

Securities Code 5208

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

29th Oct, 2020

Medium-Term Business Plan

(FY2020 — FY2024)

Arisawa Mfg. Co., Ltd.

Management policy

**On the basis of the motto "Creation, Innovation and Challenge",
we pledge to:**

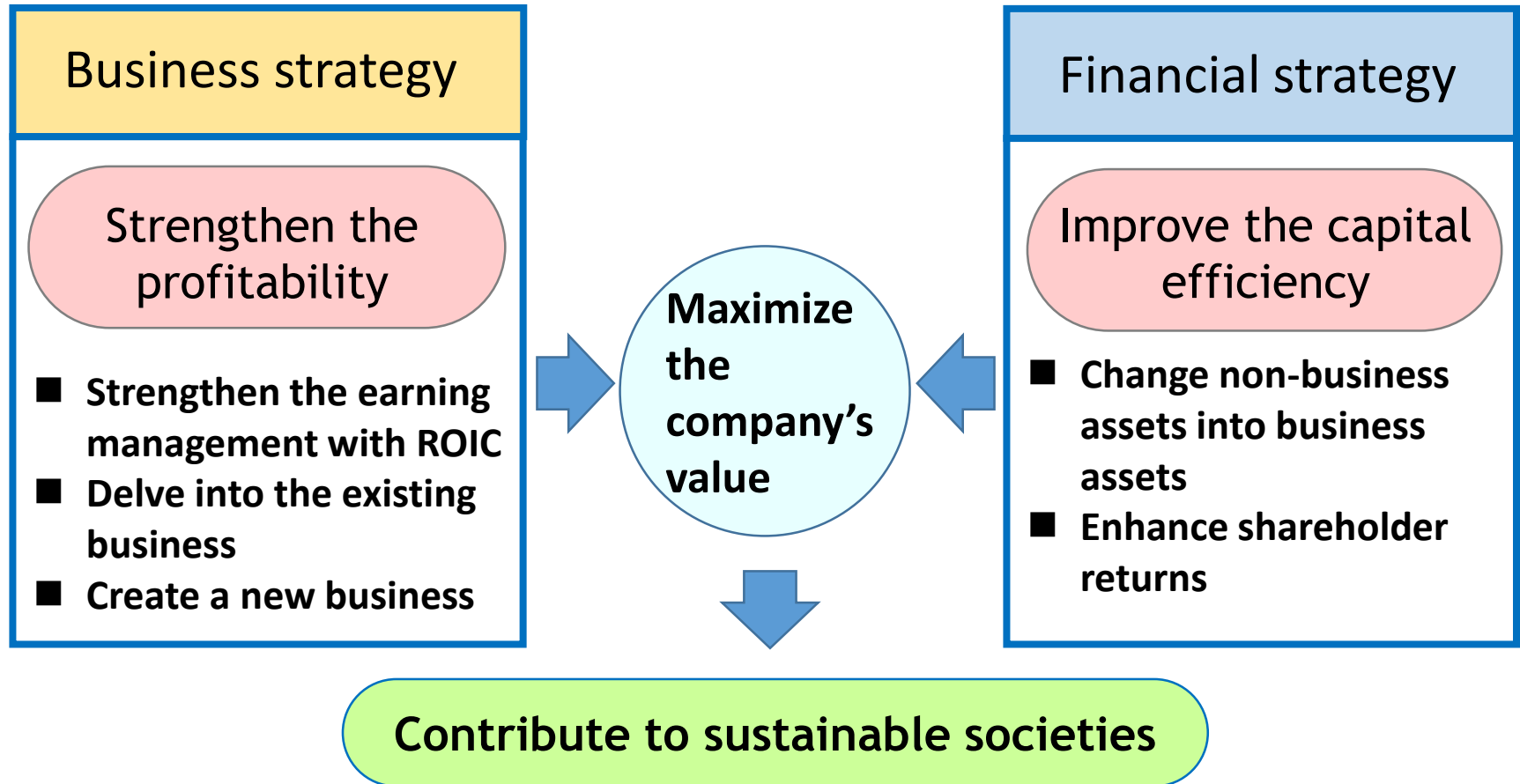
- I create new values and enhance customer satisfaction;**
- II discover customer demands and create new businesses
with our creative technologies; and**
- III strengthen corporate structure by improving our quality
and productivity.**

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I Policy of Medium-term business plan

Introduce ROIC as a new benchmark for business management, and maximize the company's value with both business strategy and financial strategy.



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II Business Strategy

Enhance the profitability with “Delving into the existing business” and “creating a new business”.

Delving into the existing business	Creating a new business
<ul style="list-style-type: none"> ■ <u>Development of differentiated products with the unique technology</u> ■ Thorough cost reduction ■ Improvement of the production capability and efficiency 	<ul style="list-style-type: none"> ■ <u>External growth by flexible M&A</u> ■ Internal growth by new product development using the existing technology
<ul style="list-style-type: none"> ● Development of a new use and field in cooperation with our group companies 	



Strengthen the
profitability

II -1-1 Electronics raw materials segment

Aim for growth in the core business fields as two strategies

Delving into the existing business

Enhance the business in mobile field

- Create customer value with unique products and grow continuously
- Develop new products in cooperation with our group companies and move forward with overseas expansion

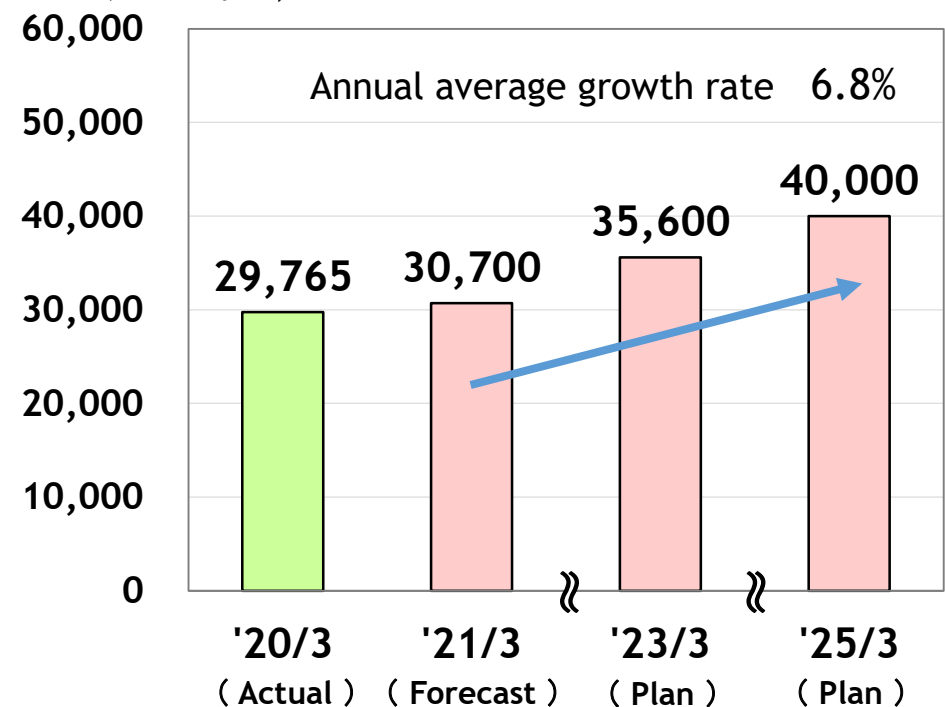
Creating a new business

Develop a business in semiconductor and in-car field

- Develop new products and enter a new field
- Expand businesses in growing fields by enhancing competitiveness of production and technology



Sales (Million yen)



II -1-2 Industrial raw materials, Insulation materials segment

Aim for more growth by developing unique products

Delving into the existing business

Enhance the business in transportation infrastructure field

- In-car : Differentiation with unique technologies, new entry to the market
- Aircraft : Increasing added value by anticipating needs

Expand the profits in water treatment field

- Creating new demands by developing high-performance products

Creating a new business

Develop a business in insulation materials

- Focus on high thermolysis and superconduction



Sales (Million yen)

25,000

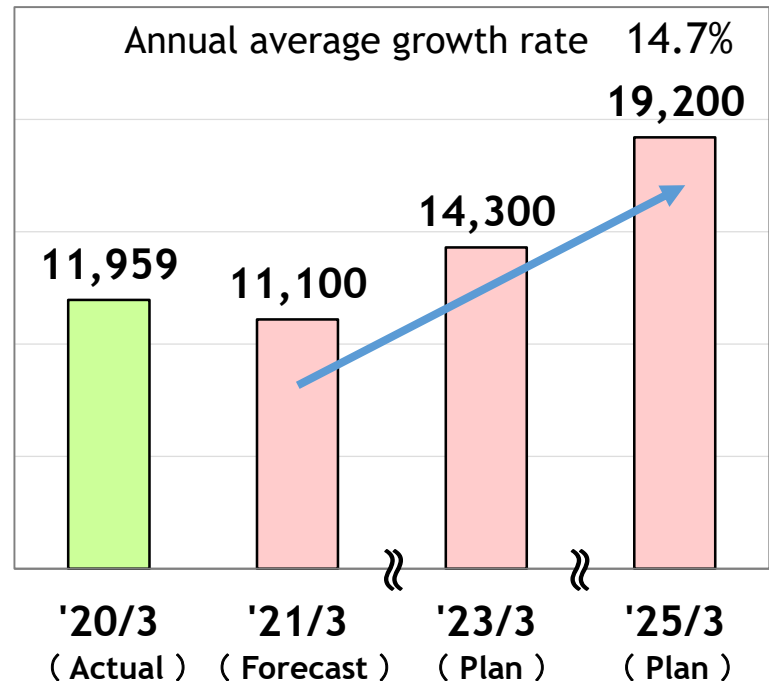
20,000

15,000

10,000

5,000

0



II -1-3 Display materials segment

Aim for growth by enhancing unique technology

Delving into the existing business

Enhance the business in high-definition display for medical use

- Expand the share in endoscope and microscope, and acquire overseas customers
- Expand sales channels for telemedicine and robotic use
- Meet the needs for higher definition display

Creating a new business

Develop a business in a new field

- Develop next-generation in-car display materials and new pasting technologies
- Develop a new touchless sensor display and expand its sales channels



Sales (Million yen)

5,000

4,000

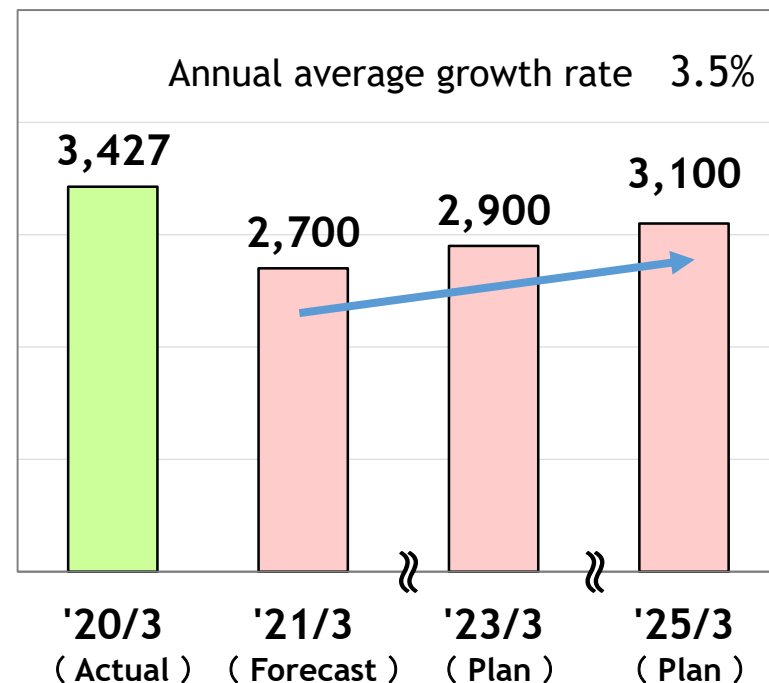
3,000

2,000

1,000

0

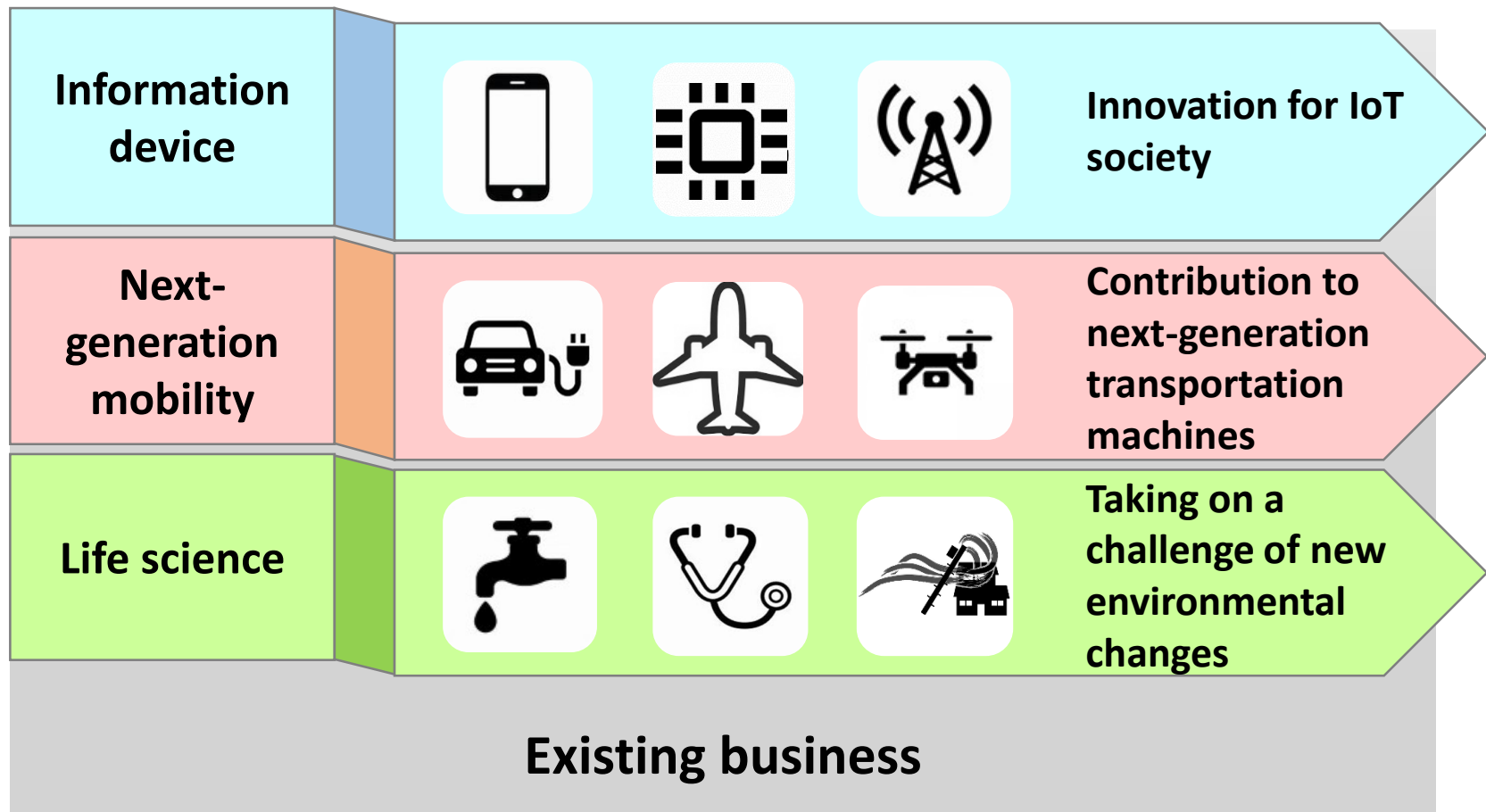
Annual average growth rate 3.5%



II -2 Priority fields for differentiated products

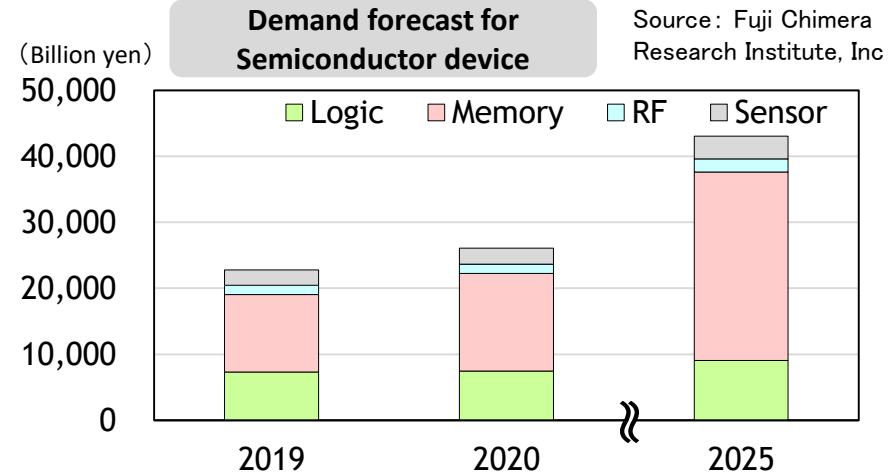
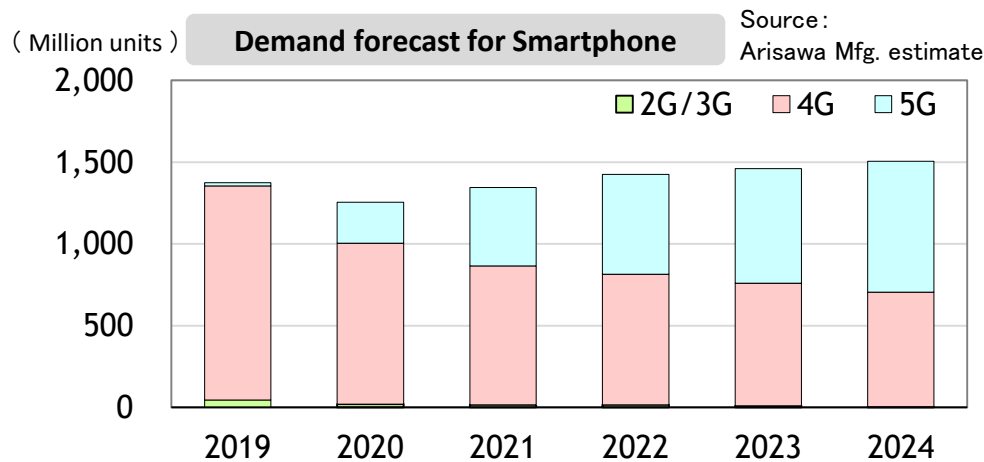
Priority fields

Develop differentiated products with a focus on the fields where growth is expected.



II -2-1 Information device field

Change in a business environment



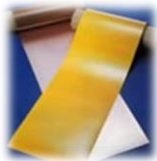
High speed broadband

Increase in
sensor and camera

Semiconductor
performance increase

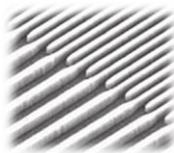
Expansion of
IoT society

Promotion of development of differentiated products



FPC materials for
high frequency wave (5G)

Insulation film for
semiconductor substrate



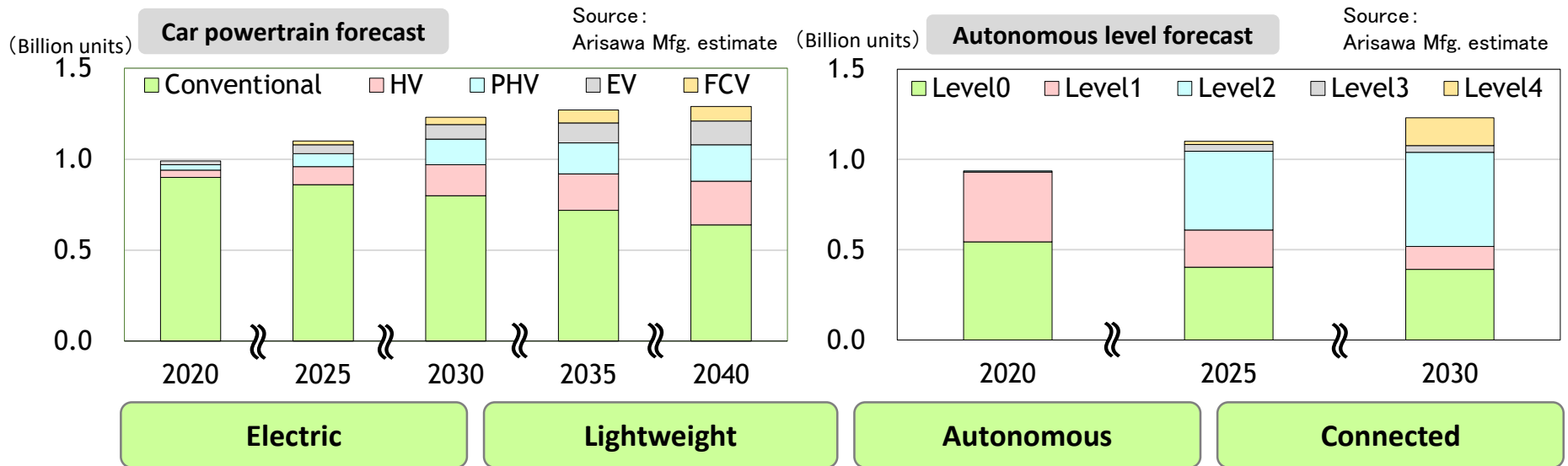
FPC materials for
micro wiring

Protection film for
semiconductor fabrication

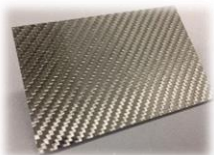


II -2-2 Next-generation mobility field

Change in a business environment

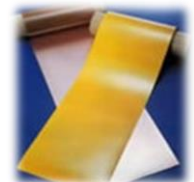


Promotion of development of differentiated products



Carbon fiber structural materials

FPC materials for high speed transmission



Battery-related materials

In-car screen materials



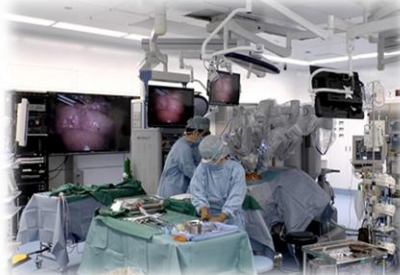
II -2-3 Life science field

Noticeable environment change

Fields where we can take advantage of our technologies



Water treatment



Medical



Disaster countermeasures



Infection prevention

Promotion of development of differentiated products



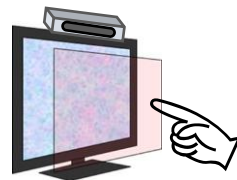
Materials for high pressure water treatment

High-definition display for medical use



Reinforcing materials for multiple use

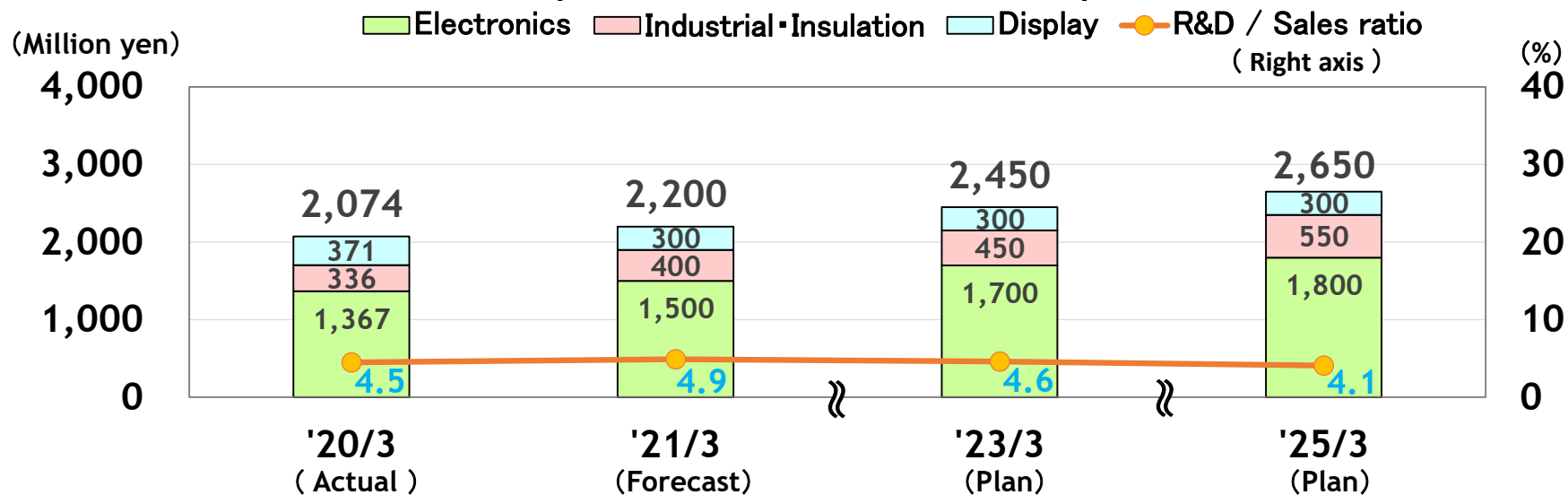
Touchless sensor display



II -3 Research and development investment

R&D expenditure

Increase the R&D expenditure to promote the development of differentiated products.



Priority products to be developed

Electronics raw materials

- FPC materials for high speed transmission
- FPC materials for high frequency wave (5G)
- FPC materials for micro wiring
- Materials for semiconductor

Industrial structural materials Electrical insulating materials

- Battery-related materials
- Carbon fiber structural materials
- Materials for high-pressure water treatment

Display materials

- High-definition display for medical use
- In-car screen materials
- Touchless sensor display

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III-1 Financial strategy

Improve the capital efficiency by making effective use of cash-flow and promoting to change non-business assets into business assets.

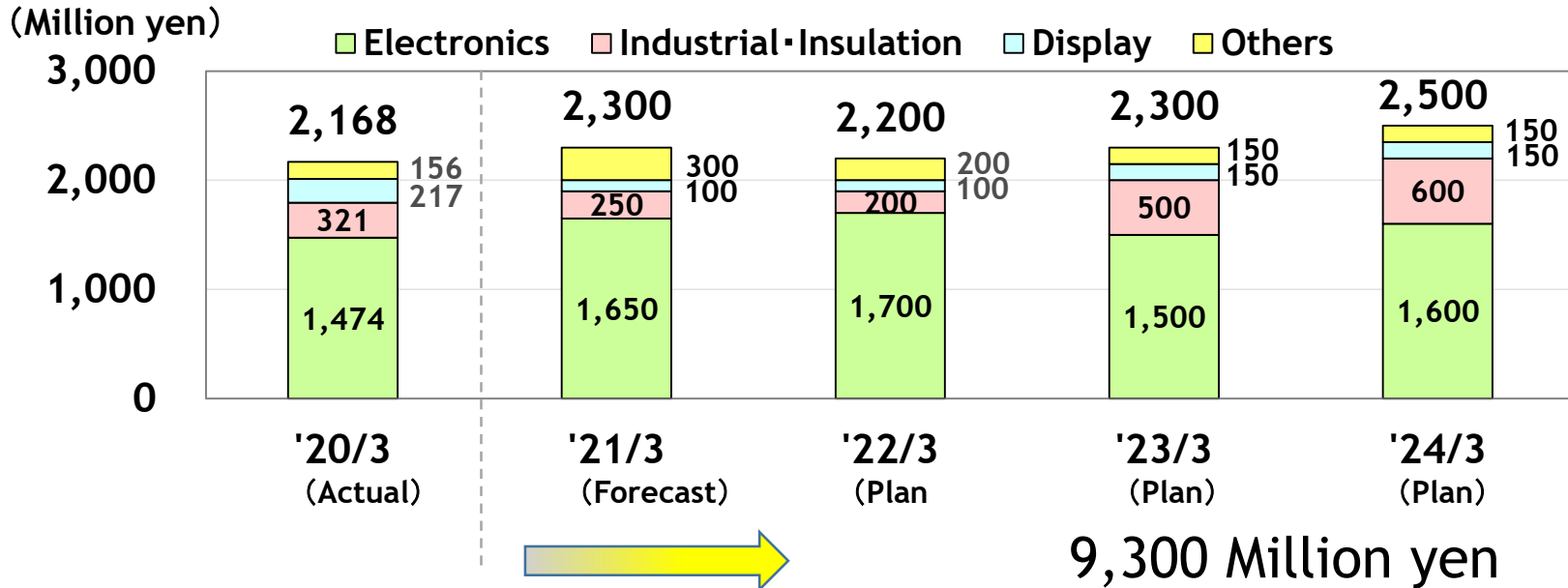
① Capital investment	② Shareholder return	③ Strategic investment
<p>Delving into the existing business</p> <ul style="list-style-type: none"> ■ Keeping / Expanding the revenue base ■ Development for new use 	<p>Stable/Aggressive return</p> <ul style="list-style-type: none"> ■ Two-tier dividend <ul style="list-style-type: none"> ■ Fixed dividend (20 yen) + Performance-based dividend ■ Share repurchase: To consider appropriately ■ Total return ratio : Over 60% 	<p>M&A・New business</p> <ul style="list-style-type: none"> ■ Researching options which maximize the synergy with the existing business ■ New product development based on the existing technologies



Improve the capital efficiency

III-2 Capital investment

Capital investment for keeping and expanding the existing business



Major investment plan (4 years)

Enhancement of production capability
 Improvement of production process
 New product development

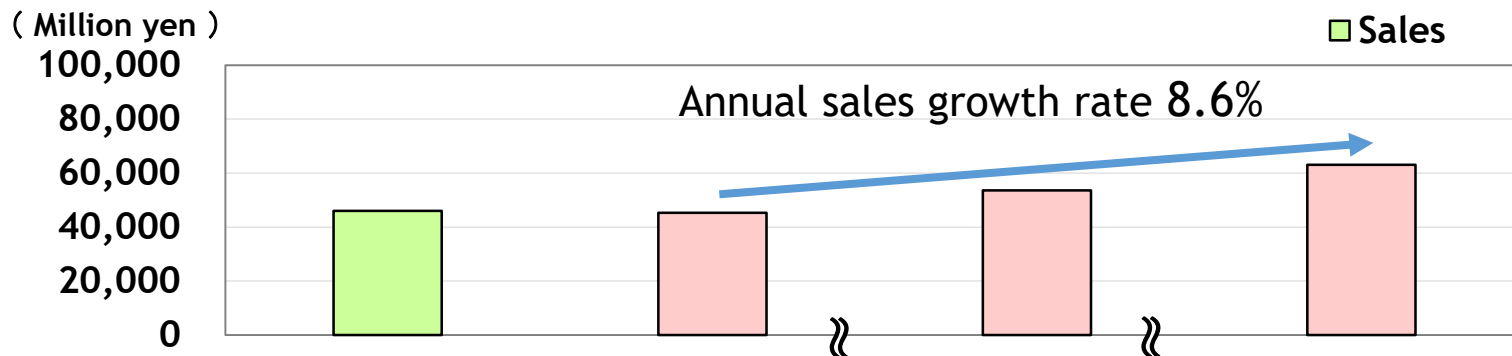
4,300 Million yen
 1,000 Million yen
 1,150 Million yen

Ⅲ-2 Target figures to be achieved within the period of this Medium-term business plan

Promote the aforementioned business strategy and financial strategy, and set the following figures as the target

ROIC over 6.0% (2025/3)

← '20/3 WACC 5.35% *1



(Million yen)	'20/3 (Actual)	'21/3 (Forecast)	'23/3 (Plan)	'25/3 (Plan)
Sales	45,970	45,300	53,600	63,100
Operating Profit	2,762	2,400	3,700	5,100
Operating Margin (%)	6.0	5.3	6.9	8.1
NOPLAT	2,025	1,750	2,700	3,700
Shareholder's equity + Interest-bearing debt	54,493	54,750	56,700	60,000
ROIC (%) *1	3.6	3.2	4.8	6.3

*1 By our own calculation based on a third party organization's calculated value

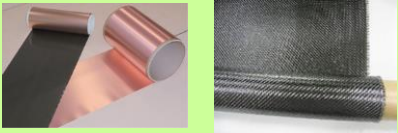

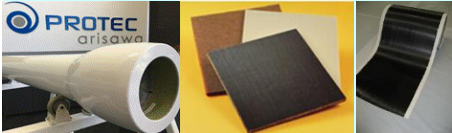

*2 ROIC(Return on invested capital)=NOPLAT(Net Operating Profit Less Adjusted Tax) / (Shareholder's equity + Interest-bearing debt)

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IV-1 Sustainable Development Goals (SDGs)

Select themes which influence customers, society and environment.
Then aim for contribution to the society through our business.

Goals for contribution to society	Addressing climate change	Prosperous life for all the people	Resource circulation and Efficiency				
<p>Important themes and our contribution story</p>	<p>Renewable · decarbonized energy</p>  <p>Contribution to CO₂ emission control by supplying materials for FCV and EV. Contribution to development of decarbonized energy.</p>	<p>Life innovation · Safety</p>  <p>Contribution to the realization of people's health and prosperous life by supplying materials for autonomous and medical fields.</p>	<p>Energy saving · Resource saving</p>  <p>Contribution to energy saving and resource saving by supplying materials for EV, solar power generation, water treatment and weight saving for aircraft.</p>				
<p>Related global goals</p>							

IV-2-1 Corporate governance

Improve the governance system to execute the business plan

Actions to reform (already implemented)

Implemented each action, and proceeded to improve the governance

- Assessment of the effectiveness of the board of directors by the third party
- Increase in the outside directors rate
- Introduction of performance-based director's remuneration
- Establishment of the voluntary nomination and compensation committee

Future enhancement points

**Further enhance the governance system,
and implement actions to stimulate the board of directors**

- Further increase in the outside directors rate
- Ensuring the diversity including gender
- Enhancement of the effectiveness of the voluntary nomination and compensation committee

IV-2-2 History of improving corporate governance

Fiscal year	Item	Board of directors			Board of auditors		Corporate officers	
		In side	Out side	Outside rate	In Side	Out side	In side	(Served as directors)
2014		6	2	25%	1	2	11	6
2015	• Issuance of the corporate governance report	5	2	29%	1	2	11	5
2016	• Self-assessment of the effectiveness of the board of directors	5	2	29%	1	2	11	5
2017		5	2	29%	1	2	12	5
2018		5	2	29%	1	2	12	5
2019	• Non-renewal of the anti-takeover measures • Establishment of the nomination and compensation committee (Voluntary advisory body)	4	2	33%	1	2	11	4
2020	• Assessment of the effectiveness of the board of directors by the third party • Introduction of the online voting by shareholders	4	3	43%	1	2	11	4

This material is based on information available at the time of presentation, and contains forward-looking statements which involve risks and uncertainties that could cause actual results to differ materially from those presented in the forward-looking statements. Therefore, there is no assurance that any forward-looking statements in this material will be realized. Final investment decisions should be made at your discretion.