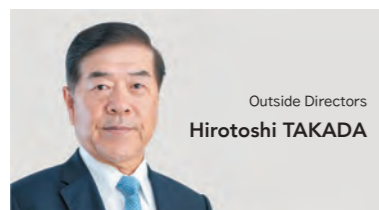
Apr. 1973 Joined Mitsui & Co., Ltd.
Apr. 2004 Managing Officer; Chief Operating Officer of Synthetic Resins and Inorganic Chemicals Business Unit
Apr. 2006 Executive Managing Officer; Chief Operating Officer of Chemicals Business Unit II
Apr. 2009 Senior Executive Managing Officer; Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit
Mar. 2011 Retired as Senior Executive Managing Officer
Aug. 2011 Corporate Auditor, SANKO Co., Ltd. (current)
Aug. 2016 Outside Director, Sanko Gosei Ltd. (current)
Jun. 2020 Director of the Company (current)



Outside Directors
Kazuo ABIKO

CAREER HISTORY

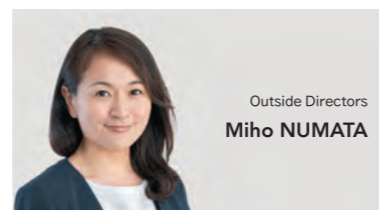
Nov. 1978 Joined Associated Press
May 1985 Deputy General Manager of Tokyo Studio
Jul. 2001 President, Foreign Correspondents' Club of Japan
Apr. 2004 General Manager of Tokyo Bureau, Associated Press
Jul. 2004 General Manager for Northeast Asia
Feb. 2010 Advisor
Sep. 2010 Part-time lecturer at Tokyo University of Foreign Studies
Sep. 2011 Part-time lecturer at Sophia University
Apr. 2015 Visiting Professor at Kanda University of International Studies
Jul. 2018 Auditor, Foreign Correspondents' Club of Japan
Jun. 2020 Director of the Company (current)



Outside Directors
Hirotohi TAKADA

CAREER HISTORY

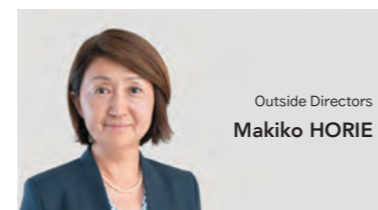
Mar. 1977 Joined NIPPON SEIKI CO., LTD.
Apr. 2003 Director and President, UK-NSI Co., Ltd.
Jun. 2005 Director, NIPPON SEIKI CO., LTD.
Jun. 2008 Managing Director
Apr. 2011 Representative Senior Managing Director
Apr. 2011 General Manager, Technical division
Jun. 2011 Chairman, Wuhan Nissei Display System Co., Ltd.
Mar. 2012 Chairman, Nissei Display Sales and Development Co., Ltd. (Shanghai)
Mar. 2013 President and Representative Director, NIPPON SEIKI CO., LTD.
Mar. 2014 Chairman, Dongguan Nissei Electronics Co., Ltd.
Apr. 2014 Chairman, Hong Kong Nippon Seiki Co., Ltd.
Jun. 2015 President and Representative Director, Executive Officer, NIPPON SEIKI CO., LTD.
Jul. 2015 Chairman, Hong Kong Ek Chor Nissei Co., Ltd.
Jul. 2015 Chairman, Shanghai Nissei Display System Co., Ltd.
Mar. 2016 Chairman and Director, Thai Nippon Seiki Co., Ltd.
Jun. 2017 Vice Chairman and Director, Executive Officer, NIPPON SEIKI CO., LTD.
Jun. 2021 Director of the Company (current)



Outside Directors
Miho NUMATA

CAREER HISTORY

Dec. 2009 Registered as an attorney at law and joined NUMATA LAW OFFICE
Jun. 2016 Representative (current)
Apr. 2018 Civil Conciliation Commissioner, Tokyo Summary Court (current)
Jun. 2020 Outside Corporate Auditor, Tokyo Boeki Holdings Corporation (current)
Jun. 2021 Director of the Company (current)



Outside Directors
Makiko HORIE

CAREER HISTORY

Apr. 1990 Joined Nomura Securities Co., Ltd.
May 1995 Joined Merrill Lynch Investment Managers Ltd. (currently BlackRock Japan Company, Ltd.)
May 2016 Joined Value Create Inc.; Partner
Oct. 2021 Joined SDG Impact Japan Inc.; Partner (current)
Jun. 2023 Director of the Company (current)

Corporate Auditor



Full-time Corporate Auditor
Hisashi MASUMURA

CAREER HISTORY

Nov. 1987 Joined the Company
Jul. 2005 Group Leader, Human Resources Group, Human Resources Dept.
Jul. 2008 Group Leader, Administration Planning Group, Corporate Planning Dept.
Oct. 2010 Assistant General Manager, Manufacturing Dept.
Apr. 2012 General Manager of Human Resources Dept.
Apr. 2018 General Manager of Human Resources Dept. and General Affairs Dept.
Oct. 2020 General Manager, General Affairs Dept.
Jun. 2022 Full-time Corporate Auditor of the Company (current)



Outside Corporate Auditor
Koichiro TANAKA

CAREER HISTORY

Oct. 1987 Joined Tohmatsu Aoki & Sanwa (presently Deloitte Touche Tohmatsu LLC)
Mar. 1991 Registered as Certified Public Accountant
Aug. 1998 Resident Representative of Dalian Office, U.S. Deloitte Touche Tohmatsu (Office Head)
Sep. 2002 Managing Director of the Japanese Operations Dept. in South China of Shenzhen Office in China, Deloitte Touche Tohmatsu Limited
Dec. 2003 Director and Executive Officer; Partner supervising China Business and in charge of Public Communication, Corporate Finance Dept. of Deloitte Touche Tohmatsu (presently Deloitte Tohmatsu Financial Advisory LLC)
Jun. 2014 Retired from Deloitte Touche Tohmatsu LLC
Jul. 2014 Established Tanaka Sogo Accountant Office, Representative Director (current)
Mar. 2017 Outside Corporate Auditor, ODWARA ENGINEERING CO., LTD. (current)
Jun. 2018 Auditor, Japan Automobile Research Institute (current)
Jun. 2020 Corporate Auditor of the Company (current)



Outside Corporate Auditor
Koichi YOKOTA

CAREER HISTORY

Nov. 1996 Registered as Certified Public Tax Accountant
Apr. 2003 Director, Takada Branch of Kanto-Shinetsu Certified Public Tax Accountant's Association
Jan. 2004 Head, Yokota Accountant Office (current)
Apr. 2019 General Manager, Takada Branch of Kanto-Shinetsu Certified Public Tax Accountant's Association
Jun. 2020 Corporate Auditor of the Company (current)
Apr. 2021 Managing Director, Niigata Prefecture Branch Federation of Kanto-Shinetsu Certified Public Tax Accountant's Association (current)

Operating Officer (excluding those serving concurrently as directors)

Yoshifumi ARA

Senior Operating Officer supervising Performance Materials Sales & Marketing Dept.; Deputy Division Chief, Business Promotion Div.

Takeshi AIZAWA

Operating Officer supervising Procurement Dept. and Quality Assurance Dept.; Deputy Division Chief, Administration Div.

Shuichi FUJITA

Operating Officer supervising Functional Films Development Dept., Laminate Materials Development Dept., Molding Materials Development Dept. and Process Technology Dept.; Deputy Division Chief, Innovation Promotion Div.

Takao MOCHIZUKI

Operating Officer supervising Manufacturing Dept. (principal) and Innovation Center Preparatory Office (sub); Deputy Division Chief, Manufacturing Div.

Shuichi KUBOTA

Operating Officer supervising Corporate Strategy Dept.; Deputy Division Chief, Administration Div.

Takahito TANABE

Operating Officer supervising Manufacturing Engineering Dept. and Manufacturing Dept. (sub); Deputy Division Chief, Manufacturing Div.

Kazumi IKEDA

Operating Officer supervising General Affairs Dept. and Human Resources Dept.; Deputy Division Chief, Administration Div.

Company Overview

Company profile

(As of Mar. 31, 2023)

Company Name	Arisawa Mfg. Co., Ltd.		
Head Office	Minami-honcho 1-5-5, Joetsu-shi, Niigata-ken		
Inauguration	April 8, 1909		
Establishment	July 1, 1949		
Lines of Business	Manufacture and sales of electronic materials, industrial structural materials, electrical insulating materials, display materials, and so forth.		
Capital	7,847,873 thousand yen		
Number of Employees	1,458 (Non-Consolidated: 599)		
Fiscal Year-end (Business year)	April 1 to March 31 of the following year each year		
Securities Code	5208		
Market Division	Listed on Prime Market of Tokyo Stock Exchange		
Ordinary General Meeting of Shareholders	To be held in June each year		
Independent Audit Corporation	Ernst & Young ShinNihon LLC		
Transfer agent	Sumitomo Mitsui Trust Bank, Limited (1-4-1, Marunouchi, Chiyoda-ku, Tokyo)		
Major Shareholders and Number of Stocks Held	Full name or corporate name	Number of shares held	Shareholding ratios (%)
	The Master Trust Bank of Japan, Ltd. (Trust account)	4,246,400	12.80
	INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP	2,404,800	7.25
	Mitsubishi Gas Chemical Company, Inc.	1,472,166	4.43
	Custody Bank of Japan, Ltd. (Trust account)	1,186,200	3.57
	Arisawa Kenko Ltd.	834,338	2.51
	Daishi Hokuetsu Bank, Ltd.	743,903	2.24
	The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account and Mitsubishi Electric Corporation account)	530,536	1.59
	Sanji Arisawa	451,069	1.35
	Nippon Life Insurance Company	388,822	1.17
	Yoko Mori	378,180	1.14

Arisawa Mfg. Co., Ltd. official website

<https://www.arisawa.co.jp/en/index.html>


Company

https://www.arisawa.co.jp/en/co_profile/index.html

Sustainability

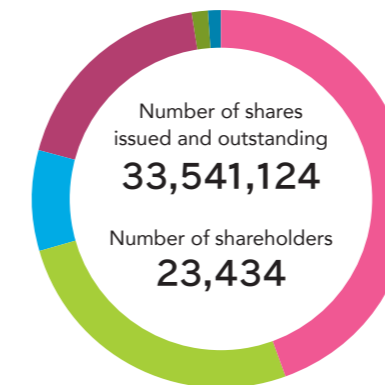
<https://www.arisawa.co.jp/en/csr/environment.html>

IR/Financial

<https://www.arisawa.co.jp/en/ir/index.html>

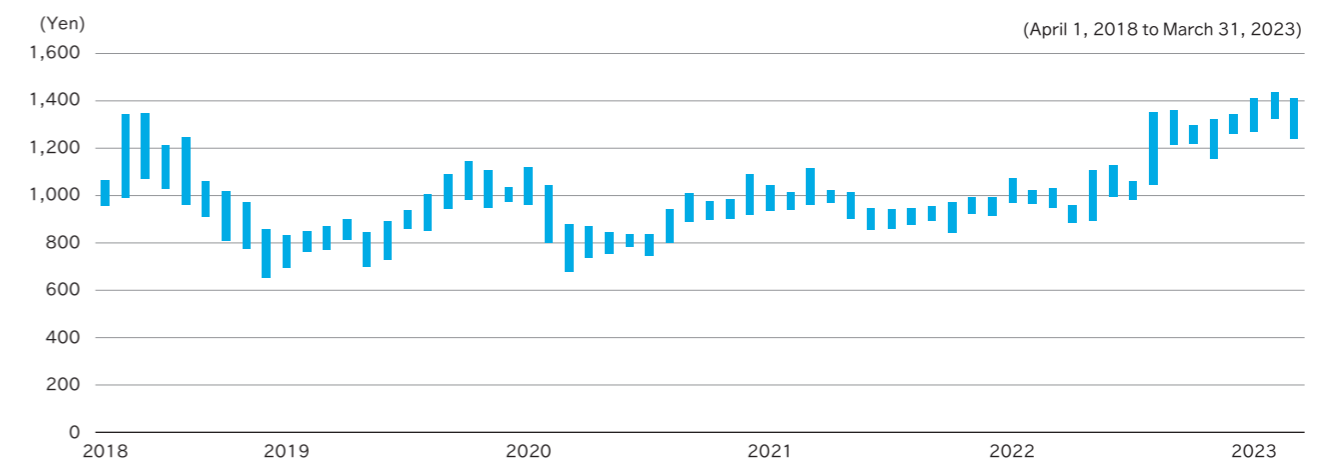
Stock Status

(As of March 31, 2023)



Individuals and others	44.6%
Financial institutions	26.1%
Other domestic corporations	8.7%
Foreign individuals	18.2%
Financial instruments business operators	1.3%
Treasury shares	1.1%

Trends in Stock Price and Dividend



	FY2018	FY2019	FY2020	FY2021	FY2022	
Basic earnings per share (yen)	79.15	6.14	64.94	117.40	86.46	
Dividend per share (yen)	30.00	30.00	39.00	95.00	90.00	
Total return ratio (%)	38.0	488.6	60.1	100.3	104.1	
Share price (yen)	Highest	1,350	1,148	1,118	1,072	1,438
	Lowest	655	680	738	844	885
	Fiscal year-end	793	802	1,000	957	1,254
Dividend yield (%) [※]	3.8	3.7	3.9	9.9	7.2	

※Dividend yield = dividend amount per share ÷ stock price at the end of fiscal year



Where Future Pieces Arise



Arisawa Mfg. Co., Ltd.

〒943-8610

Minami-honcho 1-5-5, Joetsu-shi, Niigata-ken

<https://www.arisawa.co.jp/>