



ARISAWA

INTEGRATED REPORT 2025

Arisawa Mfg. Co., Ltd.



Corporate Philosophy

CIC

"Create, Innovate, and Challenge"

**Better today than yesterday
better tomorrow than today**

~ Take a step forward to create a better future ~

Arisawa as 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 diverse customers' needs.

Arisawa's current offerings include, among others, electronic materials for use in PCs, smartphones, 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.

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.

This year's report describes specific initiatives regarding the mid-term management plan, financial strategy, and human capital management in more detail than the first report issued last year.

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, 2024, to March 31, 2025 (January 1 to December 31, 2024, for overseas offices), 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).
- TOPICS are enclosed in

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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 customers' needs 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.

**Continuously and persistently provide "surprise and delight"
to our customers while surpassing their expectations even if only a little**

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 address a variety of issues related to environment, society and governance and aim to achieve sustainable growth.

Human Rights Policy

To contribute to a sustainable society and improve the corporate value of the Arisawa Group, we prevent and mitigate negative impacts on human rights that could be brought about by business activities and promote business activities that respect human rights.

CSR Procurement Policy

We procure materials in compliance with laws and internal policies and based on the mutual understanding and trust with our suppliers.

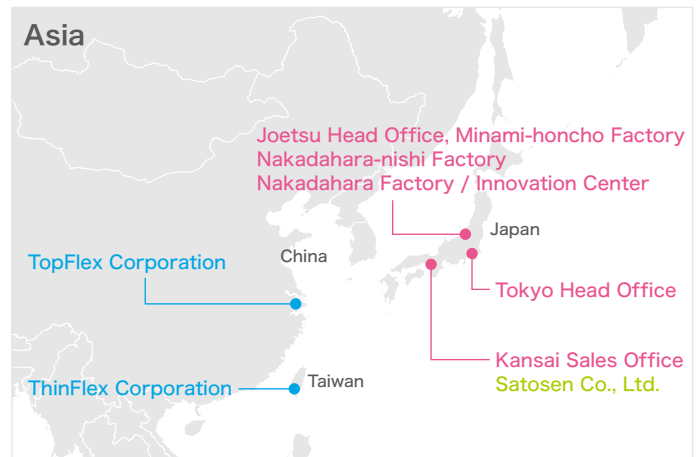
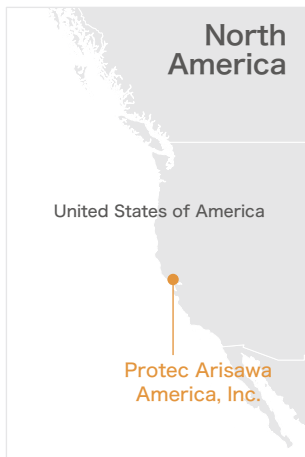
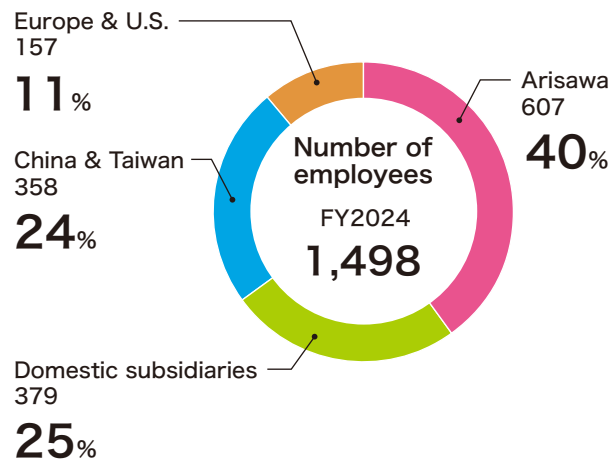
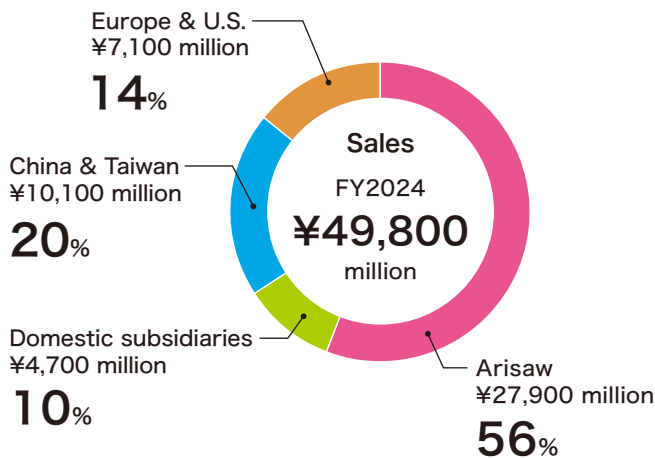
Environmental Policy

We strive to reduce environmental loads, promote environmental conservation, and address 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 high-quality products that meets the reliability and expectations of our customers by understanding their perspective.

Global Business Operations (As of March 31, 2025)



TOPICS

PAA honored by the Vista Chamber of Commerce!

On July 10, 2024, PAA (Protec Arisawa America, a manufacturer of filament winding products) was honored by the Vista Chamber of Commerce in California as a company contributing to local employment and the economy.

"We are proud to be recognized as a member of the local business community, and we will continue to take responsibility in our work. Water is an extremely precious resource worldwide. We are pleased to be contributing to the delivery of clean water.

My role is to strengthen the team with people who are both stable and capable of generating creative ideas. Business is driven by people, not products. By placing the right people in the right positions, we are driving improvements in business processes and operations." (Message from Hancock)



Company's major product
FRP pressure vessel for water treatment
(filament winding molding)



From left: Ken Kasamatsu,
Vice President of Business Development; Zury Castellanos,
Human Resources Specialist; Tiffany Butcher,
Vice President of Finance; and Lee Hancock, President.

Satosen exhibits at SEMICON Japan 2024!

From December 11 to 13, 2024, Satosen showcased its stretchable PCB*2 currently under-development as the main feature at SEMICON Japan*1 2024, held at Tokyo Big Sight.

"We believe the stretchable PCB presented this time is a technology will make a significant contribution to our company. About eight years ago, we shifted our thinking 180 degrees from our core rigid boards and began developing this PCB, successfully creating a flexible, stretchable board. This board uses liquid metal applied to urethane and silicone resin to pattern the circuit. We have already received inquiries from the medical and sports fields regarding new product development, leading to the development of products such as adhesive-type ECG circuits and EMG sensors designed to be embedded in shoe insoles. (Message from Shimizu)

*1 The exhibition hosted by SEMI, the international semiconductor industry association
*2 The circuit that conforms to uneven surfaces and curves while maintaining electrical continuity even during expansion and contraction (upper right of the photo)



(Left) Ryota Shimizu, Chief, Engineering and
Development Department, Satosen
(Right) Yoichiro Uemura, General Manager
Sales Department, Satosen

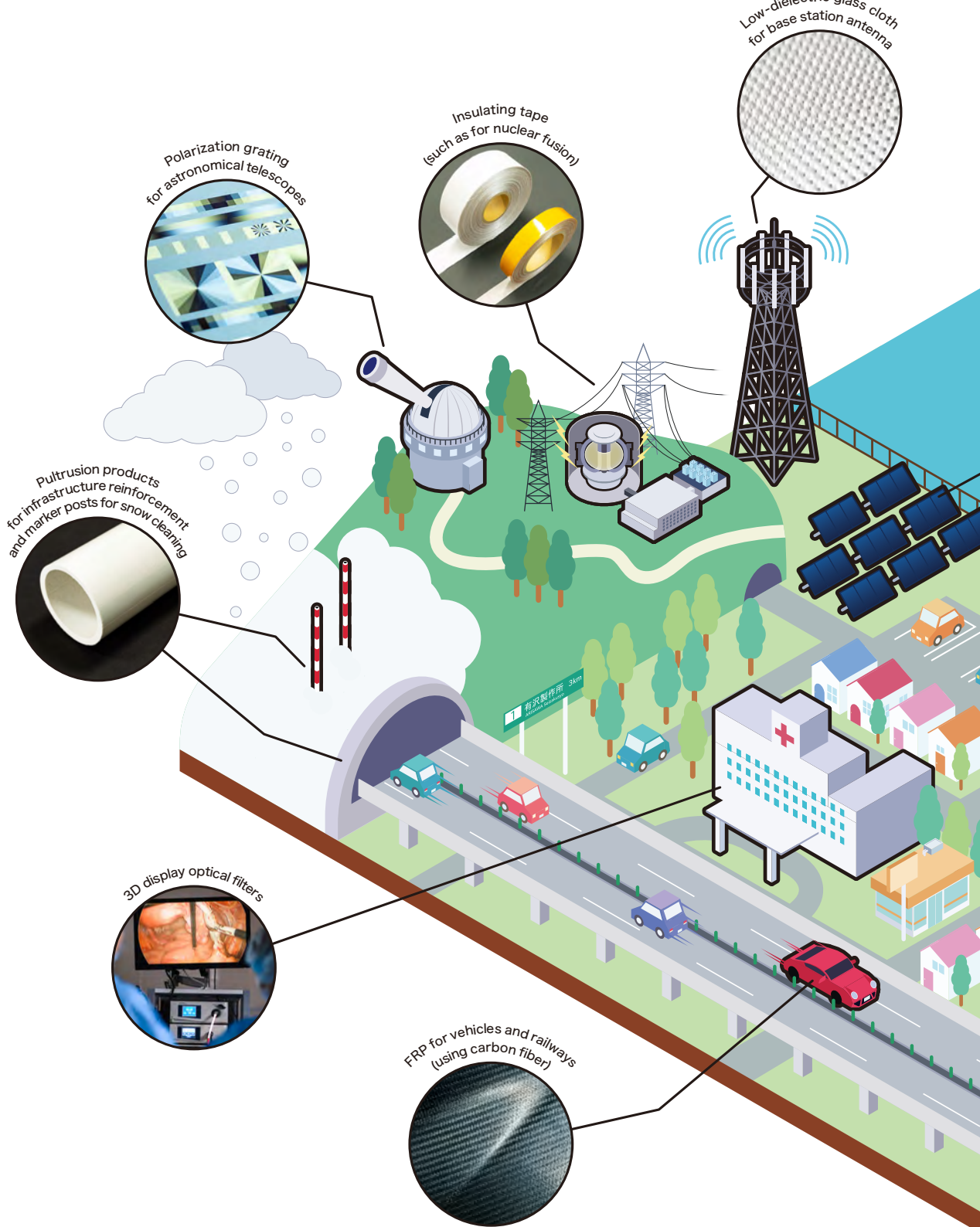


Stretchable PCB | TECHNOLOGY INTRODUCTION |
Satosen Co., Ltd.
<https://www.satosen.co.jp/technology/stretchable.html>

||| Arisawa Widely Adopted in Society

Where Future Pieces Arise

Our group's products support people's lives reliably behind the scenes. Arisawa continues to provide innovative materials with trusted technology.





Message from Representative Director

TOP MESSAGE

Maximizing corporate value by promoting both business and financial strategies forward, using the human resource strategy as the driving force

Yuta Arisawa

Representative Director and CEO

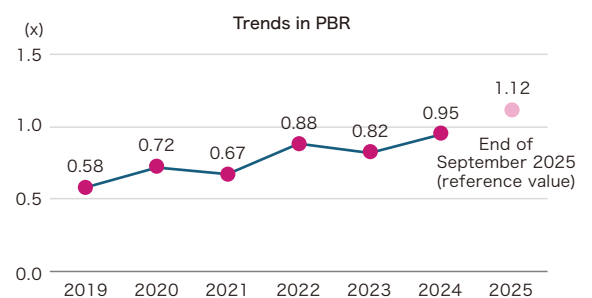


Summary of the previous mid-term management plan

In the previous mid-term management plan (hereinafter referred to as the previous mid-term plan), which concluded in FY2024, we faced unforeseen environmental changes due to the global contraction of economic activity caused by the COVID-19 pandemic. We were initially forced to revise our plan. However, by promoting both our financial and business strategies, we achieved an ROIC (Return on Invested Capital) of 6.2%, exceeding our target of 6%.

In the previous mid-term plan, which adopted the business strategy of "expanding the scope of existing businesses" and "creating new business opportunities," new businesses focused on electronic materials were successfully developed, leading to significant achievements including the acquisition of new customers. This represents a challenge beyond the scope of existing businesses and signals the expansion of our future revenue base. Financially, to convert non-business assets into business assets, we have established

a financial framework that allows us to redirect resources toward investments for future growth by reducing our cross-shareholdings and liquidating foreign bonds. Additionally, after changing return to shareholders to whichever is greater between "a DOE (dividend on equity) of 6%" or "a total return ratio of 80% or more," the stock price reacted accordingly and exceeded a PBR of 1. We assess that we have achieved certain results overall.



"What must not be changed" and "what must be changed"

For 116 years since our founding, we consistently prioritized technological development, investing in research and development, capital expenditures, and human resources. Our management philosophy—establishing and refining technologies ahead of competitors and pioneering new application fields in response to changing times—has supported our sustainability. Looking ahead 50 or even 100 years, we firmly believe that the principle of "investing management resources with technology at the core" must not be changed.

Meanwhile, with the opening of the Innovation Center, we significantly shift our patent strategy. Until

now, we have deliberately refrained from obtaining patents and kept our technologies confidential. However, we are now shifting toward a policy of actively acquiring patents. In the past, the number of patent applications filed annually was around 10 to 15, but we are raising our target to 50 applications per year. To achieve this, we will implement organizational reforms while also overhauling our incentive systems. In addition to enhancing the competitiveness of our products through changes to in our patent strategy, we aim to create new revenue opportunities, such as cross-licensing.

Innovation Center supporting long-term growth

Our biggest challenge is "developing a second revenue pillar." While electronic and display materials were once the two pillars of our revenue, we now highly depend on electronic materials. We have been developing industrial structural materials and display materials as our second pillar. Furthermore, we expand our revenue base into new fields such as battery-related materials, hydrogen-related materials, next-generation computing (AI and GPU), and mobility (automobiles, aircraft, and rail vehicles), thereby establishing the second pillar. The base for this initiative is the Innovation Center.

Amid growing global uncertainty, we believe that agile research and development and rapid product launches are the key sources of our competitiveness.

The newly opened Innovation Center will not only accelerate the development speed of "currently visible businesses and products," but also serve as a platform for exploring "potential new customers and technological developments." We plan to use this Innovation Center as a base for co-creation with external partners, engaging with a wide range of companies to commercialize new technologies. At the Innovation Center, we integrate our proprietary "known technologies" with "unknown technologies" offered by new partners to spark a chemical reaction that transforms them into new value, and cultivate products that will drive our growth for the next 50 and 100 years.



Message from Representative Director



Mid-term management plan

The new mid-term management plan sets targets of 70 billion yen in sales, an ROE of 10% or more, and an ROIC of 8% or more by FY2029. It is a challenging and worthwhile goal.

The achievement of this plan requires the development of high-margin products. Against this background, we are revising our patent strategy. We protect our proprietary products with patents while securing revenue through cross-licensing and paid licensing agreements, and we also consider leveraging unused patents. In addition, we plan to make new investments by focusing on high-margin businesses with an ROIC of 8% as a guiding benchmark.

Each business division further drives "expanding the scope of existing businesses" and "generating new businesses opportunities." For "expanding the scope of existing businesses," we aim to provide customers with new value by developing differentiated products through unique technologies. For production, we enhance our capacity while improving production efficiency to boost profitability. We promote "the expansion into new business fields" which contributes to addressing environmental and social challenges, such as next-generation batteries, fuel cell, and hydrogen energy-related materials, next-generation computing including AI and GPUs, and mobility (automobiles, aircraft, and rail vehicles). We are also considering M&A to support business expansion.

"Better today than yesterday better tomorrow than today"

"Better today than yesterday better tomorrow than today" is a phrase meant to encourage your own growth, not comparing yourself to others. Our philosophy is that we strive to be a little better today than yesterday, and a little better tomorrow than today. We value even half a step of growth each day for every employee. If each and individual continues to grow, even in small ways, the company grows as well and will continue to thrive for the next 50 and 100 years. I believe that the role of management is to set a clear direction and provide an environment that fosters employee growth without stifling curiosity. Because a company is a collection of individuals, the proactive growth of each person drives the growth of the organization as a whole. We also place strong emphasis on fostering a culture that encourages challenges, embraces failure as a learning opportunity, and supports proactive initiatives.



Importance of "mixing" diverse elements

Before the coating process, one of our core technologies, it is essential to mix various resins and chemicals. We have created new properties by combining different materials in our technological development efforts. Similarly, in building human resources and organizational culture, by combining diverse elements, we believe that mixing diverse elements can generate new ideas and create value, much like a chemical reaction.

As part of our governance reforms, we are promoting the appointment of female officers and managers, which is also a crucial initiative to spark a chemical reaction. Five years ago, we set a target of having women account for 20% of managerial positions. We not only increased the number of female directors and executive officers but also actively

promoted the appointment of women to managerial positions. As a result, the percentage of women in managerial positions reached 20.1% in FY2024, achieving the initial target. To further increase this percentage, it is also important to establish mechanisms that promote the active participation of female employees in manufacturing operations. To achieve this, we have introduced a new role called "group coordinator," responsible for analyzing quantitative data underlying production activities and implement measures to improve production efficiency and yield, thereby expanding opportunities for female employees. We plan to increase the percentage to 25 to 30% during the current mid-term management plan period.

Closing remarks

Our management is built on "technology-based operations" and "human capital growth." Driven by the challenge and growth of each individual, we bring together diverse ideas to explore existing businesses, pursue new growth fields, and create new value in the years ahead, based on our principle of "technology-based operations." "Better today than yesterday

better tomorrow than today." We believe that the accumulation of small steps will become the driving force that shapes the next 100 years. Together with stakeholders including our employees, shareholders, suppliers, and local communities, we will build a sustainable future.