

Aug 27st, 2019

Arisawa Mfg. Co., Ltd.

FY2019 Q1 Report

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- FY2019 Forecast by consolidated basis

FY2019 Q1 Consolidated Performance

(unit: Million Yen)

	2019 / 3 Q1 Result	2020 / 3 Q1 FCT	2020 / 3 Q1 Result	vs. Prev. year	vs. Forecast
Sales	10,961	10,650	10,547	-3.8%	-1.0%
Operating Income	842	600	502	-40.3%	-16.3%
Ordinary Income	1,237	850	594	-51.9%	-30.1%
Net Income	858	550	250	-70.8%	-54.5%

Exchange rate (Yen / \$)	110.54	110.00	107.79	
at end of period				*FCT=Forecast as of 10 May

- Sales and Incomes decreased compared with Prev. year, as well as FCT.
- Operating Income decreased by 16.3% compared with FCT due to drop in profitability ratio in Electronics raw materials and Industrial materials.
- Ordinary Income decreased by 30.1% compared with FCT due to exchange-rate loss and downturn in Equity method income.
- Net Income decreased by 54.5% compared with FCT due to no Profit on sales of securities which happened last year.

Sales Breakdown by Segment

(unit: Million Yen)

	Sales				
	2019 / 3 Q1 Result	2020 / 3 Q1 FCT	2020 / 3 Q1 Result	vs. Prev. year	vs. Forecast
Electronics raw materials	6,861	6,500	6,551	-4.5%	0.8%
Industrial materials	2,172	2,150	2,174	0.1%	1.1%
Insulation materials	805	850	768	-4.6%	-9.6%
Display materials	937	1,000	849	-9.4%	-15.1%
Related materials, others	186	150	205	10.2%	36.7%
Total	10,961	10,650	10,547	-3.8%	-1.0%

*FCT=Forecast as of 10 May

- Compared with Prev. year, Sales decreased in Electronics raw materials, Insulation materials and Display materials.
- Compared with FCT, Insulation materials and Display materials were below FCT. Then, Total was below FCT by 1.0%.

FY2019 Q1 vs. FY2018 Q1 Segment Comparison

(unit : Million Yen)

	Sales			Segment Profit		
	2019 / 3 Q1 Result	2020 / 3 Q1 Result	+ / -	2019 / 3 Q1 Result	2020 / 3 Q1 Result	+ / -
Electronics raw materials	6,861	6,551	(310)	644	448	(196)
Industrial materials	2,172	2,174	2	397	284	(113)
Insulation materials	805	768	(37)	132	73	(59)
Display materials	937	849	(88)	50	48	(2)
Related materials, others	186	205	19	54	55	1
Total	10,961	10,547	(414)	1,277	908	(369)
			Total cost	(435)	(406)	
			Operating income	842	502	(340)

- Electronics raw materials : Sales and Profit decreased due to slowdown for Rigid Printed Circuit Boards and its materials.
- Industrial materials and Insulation materials : Profit decreased due to an increase in low-margin products compared with Prev. year.
- Display materials : Sales decreased because deliveries of one shot orders were moved to Q2.

FY2019 Q1 Segment Comparison (vs. FCT)

(unit : Million Yen)

	Sales			Segment Profit			*FCT=Forecast
	FCT as of 10 May 1H	2020 / 3 Q1 Result	+ / -	FCT as of 10 May 1H	2020 / 3 Q1 Result	+ / -	
Electronics raw materials	6,500	6,551	51	470	448	(22)	
Industrial materials	2,150	2,174	24	340	284	(56)	
Insulation materials	850	768	(82)	120	73	(47)	
Display materials	1,000	849	(151)	60	48	(12)	
Related materials, others	150	205	55	30	55	25	
Total	10,650	10,547	(103)	1,020	908	(112)	
			Total cost	(420)	(406)		
			Operating income	600	502	(98)	

• Electronics raw materials : Profit decreased due to slowdown for Rigid Printed Circuit Boards and its materials.

• Industrial materials and Insulation materials : Profit decreased due to an increase in low-margin products compared with FCT.

• Display materials : Sales and Profit decreased because deliveries of one shot orders were moved to Q2.

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Revised Forecast by selling shares of Polatechno Co., Ltd.

(unit: Million Yen)

	1H		Full year	
	Ordinary Income	Net Income	Ordinary Income	Net Income
FCT as of 1 Aug	1,950	1,250	4,100	2,750
Increase factor				
Profit on sale of the share (after Tax)				850
Decrease factor				
Investment Profit by equity method	(200)	(200)	(500)	(500)
Tax expense for retained earnings		(1,550)		(1,550)
Profit of consolidated subsidiary	(100)	(100)	(200)	(200)
FCT as of 27 Aug	1,650	(600)	3,400	1,350

- Polatechno Co., Ltd. is an equity method affiliate of Arisawa Mfg. Co., Ltd.
- Tax expense for retained earnings is recognized based on the decision of selling shares of an equity method affiliate.
- Investment profit by equity method which was expected will decrease.

FY2019 Sales and Profit Forecast

(unit: Million Yen)

FCT as of 27 Aug

	2019 / 3 1H Result	2019 / 3 2H Result	2019 / 3 Full year Result	2020 / 3 1H FCT	vs. Prev. year	2020 / 3 2H FCT	vs. Prev. year	2020 / 3 Full year FCT	vs. Prev. year
Sales	22,707	22,021	44,728	22,650	-0.3%	22,950	4.2%	45,600	1.9%
Operating Income	1,732	1,387	3,119	1,400	-19.2%	1,650	19.0%	3,050	-2.4%
Ordinary Income	2,589	1,708	4,297	1,650	-36.3%	1,750	2.5%	3,400	-20.9%
Net Income	1,772	1,089	2,861	(600)	-133.9%	1,950	79.1%	1,350	-52.8%

Exchange rate (Yen / \$)	113.57	110.99	110.06	108.00
at end of period				*FCT=Forecast

• We expect Sales increase due to an increase in Insulation materials and Display materials. However, due to the rise in fixed-cost and variation of product mix in Electronics raw materials, Operating Income is expected to decrease.

• We expect Ordinary and Net Income decrease due to the recognition of tax expense for retained earnings and decrease of equity method income by selling shares of Polatechno (Equity method affiliate).

FY2019 Sales Forecast by Segment

(unit : Million Yen)

Forecast as of 27 Aug

	2019 / 3 1H Result	2019 / 3 2H Result	2019 / 3 Full year Result	2020 / 3 1H FCT	vs. Prev. year	2020 / 3 2H FCT	vs. Prev. year	2020 / 3 Full year FCT	vs. Prev. year
Electronics raw materials	14,699	14,071	28,770	14,350	-2.4%	14,550	1.4%	28,900	0.5%
Industrial materials	4,257	4,138	8,395	4,300	1.0%	4,200	1.5%	8,500	1.3%
Insulation materials	1,570	1,558	3,128	1,600	1.9%	1,800	15.5%	3,400	8.7%
Display materials	1,802	1,898	3,700	2,000	11.0%	1,900	0.1%	3,900	5.4%
Related materials, others	379	356	735	400	5.5%	500	40.4%	900	22.4%
Total	22,707	22,021	44,728	22,650	-0.3%	22,950	4.2%	45,600	1.9%

*FCT=Forecast

- Electronics raw materials : We expect a slight increase.
- Industrial materials : We expect an increase in Honey-comb panel for air-craft.
- Insulation materials : We expect an increase by one shot orders.
- Display materials : We expect an increase in products for healthcare and amusement.

FY2019 Sales and Profit Forecast by Segment (Full year)

	Sales			Segment Profit			*FCT=Forecast
	2019 / 3 Full year Result	FCT as of 27 Aug Full year	+ / -	2019 / 3 Full year Result	FCT as of 27 Aug Full year	+ / -	
Electronics raw materials	28,770	28,900	130	2,621	2,500	(121)	
Industrial materials	8,395	8,500	105	1,393	1,300	(93)	
Insulation materials	3,128	3,400	272	431	400	(31)	
Display materials	3,700	3,900	200	115	250	135	
Related materials, others	735	900	165	192	200	8	
Total	44,728	45,600	872	4,752	4,650	(102)	
			Total cost	(1,633)	(1,600)		
			Operating income	3,119	3,050	(69)	

▪ Electronics raw materials : We expect a decrease in Profit due to the rise in fixed-cost and slowdown for Rigid Printed Circuit Boards.

▪ Industrial materials and Insulation materials : We expect a decrease in Profit due to an increase in low-margin products.

▪ Display materials : We expect an increase in Sales and Profit by one shot orders.

FY2019 Sales and Profit Forecast by Segment (1st-half)

(unit: Million Yen)

	Sales			Segment Profit			*FCT=Forecast
	2019 / 3 1H Result	FCT as of 27 Aug 1H	+ / -	2019 / 3 1H Result	FCT as of 27 Aug 1H	+ / -	
Electronics raw materials	14,699	14,350	(349)	1,392	1,150	(242)	
Industrial materials	4,257	4,300	43	742	630	(112)	
Insulation materials	1,570	1,600	30	231	170	(61)	
Display materials	1,802	2,000	198	80	150	70	
Related materials, others	379	400	21	108	100	(8)	
Total	22,707	22,650	(57)	2,553	2,200	(353)	
			Total cost	(821)	(800)		
			Operating income	1,732	1,400	(332)	

FY2019 Sales and Profit Forecast (vs. FCT)

(unit: Million Yen)

	FCT as of 10 May			FCT as of 27 Aug					
	2020 / 3 1H FCT	2020 / 3 2H FCT	2020 / 3 Full year FCT	2020 / 3 1H FCT	vs. FCT 10 May	2020 / 3 2H FCT	vs. FCT 10 May	2020 / 3 Full year FCT	vs. FCT 10 May
Sales	22,650	22,950	45,600	22,650	0.0%	22,950	0.0%	45,600	0.0%
Operating Income	1,400	1,650	3,050	1,400	0.0%	1,650	0.0%	3,050	0.0%
Ordinary Income	1,950	2,150	4,100	1,650	-15.4%	1,750	-18.6%	3,400	-17.1%
Net Income	1,250	1,500	2,750	(600)	-148.0%	1,950	30.0%	1,350	-50.9%
Exchange rate (Yen / \$)	110.00		110.00	110.06				108.00	
at end of period									*FCT=Forecast

•We expect Ordinary and Net Income decrease due to the recognition of tax expense for retained earnings and decrease of equity method income by selling shares of Polatechno (Equity method affiliate).

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