

FY2023 Overview in First Half



Arisawa Mfg. Co., Ltd
Nov 9th, 2023

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- FY2023 Forecast by consolidated basis
- Appendix

FY2023 1H Consolidated Performance



(unit: Million Yen)	FY2022 1H result	FY2023 1H FCT (Aug. 3)	FY2023 1H result	vs. Prev. year	vs. FCT
Sales	22,994	20,300	19,895	-13.5%	-2.0%
Operating Profit	1,861	300	169	-90.9%	-43.4%
Operating Margin	8.1%	1.5%	0.9%		
Ordinary Profit	2,408	200	218	-90.9%	9.2%
Net Profit	2,563	100	563	-78.0%	463.4%
Earnings per share (Yen)	77.37	3.01*	17.02	-78.0%	465.4%
Dividend (Yen)	0	20.00	20.00	--	--
Exchange rate (Yen / \$)					
average for the period	123.14	135.00	135.00	--	--
at end of period	144.81	138.00	149.58		

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

Year-over-year

- Consolidated sales decreased by 3,099 million yen (13.5%) due to decreases in those of electronic and display materials, despite an increase in those of industrial structural materials.
- Operating profit decreased by 90.9% due to decreases in sales and production volume as well as the impact of soaring energy costs and raw material prices.
- Ordinary profit decreased by 90.9% due to a decrease in foreign exchange gains.
- Net profit decreased by 78.0% due a decrease in gain on sale of securities.

Versus the forecast as of Aug. 3

- Consolidated sales decreased by 405 million yen (2.0%) due to a decrease in those of electronic materials mainly caused by sluggish demand from the second half of FY2022 onwards.
- Operating profit decreased by 43.4%, but ordinary profit increased by 9.2% due to higher foreign exchange gains than expected.
- Net profit increased by 463.4% due to an increase in gain on sale of securities.

Statement of Income



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(Million Yen)

	FY2022 1H result	FY2023 1H FCT	FY2023 1H result	Change from FCT	
Net sales	22,994	20,300	19,895	- 405	Decrease in sales of electronic materials
Gross profit	4,701		2,897		
Selling, general and administrative expenses	2,840		2,727		
Operation profit	1,861	300	169	- 131	Decrease in sales
Foreign exchange gains/loss	426	20	80		
Other non-operating income and expenses	121		-31		
Ordinary profit	2,408	200	218	+18	Reduction in foreign exchange gains
Gain on sale of investment securities	1,249	50	656		
Other extraordinary income/loss	25		-19		
Profit before income taxes	3,682	200	855		Increase in gain on sale of securities
Income taxes, etc.	1,119		292		
Profit attributable to owners parent	2,563	100	563	+463	

Balance Sheet



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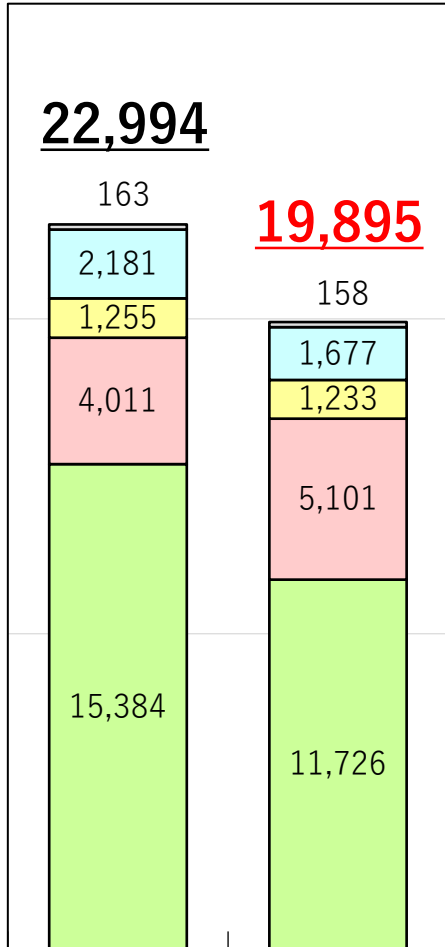
(Million Yen)

	As of Mar. 2023	As of Sep. 2023	Change	
(Assets)				
Current assets	47,420	47,235	-185	Increase in accounts receivable Decrease in cash and deposits
Property, plant and equipment, and Intangible assets	16,690	17,574	884	Capital investment
Investment securities	2,545	2,008	-537	Sale of cross-shareholdings
Other assets	1,004	1,166	162	
Total assets	67,659	67,983	324	
(Liabilities)				
Current liabilities	16,277	17,813	1,536	Increase in accounts payable
Non-current liabilities	4,275	5,295	1,020	Increase in long-term borrowings
Total liabilities	20,552	23,108		
Shareholder's equity	44,826	41,801	-3,025	Decrease in retained earnings
Other comprehensive income and share acquisition rights	2,281	3,074	793	
Total net assets	67,659	67,983	324	

FY2023 1H Segment Comparison (vs. FY2022)

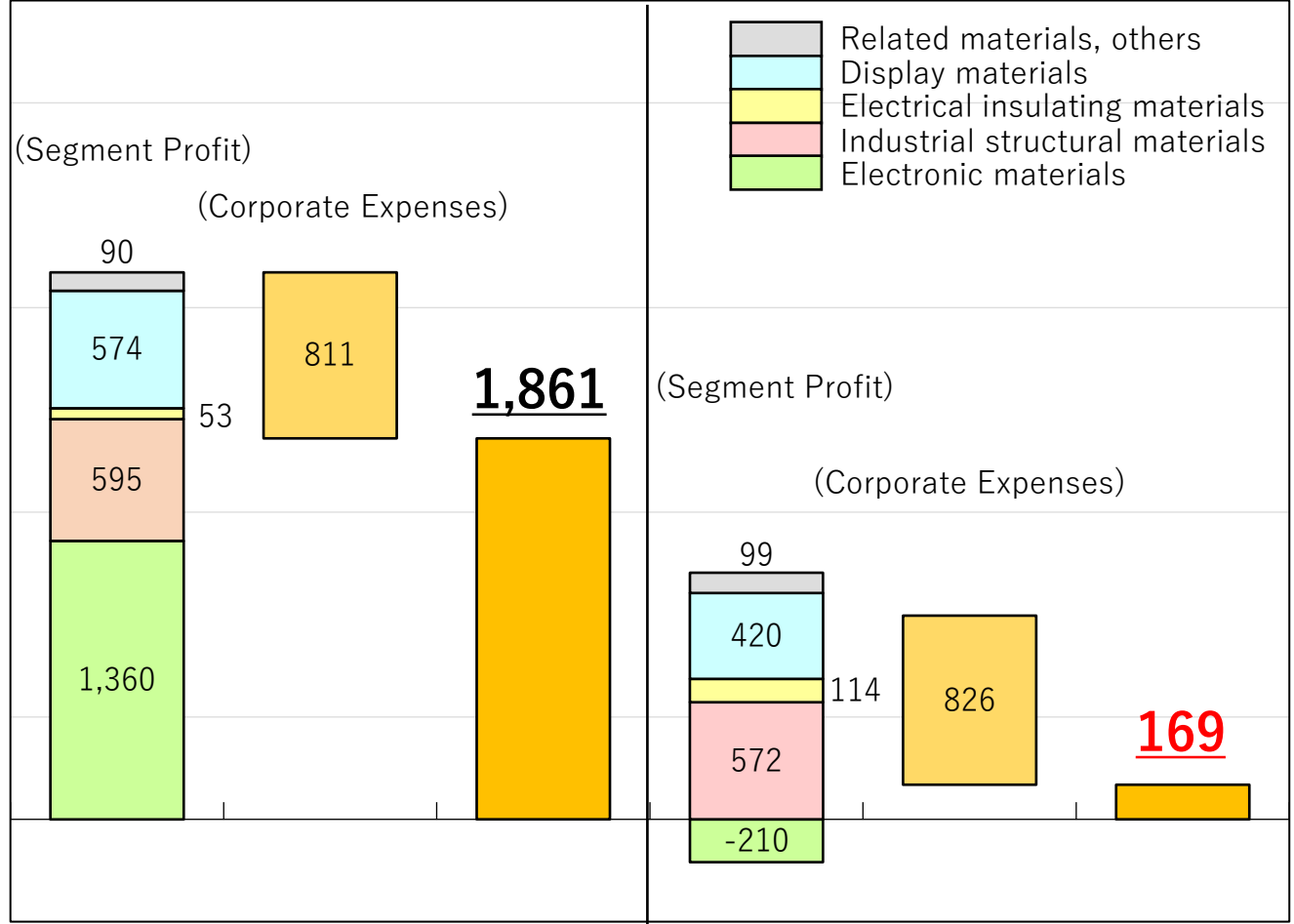


Sales (Million Yen)



FY2022 **FY2023**

Operating Profit (Million Yen)



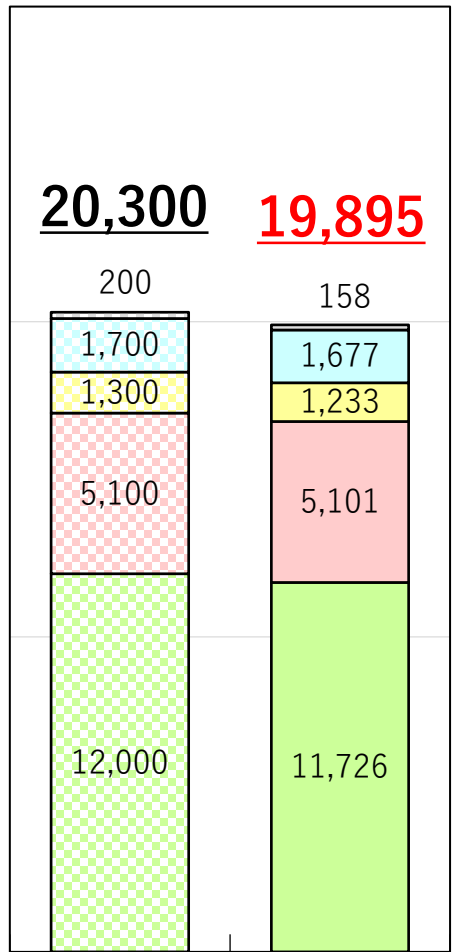
FY2022

FY2023

FY2023 1H Segment Comparison (vs. FCT as of Aug. 3)

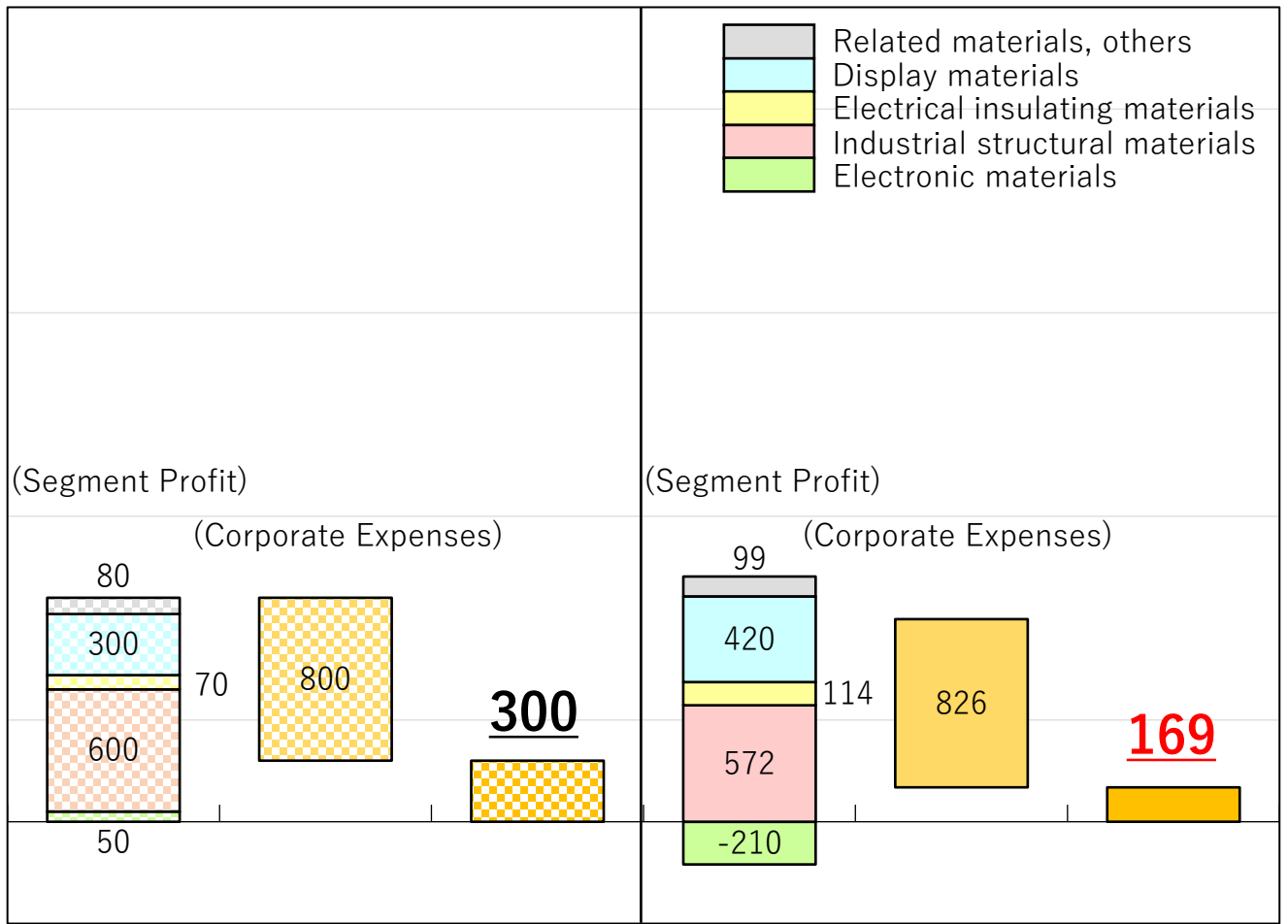


Sales (Million Yen)



FCT **FY2023**
Result

Operating Profit (Million Yen)



FCT **FY2023**
Result

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.

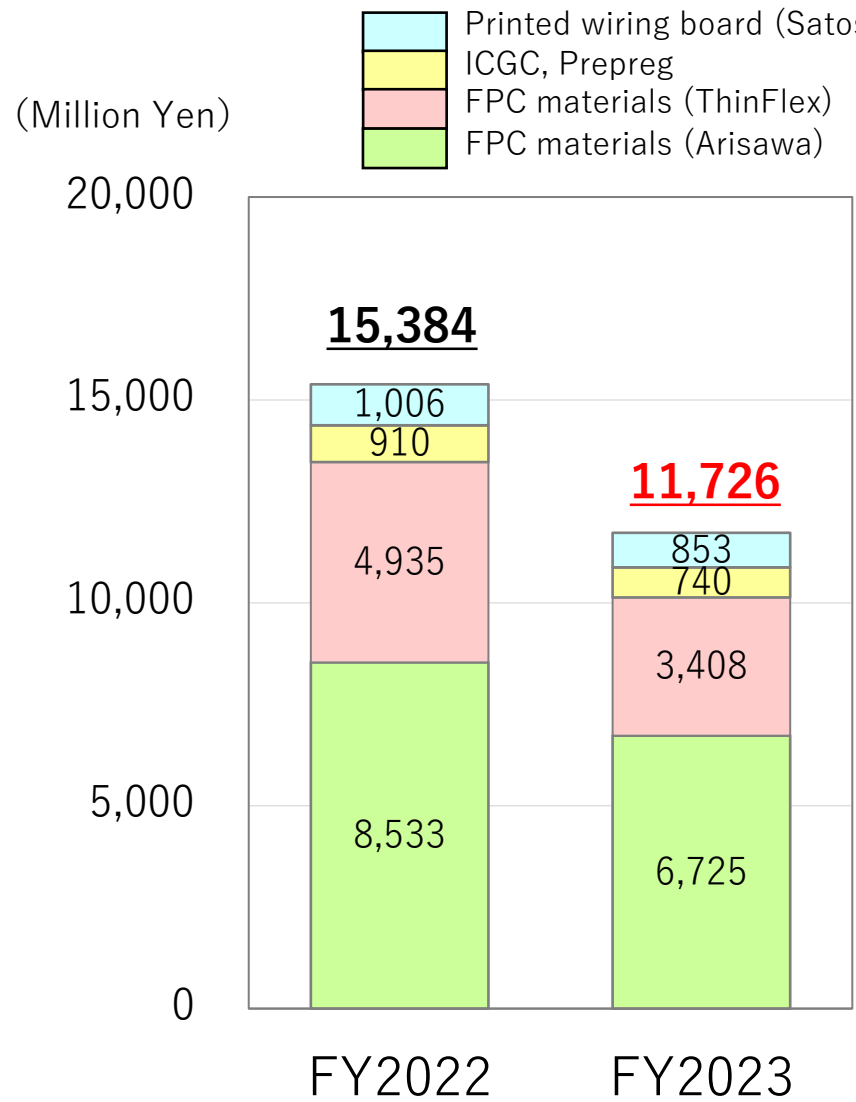
Performance year-over-year

- Sales decreased by 3,658 million yen (23.8%) due to decreases in those of FPC materials, printed wiring boards, and ICGC and prepreg.
- Segment profit also decreased by 1,570 million yen due to a decrease in production caused by delay in recovery of orders received, and the rise in raw materials and energy prices, in addition to the decrease in sales.

Performance versus forecast as of Aug. 3

- Sales decreased by 274 million yen (2.3%) due to sluggish demand from the second half of FY2022 onwards spreading to prepreg and printed wiring boards.
- Segment profit decreased by 260 million yen due to decreases in sales and production caused by delay in recovery of order received.

Electronic Materials Sales History (1H)



- Sales of ICGC and prepreg decreased by 18.7% YoY.
- Sales of FPC materials (ThinFlex) decreased by 30.9% due to a decrease in demand for Chinese smartphones.
- Sales of FPC materials (Arisawa) decreased by 21.2% due to a decrease in demand for semiconductors.

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.

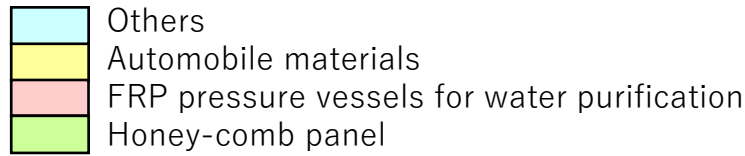
Performance year-over-year

- Industrial structural materials: Sales of FRP pressure vessel for water purification continued to be strong from the previous FY. Sales of honey-comb panels for aircraft increased.
- Display materials: Sales of 3D-related materials and polarization control optical components decreased.

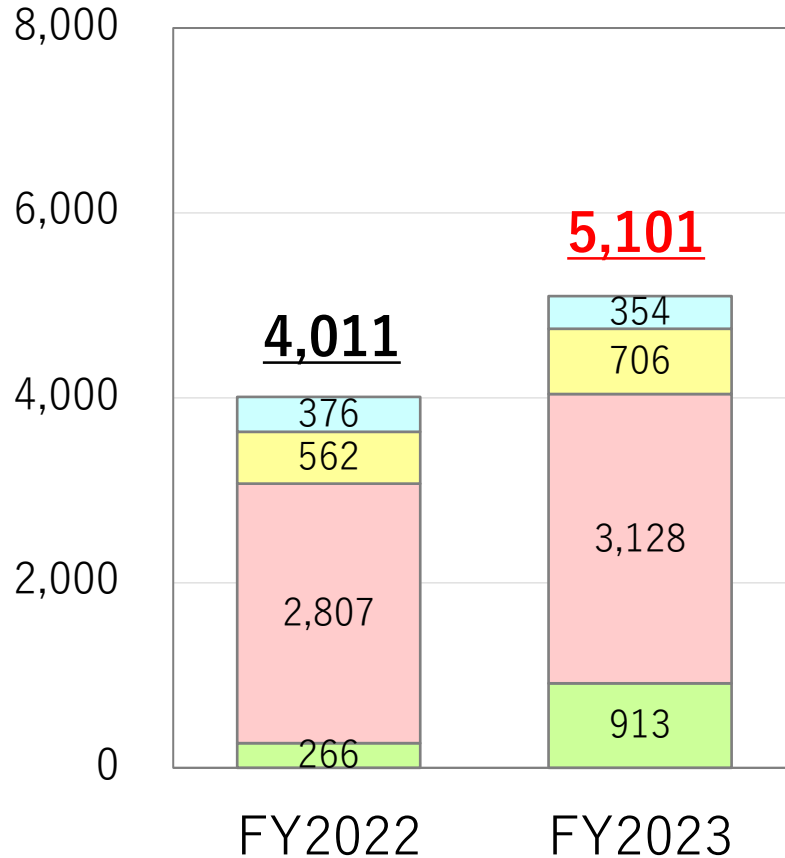
Performance versus forecast as of Aug. 3

- Industrial structural materials: As expected.
- Display materials: Segment profit increased due to the changes in product mix.

Industrial Structural Materials Sales History (1H)



(Million Yen)



- Sales of automobile materials increased by 25.8% due to the end of the turmoil in automotive production.
- Sales of FRP pressure vessel for water purification increased by 11.4% due to production capacity expansion, changes in product mix, foreign exchange impact, etc.
- Sales of honey-comb panels for aircraft increased by 242.8% YoY.

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FY2023 FY Consolidated Performance(vs. FCT)



(unit: Million Yen)	FY2022 FY result	FY2023 FY FCT (Aug. 3)	FY2023 FY FCT (Nov. 9)	vs. Prev. year	vs. FCT
Sales	42,722	45,300	42,600	-0.3%	-6.0%
Operating Profit	2,228	2,100	1,250	-43.9%	-40.5%
Operating Margin	5.2%	4.6%	2.9%		
Ordinary Profit	2,717	2,100	1,250	-54.0%	-40.5%
Net Profit	2,856	1,800	1,350	-52.7%	-25.0%
Earnings per share (Yen)	86.46	54.26*	40.78**	-52.8%	-24.8%
Dividend (Yen)	90.00	Total 45.00	Total 45.00	--	--
Exchange rate (Yen / \$)					
average for the period	131.62	136.00	141.00	--	--
at end of period	133.53	135.00	140.00		

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

Year-over-year

- Consolidated sales decreased by 122 million yen (0.3%) mainly due to a decrease in those of electronic materials.
- Operating profit decreased by 43.9% due to a decrease in sales and production volume as well as the impact of soaring energy costs and raw material prices.
- Ordinary profit decreased by 54.0% exceeding the reduction rate of operating profit due to a decrease in foreign exchange gains.
- Net profit decreased by 52.7% due to a decrease in gain on sale of securities.

Versus forecast as of Aug. 3

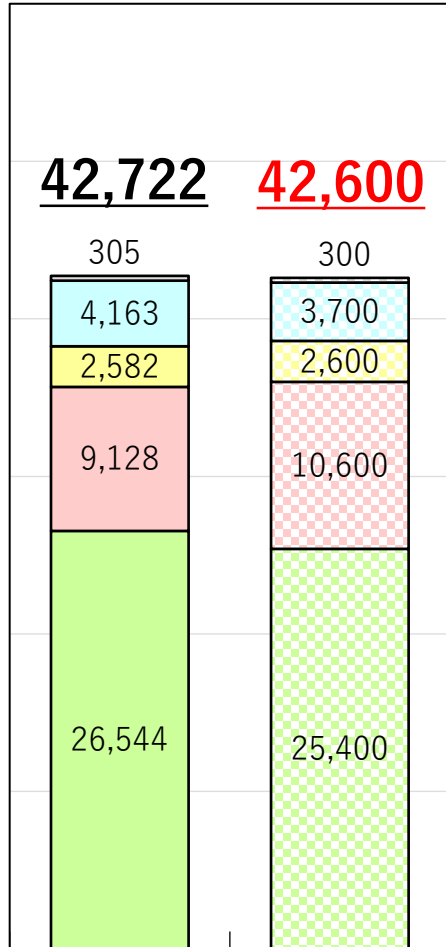
- Consolidated sales decreased by 2.7 billion yen (6.0%) mainly due to a decrease in those of electronic materials.
- Operating profit decreased by 40.5% mainly due to a decrease in those of electronic materials.
- Ordinary profit also decreased by 40.5 %.
- Net profit decreased by 25.0%, which was lower than the reduction rate of ordinary profit, due to an increase in gains on sale of securities.

FY2023 Segment Comparison (vs. FY2022)



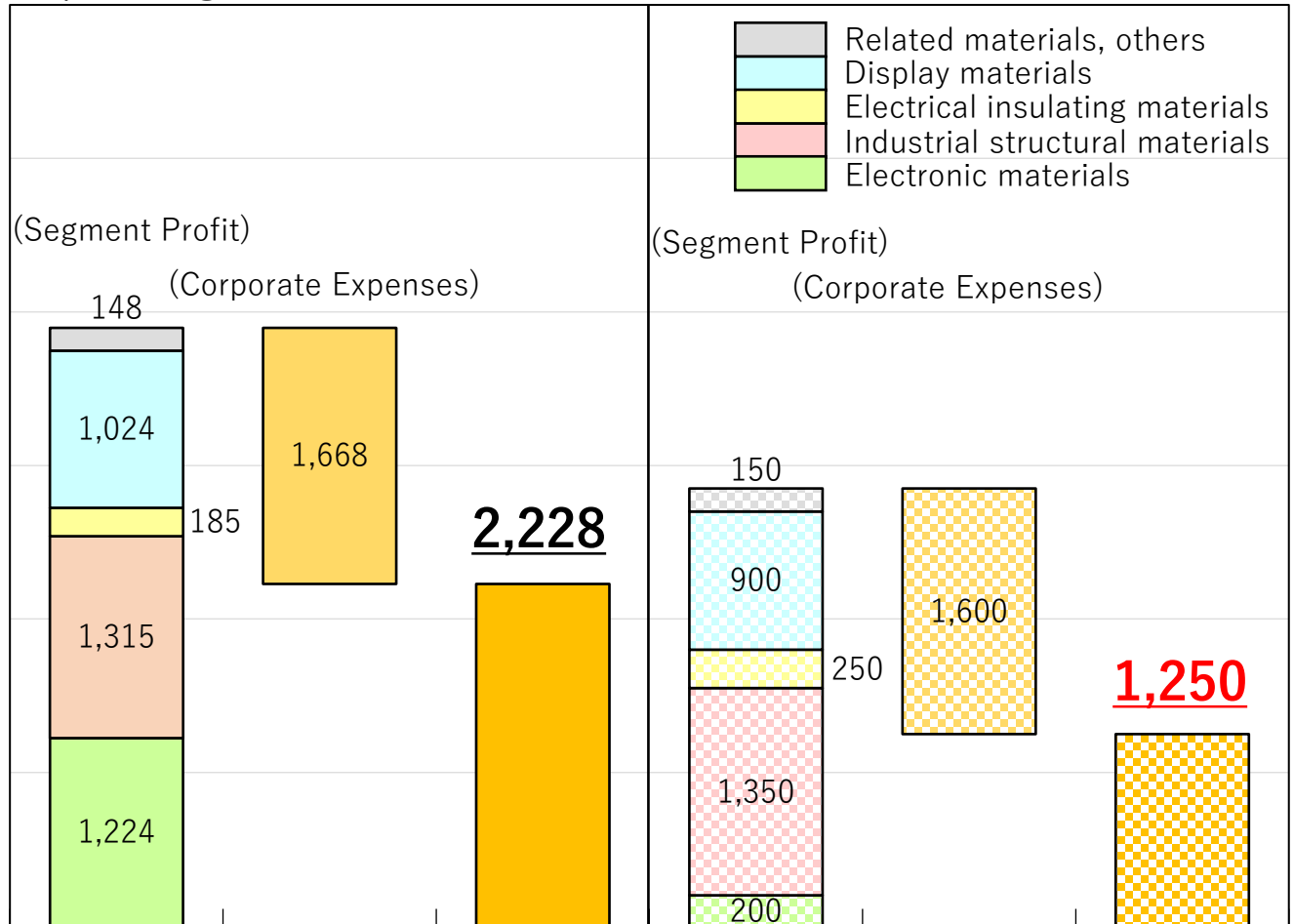
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Sales (Million Yen)



FY2022 **FY2023**
(FCT)

Operating Profit (Million Yen)



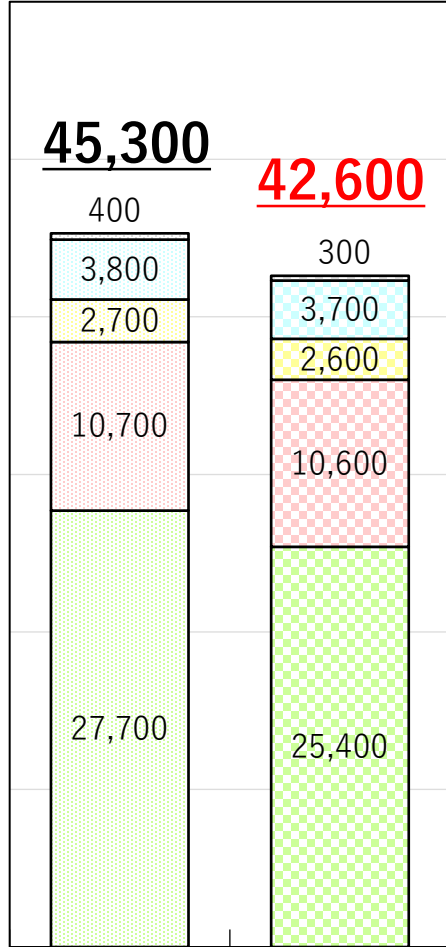
FY2022

FY2023
(FCT)

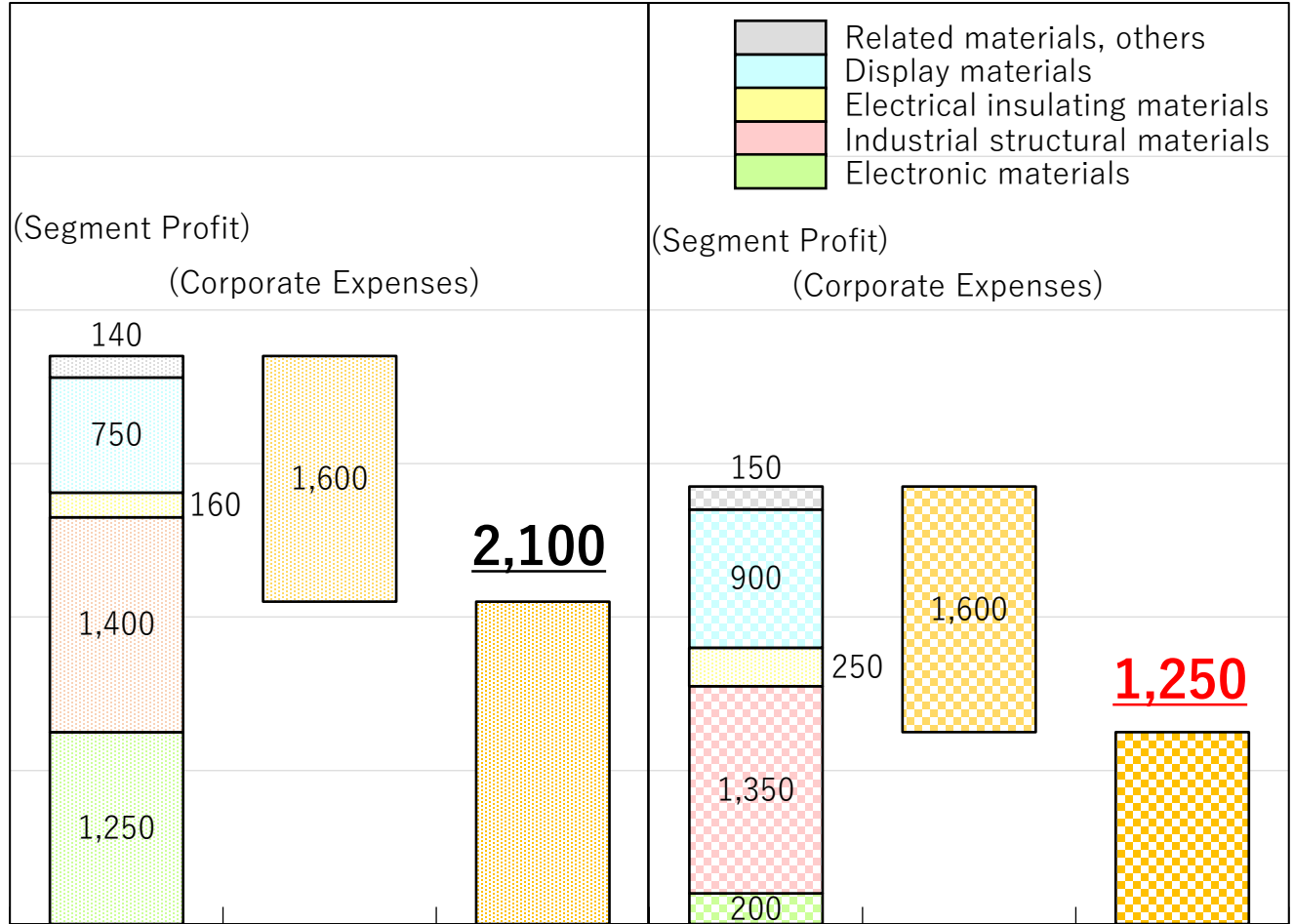
FY2023 Segment Comparison (vs. FCT)



Sales (Million Yen)



Operating Profit (Million Yen)



FCT
(Aug. 3)

FCT
(Nov. 9)

FCT
(Aug. 3)

FCT
(Nov. 9)

Market

- 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 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

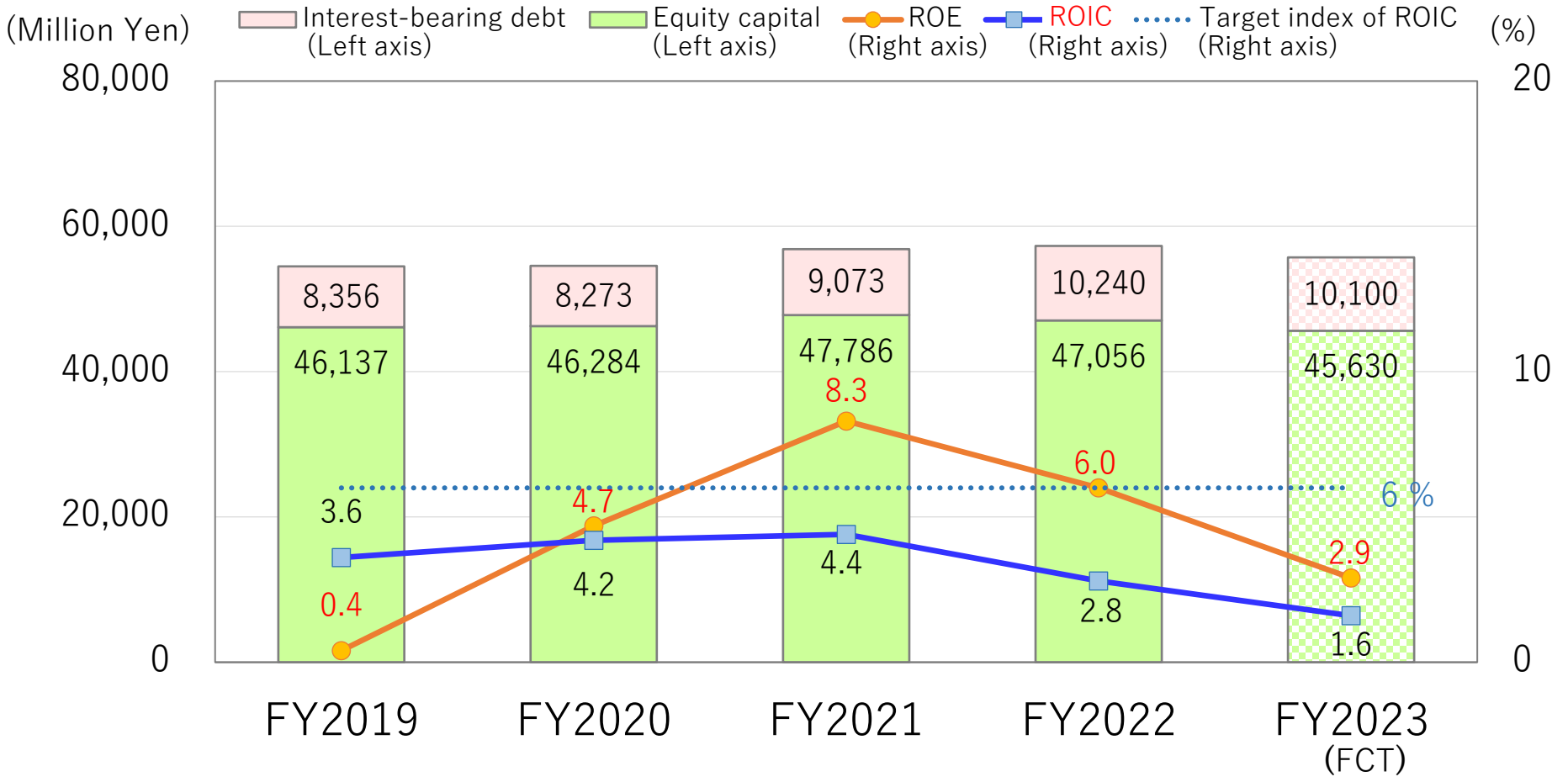
- On a year-over-year basis, profit of industrial structural materials is expected to increase, albeit slightly, due to the increased sales.
On the other hand, consolidated operating profit of electronic materials is expected to decrease by 43.9% due to a decrease in the segment profit by 83.7% caused by sluggish demand for Chinese smartphones and inventory adjustment for semiconductors.
- In comparison to the forecast as of Aug. 3, consolidated operating profit is expected to decrease by 40.5% due to a decrease in the segment profit of electronic materials by 84.0% because its recovery, which was expected in the second half, remained weak.

ROE·ROIC History



ROE= Net Profit / Equity capital

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

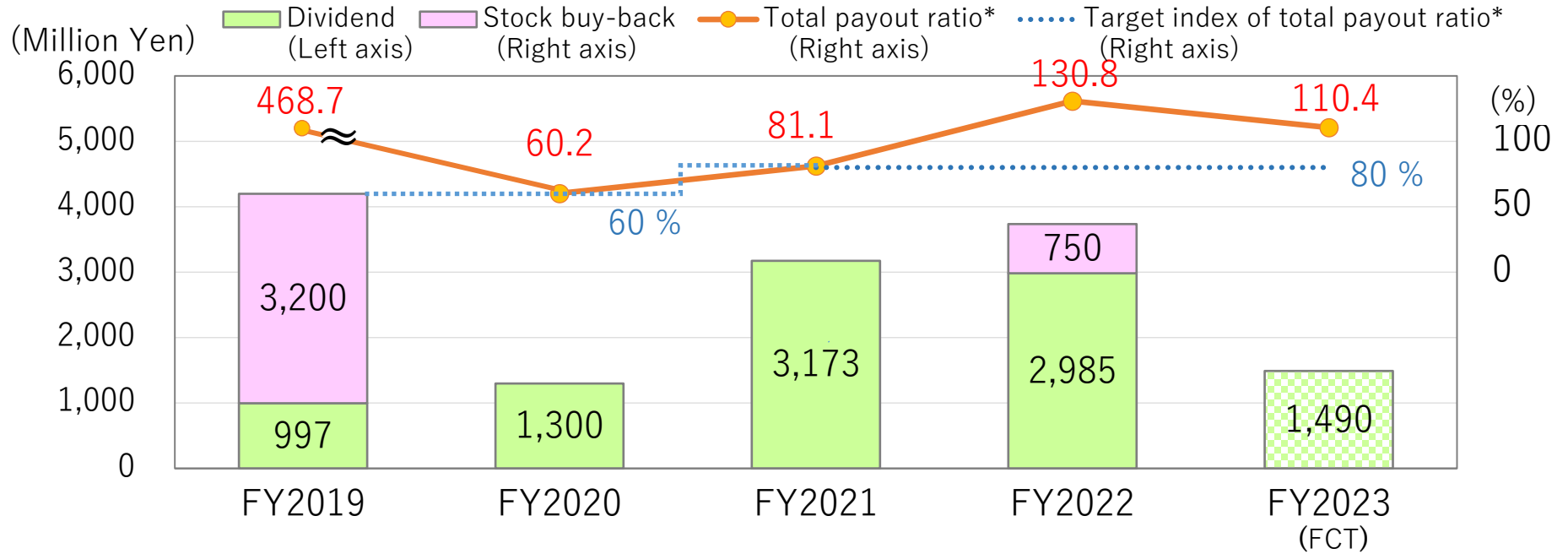




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Dividend and Total Payout Ratio History

* Total return ratio has been applied from the FY2020. (Dividend payout ratio was applied until the FY2019.)



	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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FY2023 1H Segment Comparison

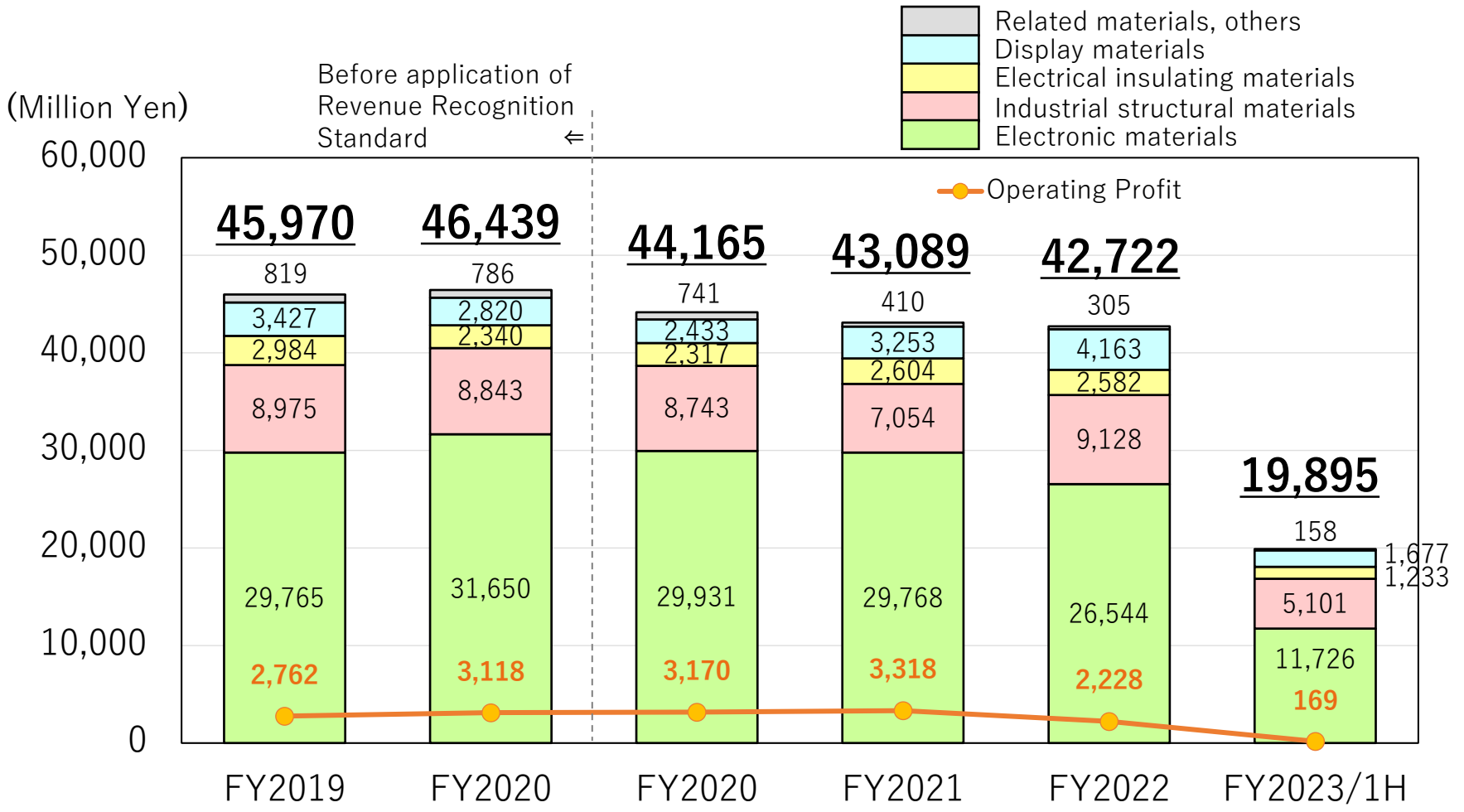


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(unit: Million Yen)

	Sales					Operating Profit				
	FY2022 1H Result	FY2023 1H FCT (Aug. 3)	FY2023 1H Result	Change vs. Prev. year vs. FCT		FY2022 1H Result	FY2023 1H FCT (Aug. 3)	FY2023 1H Result	Change vs. Prev. year vs. FCT	
Parent										
Arisawa Mfg.	14,011	12,800	12,627	-1,384	-173	927	330	198	-729	-132
Consolidated										
ThinFlex	5,594	3,600	3,578	-2,016	-22	147	-420	-426	-573	-6
Satosan	1,007	900	854	-153	-46	7	0	0	-7	0
Arisawa Fiber Glass	971	800	805	-166	5	-20	-140	-121	-101	19
Protec	2,702	3,100	3,061	359	-39	565	430	424	-141	-6
Arisawa Sogyo	796	850	866	70	16	44	60	62	18	2
Arisawa Jushi Kogyo	120	150	147	27	-3	1	30	21	20	-9
ColorLink Japan	1,177	800	714	-463	-86	208	10	15	-193	5
(Adjustment)	-3,384	-2,700	-2,757			-18	0	-4		
Total	22,994	20,300	19,895	-2,694	-405	1,861	300	169	-1,692	-131

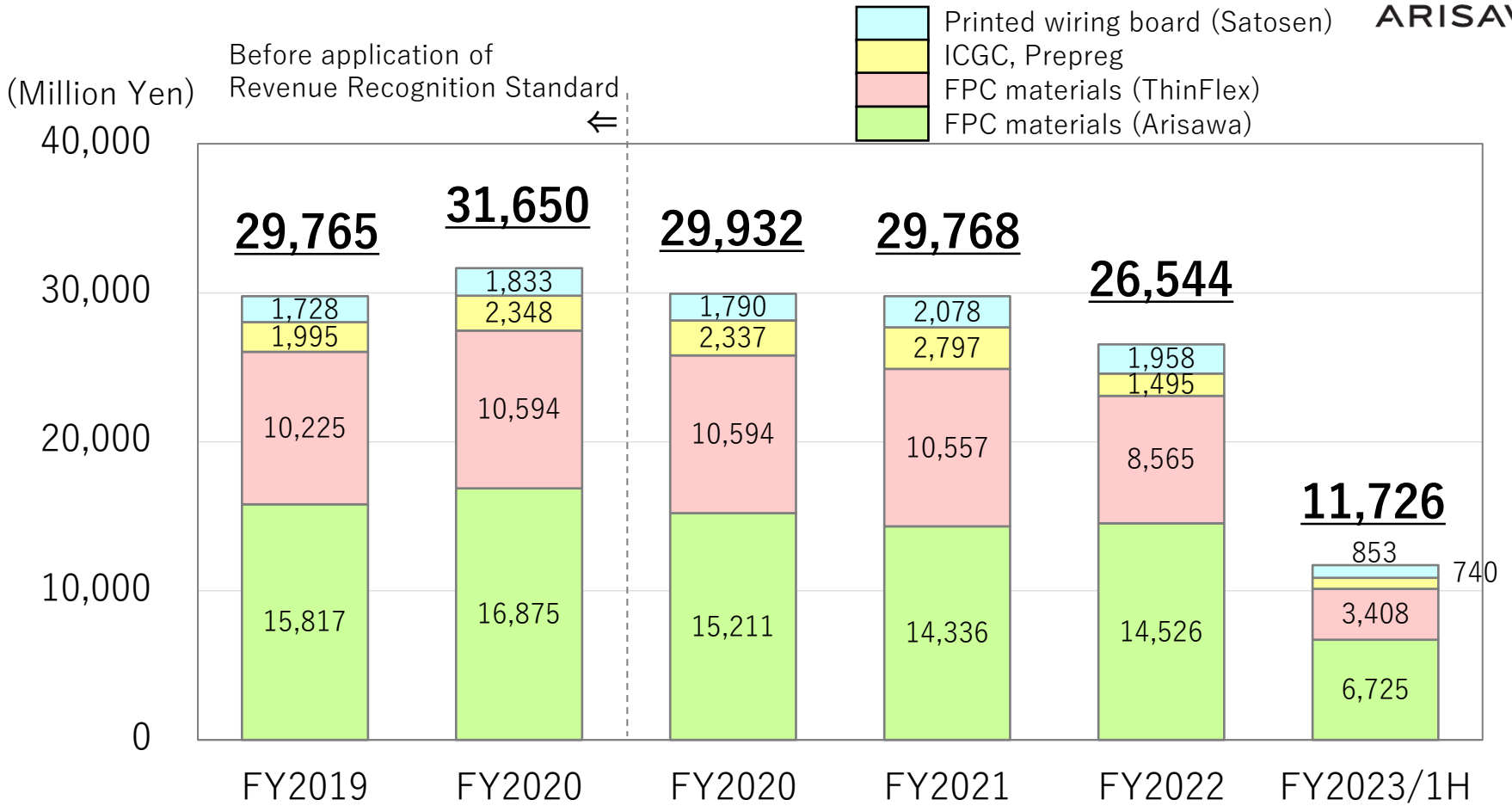
Segment Comparison History (Sales and Operating Profit)



Electronic Materials Sales History



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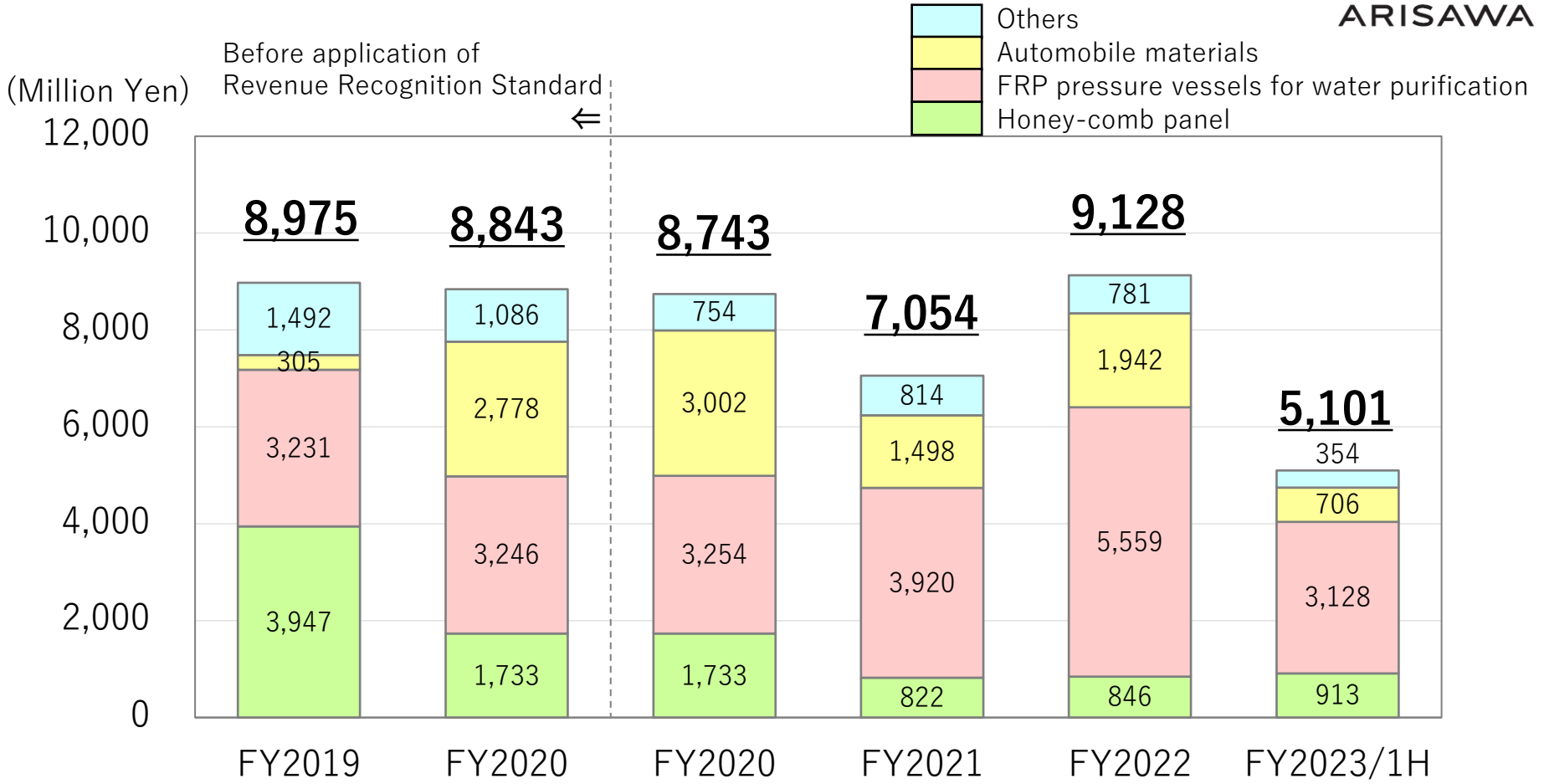


- Revenue recognition standards have been applied since FY 2021 (Retroactive application for FY 2020 above, as a reference) .
- Decrease in demand in the Chinese market from FY2021.

Industrial Structural Materials Sales History



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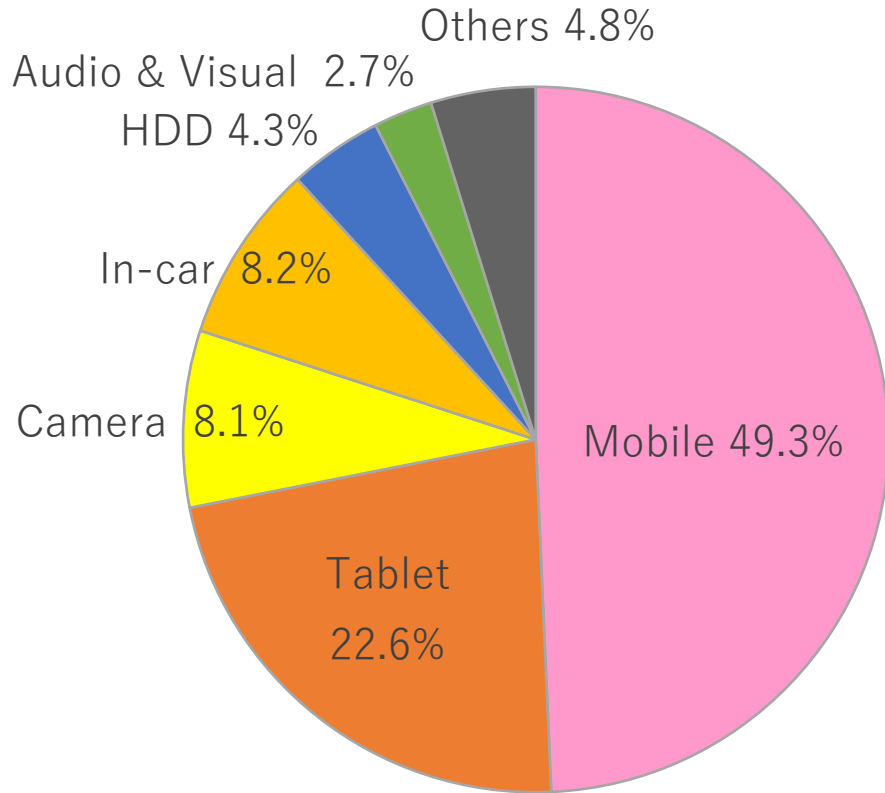


- Sales of honey-comb panel for aircraft decreased due to COVID-19 from the second half in FY2020 onwards.
- Sales of FRP pressure vessel for water purification increased from FY2022 due to production capacity expansion.

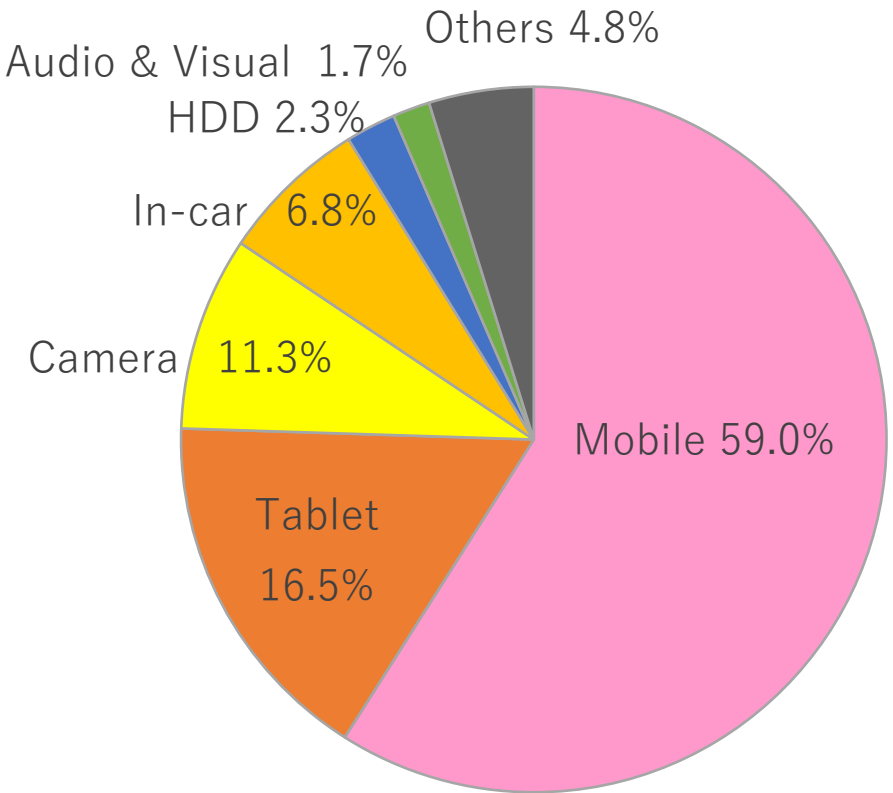
Our FPC's Major applications



FY2022 1H



FY2023 1H



in volume terms
Source : Arisawa Mfg. estimates

Consolidated Balance Sheets History (outline)



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(Million Yen)

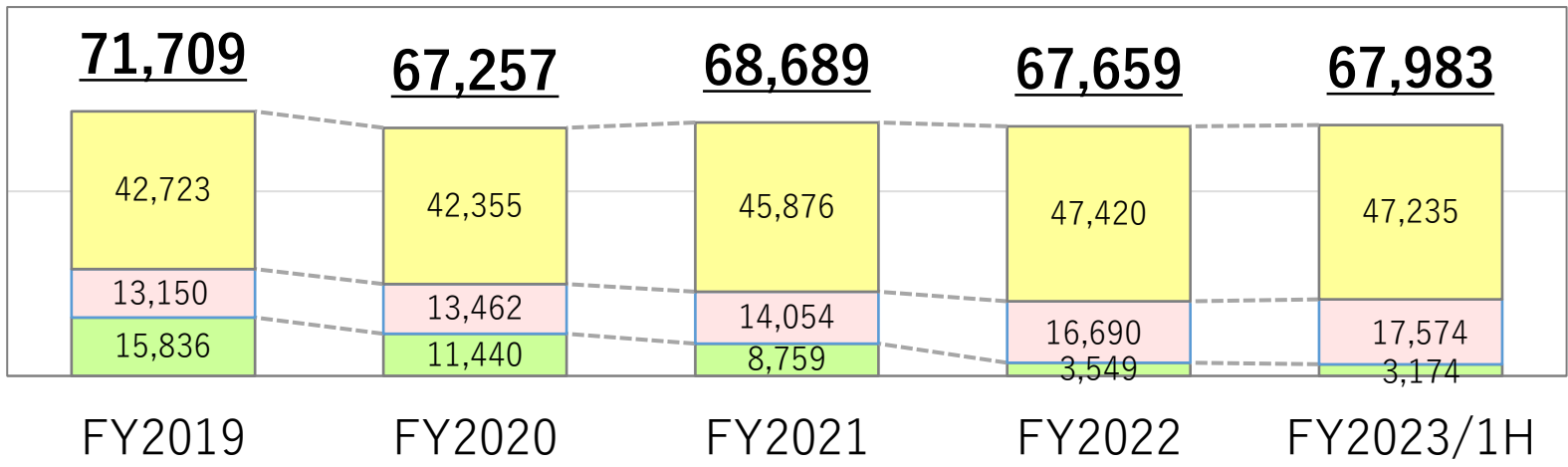
Assets

Investment and other assets Non-current assets Current assets

100,000

50,000

0



(Million Yen)

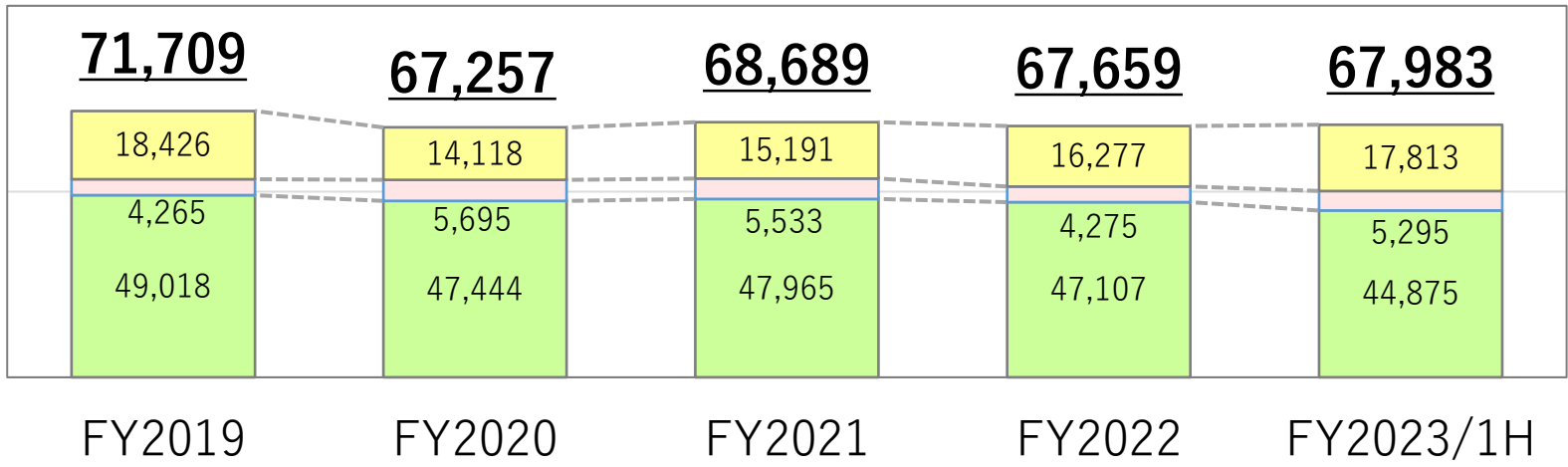
Liabilities and net assets

Net assets Non-current liabilities Current liabilities

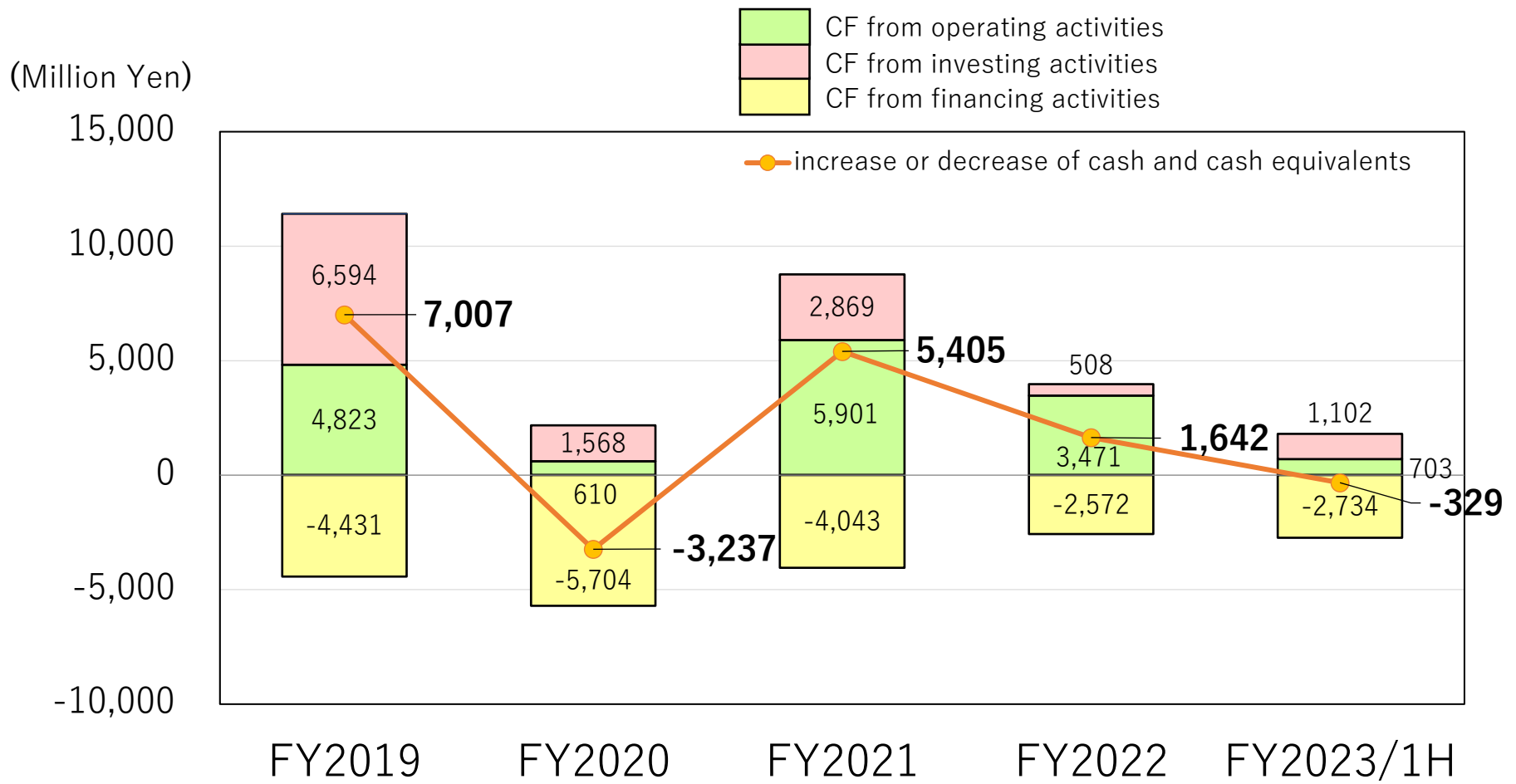
100,000

50,000

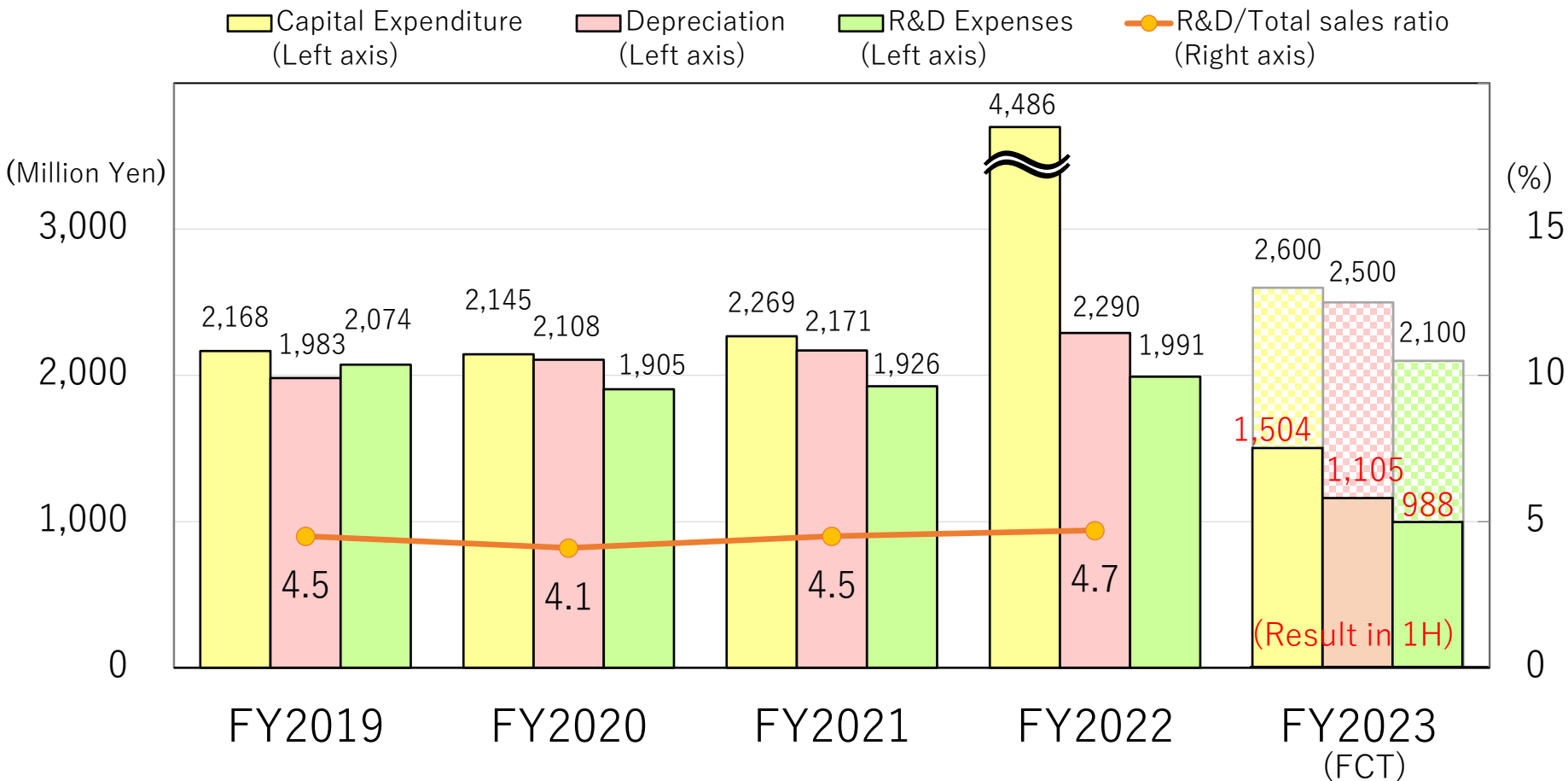
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Cash Flow History



Capital Expenditure, Depreciation and R&D Expenses History



• Capital expenditure has been running from FY2022 as set forth in the Medium-Term Business Plan.

Initiatives on ESG Issues



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 	

Carbon Neutral Initiatives



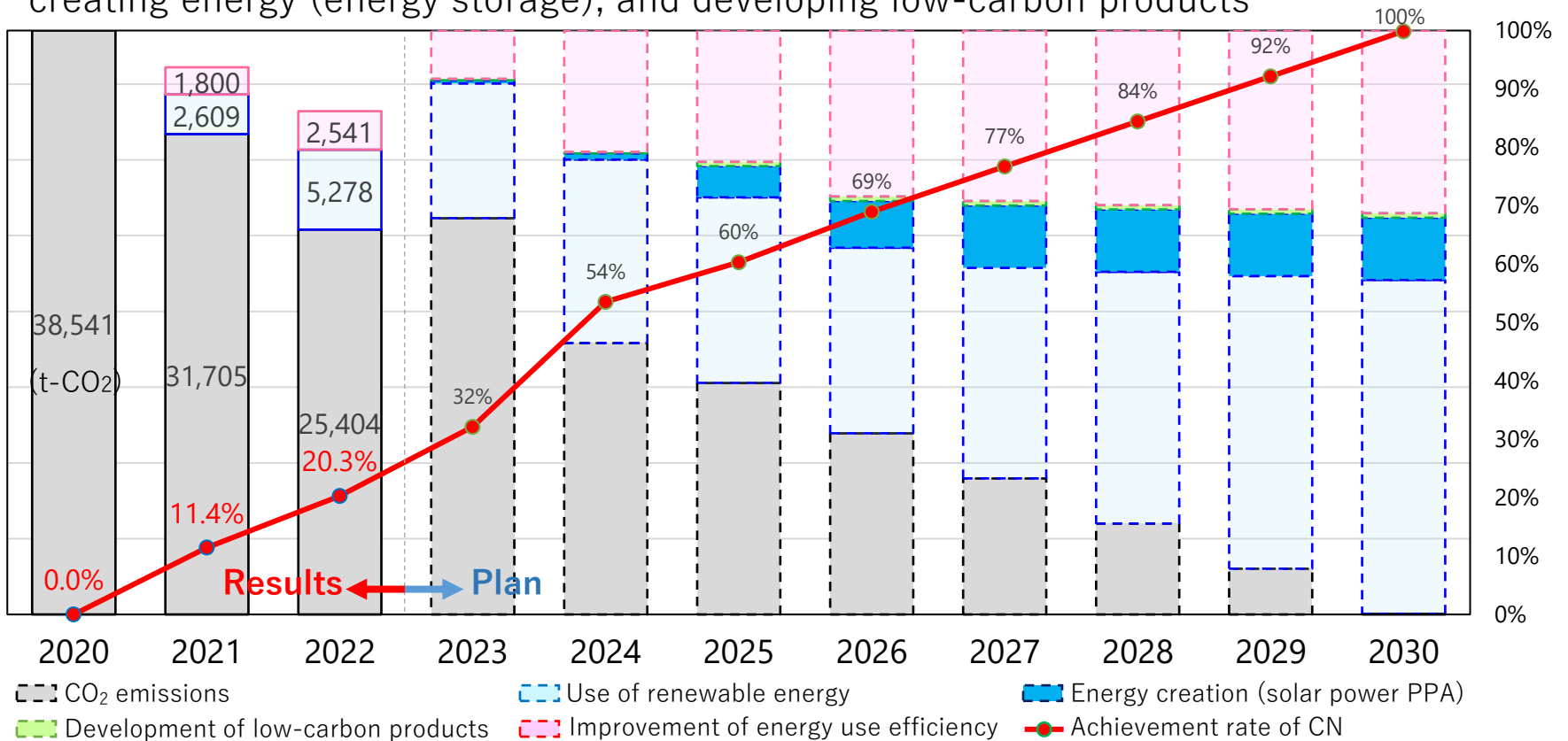
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(Announced on Jun. 16, 2021)

Target: to achieve carbon neutrality by FY2030 *

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

Summary of initiatives: using renewable energy, improving energy use efficiency, creating energy (energy storage), and developing low-carbon products

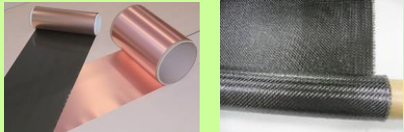
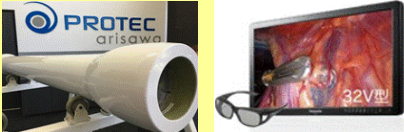
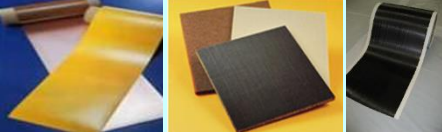



$$\text{Achievement rate of CN (carbon neutrality)} = \frac{\text{(Total of renewable energy, energy creation, low-carbon products, and energy utilization efficiency)}}{\text{CO}_2 \text{ emissions in 2020}}$$

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>							

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%

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