

FY2023 Overview in Q3



Arisawa Mfg. Co., Ltd.

Feb 8th, 2024

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- FY2023 Forecast by Consolidated Basis
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FY2023 Q3 Consolidated Performance



(Million Yen)

	FY2022 Q3 result	FY2023 Q3 FCT (Nov. 9)	FY2023 Q3 result	vs. Prev. year	vs. FCT
Sales	33,543	30,900	30,859	-8.0%	-0.1%
Operating Profit	2,137	600	648	-69.7%	8.0%
Operating Margin	6.4%	1.9%	2.1%	--	--
Ordinary Profit	2,705	650	718	-73.5%	10.5%
Net Profit	2,661	950	981	-63.1%	3.3%
Earnings per share(Yen)	80.52	28.60*	29.64	-63.2%	3.6%
Dividend (Yen)	0.00	20.00	20.00	--	--
Exchange rate (Yen / \$) average for the period at the end of the period	128.30 132.70	138.24 148.00	138.24 141.83	--	--

Year-on-year

- Consolidated sales decreased by 2,684 million yen (8.0%) due to decreases in those of electronic and display materials, despite an increase in those of industrial structural materials.
- Operating profit decreased by 69.7% due to a decrease in sales and an associated decrease in production.
- Ordinary profit decreased by 73.5% due to a decrease in foreign exchange gains.
- Net profit decreased by 63.1% due to a decrease in gain on sale of securities.

Versus the forecast as of Nov. 9

- Consolidated sales decreased by 41 million yen (0.1%) due to a decrease in those of electronic materials mainly caused by sluggish demand from the second half of FY2022 onwards.
- Operating profit increased by 8.0% due to improved product mix.
- Ordinary profit increased by 10.5% due to an increase in foreign exchange gain. Net profit also increased by 3.3% due to unchanged gain on the sale of securities in the first half of the fiscal year.

* Calculated by the number of shares as of Sep. 30

Balance Sheet



(Million Yen)

	As of Mar. 2023	As of Dec. 2023	Change	
(Assets)				
Current assets	47,420	47,852	432	Increase in accounts receivable 2,985
Property, plant and equipment, and Intangible assets	16,690	17,996	1,306	Capital investment
Investment securities	2,545	2,092	-453	Sale of cross-shareholdings
Other assets	1,004	1,106	102	
Total assets	67,659	69,046	1,387	
(Liabilities)				
Current liabilities	16,277	18,107	1,830	Increase in accounts payable 1,711
Non-current liabilities	4,275	5,380	1,105	Increase in long-term borrowings 1,307
Total liabilities	20,552	23,487	2,935	
Shareholder's equity	44,826	42,219	-2,607	Decrease in retained earnings 2,670
Other comprehensive income and share acquisition rights	2,281	3,340	1,059	Foreign currency translation adjustment 1,165
Total net assets	67,659	69,046	1,387	

FY2023 Q3 Segment Comparison (vs. FY2022)



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	Sales (Million Yen)			Segment Profit (Million Yen)		
	FY2022 Q3 result	FY2023 Q3 result	vs. Prev. year	FY2022 Q3 result	FY2023 Q3 result	vs. Prev. year
Electronic materials	21,551	18,402	-3,149	1,268	8	-1,260
FPC materials (Arisawa)	11,887	10,294	-1,593			
FPC materials (ThinFlex)	6,957	5,657	-1,300			
ICGC, Prepreg	1,209	1,175	-34			
Printed Wiring Board (Satosen)	1,498	1,276	-222			
Industrial structural materials	6,607	7,673	1,066	1,031	890	-141
Honey-comb panel	532	1,425	893			
FRP vessels for water purification	4,153	4,362	209			
Others	1,922	1,886	-36			
Electrical insulating materials	1,936	1,894	-42	124	211	87
Display materials	3,214	2,625	-589	766	652	-114
Related materials, others	235	265	30	120	152	32
Total	33,543	30,859	-2,684	3,309	1,913	-1,396
		Corporate Expenses		-1,172	-1,265	
		Operating Profit		2,137	648	-1,489

- Consolidated sales decreased by 2,684 million yen (8.0%) YoY due to decreases in those of electronic and display materials, despite an increase in those of industrial structural materials.
- The sales of electronic materials decreased by 16.3% YoY due to a continued sluggish demand for PCs, smartphones, and semiconductors used in them.
- The sales of industrial structural materials increased by 16.1% YoY due to strong demand for the FRP vessels for water purification and the beginning of recovery of the aviation industry.
- The sales of display materials decreased by 18.3% YoY due to delay in expansion of sales of 3D-related materials to new customers and launching large-scale projects for polarization control optical components.
- Operating profit decreased by 69.7% YoY due to a decrease in sales and production resulted from the inventory reduction in response to a decrease in demand.

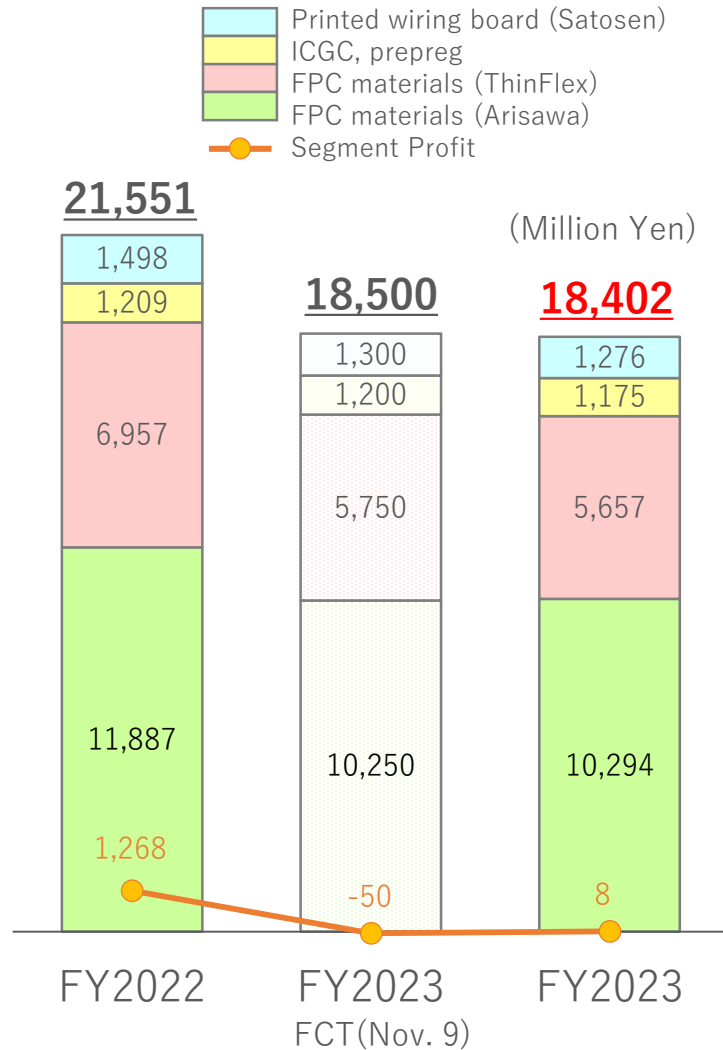
FY2023 Q3 Segment Comparison (vs. FCT as of Nov. 9)



	Sales (Million Yen)			Segment Profit (Million Yen)		
	FY2022 Q3 FCT (Nov. 9)	FY2023 Q3 result	vs. FCT	FY2022 Q3 FCT (Nov. 9)	FY2023 Q3 result	vs. FCT
Electronic materials	18,500	18,402	-98	-50	8	58
FPC materials (Arisawa)	10,250	10,294	44			
FPC materials (ThinFlex)	57,50	5,657	-93			
ICGC, prepreg	1,200	1,175	-25			
Printed wiring board (Satosen)	1,300	1,276	-24			
Industrial structural materials	7,600	7,673	73	930	890	-40
Honey-comb panel	1,450	1,425	-25			
FRP vessels for water purification	4,400	4,362	-38			
Others	1,750	1,886	136			
Electrical insulating materials	1,900	1,894	-6	180	211	31
Display materials	2,650	2,625	-25	620	652	32
Related materials, others	250	265	15	120	152	32
Total	30,900	30,859	-41	1,800	1,913	113
		Corporate Expenses		-1,200	-1,265	
		Operating Profit		600	648	48

- Sales decreased by 41 million yen (0.1%) vs. forecast.
- Sales of electronic materials decreased by 0.5% vs. the forecast due to continued sluggish market in China. The segment profit exceeded the forecast due to the improved product mix, etc.
- Sales of others in industrial structural materials increased due to an increase in those by 201 million yen vs. the forecast of automotive materials.

Sales of electronic materials



Market

- Sluggish demand for PCs, smartphones, and semiconductors used in them is continued, which became apparent from the second half of FY2022. Although it seems to have bottomed out now, it has not yet come to a full-fledged recovery.

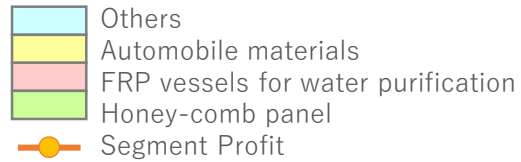
Performance year-on-year

- Sales decreased by 3,149 million yen (14.6%) due to decreases in those of FPC materials, printed wiring boards, and ICGC and prepreg.
 - Sales of ICGC and prepreg decreased by 2.8%.
 - Sales of FPC materials (ThinFlex) decreased by 18.7% due to a decrease in demand for Chinese smartphones.
 - Sales of FPC materials (Arisawa) decreased by 9.5% due to a decrease in demand for semiconductors.
- Segment profit also decreased by 1,260 million yen due to a decrease in sales and production resulted from the inventory reduction in response to a decrease in demand.

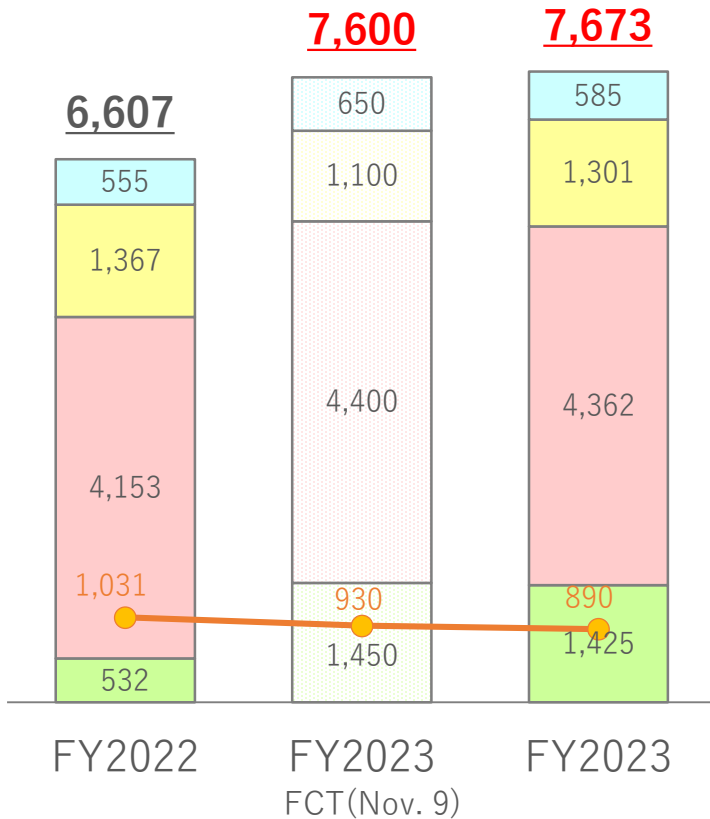
Performance versus forecast as of Nov. 9

- Sales decreased by 98 million yen (0.5%) due to sluggish demand from the second half of FY2022 onwards spreading to prepreg and printed wiring boards.
- Although the sales decreased, segment profit increased by 58 million yen due to improved product mix.

Sales of industrial structural materials



(Million Yen)



Market

- Strong demand for water purification against the background of global water shortage. Also with economic normalization after the COVID-19 pandemic, the aviation industry has begun to recover and the production of aircraft materials has been on an increasing trend.

In addition, the development of new energy sources to reduce environmental impact is also becoming more active, and the number of development projects is increasing for the company.

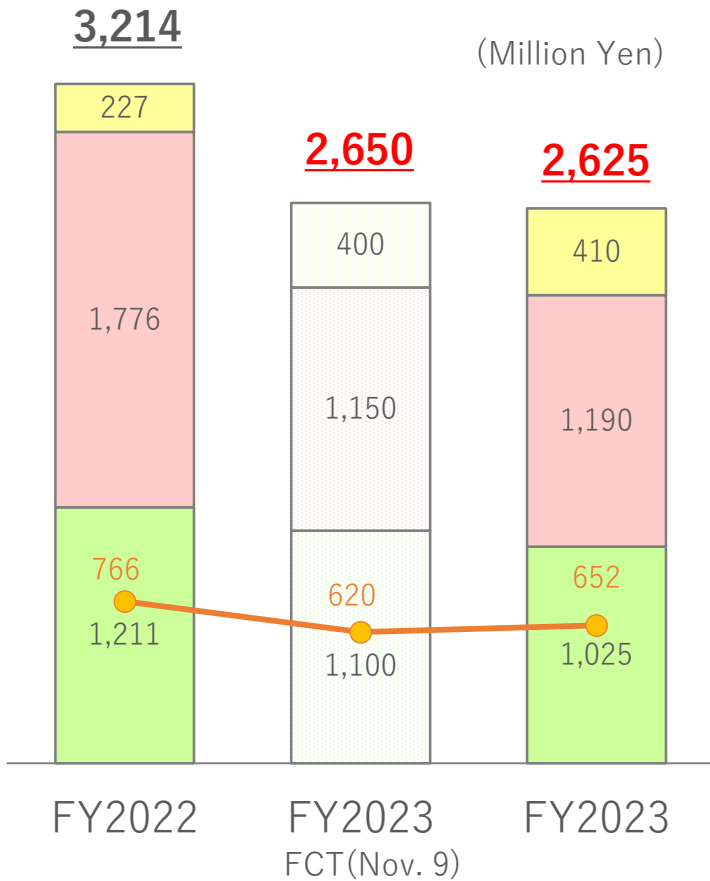
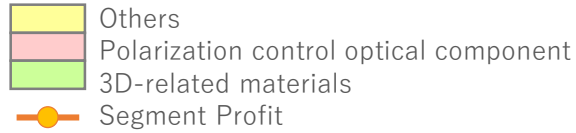
Performance year-on-year

- Sales of honey-comb panels for aircraft increased by 167.7%.
- Sales of FRP pressure vessel for water purification continued to be strong from the previous FY, with sales increasing by 5.0% due to production capacity expansion, foreign exchange impact, etc.
- Sales of automobile materials decreased by 4.8%.

Performance versus forecast as of Nov. 9

- As expected.

Sales of display materials



Market

- There are delays in expansion of sales of 3D-related materials to new customers and launching large-scale projects for polarization control optical components.

Performance year-on-year

- Sales of polarization control optical components decreased by 33.0%.
- Sales for the other materials increased by 80.1% due to an increase in the order for the pressure-sensitive adhesive sheet.

Performance versus forecast as of Nov. 9

- As expected.

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FY2023 FCT of Consolidated Performance



(Million Yen)

	FY2022 FY result	FY2023 FY FCT (Nov. 9)	FY2023 FY FCT (Feb. 8)	vs. Prev. year	vs. FCT
Sales	42,722	42,600	42,600	-0.3%	0.0%
Operating Profit	2,228	1,250	1,250	-43.9%	0.0%
Operating Margin	5.2%	2.9%	2.9%		
Ordinary Profit	2,717	1,250	1,250	-54.0%	0.0%
Net Profit	2,856	1,350	1,350	-52.7%	0.0%
Earnings per share(Yen)	86.46	40.78*	40.77**	-52.9%	-0.1%
Dividend (Yen)	90.00	Total 45.00	Total 45.00	--	--
Exchange rate (Yen / \$) average for the period at the end of the period	131.62 133.53	141.00 140.00	140.67 142.00	--	--

* Calculated by the number of shares as of Sep. 30

** Calculated by the number of shares as of Dec. 31

Year-on-year

- Consolidated sales is expected to decrease by 122 million yen (0.3%) mainly due to a decrease in those of electronic materials.
- Operating profit is expected to decrease by 43.9% due to a decrease in sales and production resulted from inventory reduction in response to a decrease in demand.
- Ordinary profit is expected to decrease by 54.0% exceeding the reduction rate of operating profit due to a decrease in foreign exchange gains.
- Net profit is expected to decrease by 52.7% due to a decrease in gain on sale of securities.

Versus forecast as of Nov. 9

- The previous forecast as of Nov. 9 remains unchanged.

FY2023 Segment Comparison (vs. FY2022)



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	Sales (Million Yen)			Segment Profit (Million Yen)		
	FY2022 result	FY2023 FCT (Feb. 8)	vs. Prev. year	FY2022 result	FY2023 FCT (Feb. 8)	vs. Prev. year
Electronic materials	26,544	25,300	-1,344	1,224	250	-974
FPC materials (Arisawa)	14,526	13,800	-826			
FPC materials (ThinFlex)	8,565	8,000	-565			
ICGC, Prepreg	1,495	1,800	305			
Printed Wiring Board (Satosen)	1,958	1,700	-258			
Industrial structural materials	9,128	10,800	1,672	1,315	1,500	185
Honey-comb panel	846	1,850	1,004			
FRP vessels for water purification	5,559	5,900	341			
Others	2,723	3,050	327			
Electrical insulating materials	2,582	2,600	18	185	250	65
Display materials	4,163	3,600	-563	1,024	750	-274
Related materials, others	305	300	95	148	200	52
Total	42,722	42,600	-122	3,896	2,950	-946
		Corporate Expenses		-1,668	-1,700	
		Operating Profit		2,228	1,250	-978

Market forecasts

- Sluggish demand for PCs, smartphones, and semiconductors used in them is continued, which became apparent from the second half of 2022. Although it seems to have bottomed out now, the recovery movements are still weak.
- On the other hand, the aviation industry has begun to recover with economic normalization after the COVID-19 pandemic. Also, demand for water purification has been firm.

Performance forecasts

- Sales is expect to decrease by 0.3%, and operating profit is expected to decrease by 43.9% YoY.
- Profit of Industrial structural materials is expect to increase due to an increase in sales. On the other hand, that of electronic materials is expect to decrease due to inventory reduction for semiconductor application in response to a decrease in demand for Chinese smartphones. Also that of display materials is expected to decrease due to a decrease in sales.

FY2023 Segment Comparison (vs. FCT as of Nov. 9)



	Sales (Million Yen)			Segment Profit (Million Yen)		
	FY2022 FCT (Nov. 9)	FY2023 FCT (Feb. 8)	vs. Prev. year	FY2022 FCT (Nov. 9)	FY2023 FCT (Feb. 8)	vs. Prev. year
Electronic materials	25,400	25,300	-100	200	250	50
FPC materials (Arisawa)	13,700	13,800	100			
FPC materials (ThinFlex)	8,100	8,000	-100			
ICGC, Prepreg	1,800	1,800				
Printed Wiring Board (Satosen)	1,800	1,700	-100			
Industrial structural materials	10,600	10,800	200	1,350	1,500	150
Honey-comb panel	2,000	1,850	-150			
FRP vessels for water purification	6,050	5,900	-150			
Others	2,550	3,050	500			
Electrical insulating materials	2,600	2,600	0	250	250	0
Display materials	3,700	3,600	-100	900	750	-150
Related materials, others	300	300	0	150	200	50
Total	42,600	42,600	0	2,850	2,950	100
		Corporate Expenses		-1,800	-1,700	
		Operating Profit		1,250	1,250	0

Performance forecasts

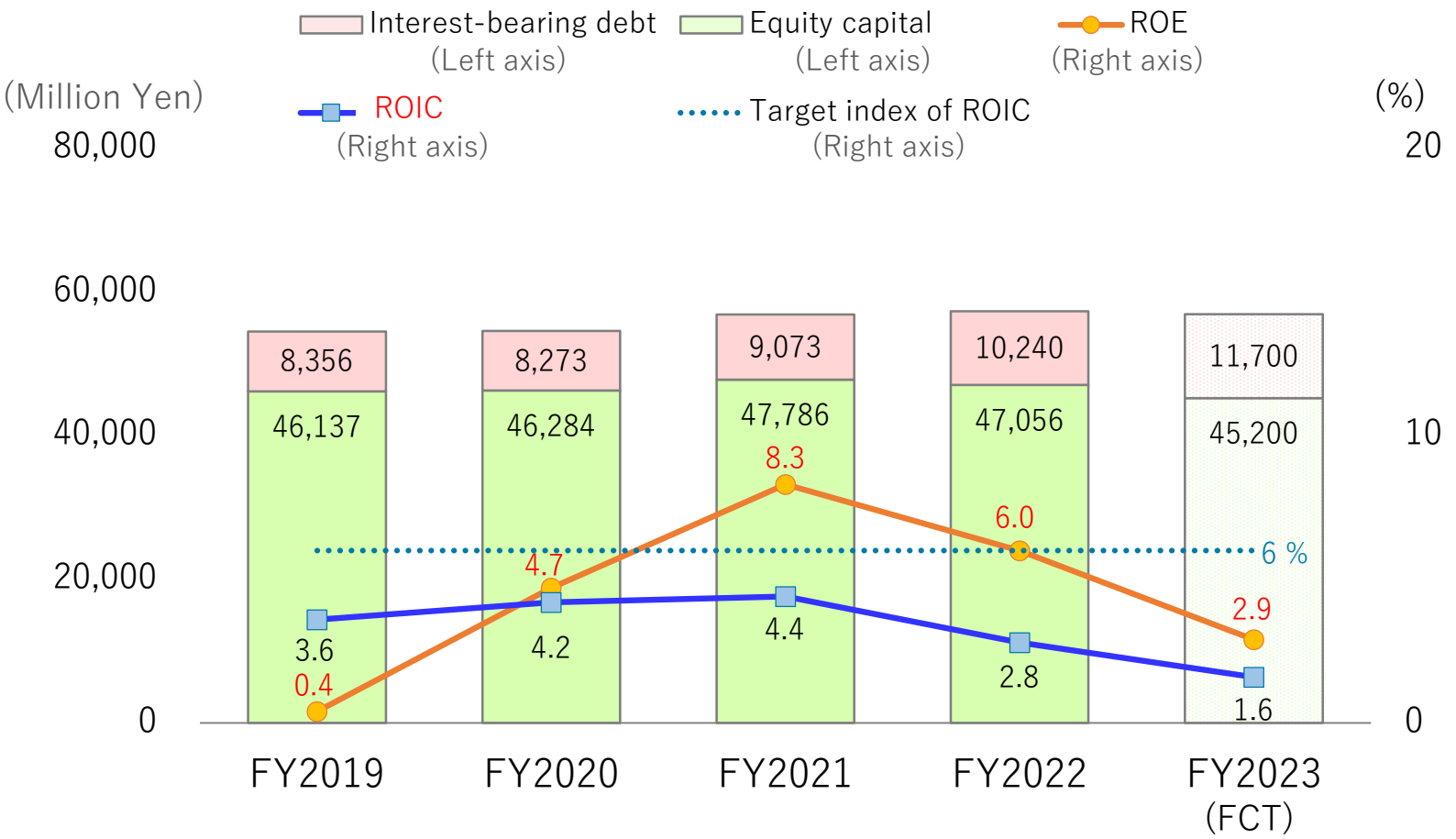
- Forecasts of both consolidation sales and operating profit remain unchanged from those as of Nov. 9.
- Both sales and profit of industrial structural materials are expected to increase due to the improved product mix in 4Q.
- Profit of display materials is expected to decrease due to a decrease in sales.

ROE, ROIC History



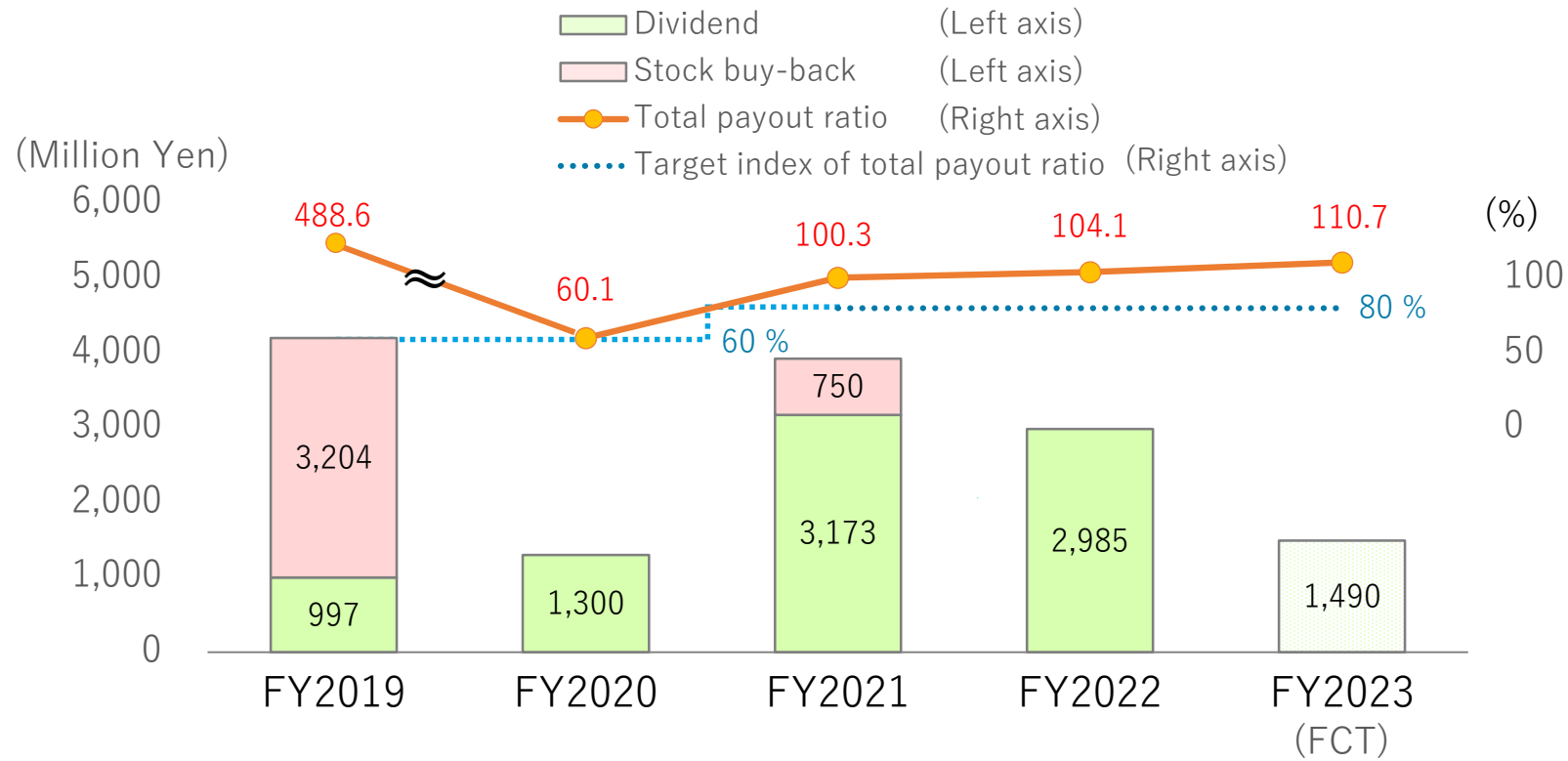
ROE = Net Profit / Equity capital

ROIC = NOPLAT (Net Operating Profit Less Adjusted Tax) / (Equity capital + Interest-bearing debt)



• ROIC is expected to be 1.6% at the end of March 2024.

Dividend and Total Payout Ratio History



- The dividend forecast remains unchanged at 45 yen per share. As a result, the total payout ratio will be 110.7%.

	FY2019	FY2020	FY2021	FY2022	FY2023
Share Price (Yen/Share)*	802	1,000	957	1,254	—
Dividend (Yen/Share)	30	39	95	90	45 (FCT)
Dividend yield (%)	3.7	3.9	9.9	7.2	—

* Closing price at the end of each FY

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Comparison in Consolidated Companies



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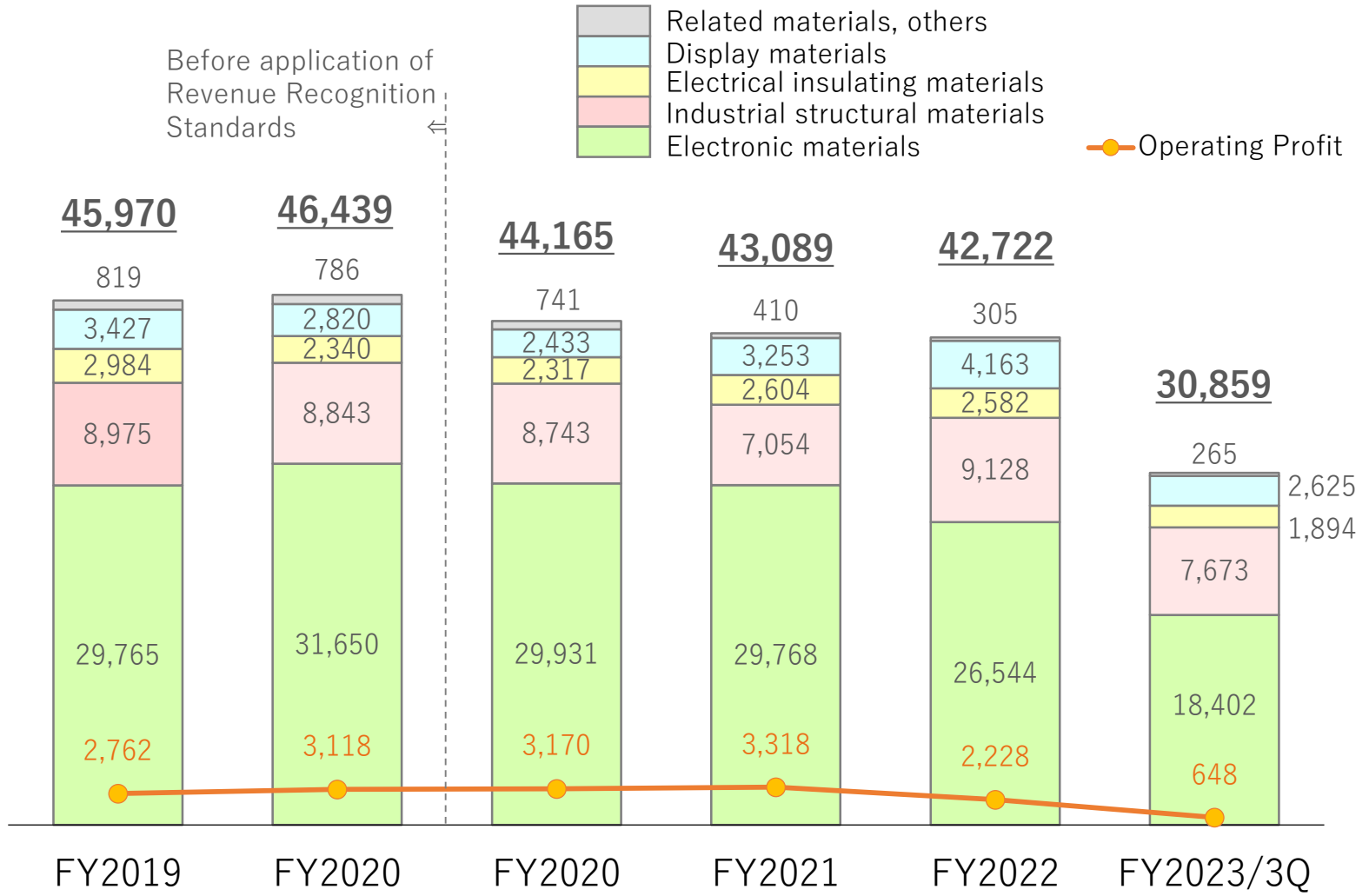
(Million Yen)

	Sales					Operating Profit				
	FY2022 Q3 Result	FY2023 Q3 FCT (Nov. 9)	FY2023 Q3 Result	+/- vs. Prev. year vs. FCT		FY2022 Q3 Result	FY2023 Q3 FCT (Nov. 9)	FY2023 Q3 Result	+/- vs. Prev. year vs. FCT	
Parent										
Arisawa Mfg.	20,289	19,500	19,735	-554	235	1,182	500	539	-643	39
Consolidated companies										
ThinFlex	7,941	6,100	6,100	-1,841	0	-65	-500	-502	-437	-2
Satosan	1,498	1,300	1,278	-220	-22	26	10	8	-18	-2
Arisawa Fiber Glass	1,343	1,350	1,321	-22	-29	-72	-110	-94	-22	16
Protec	4,004	4,350	4,355	311	5	800	560	521	-279	-39
Arisawa Sogyo	1,195	1,300	1,340	145	40	45	70	81	36	11
Arisawa Jushi Kogyo	184	200	217	33	17	9	30	25	16	-5
ColorLink Japan	1,803	1,150	1,192	-611	42	239	40	51	-188	11
(Adjustment)	-4,714	-4,350	-4,679			-27	0	19		
Total	33,543	30,900	30,859	-2,684	-41	2,137	600	648	-1,489	48

Segment Comparison History (Sales and Operating Profit)



Sales and Operating Profit (Million Yen)



- Operating profit of industrial structural materials has been firm, while that of electronic materials continued to decrease.

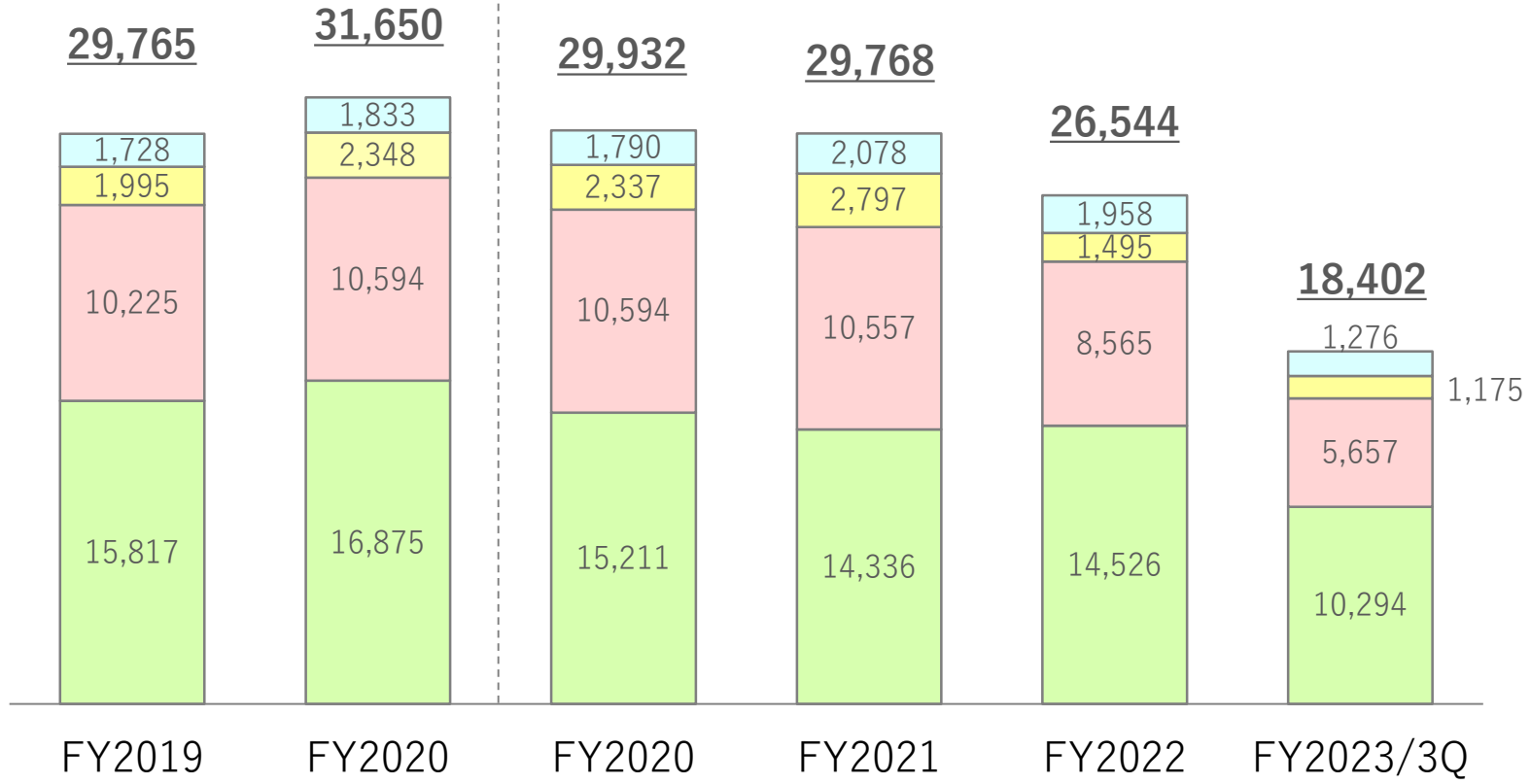
Electronic Materials Sales History



Sales (Million Yen)

- Printed wiring board (Satosen)
- ICGC, prepreg
- FPC materials (ThinFlex)
- FPC materials (Arisawa)

Before application of Revenue Recognition Standards

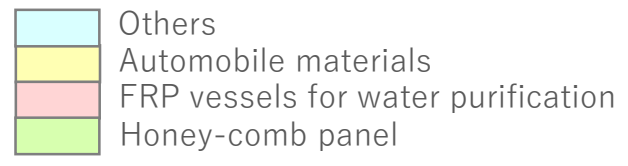


- Revenue recognition standards have been applied since FY2021 (Retroactive application for FY2020, as a reference).
- Demand mainly for the Chinese market decreased from the 2nd half in FY2022. Although it has recently bottomed out, the recovery movements are still weak.

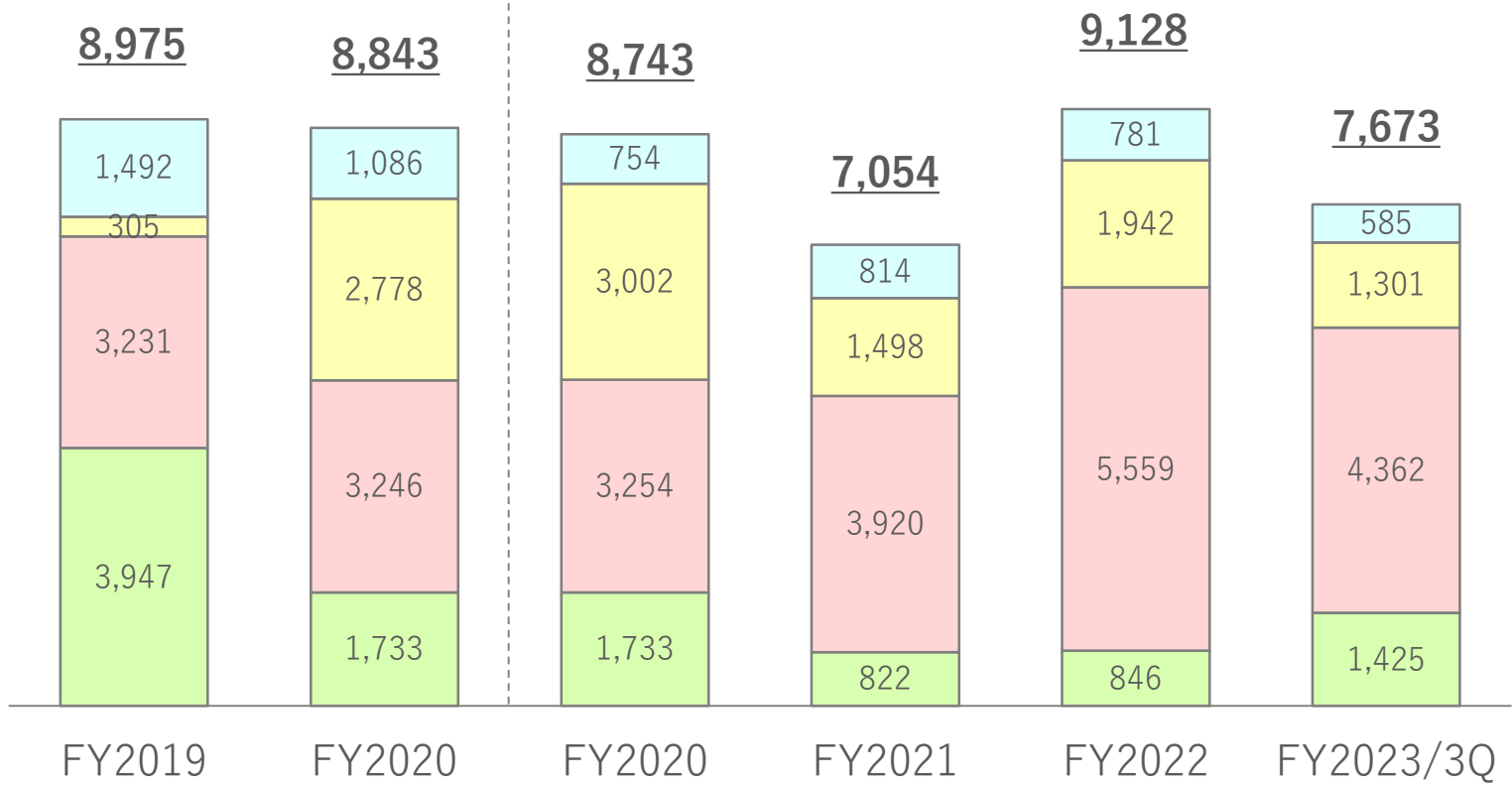
Industrial Structural Materials Sales History



Sales (Million Yen)



Before application of Revenue Recognition Standards



- Sales of honey-comb panel for aircraft decreased due to COVID-19 from the 2Q in FY2020 onwards. It has been recovering from FY2023.
- Sales of FRP pressure vessel for water purification increased from FY2022 due to production capacity expansion.

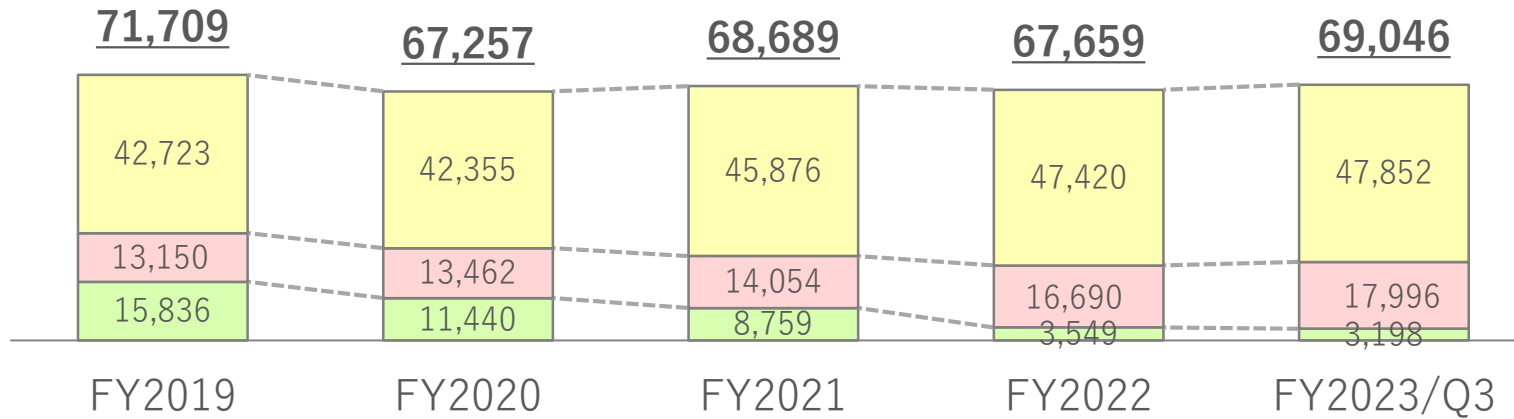
Consolidated Balance Sheets History (Outline)



Assets

(Million yen)

■ Investment and other assets ■ Non-current assets ■ Current assets

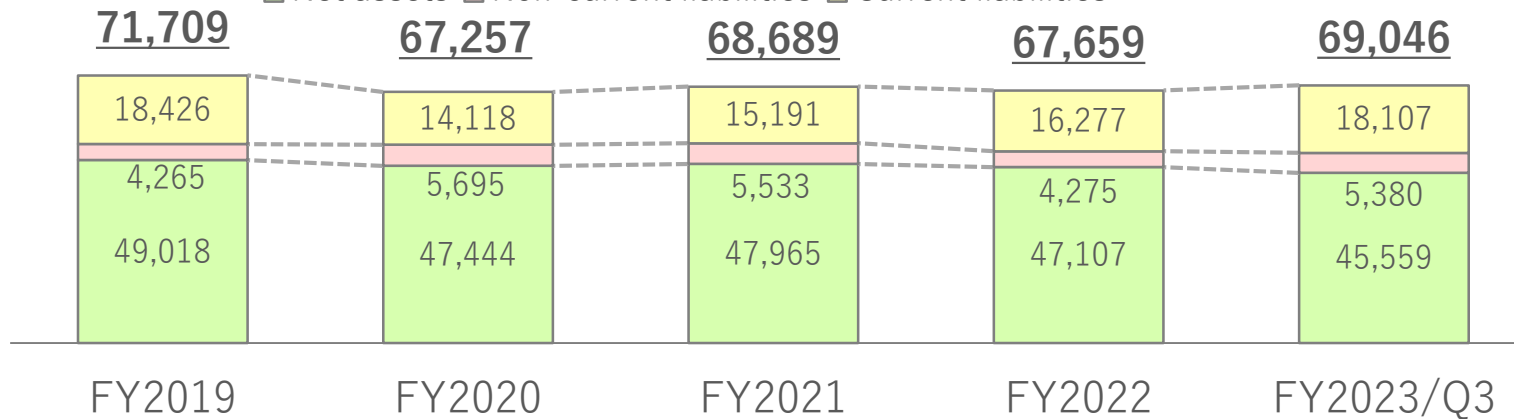


- Current assets: Increased in accounts receivable and decreased in cash and deposits.
- Non-current assets: Increased due to capital expenditures.

Liabilities and net assets

(Million yen)

■ Net assets ■ Non-current liabilities ■ Current liabilities

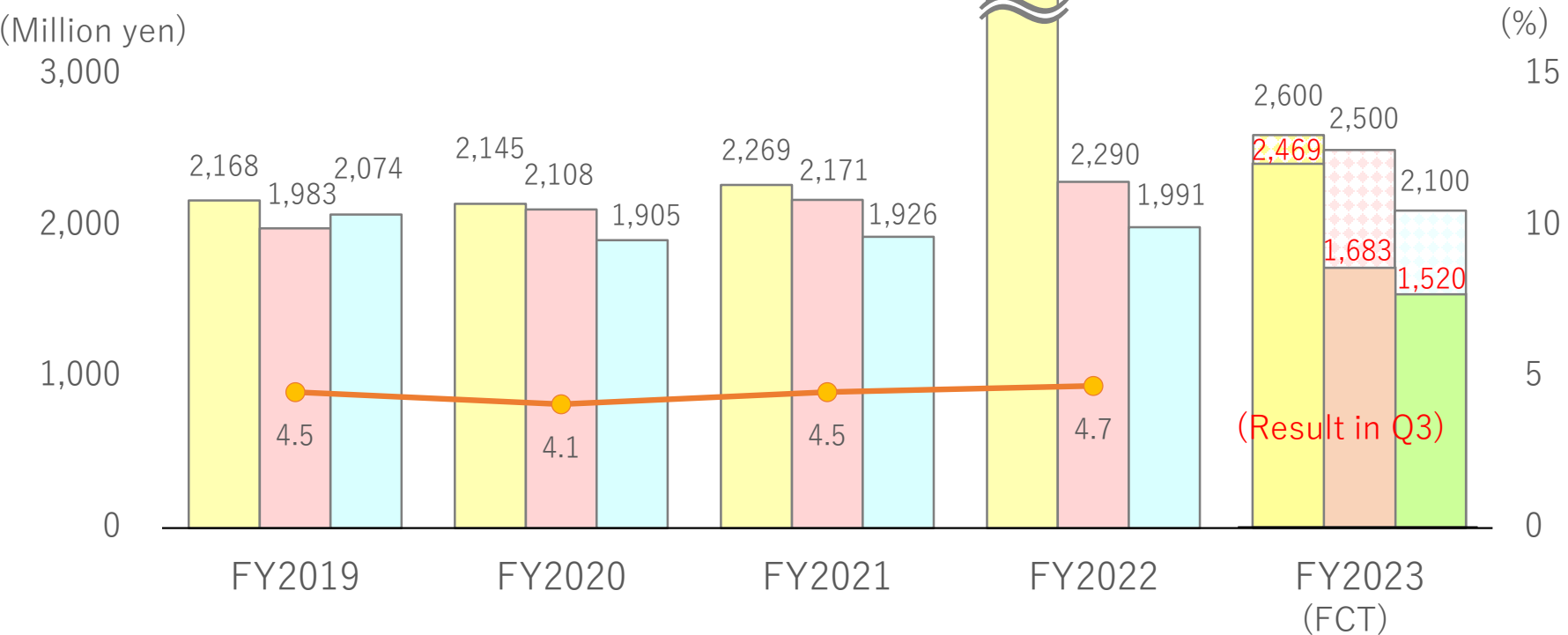


- Investment and other assets: Decreased due to sales of cross-shareholdings.
- Total liabilities: Increased in accounts payable.
- Net assets: Decreased in retained earnings.

Capital Expenditure, Depreciation and R&D Expenses History



■ Capital expenditure (Left axis)
 ■ Depreciation (Left axis)
 ■ R&D Expenses (Left axis)
 ● R&D/Total sales ratio (Right axis)



- Capital expenditure has been running from FY2022 as set forth in the Medium-Term Business Plan.
- Capital expenditure FY2023 is progressing on schedule.

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