

Securities Code 5208

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Medium-Term Business Plan (FY2020 – FY2024)



Arisawa Mfg. Co., Ltd.

12th May, 2023

Management Policy

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

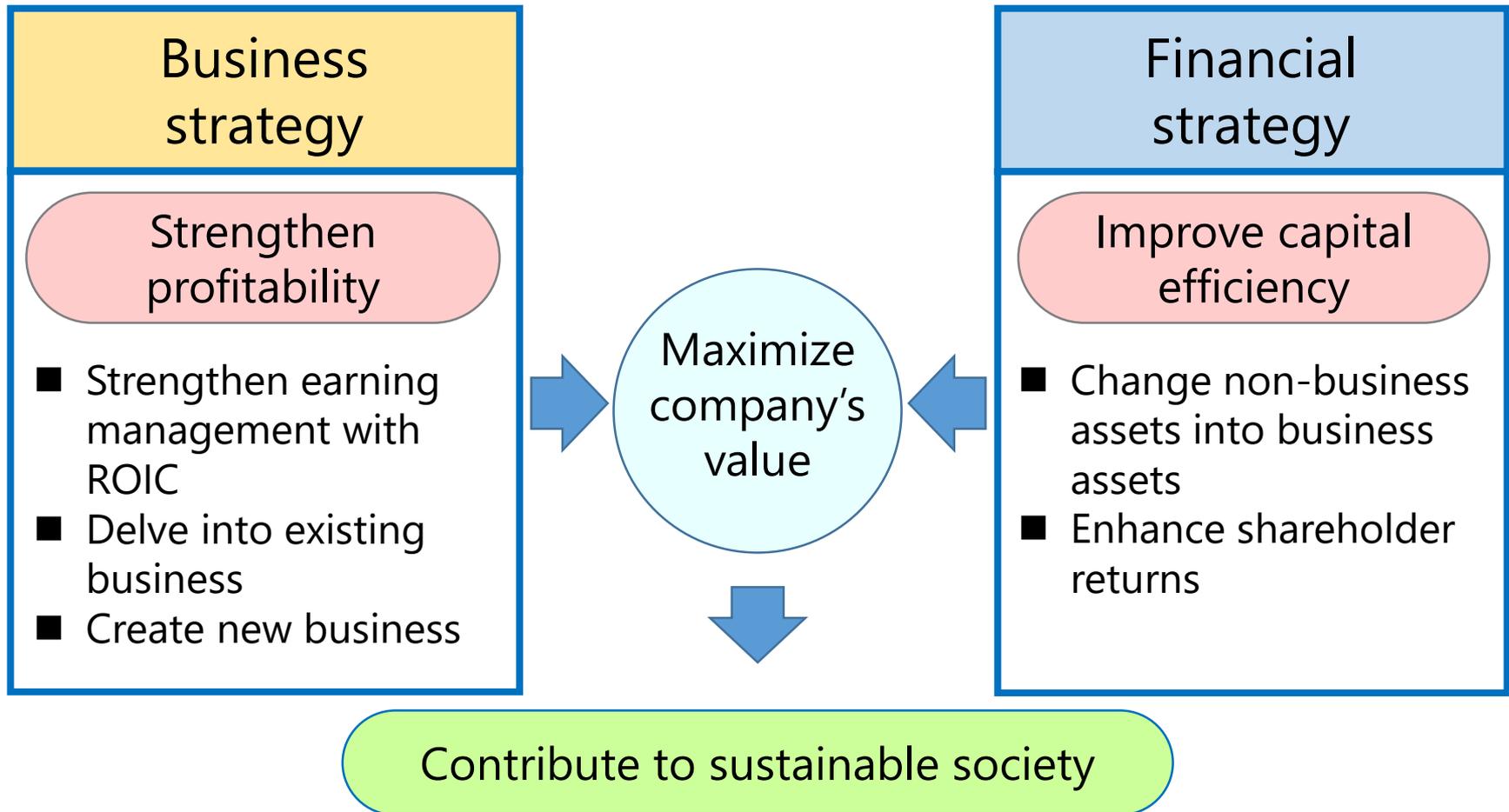
- I . create new values and enhance customer satisfaction;
- II . discover customer demands and create new businesses with our creative technologies;
- III . strengthen corporate structure by improving our quality and productivity; and
- IV . contribute to solving the social and environmental issues,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

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I . Policy of Medium-Term Business Plan

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



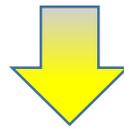
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II. Business Strategy

Enhance profitability with “Delving into existing business” and “Creating new business”

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



Strengthen profitability

II -1-1. Electronic Materials Segment



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Aim for growth in core business field by two strategies



Delving into existing business

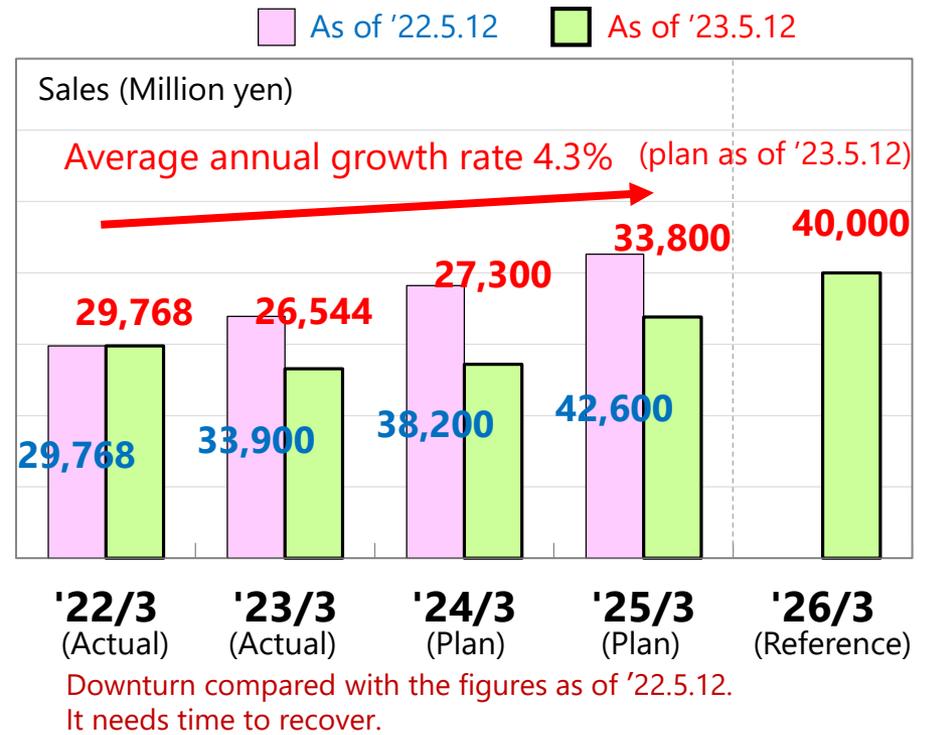
Enhance business in mobile field

- 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 new business

Develop business in semiconductor and automotive fields

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



II -1-2. Industrial Structural Materials and Insulation Materials Segment



Aim for more growth by developing unique products

Delving into existing business

Enhance business in transportation infrastructure fields

- Automotive: differentiation with unique technology, new entry into markets
- Aircraft: increase of added value by anticipating needs



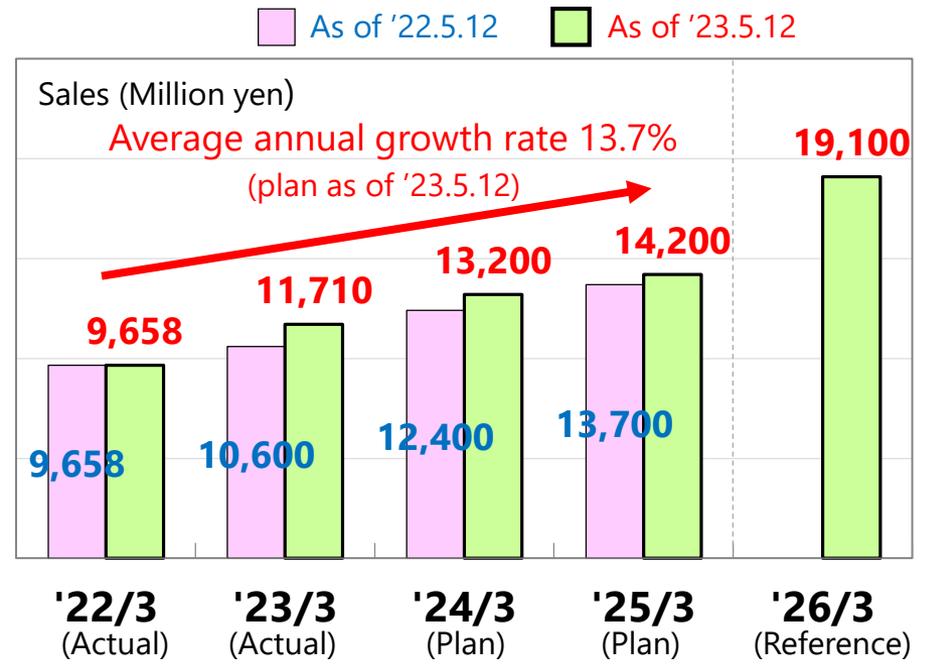
Expand profits in water treatment field

- Creation of new demands by developing high-performance products

Creating new business

Create business in new energy field

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



Materials for aircraft are expected to recover compared with figures as of '22.5.12.

II -1-3. Display Materials Segment



Aim for growth by enhancing unique technology

Delving into existing business

Enhance high-definition display business for medical use

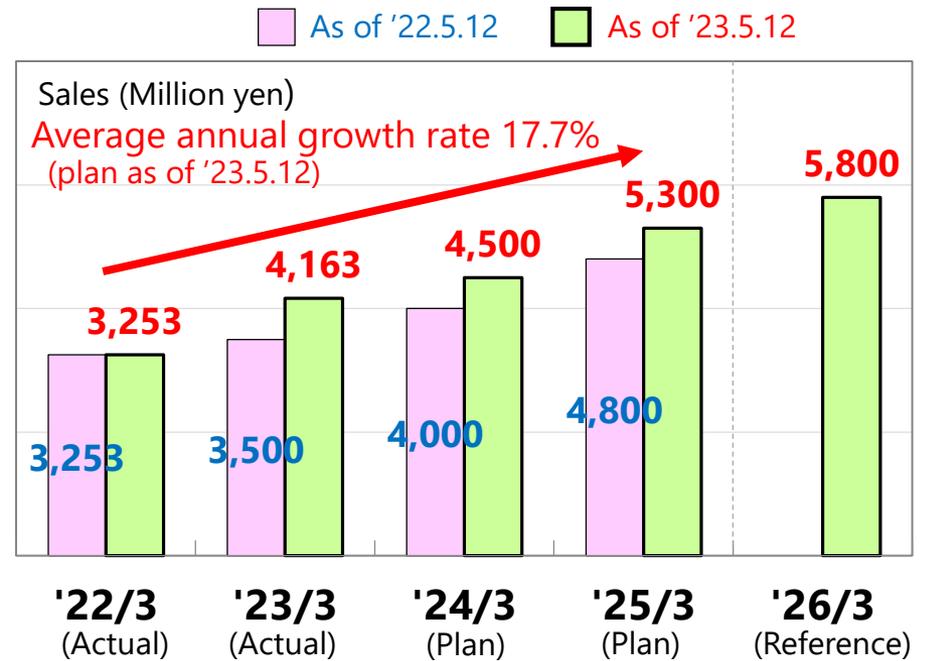
- Expand market share in endoscope and microscope, and acquire overseas customers
- Expand sales channels for telemedicine and robotic use
- Meet needs for higher definition display



Creating new business

Develop business in new fields

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

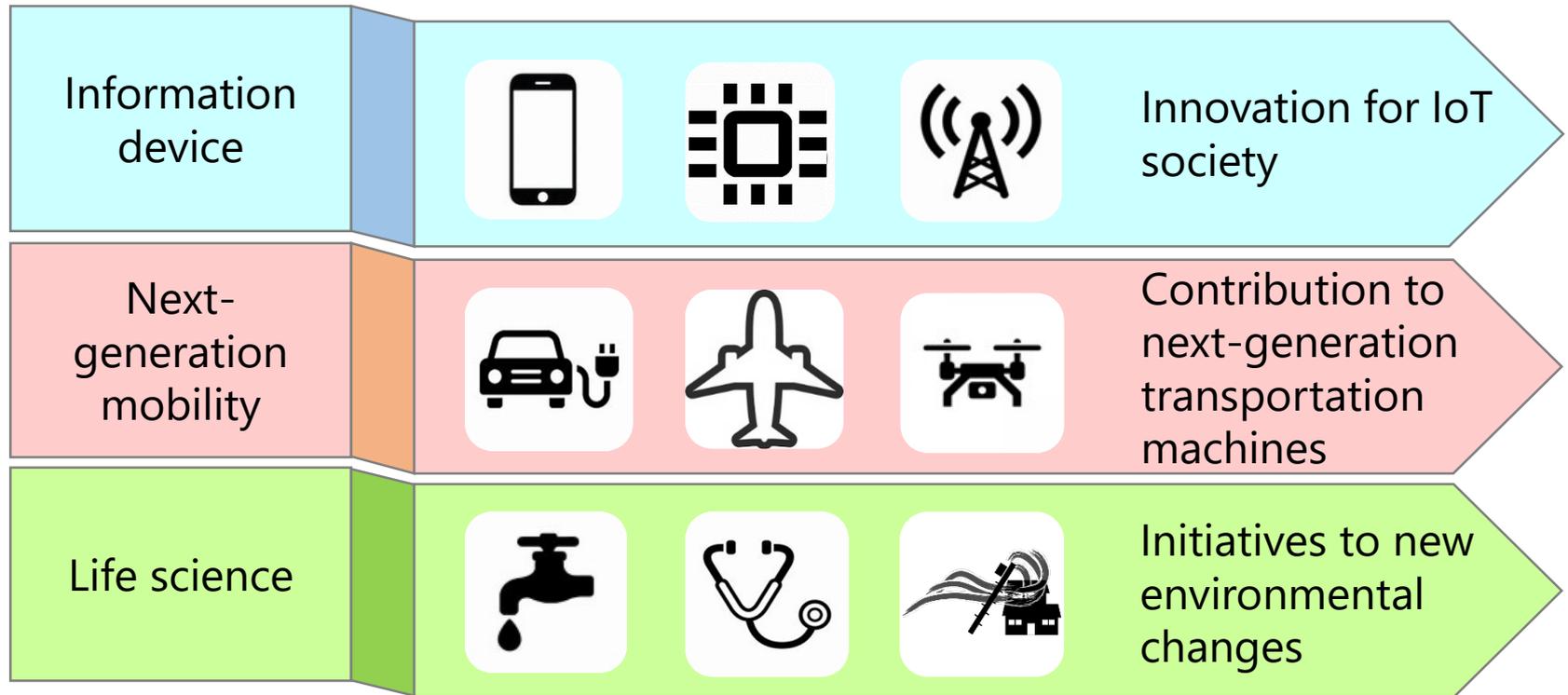


The expansion of application of 3D filters is expected compared with the figures as of '22.5.12.

II -2. Priority Fields for Differentiated Products

Priority fields

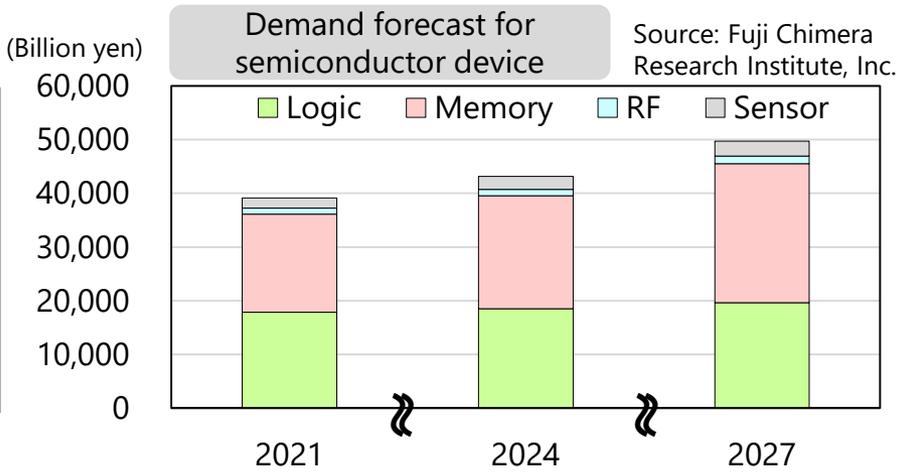
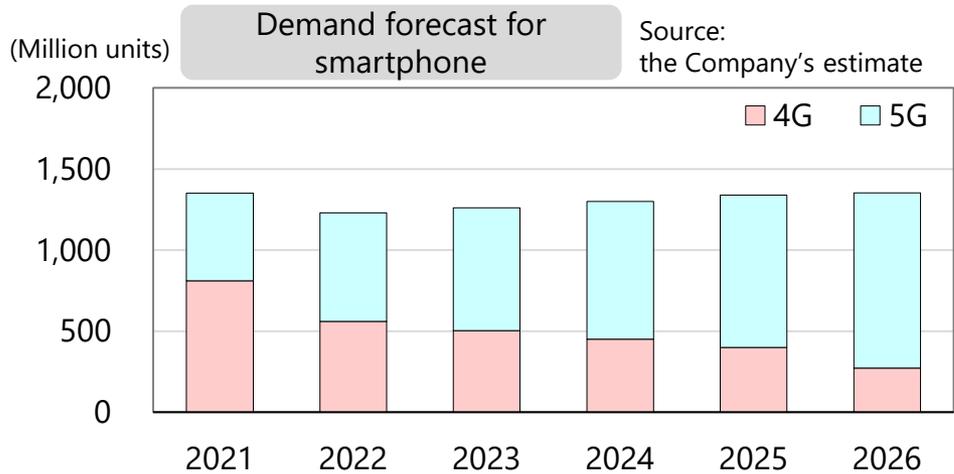
Develop differentiated products with focus on fields where growth is expected



II -2-1. Information Device Field



Change in business environment



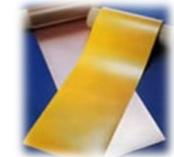
High speed broadband

Increase in sensor and camera

Semiconductor performance increase

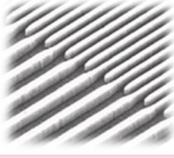
Expansion of IoT society

Promotion of development of differentiated products



FPC materials for high frequency wave (5G)

Insulation film for semiconductor substrate



FPC materials for micro wiring

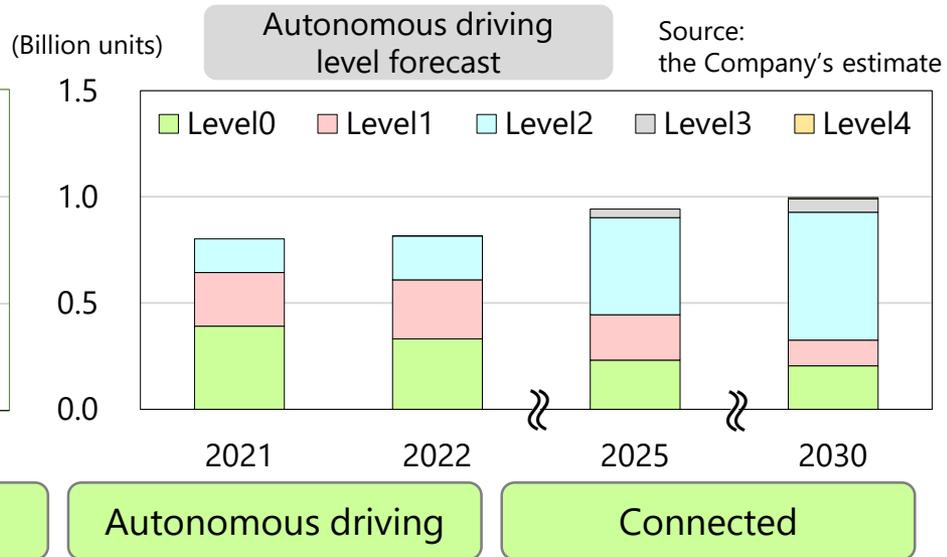
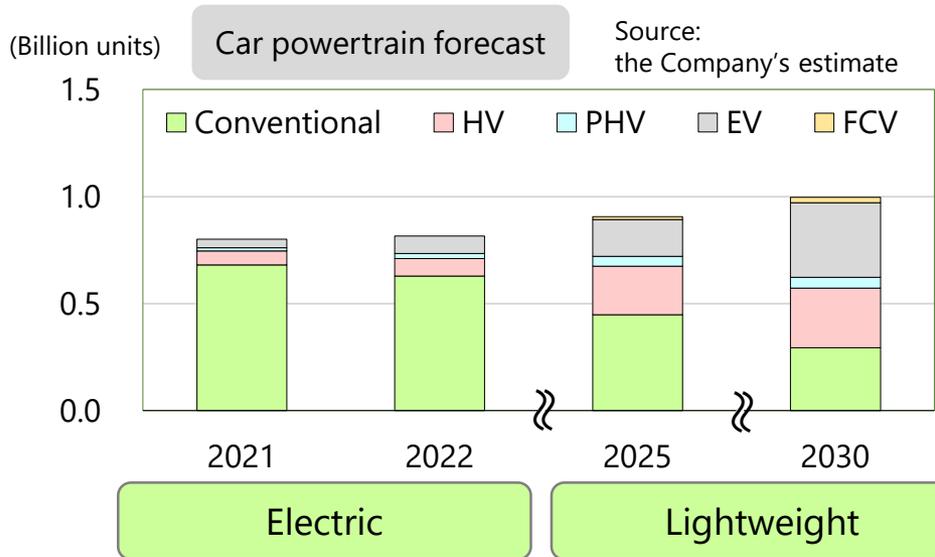
Protection film for semiconductor fabrication



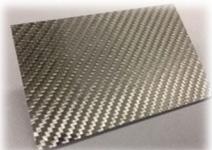
II -2-2. Next-generation Mobility Field



Change in business environment

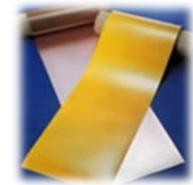


Promotion of development of differentiated products



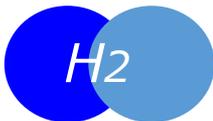
Carbon fiber structural materials

FPC materials for high speed transmission



Battery-related materials

Hydrogen energy-related materials



Noticeable environment change

Fields where we can take advantage of our technologies



Water treatment

Medical

Disaster countermeasures

Promotion of development of differentiated products



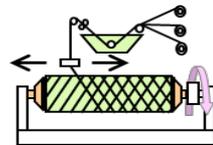
Materials for high pressure water treatment

High-definition display for medical use



Reinforcing materials for infrastructure equipment

Application product of filament winding

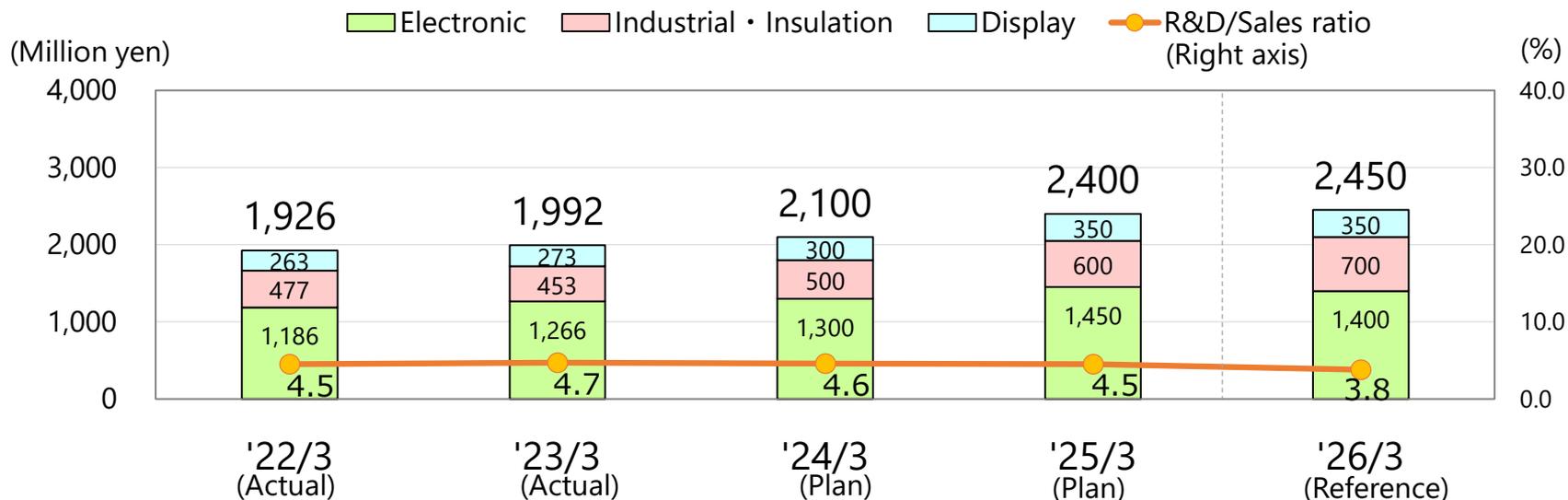


II -3. Research and Development Investment



R&D expenditure

Increase R&D expenditure to promote 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 Period of Medium-Term Business Plan



Promote aforementioned business strategy and set following figures as target

ROIC over **6.0%** (FY25/3)

← '23/3 WACC 5.87% *1



	'22/3 (Actual)	'23/3 (Actual)	'24/3 (Plan)	'25/3 (Plan)	'26/3 (Reference)
Sales (Million yen)	43,089	42,722	45,300	53,600	65,200
Operating Profit (Million yen)	3,320	2,228	2,100	4,100	6,300
Operating Margin (%)	7.7	5.2	4.6	4.9	9.7
NOPLAT (Million yen)	2,424	1,627	1,533	2,993	4,595
Equity + Interest-bearing debt	56,859	57,297	55,750	58,400	61,650
ROIC (%) *2	4.4	2.8	2.7	5.2	7.7

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

*2 NOPLAT (Net Operating Profit Less Adjusted Tax) / (Equity + Interest-bearing debt)

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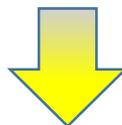
III. Financial Strategy



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

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



Improve capital efficiency

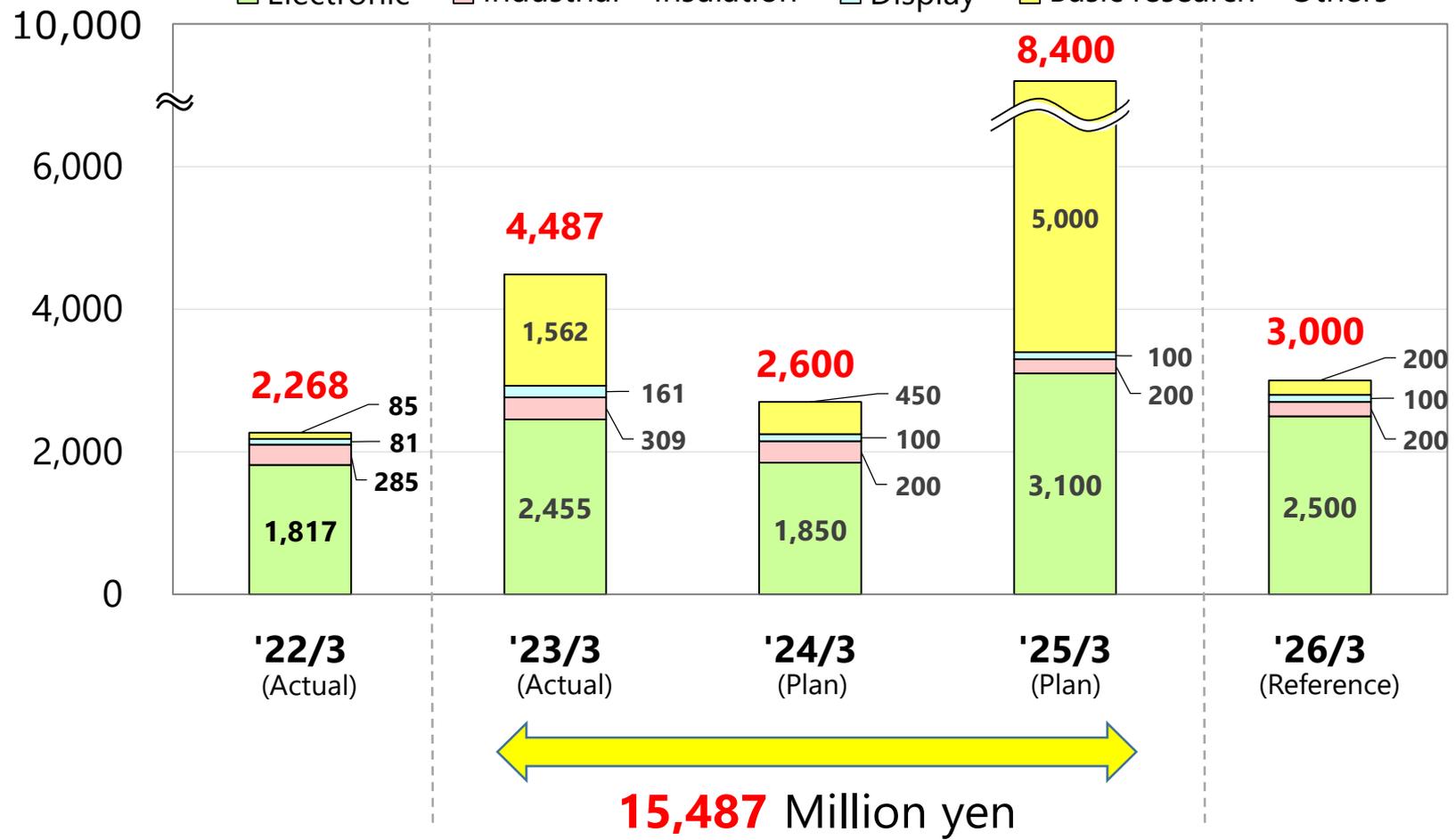
III-1. Capital Investment (1)



Capital investment for expansion of existing business and development acceleration

(Million yen)

■ Electronic
 ■ Industrial · Insulation
 ■ Display
 ■ Basic research · Others



III-1. Capital Investment (2)



Details of major investment plan (3-year period)

Increase in production capacity

8,100 Million yen

- ThinFlex production facilities (expansion of sales in Chinese market)
- Production facilities of insulation film for semiconductor substrate (expansion of existing business)

Improvement of production processes

1,100 Million yen

- Waste heat recovery system and onsite solar power generation (promotion of carbon neutrality)
- Production management system and security measures (promotion of Digital Transformation)

Development of new products

5,900 Million yen

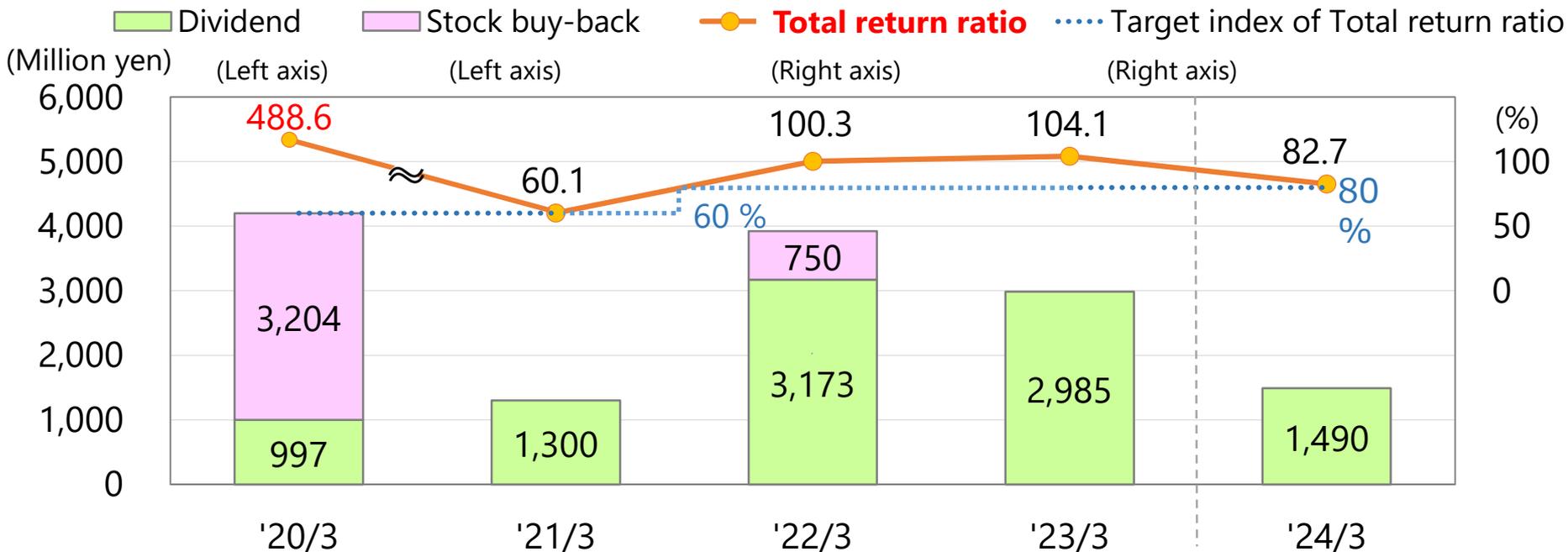
- Innovation Center (establishment of base of open innovation)
- Small coating machines and test facilities (expansion of existing business and creation of new business)

III-2. Shareholder Return



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Implemented aggressive return of over 80% of Total return ratio



	'20/3 (actual)	'21/3 (actual)	'22/3 (actual)	'23/3 (actual)	'24/3 (forecast)
Share price (Yen/Share) *	802	1,000	957	1,254	—
Dividend (Yen/Share)	30	39	95	90	45 (forecast)
Dividend yield (%)	3.7	3.9	9.9	7.2	—

* Closing price at the end of period

III-3. Strategic Investment



M&A

Narrow down target and make capital investment in flexible manner, while making effective use of cash reserves

Arisawa Innovation Center

Utilize it as base of open innovation for technology fusion between our technology and technology of other companies and research institutions as well as base where our employees interact free and easy with each other across their business fields and regional boundaries



Exterior perspective drawing

Estimated completion date: August 2024

- Three-story building
- Design which **takes energy-saving into consideration** with earth thermal, contemporary snow room, waste heat A/C, etc.

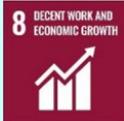
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IV-1. Materiality to be Addressed by our Company



Address resolution of following priorities (materiality) and pursue sustainable growth

Materiality	KGI (Key Goal Indicator)	Global goals to be expected to advance
Contribution to decarbonized society	<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 	 
Development of diverse human resources / Improvement of job satisfaction	<ul style="list-style-type: none"> Development of next-generation human resources Vigorous work environment for all employees 	   
Promotion of circular economy	<ul style="list-style-type: none"> Reduction of emissions Building of sustainable supply chain 	       
Enhancement of governance	<ul style="list-style-type: none"> Organization with high ethical standards Organizational structure having good communication channels 	  

IV-2. Carbon Neutral Initiatives

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

Target: to achieve carbon neutrality by FY2030 *

(Announced on
Jun 16, 2021)

* Target: CO₂ direct emissions (Scope 1) and indirect emission (Scope 2)
Achievement FY2021: 11.4% FY2022: 20.3%

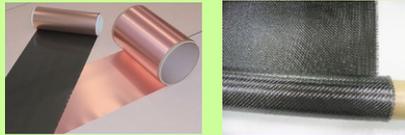
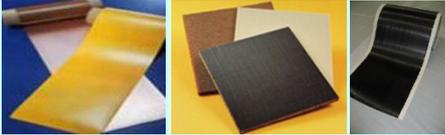
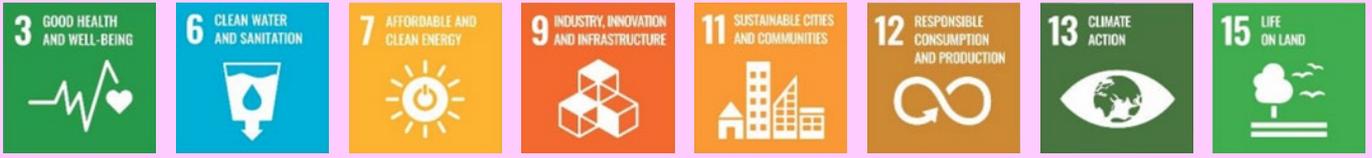
Summary of initiatives

- Purchase of renewable energy electricity started (since July, 2021)
- Purchase of carbon neutral gas started (since July, 2021)
- Improvement of energy use efficiency
(e.g., waste heat recovery for production equipment, improvement of A/C and steam equipment)
- Introduction of solar power (onsite PPA) (expected to be operational from June, 2023)
- 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 society through our business

Goals for contribution to society	Initiatives to climate change	Prosperous life for all people	Resource circulation and efficiency
<p>Important themes and our contribution story</p>	<p>Renewable and decarbonized energy</p>  <p>Contribute to CO₂ emission control by supplying materials for FCV and EV Contribute to development of new decarbonized energy</p>	<p>Safety and life science</p>  <p>Contribute to realization of people's health and prosperous life by supplying materials for autonomous driving assistance system, water treatment and medical fields</p>	<p>Energy saving and resource saving</p>  <p>Contribute to energy saving and resource saving by supplying materials for EV, solar power generation, reinforcing infrastructure equipment and aircraft's weight saving</p>
<p>Related global goals</p>			

IV-4. Promotion of Human Capital Management



Development of diverse human resources

- Secure diversity (promoting participation of women, people with disabilities, and foreigners)
- Evaluate and treat fairly (ensuring equal opportunities and merit system)
- Promote revitalization of human resources through training programs
- Promote 15% culture system

Creation of pleasant working environment

- Promote employees taking childcare leave and nursing care leave
- Promote employees taking paid leave
- Maintain good working conditions and support health maintenance and enhancement

	'22/3 (Actual)	'23/3 (Actual)	'25/3 (Target)
Ratio of women in managerial positions	12.5%	10.6%	20.0%
Ratio of mid-career employees in managerial positions	68.8%	70.5%	70.0%
Ratio of gender wage gaps between men and women	77.6%	80.5%	85.0%
Ratio of male employees taking childcare leave	29.4%	42.1%	60.0%
Percentage of annual paid leave taken	57.2%	65.6%	75.0%

IV-5. Promotion of Circular Economy and Harmonious Coexistence with Society



Building of sustainable supply chain and reduction of emissions

Engage in CSR activities with suppliers

- Inform suppliers of our CSR Procurement Policy and follow up with them based on questionnaires
 - Conduct questionnaires to half of raw material suppliers
 - Evaluate (identify risks based on) their responses to questionnaires, and request suppliers with low scores for improvement
- Disuse hazardous chemical substances
- Achieve zero emission by 2050

Harmonious coexistence with society

Perform community-based social activities and enhance brand power

- Return 0.5% of net profit of parent company to society
 - Donation of musical instrument to elementary and secondary schools
 - Donation to health promotion business
 - Literacy education of Rohingya refugees (Myanmar)
- Become involved in social contribution activities
 - Utilization of Innovation Center
 - Cleanup of neighboring rivers
 - Art classes of local elementary schools using wastes

IV-5-1. Corporate Governance

Improve governance system to execute business plan

Actions for reform (already implemented)

Implemented each action, and proceeded to improve governance

- Assessment of effectiveness of board of directors by third party
- Increase in outside director ratio
- Ensuring of diversity including gender
- Introduction of performance-based director's remuneration
- Establishment of voluntary nomination and compensation committee

Future enhancement points

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

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

IV-5-2. History of Improving Corporate Governance



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(Unit: person)

Fiscal year	Item	Board of directors			Board of auditors		Corporate officers		
		Inside/ Male	Outside/ Male	Outside/ Female	Inside/ Male	Outside/ Male	Inside/ Male	Inside/ Female	(Served as directors)
2015	<ul style="list-style-type: none"> Issuance of the corporate governance report 	5	2		1	2	11		5
2016	<ul style="list-style-type: none"> Self-assessment of the effectiveness of the board of directors 	5	2		1	2	11		5
2017		5	2		1	2	12		5
2018		5	2		1	2	12		5
2019	<ul style="list-style-type: none"> Non-renewal of the anti-takeover measures Establishment of the nomination and compensation committee (voluntary advisory body) 	4	2		1	2	11		4
2020	<ul style="list-style-type: none"> Assessment of the effectiveness of the board of directors by the third party Introduction of the voting by electro-magnetic method 	4	3		1	2	11		4
2021	<ul style="list-style-type: none"> Change of stock awards for directors from Stock Option to Restricted Stock 	4	4	1	1	2	10		4
2022		4	4	1	1	2	11	1	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.