

Securities Code 5208

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

12th May, 2022

Medium-Term Business Plan

(FY2020 — FY2024)

Arisawa Mfg. Co., Ltd.

Management policy

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

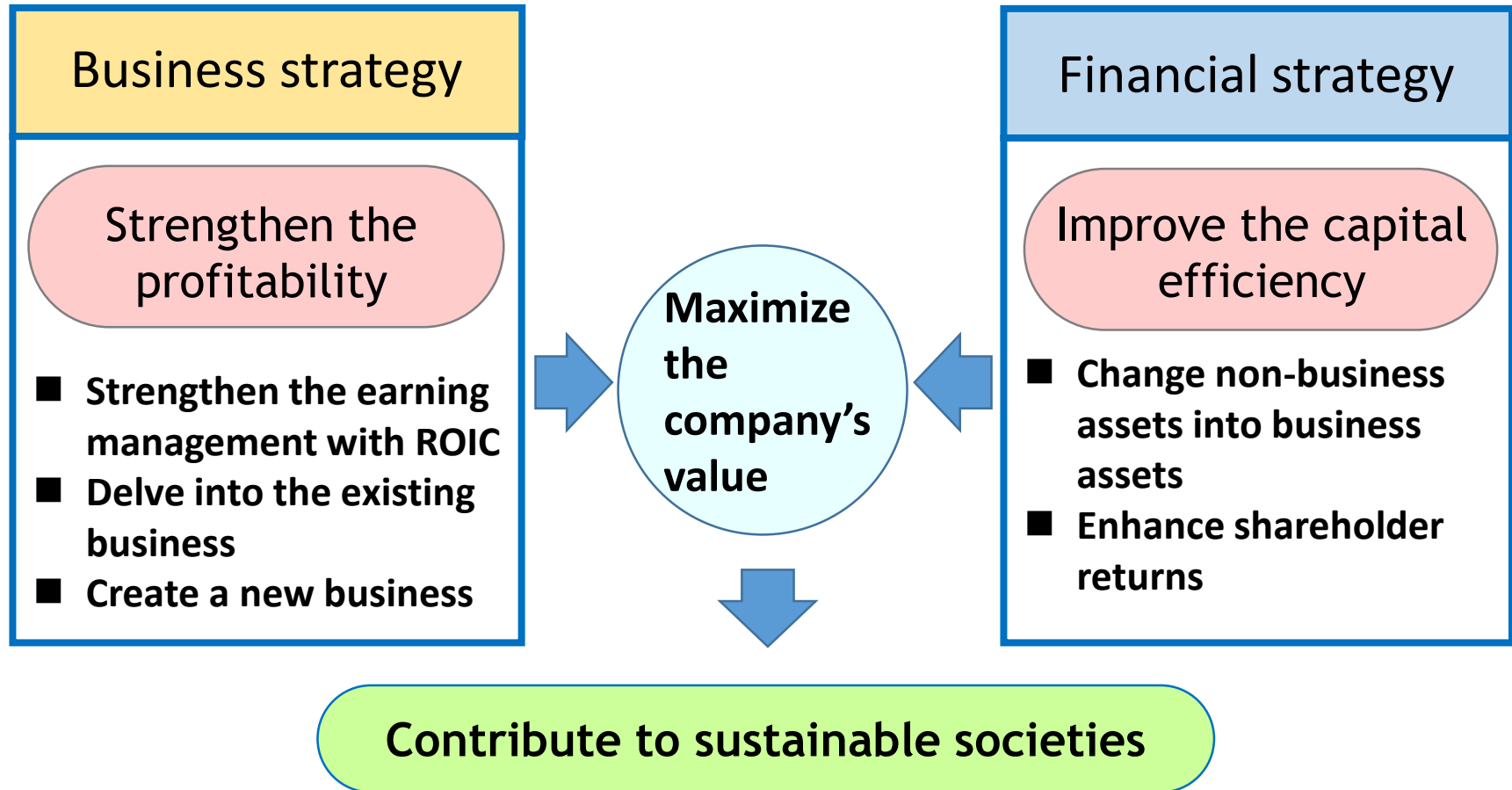
- I create new values and enhance customer satisfaction;**
- II discover customer demands and create new businesses
with our creative technologies;**
- III strengthen corporate structure by improving our quality
and productivity ; and**
- IV contribute to solving the social and environmental issues,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

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I Policy of Medium-term business plan

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



Strengthen the profitability

II -1-1 Electronic materials segment

Aim for growth in the core business field by 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 strengthen business foundation in Asian market

Creating a new business

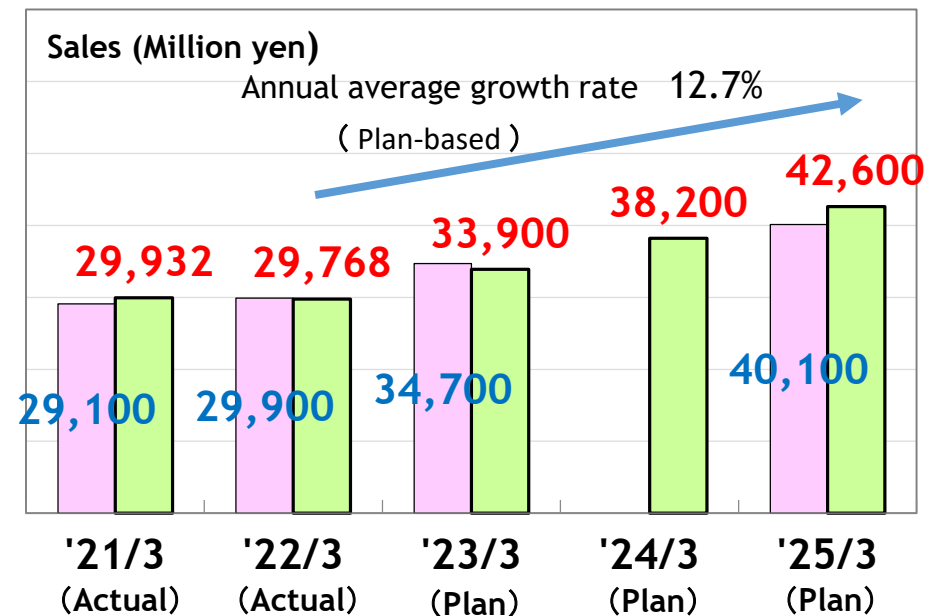
Develop a business in semiconductor and in-car field

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



Medium-Term business plan

As of '21.5.6 (pink bar) As of '22.5.12 (green bar)



Expect an increase in a demand for semiconductor field compared with the figures as of '21.5.6

※No published figure for '24/3 on '21.5.6

II -1-2 Industrial structural 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 into 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

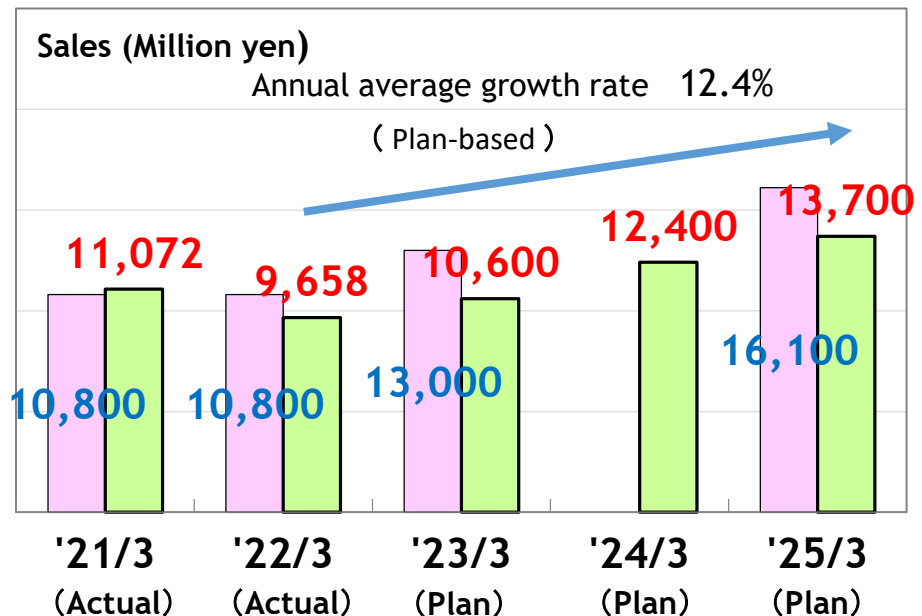
Creating a business in new energy field

- New entry and development for creating a business in hydrogen energy and superconducting field



Medium-Term business plan

As of '21.5.6 (pink bar) As of '22.5.12 (green bar)



Forecast that a reduction in production for the aircraft industry is prolonged compared with the figures as of '21.5.6

※No published figure for '24/3 on '21.5.6

5/22

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



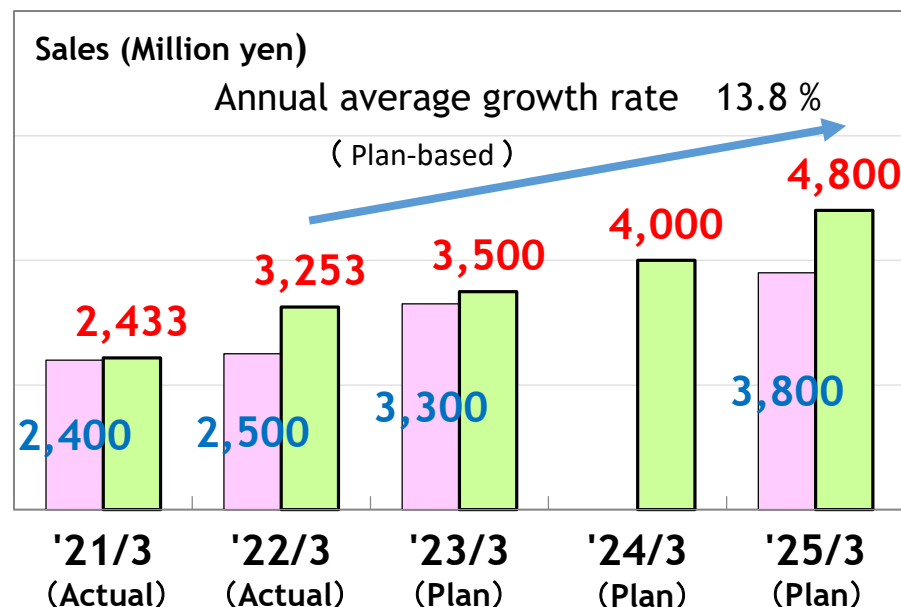
Medium-Term business plan

As of '21.5.6 (pink bar) As of '22.5.12 (green bar)

Creating a new business

Develop a business in a new field

- Develop use of 3D filter in non-medical field



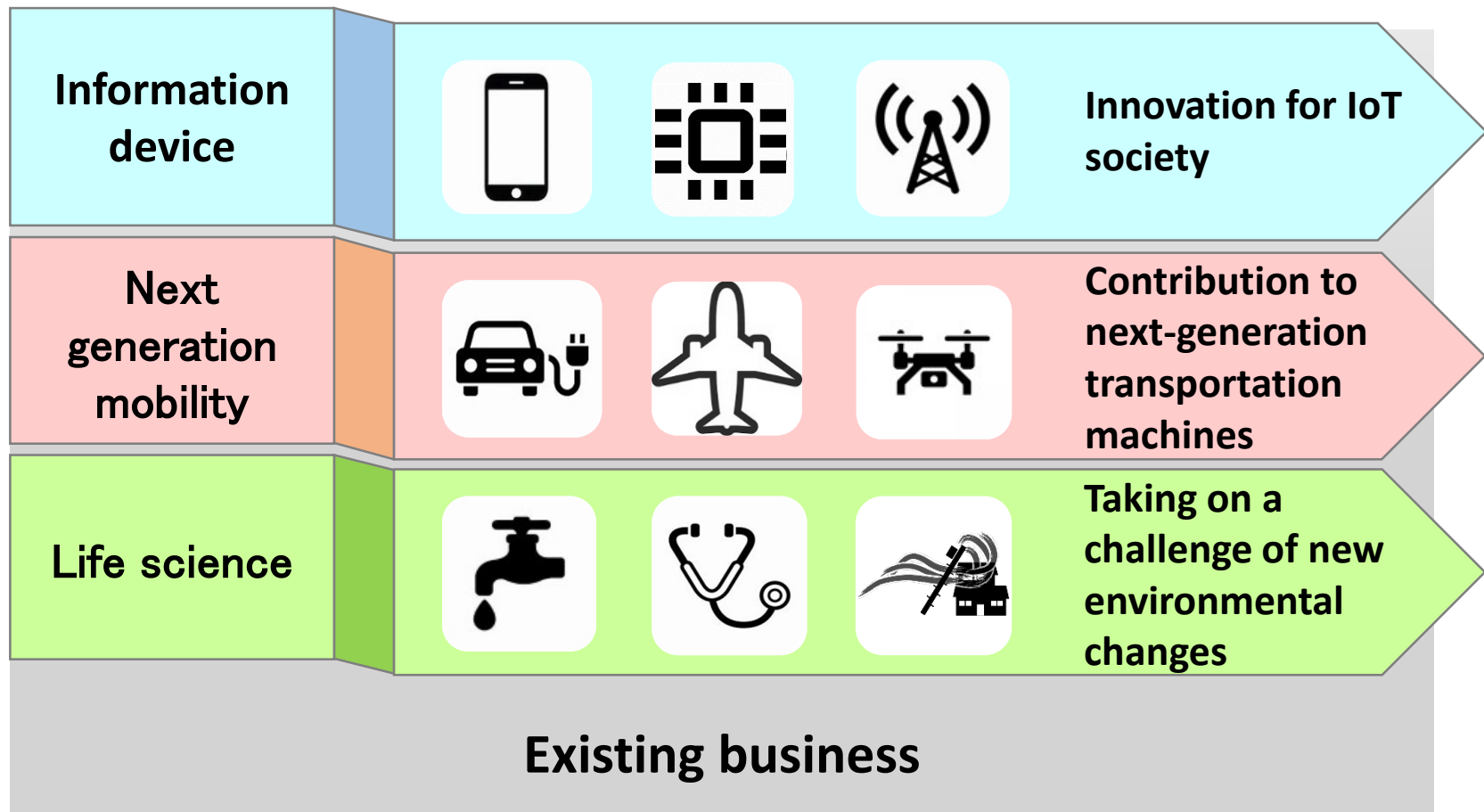
Expect an expansion of use of 3D filter compared with the figures as of '21.5.6

※No published figure for '24/3 on '21.5.6

II -2 Priority fields for differentiated products

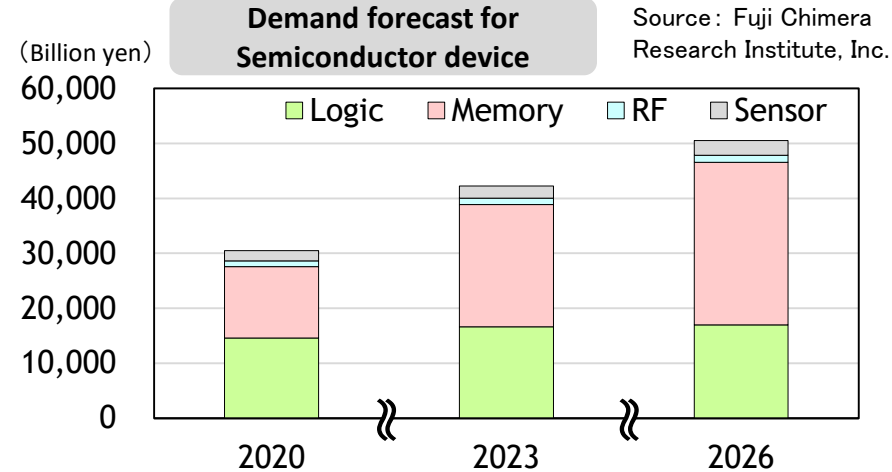
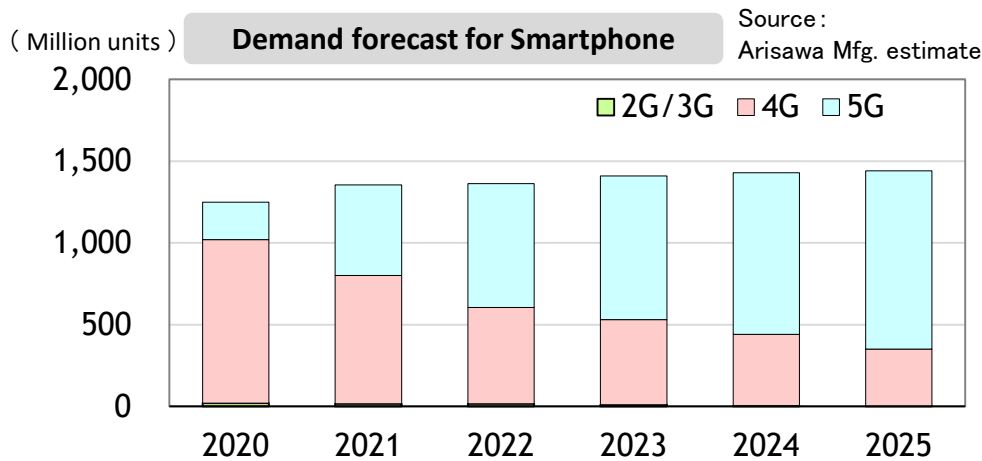
Priority fields

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



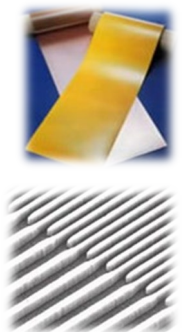
II -2-1 Information device field

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

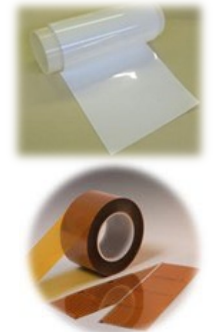


FPC materials for high frequency wave (5G)

FPC materials for micro wiring

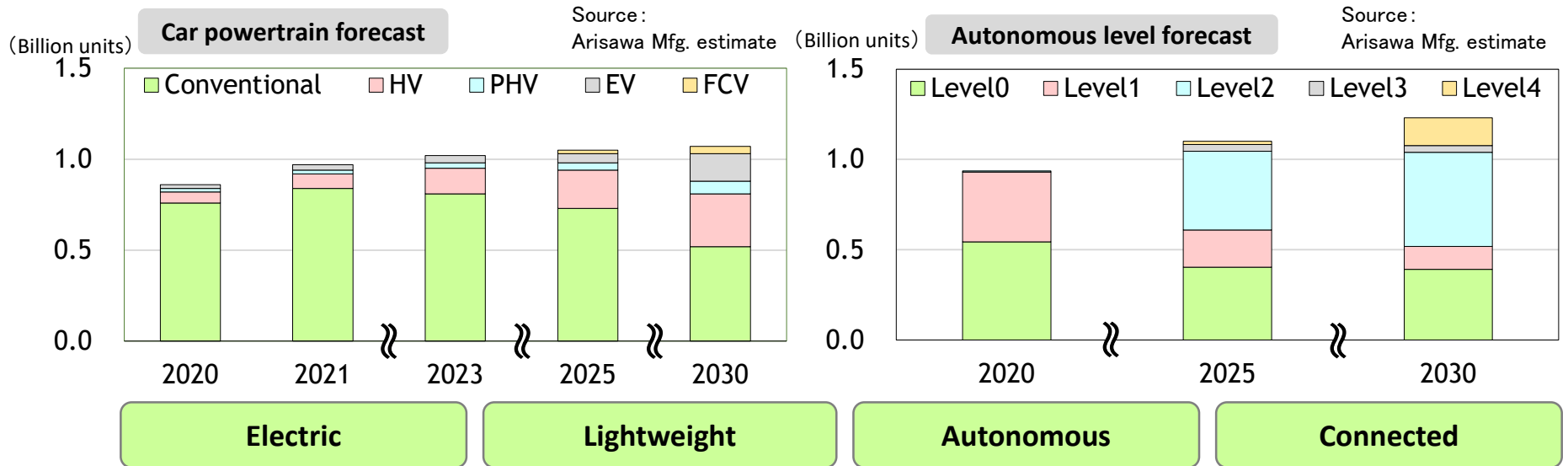
Insulation film for semiconductor substrate

Protection film for semiconductor fabrication

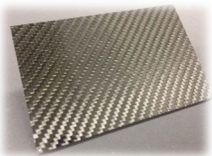


II -2-2 Next-generation mobility field

Change in a business environment

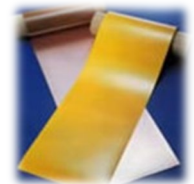


Promotion of development of differentiated products



Carbon fiber structural materials

FPC materials for high speed transmission



Battery-related materials

Hydrogen energy related materials



II -2-3 Life science field

Noticeable environment change

Fields where we can take advantage of our technologies



Water treatment



Medical



Disaster countermeasures

Promotion of development of differentiated products



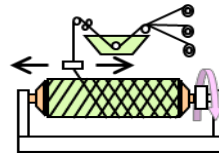
Materials for high pressure water treatment

High-definition display for medical use



Reinforcing materials for multiple use

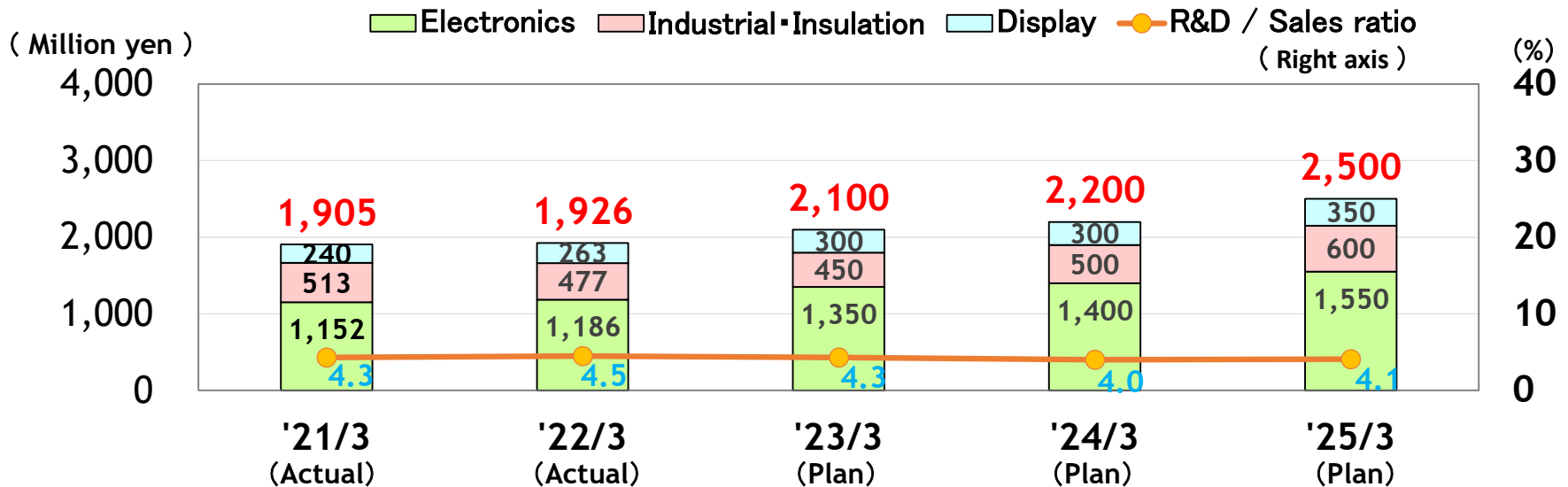
Application product of filament winding



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

Electronic materials	Industrial structural materials Electrical insulating materials	Display materials
<ul style="list-style-type: none"> ■ FPC materials for high speed transmission ■ FPC materials for high frequency wave (5G) ■ FPC materials for micro wiring ■ Materials for semiconductor 	<ul style="list-style-type: none"> ■ Hydrogen energy related materials ■ Carbon fiber structural materials ■ Materials for high-pressure water treatment 	<ul style="list-style-type: none"> ■ High-definition display for medical use ■ In-car screen materials ■ Functional film materials

Ⅱ -4 Target figures to be achieved within the period of this Medium-term business plan

Promote the aforementioned business strategy and set the following figures as the target.

ROIC over 6.0% (2025/3)

← '22/3 WACC 5.76% *1

(Million yen)

100,000

80,000

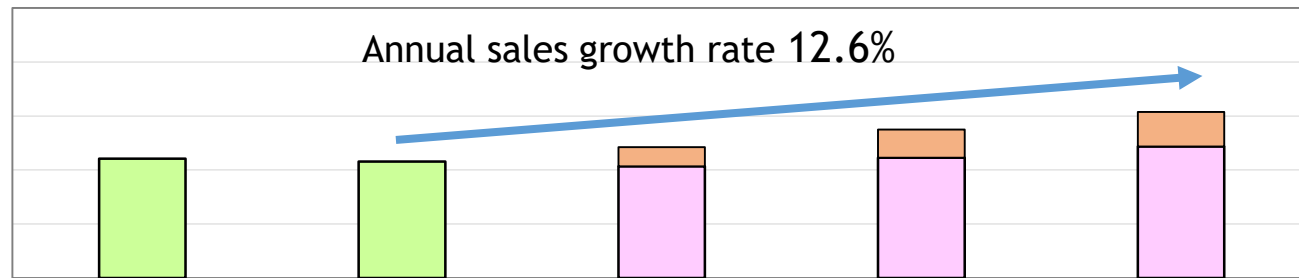
60,000

40,000

20,000

0

□ Sales of existing products □ Sales of new products



After application of Revenue Recognition Standard	'21/3 (Actual)	'22/3 (Actual)	'23/3 (Plan)	'24/3 (Plan)	'25/3 (Plan)
Sales	44,165	43,089	48,400	54,900	61,500
Operating Profit	3,170	3,320	3,400	4,400	5,400
Operating Margin (%)	7.2	7.7	7.0	8.0	8.8
NOPLAT	2,314	2,424	2,500	3,200	3,900
Shareholder's equity + Interest-bearing debt	54,557	56,859	56,000	58,200	59,900
ROIC (%) *2	4.2	4.4	4.4	5.6	6.6

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

* 2 NOPLAT (Net Operating Profit Less Adjusted Tax) / (Shareholder 's equity + Interest-bearing debt)

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III Financial strategy

Improve the capital efficiency by making effective use of cash-flow, promoting to change non-business assets into business assets and implementing an aggressive shareholder return.

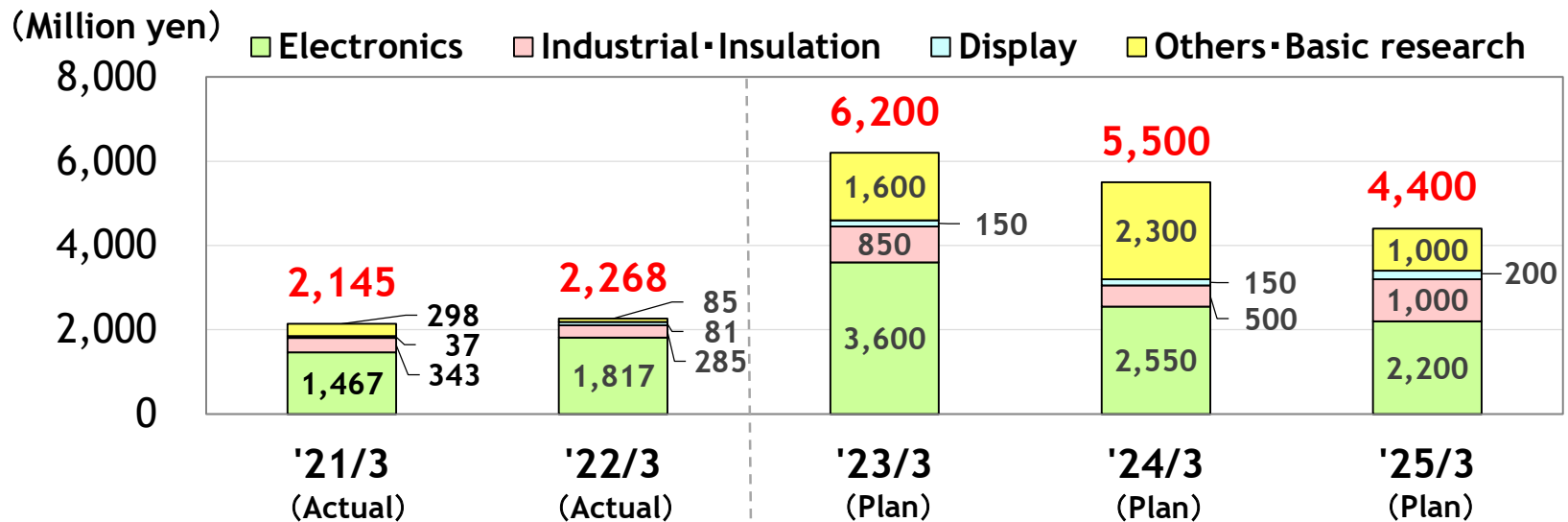
① Capital investment	② Shareholder return	③ Strategic investment
<p>Delving into the existing business</p> <ul style="list-style-type: none"> ■ Keeping / Expanding the revenue base ■ Development for new use 	<p>Aggressive return</p> <ul style="list-style-type: none"> ■ Total return ratio : Over 80% <p>The dividend ratio is 80%, and stock buy-back will be considered appropriately by taking finance needs into consideration.</p>	<p>M&A・New business</p> <ul style="list-style-type: none"> ■ Development of a new market by external growth ■ Creation of a new business based on the existing technologies



Improve the capital efficiency

III-1 Capital investment

Capital investment for development acceleration and expansion of the existing business



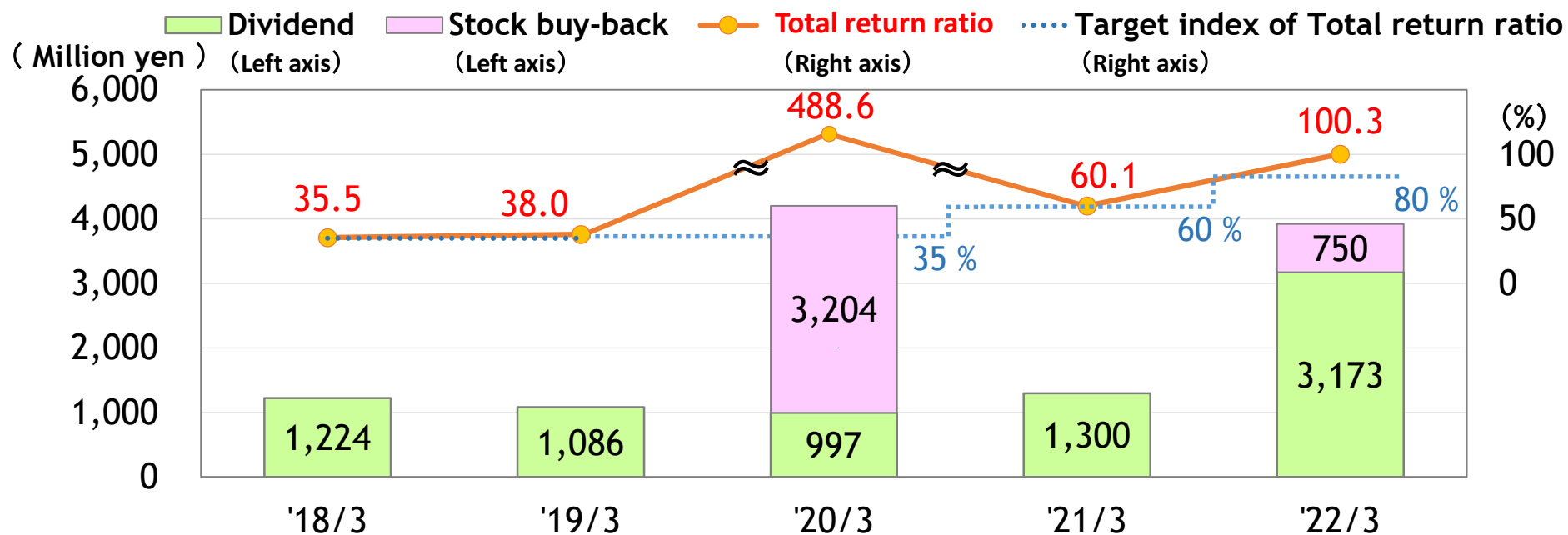
➔ **16,100 Million yen**

Major investment plan (3 years)

Enhancement of production capability	(Thinflex, SEMICON-related equipment)	9,500 Million yen
Improvement of production process	(Carbon neutrality, promotion of DX)	1,400 Million yen
New product development	(Innovation Center, test facility)	5,200 Million yen

Ⅲ-2 Shareholder return

Implemented an aggressive return of over 80% of Total return ratio



	'18/3	'19/3	'20/3	'21/3	'22/3
Share price (Yen/Share)*	986	793	802	1,000	957
Dividend (Yen/Share)	34	30	30	39	95
Dividend yield (%)	3.4	3.8	3.7	3.9	9.9

III-3 Strategic investment

M&A

Make effective use of cash reserves, narrow down a target and make a capital investment in a flexible manner.

Innovation Center

Connect to new business opportunities as a co-creation hub for open innovation.



Estimated completion : Mar 2024




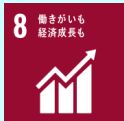













Three-story building
Energy-saving friendly design through use of earth thermal, contemporary snow room and waste heat A/C etc.

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IV-1 Materiality to be addressed for our company

Address the resolution of the following materiality and pursue sustainable growth.

Materiality	KGI (Key Goal Indicator)	Global goals to be expected to advance
<p>Contribution to decarbonized society</p>	<ul style="list-style-type: none"> • Accomplishment of carbon neutrality by FY2030 • Promotion of energy conservation and resource saving • Substitution of alternative energy • Provision of materials for environmental load reduction 	 
<p>Promotion of circular economy</p>	<ul style="list-style-type: none"> • Reduction of emissions • Enhancement of supply chain management 	       
<p>Enhancement of governance</p>	<ul style="list-style-type: none"> • Organization with high ethical standards • Organizational structure having good communication channels 	  
<p>Development of diverse human resources / Improvement of job satisfaction</p>	<ul style="list-style-type: none"> • Development of next-generation human resources • Vigorous work environment for all the employees 	   

IV-2 Carbon Neutral Initiatives

Expand the efforts for the improvement of the energy use efficiency and promote the technological development for production of low-carbon materials and the use of renewal energy.

Target: To achieve carbon neutrality by FY2030 *

(Published on
Jun 16, 2021)

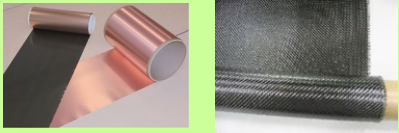

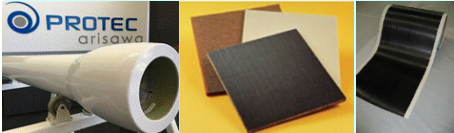

* Target : CO₂ direct emissions (Scope 1) and indirect emission (Scope 2)

Summary of initiatives

- Purchase of renewable energy electricity started (from Jul 2021)
- Purchase of carbon neutral gas started (from Jul 2021)
- Improvement of energy use efficiency
(e.g. Waste heat recovery for production equipment, improvement of A/C and steam equipment)
- Development of low carbon materials
(e.g. Reducing energy in production process, reducing consumption of organic solvents)

IV-3 Contribution to society through development

Select themes which influence customers, society and environment, and 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 and decarbonized energy</p>  <p>Contribution to CO2 emission control by supplying materials for FCV and EV.</p> <p>Contribution to development of decarbonized energy.</p>	<p>Life innovation and 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 and 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-4 Contribution to human rights, procurement and local communities

Respect to human resources, creating a pleasant working environment

- Enhancement of equal opportunity ※Consolidated
- Ensuring diversity (Female manager ratio 12.5% (Mar 2022)→ 20.0% (Mar 2025))
- Maintaining good working conditions and support for health maintenance and enhancement
- Expansion of job categories for employment of people with disabilities
- Enhancement of taking childcare leave and nursing care leave
- Enhancement of activating human resources by training program

Building sustainable supply chain

- Development of procurement guidelines for suppliers
- Disuse of hazardous chemical substances

Living together with local communities

- 0.5% of net profit of the parent company is returned to local communities (Musical instrument donations to elementary and secondary schools, Food service contribution to Cambodian pupils (including water supply system))
- Social contribution activities (Nearby river cleaning, face shield donation to medical institutions, utilization of Innovation center)

IV-5-1 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 director ratio
- Ensuring the diversity including gender
- 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**

- Expansion of discussion for subsidiary management
- Enhancement of training for directors and corporate auditors

IV-5-2 History of improving corporate governance

Fiscal year	Item	Board of directors			Board of auditors		Corporate officers	
		In side	Out side	Outside ratio	In Side	Outs ide	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 voting by electro-magnetic method	4	3	43%	1	2	11	4
2021	▪ Change of stock awards for directors from Stock Option to Restricted Stock	4	5	56%	1	2	10	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.