

FY2023 Overview in Full Year



Arisawa Mfg. Co., Ltd.

May 9th, 2024

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- FY2024 Forecast by Consolidated Basis
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FY2023 Consolidated Performance



(Million Yen)

	FY2022 result	FY2023 FCT (Feb. 8)	FY2023 result	vs. Prev. year	vs. FCT
Sales	42,722	42,600	42,114	-1.4%	-1.1%
Operating Profit	2,228	1,250	1,483	-33.4%	18.6%
Operating Margin	5.2%	2.9%	3.5%		
Ordinary Profit	2,717	1,250	1,488	-45.2%	19.0%
Net Profit	2,856	1,350	1,639	-42.6%	21.4%
Earnings per share(Yen)	86.46	40.77*	49.51	-42.7%	21.4%
Dividend (Yen)	90.00	Total 45.00	Total 60.00	--	--
Exchange rate (Yen / \$) average for the period at end of period	131.62 133.53	140.67 142.00	140.67 151.41	--	--

Year-on-year

- Consolidated sales decreased by 608 million yen (1.4% YoY) due to decreases in those of electronic and display materials, despite an increase in those of industrial structural materials.
- Operating profit decreased by 33.4% YoY due to decreases in sales, and production in response to a decrease in demand.
- Ordinary profit decreased by 45.2% YoY due to a decrease in foreign exchange gains.
- Net profit decreased by 42.6% YoY due to a decrease in gain on sale of securities.

Versus the forecast as of Feb. 8

- Consolidated sales decreased by 486 million yen (1.1% vs. FCT) due to a decrease in those of all segments.
- Operating profit increased by 18.6% vs. FCT due to improved product mix.
- Ordinary profit increased by 19.0% vs. FCT due to the exchange rate being almost in line with the forecast. Net profit also increased by 21.4% vs. FCT.

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

Balance Sheet



(Million Yen)

	As of Mar. 2023	As of Mar. 2023	Change	
(Assets)				
Current assets	47,420	47,097	-323	Accounts receivable +3,333. Cash and deposits -2,383.
Property, plant and equipment, and intangible assets	16,690	18,345	+1,655	Capital investment
Investment securities	2,545	2,327	-218	Sale of cross-shareholdings
Other assets	1,004	1,047	+43	
Total assets	67,659	68,816	+1,157	
(Liabilities)				
Current liabilities	16,277	19,423	+3,146	Accounts payable +1,801. Short-term borrowings +1,522.
Non-current liabilities	4,275	3,147	-1,128	Long-term borrowings -757.
Total liabilities	20,552	22,570	+2,018	
Shareholder's equity	44,826	42,867	-1,959	Retained earnings -2,040.
Other comprehensive income and share acquisition rights	2,281	3,379	+1,098	Foreign currency translation adjustment +967.
Total net assets	67,659	68,816	+1,157	

FY2023 Segment Comparison (vs. FY2022)



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	Sales (Million Yen)			Segment Profit (Million Yen)		
	FY2022 result	FY2023 result	change	FY2022 result	FY2023 result	change
Electronic materials	26,544	25,105	-1,439	1,224	260	-964
FPC materials (Arisawa)	14,526	13,814	-712			
FPC materials (ThinFlex)	8,565	7,852	-713			
ICGC, Prepreg	1,495	1,741	246			
Printed Wiring Board (Satosen)	1,958	1,698	-260			
Industrial structural materials	9,128	10,602	1,474	1,315	1,476	161
Honey-comb panel	846	1,818	972			
FRP pressure vessels for water treatment	5,559	6,044	485			
Others	2,723	2,740	17			
Electrical insulating materials	2,582	2,533	-49	185	315	130
Display materials	4,163	3,535	-628	1,024	940	-84
Related materials, others	305	339	34	148	199	51
Total	42,722	42,114	-608	3,896	3,190	-706
		Corporate Expenses		-1,668	-1,707	
		Operating Profit		2,228	1,483	-745

- Consolidated sales decreased by 608 million yen (1.4% YoY) due to decreases in those of electronic and display materials, despite an increase in those of industrial structural materials.
- Operating profit decreased by 33.4% YoY due to a decrease in sales and production in electronic materials resulted from reducing inventory in response to a decrease in demand.
- The sales of electronic materials decreased by 5.4% YoY due to a continued stagnant demand for semiconductors used in PCs and smartphones.
- The sales of industrial structural materials increased by 16.1% YoY due to strong demand for the FRP vessels for water treatment recovery trend in the aircraft industry.
- The sales of display materials decreased by 15.1% YoY.

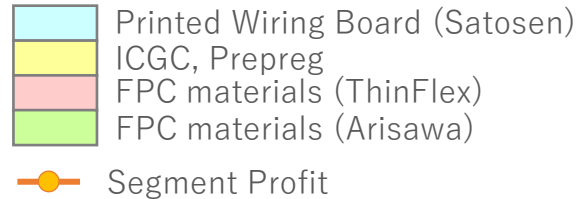
FY2023 Segment Comparison (vs. FCT as of Feb. 8)



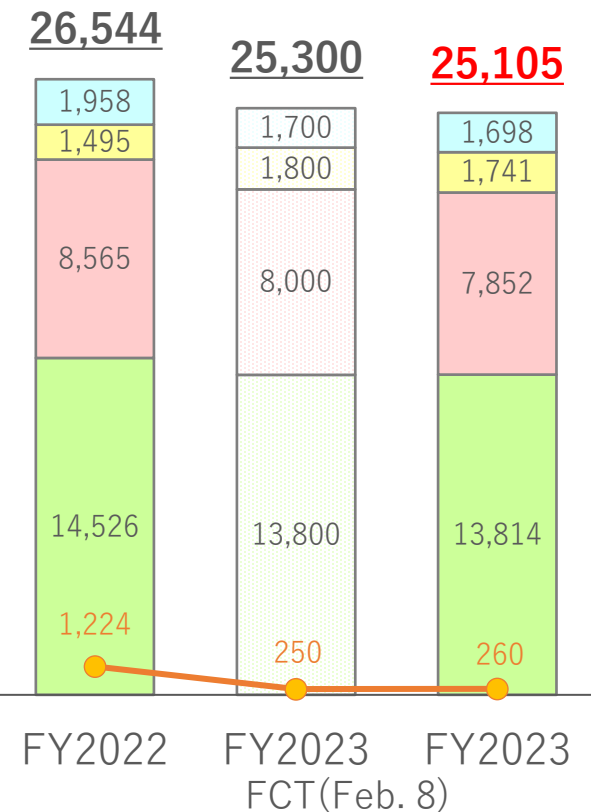
	Sales (Million Yen)			Segment Profit (Million Yen)		
	FY2022 FCT (Feb. 8)	FY2023 result	vs. Prev. year	FY2022 FCT (Feb. 8)	FY2023 result	vs. Prev. year
Electronic materials	25,300	25,105	-195	250	260	10
FPC materials (Arisawa)	13,800	13,814	14			
FPC materials (ThinFlex)	8,000	7,852	-148			
ICGC, Prepreg	1,800	1,741	-59			
Printed Wiring Board (Satosen)	1,700	1,698	-2			
Industrial structural materials	10,800	10,602	-198	1,500	1,476	-24
Honey-comb panel	1,850	1,818	-32			
FRP pressure vessels for water treatment	6,100	6,044	-56			
Others	2,850	2,740	-110			
Electrical insulating materials	2,600	2,533	-67	250	315	65
Display materials	3,600	3,535	-65	750	940	190
Related materials, others	300	339	39	200	199	-1
Total	42,600	42,114	-486	2,950	3,190	240
				-1,700	-1,707	
		Operating Profit		1,250	1,483	233

- Sales decreased by 486 million yen (1.1% vs. FCT) which was slightly below the forecast.
- Operating profit increased by 233 million yen (18.7% vs. FCT) due to improved product mix.
- In electronics material field, the sales of FPC materials (ThinFlex) did not achieve the forecast due to the slow recovery of Chinese market.
- In industrial structural materials, the sales of each products and segment profit were almost in line with the forecast.
- Segment profit in display materials exceeded the forecast due to improved product mix.

Sales of electronic materials



(Million Yen)



Market

- Stagnant demand for semiconductors used in PCs and smartphones is continued, which became apparent from the second half of FY2022. Although there are signs of bottoming out in recent days, it has not yet come to a full-fledged recovery.

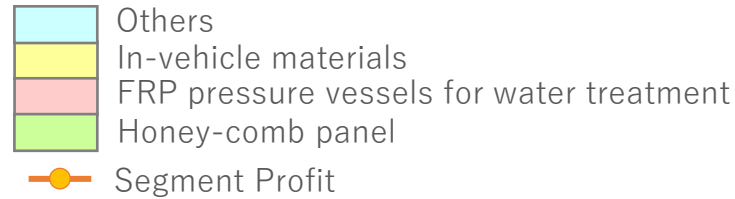
Performance year-on-year

- Sales decreased by 1,439 million yen (5.4% YoY) due to decreases in those of FPC materials and printed wiring boards.
 - Sales of FPC materials (Arisawa) decreased by 4.9% due to a decrease in demand for semiconductor applications, etc.
 - Sales of FPC materials (ThinFlex) decreased by 8.3% due to a decrease in demand for Chinese smartphones.
 - Sales of ICGC and prepreg increased by 16.5% YoY.
 - Sales of Printed wiring board decreased by 13.3% YoY.
- Segment profit also decreased by 964 million yen YoY due to a decrease in sales and production resulted from reducing inventory in response to a decrease in demand.

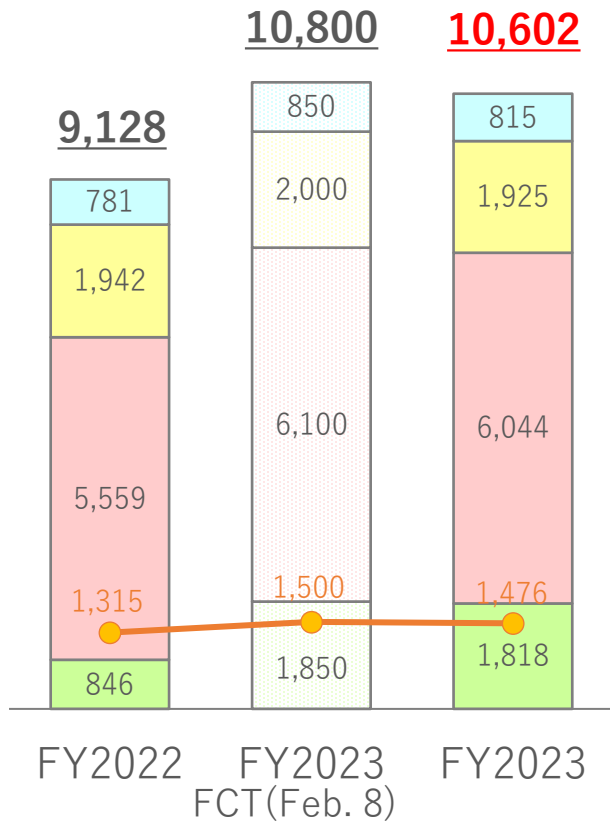
Performance versus forecast as of Feb. 8

- Sales decreased by 195 million yen (0.8% vs. FCT) which was almost in line with forecast despite continued stagnant demand from the second half of 2022.
- Segment profit increased by 10 million yen vs. FCT.

Sales of industrial structural materials



(Million Yen)



Market

- In addition to the strong performance of water treatment materials for drinking and industrial water etc., due to the increase in global demand for water, the aircraft industry has begun to recover with economic normalization after the COVID-19 pandemic, and the production of aircraft materials has been on an increasing trend.

Also, 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.

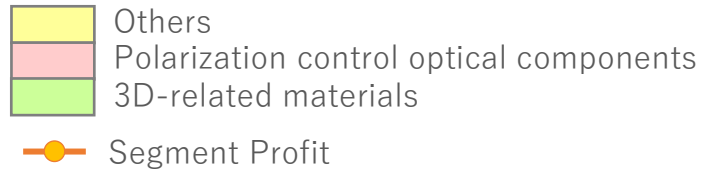
Performance year-on-year

- Sales of honey-comb panels for aircraft increased by 115.0% YoY.
- Sales of FRP pressure vessel for water purification continued to be strong from the previous FY, with sales increasing by 8.7% YoY due to production capacity expansion, foreign exchange impact, etc.
- Sales of in-vehicle materials was the same level as the previous period term due to the converged production adjustment (decreased by 0.9%).
- Segment profit increased by 161 million yen YoY due to an increase in sales of honey comb panels.

Performance versus forecast as of Feb. 8

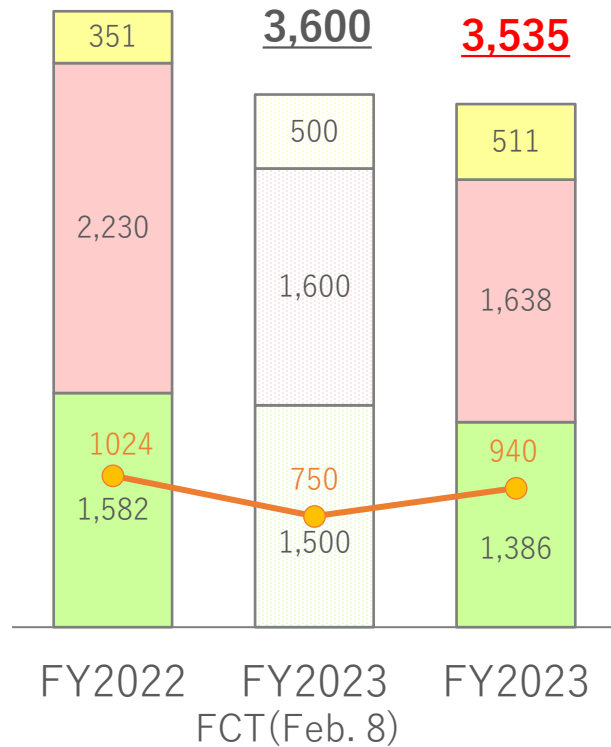
- Both the sales and segment profit were almost as expected.

Sales of display materials



(Million Yen)

4,163



Performance year-on-year

- Sales of 3D-related materials decreased by 12.4%.
- Sales of polarization control optical components decreased by 26.5%.
- Segment profit decreased by 84 million yen due to decrease in sales.

Performance versus forecast as of Feb. 8

- Sales were almost as expected. Segment profit increased due to improved product mix.

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FY2024 Consolidated Performance



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Performance forecasts (for full year)

- Consolidated sales is expected to increase by 6,786 million yen (16.1% YoY) mainly due to an increase in those of electronic materials and industrial structural materials.
- Operating profit is expected to increase by 1,717 million yen (115.7% YoY) due to an increase in sales.
- Ordinary profit is expected to increase by 1,812 million yen (121.7% YoY).
- Net profit is expected to increase by 46.4%, less than the increase rate of ordinary profit, due to a decrease in gain on sale of securities.

	FY2023 1H result	FY2023 FY result	FY2024 1H FCT (May. 9)	YoY	FY2024 FY FCT (May. 9)	vs. Prev. year
Sales	19,895	42,114	23,500	18.1%	48,900	16.1%
Operating Profit	169	1,483	1,500	783.3%	3,200	115.7%
Operating Margin	0.9%	3.5%	6.4%		6.5%	
Ordinary Profit	218	1,488	1,600	632.6%	3,300	121.7%
Net Profit	563	1,639	1,100	95.2%	2,400	46.4%
Earnings per share(Yen)	17.02	49.51	33.10*	94.9%	72.30*	46.2%
Dividend (Yen)	20.00	Total 60.00	42.00	--	total 84.00	--
Exchange rate (Yen / \$) average for the period	135.00	140.67	148.00		145.00	
at end of period	149.58	151.41	143.00	--	143.00	--

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

FY2024 1H Segment Comparison (vs. FY2023)



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	Sales (Million Yen)			Segment Profit (Million Yen)		
	FY2023 result	FY2024 FCT (May. 9)	vs. Prev. year	FY2023 result	FY2024 FCT (May. 9)	vs. Prev. year
Electronic materials	11,726	14,300	2,574	-210	900	1,110
FPC materials (Arisawa)	6,725	7,700	975			
FPC materials (ThinFlex)	3,408	4,500	1,092			
ICGC, Prepreg	740	1,200	460			
Printed Wiring Board (Satosen)	853	900	47			
Industrial structural materials	5,101	5,900	799	572	950	378
Honey-comb panel	913	850	-63			
FRP pressure vessels for water treatment	3,128	3,600	472			
Others	1,060	1,450	390			
Electrical insulating materials	1,233	1,200	-33	114	100	-14
Display materials	1,667	1,950	283	420	350	-70
Related materials, others	158	150	-8	99	100	1
Total	19,895	23,500	3,605	995	2,400	
		Corporate Expenses		-826	-900	
		Operating Profit		169	1,500	1,331

Market forecasts

- Stagnant demand for semiconductors used in PCs and smartphones which began from the 2nd half of 2022 has bottomed out and will begin to recover from FY 2024.
- Water treatment materials for drinking and industrial water etc., continue strong growth due to an increase in demand.

Performance forecasts

- Mainly due to an increases of electronic materials and industrial structural materials, sales is expected to increase by 3,605 million yen (18.1% YoY) and operating profit is expected to increase by 1,331 million yen (783.3% YoY).

FY2024 FY Segment Comparison (vs. FY2023)



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	Sales (Million Yen)			Segment Profit (Million Yen)		
	FY2023 result	FY2024 FCT (May. 9)	vs. Prev. year	FY2023 result	FY2024 FCT (May. 9)	vs. Prev. year
Electronic materials	25,105	30,000	4,895	260	2,000	1,740
FPC materials (Arisawa)	13,814	15,200	1,386			
FPC materials (ThinFlex)	7,852	10,400	2,548			
ICGC, Prepreg	1,741	2,500	759			
Printed Wiring Board (Satosen)	1,698	1,900	202			
Industrial structural materials	10,602	12,300	1,698	1,476	2,000	524
Honey-comb panel	1,818	1,850	32			
FRP pressure vessels for water treatment	6,044	7,100	1,056			
Others	2,740	3,350	610			
Electrical insulating materials	2,533	2,500	-33	315	200	-115
Display materials	3,535	3,800	265	940	600	-340
Related materials, others	339	300	-39	199	200	1
Total	42,114	48,900	6,786	3,190	5,000	
		Corporate Expenses		-1,707	-1,800	
		Operating Profit		1,483	3,200	1,717

Market forecasts

- Stagnant demand for semiconductors used in PCs and smartphones which began from the 2nd half of 2022 has bottomed out and will begin to recover from FY 2024.
- Water treatment materials for drinking and industrial water etc., continue strong growth due to an increase in demand.

Performance forecasts

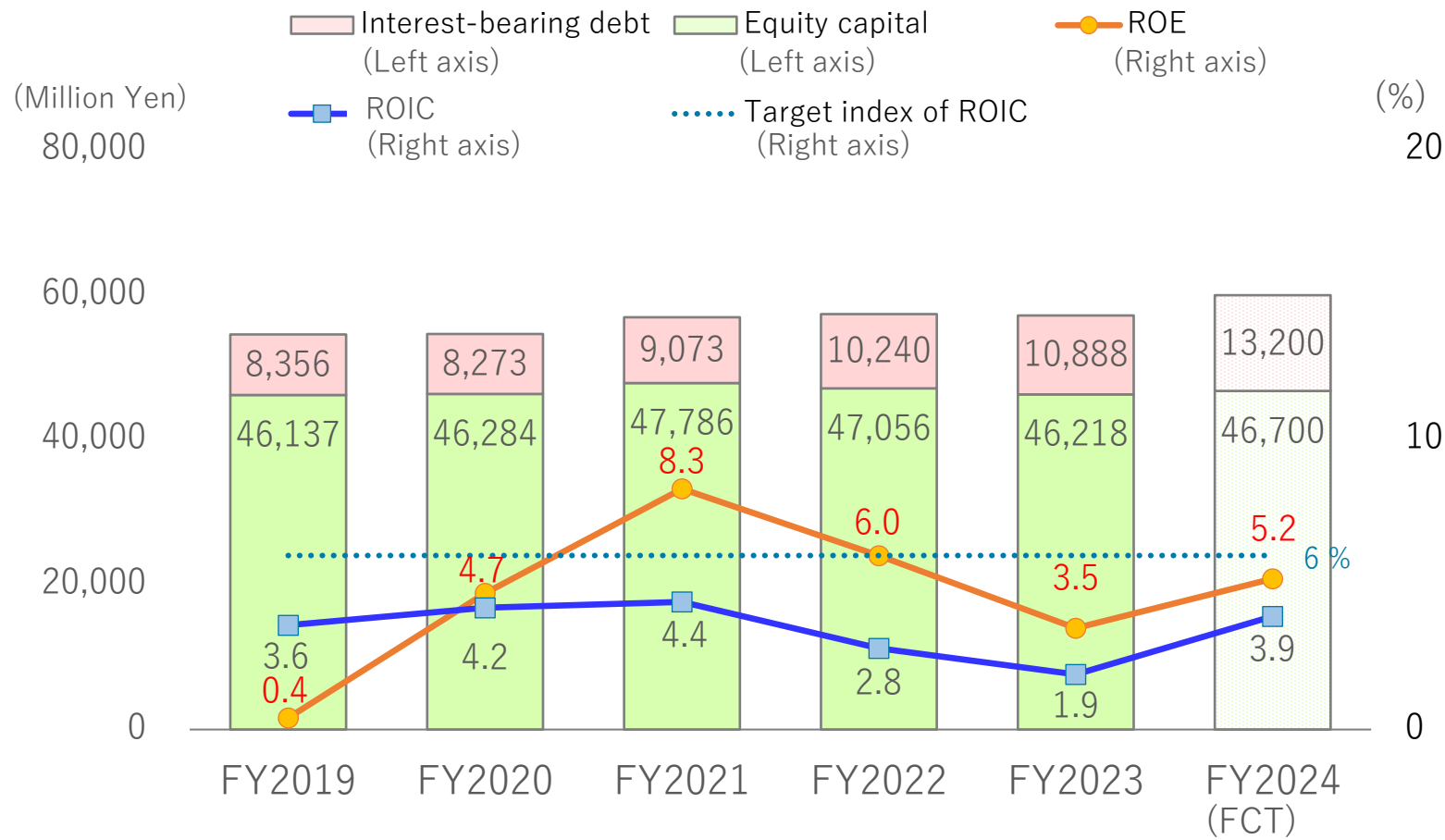
- Mainly due to an increases of electronic materials and industrial structural materials, sales is expected to increase by 6,786 million yen (16.1% YoY) and operating profit is expected to increase by 1,717 million yen (115.7% YoY).

ROE, ROIC history



ROE= Net Profit / Equity capital

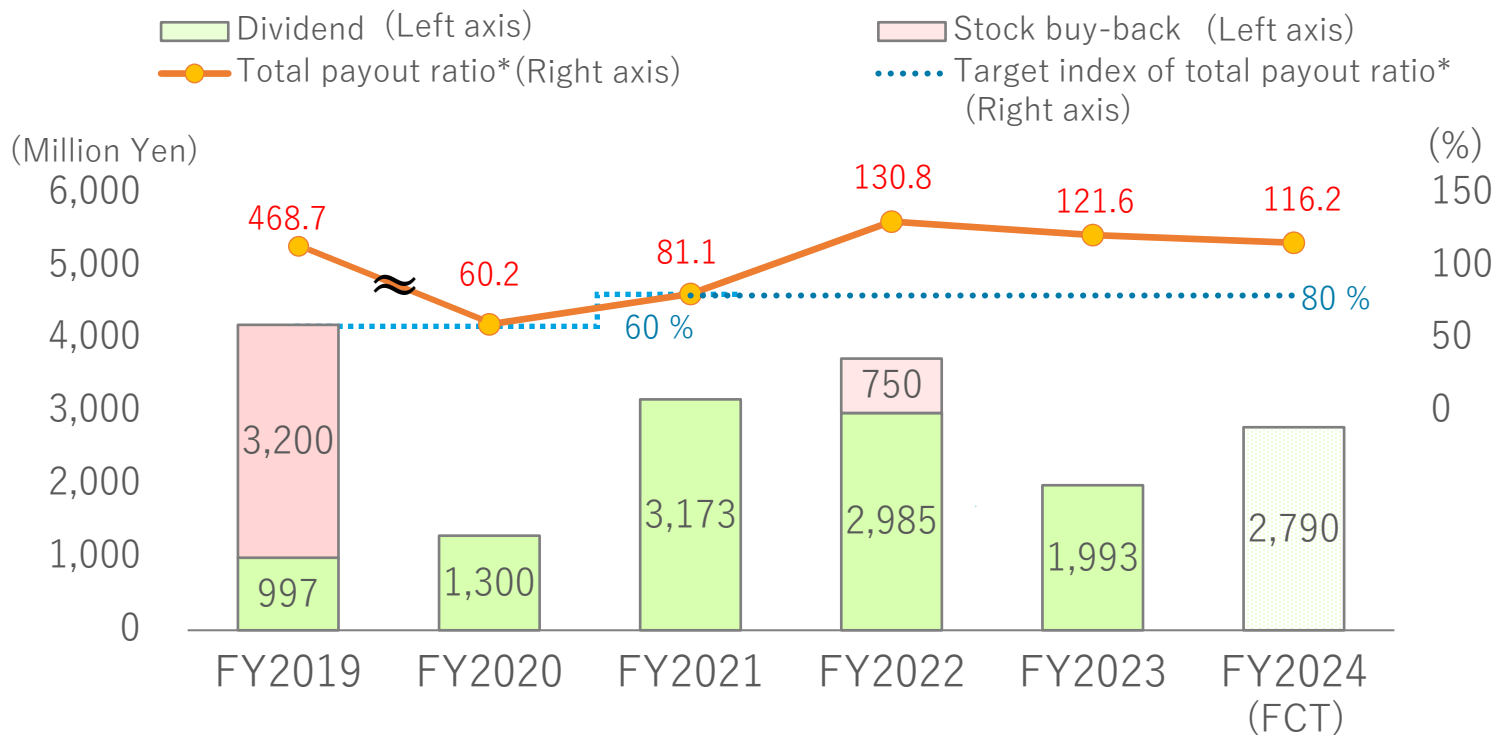
ROIC= NOPLAT(Net Operating Profit Less Adjusted Tax) / (Equity capital + Interest-bearing debt)



- ROIC for FY2023 decreased to 1.9% due to a decrease in operating profit.
(The operating profit in FY 2023 decreased by 33.4% to 1,483 million yen from 2,228 million yen in FY2022)
- ROIC for FY2024 is expected to be 3.9% due to an increase in operating profit.

Dividend and Total Payout Ratio History

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



- We revised the year-end dividend for the fiscal year ended March 31, 2024 to 40 yen per share, an increase of 15 yen from the previous forecast of 25 yen per share (announced on Apr. 10, 2024).
- As a result, total dividend per share was 60 yen in conjunction with the interim dividend of 20 yen resulting in the total return ratio of 121.6% for the fiscal year ended March 2024.

Change of Shareholder Return Policy

(announced on Apr. 10, 2024).

- We implemented shareholder return actively based on “Total return ratio: 80% or more” until FY2023.
- Under the policy above, the shareholder returns were unstable because we are sensitive to changes in business conditions.
- We introduced a dividend policy from FY2024, in which the greater of either “dividend on equity (DOE) ratio of 6%”, which is a stability-oriented dividend, or “total return ratio of 80% or more”, will be returned to shareholders. (Adaptation period: until when the equity ratio of around 50% is achieved.)
- Expected dividend in FY 2024 is based on DOE 6%.

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Share Price (Yen/Share)**	802	1,000	957	1,254	1,137	—
Dividend (Yen/Share)	30	39	95	90	60	Total 84 (FCT)
Dividend yield (%)	3.7	3.9	9.9	7.2	5.3	—

** Closing price at the end of each FY

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FY2023 Segment Comparison

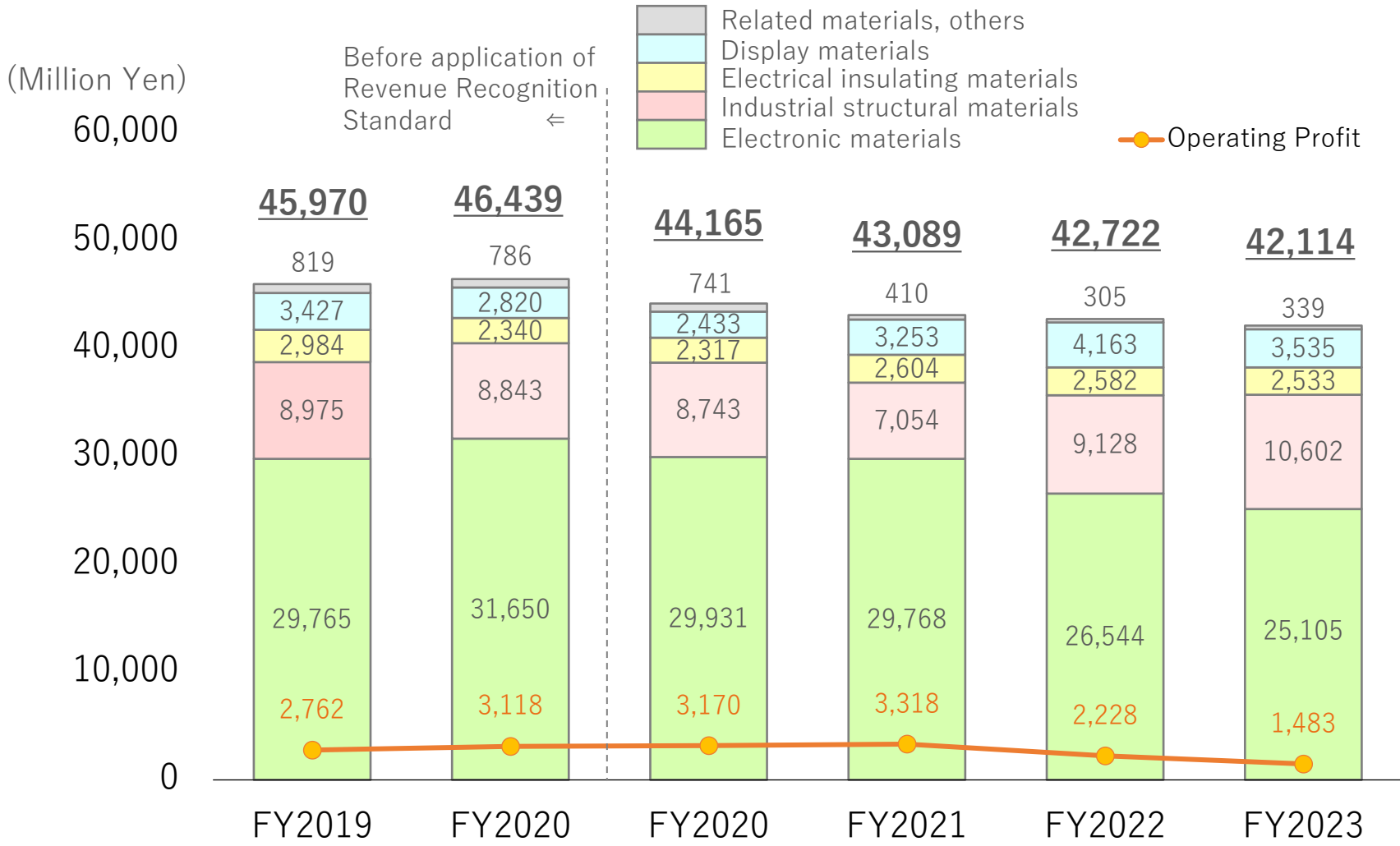


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(Million Yen)

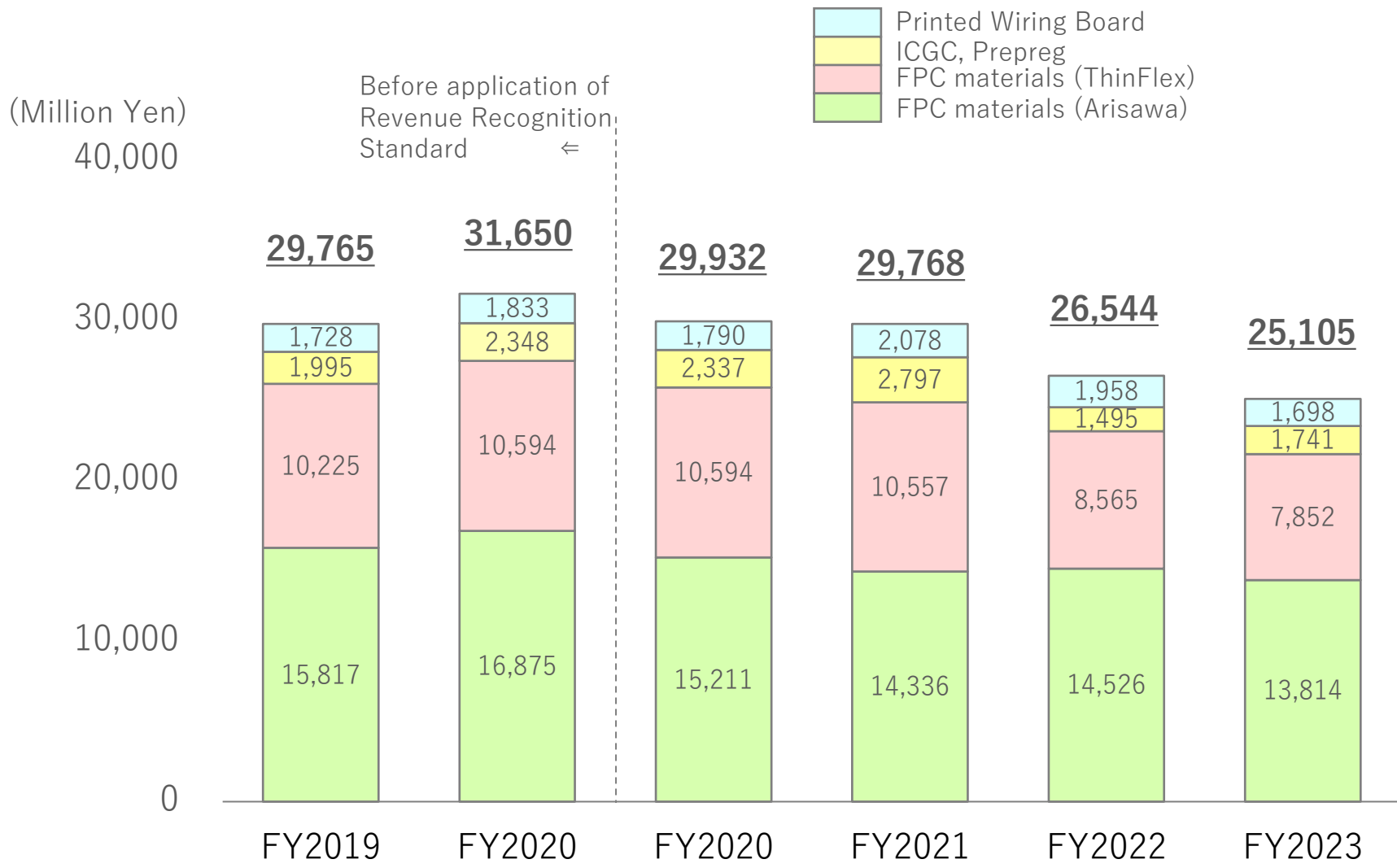
	Sales					Operating Profit				
	FY2022 Result	FY2023 FCT (Feb. 8)	FY2023 Result	+/-		FY2022 result	FY2023 FCT (Feb. 8)	FY2023 Result	+/-	
				vs. Prev. year	vs. FCT				vs. Prev. year	vs. FCT
Non-consolidated										
Arisawa Mfg.	25,752	27,000	26,560	808	-440	1,098	750	905	-193	155
Consolidated										
ThinFlex	9,661	8,600	8,559	-1,102	-41	-30	-600	-601	-571	-1
Satosan	1,958	1,700	1,699	-259	-1	24	20	10	14	-10
Arisawa Fiber Glass	1,657	1,850	1,897	240	47	-135	-60	-67	68	-7
Protec	5,369	6,050	6,037	668	13	907	920	906	-1	-14
Arisawa Sogyo	1,563	1,800	1,786	223	-14	36	120	102	66	-18
Arisawa Jushi Kogyo	263	300	291	28	-9	15	40	34	19	-6
ColorLink Japan	2,257	1,600	1,640	-617	40	282	60	131	-151	71
(Adjustment)	-5,758	-6,300	-6,355			31	0	63		
total	42,722	42,600	42,114	-608	-486	2,228	1,250	1,483	-745	233

Segment Comparison History (Sales and Operating Profit)



Revenue recognition standards have been applied since FY2021 (Retroactive application for FY2020, as a reference).

Electronic Materials Sales History

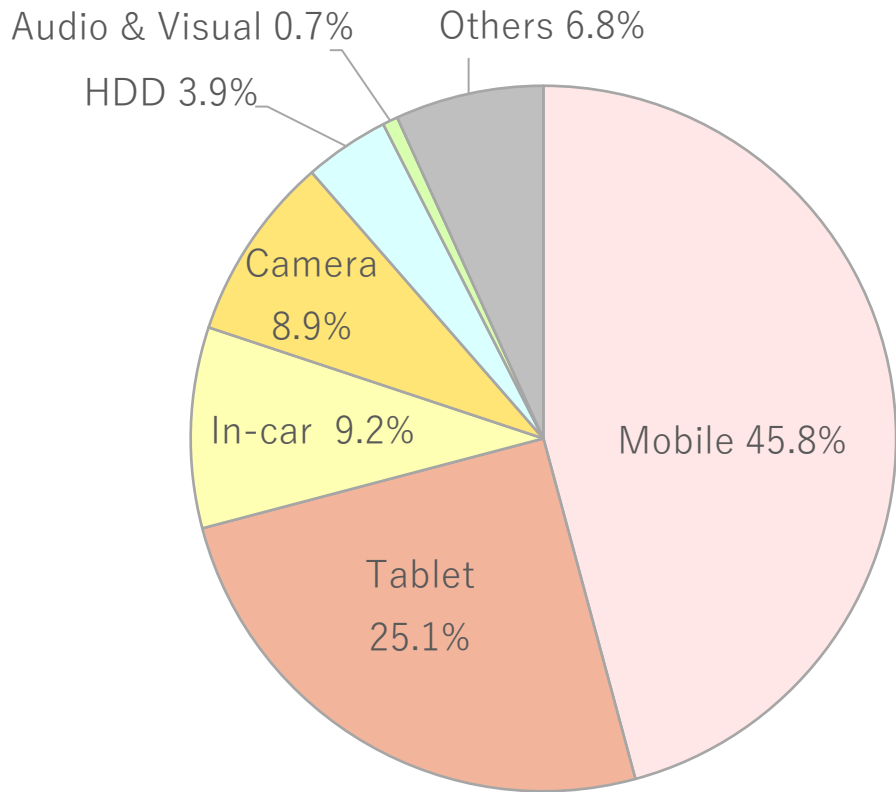


Revenue recognition standards have been applied since FY2021 (Retroactive application for FY2020, as a reference).

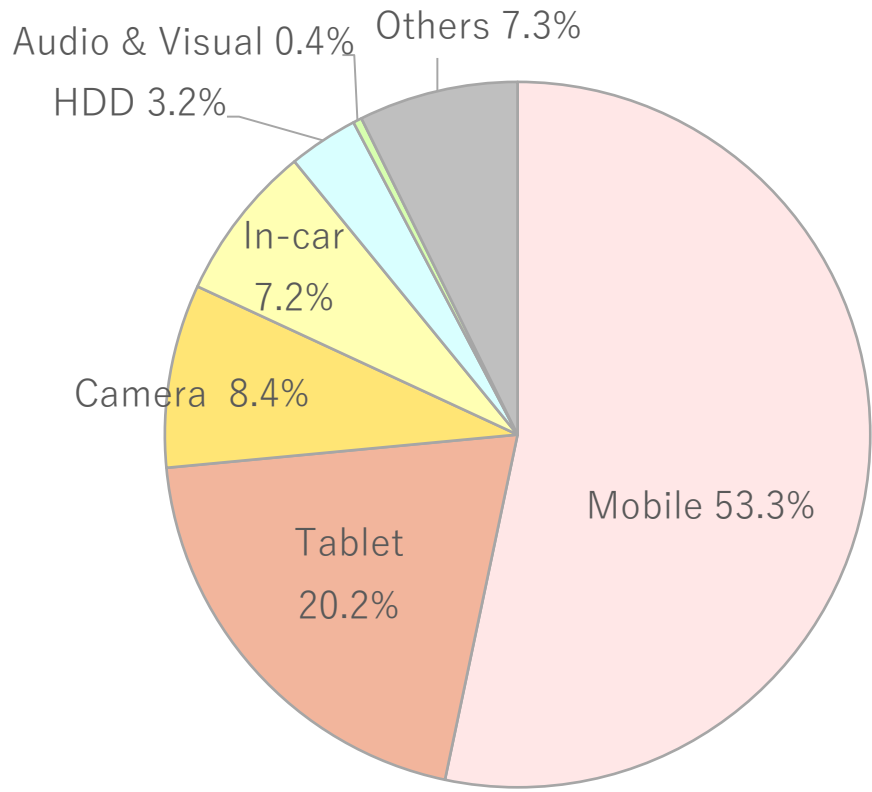
Our FPC's Major Applications



FY2022

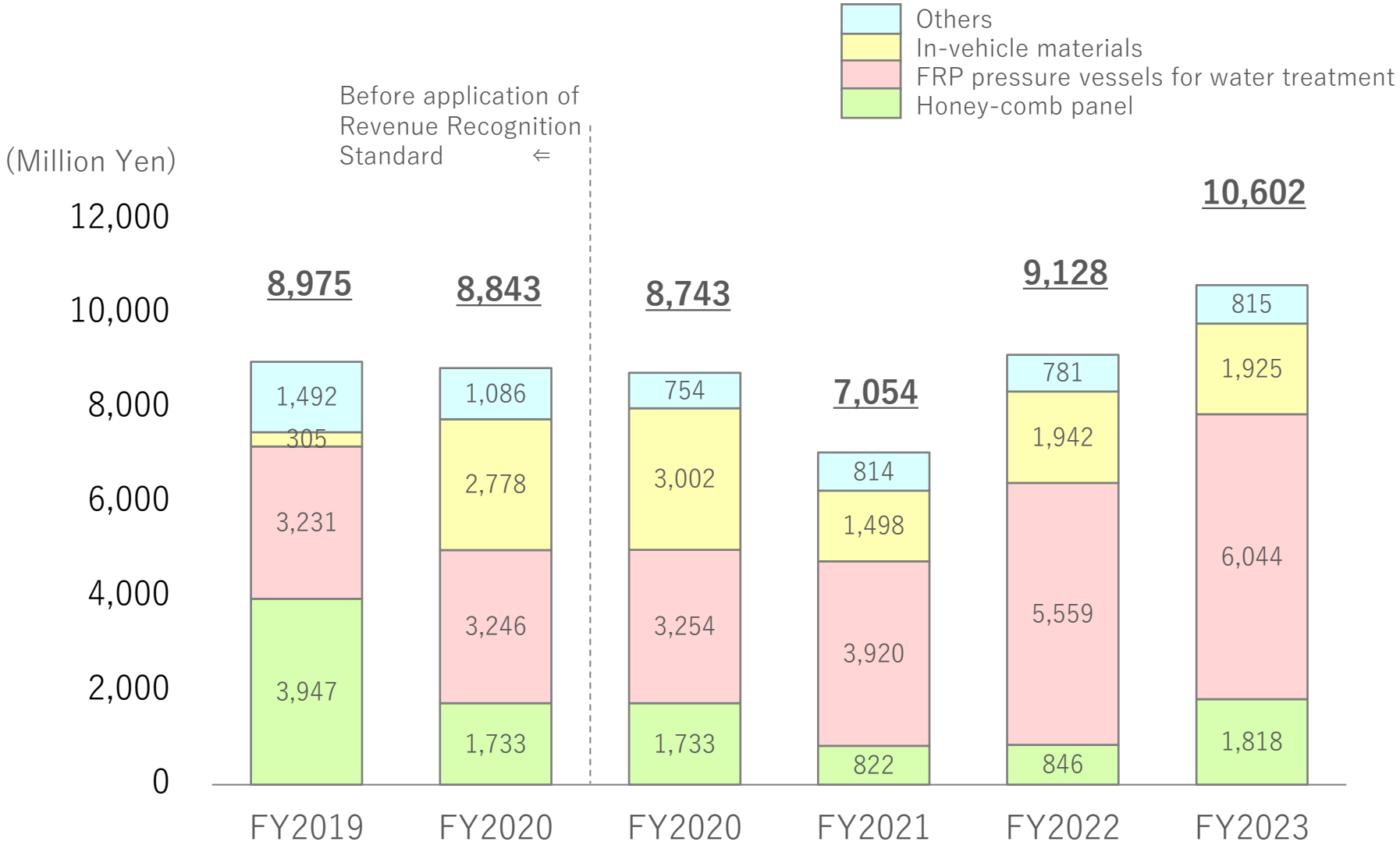


FY2023



In volume terms
Source: Arisawa estimates

Industrial Structural Materials Sales History



Revenue recognition standards have been applied since FY2021 (Retroactive application for FY2020, as a reference).

New Products Sales History (Non-consolidated: monthly basis)



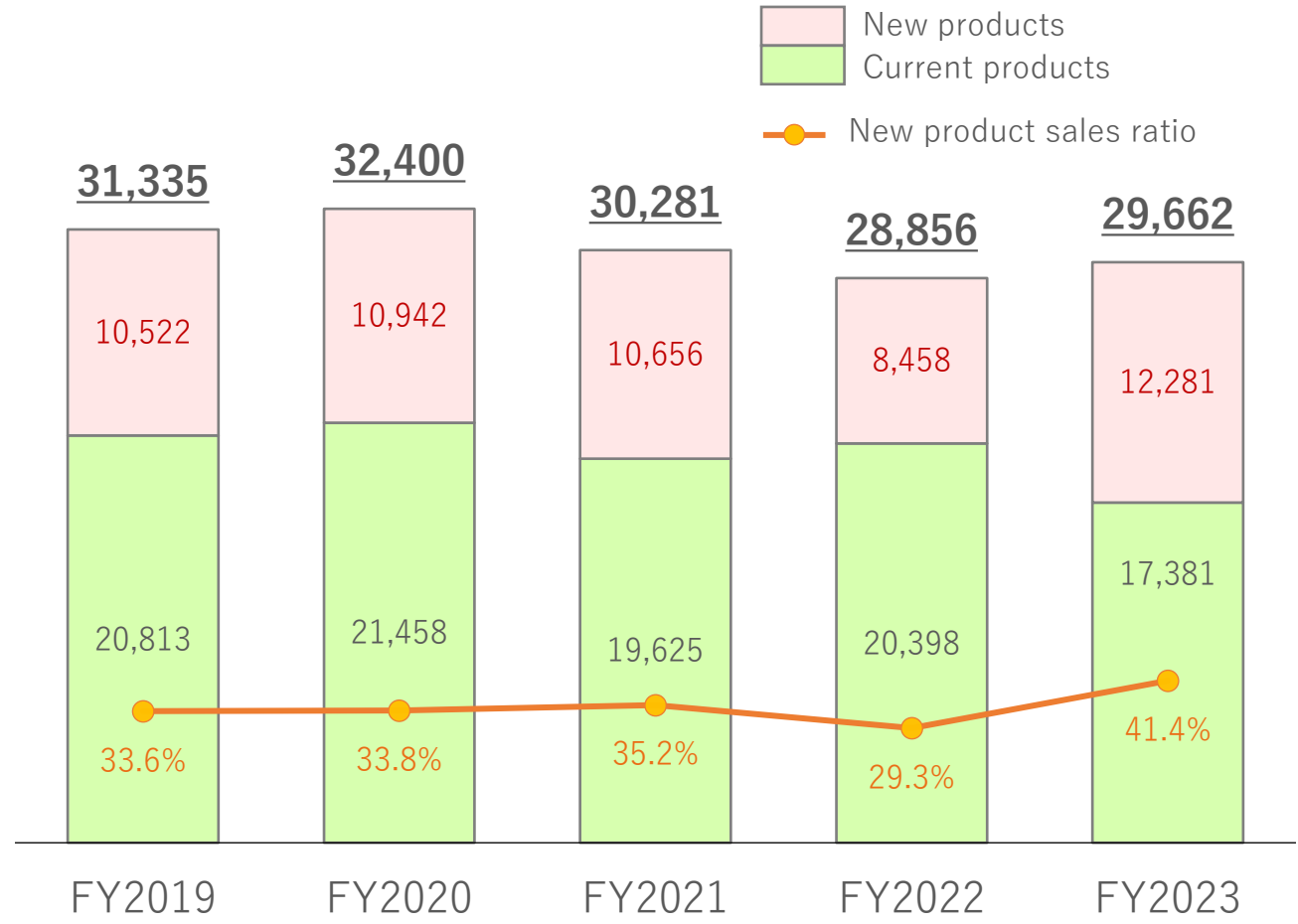
Sales of new products (Million Yen)

Enhance profitability by developing differentiated and application products, in addition to environmentally sound products

New product sales ratio (%)

= Sales of new products / Whole sales

Classifications and requirements of new products



P(Pure) (New material, compounding, effect, process and method)
(Patent application or equivalent)

T(Technical) (Significant process improvements, increased productivity, change and improvement of materials and compounding)

S(Sales) (Expand application, model change)

E(Eco) (Adopt materials and process having CO₂ reduction effect.
Reduce CO₂ in application and process in our customers)
... **Adopted from FY 2022**

E-C(E-CO₂) (Reduce energy by modifying current production conditions)
... **Adopted from 2nd half in FY 2023**

Period counted as new products is for the first three years of sales.

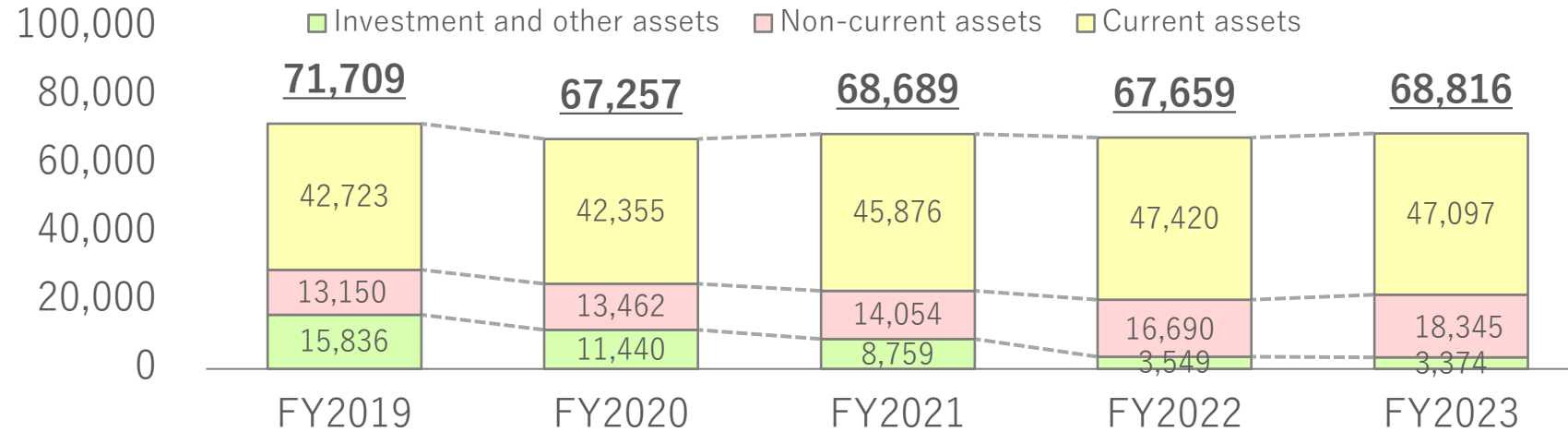
Target of new product sales ratio: 50% or more

Consolidated Balance Sheets History (outline)



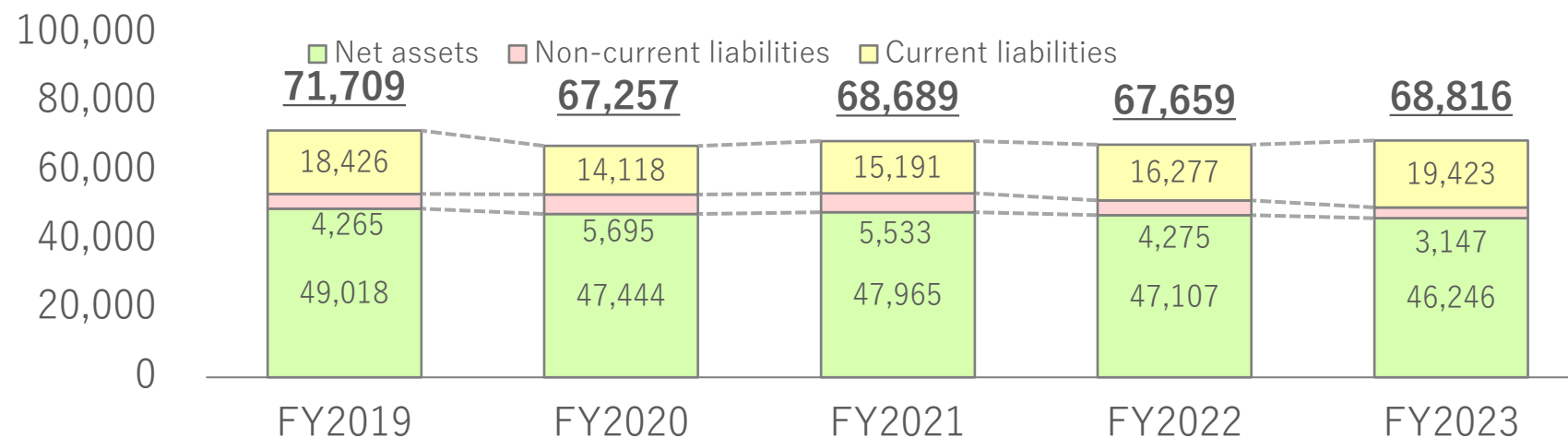
Assets

(Million yen)

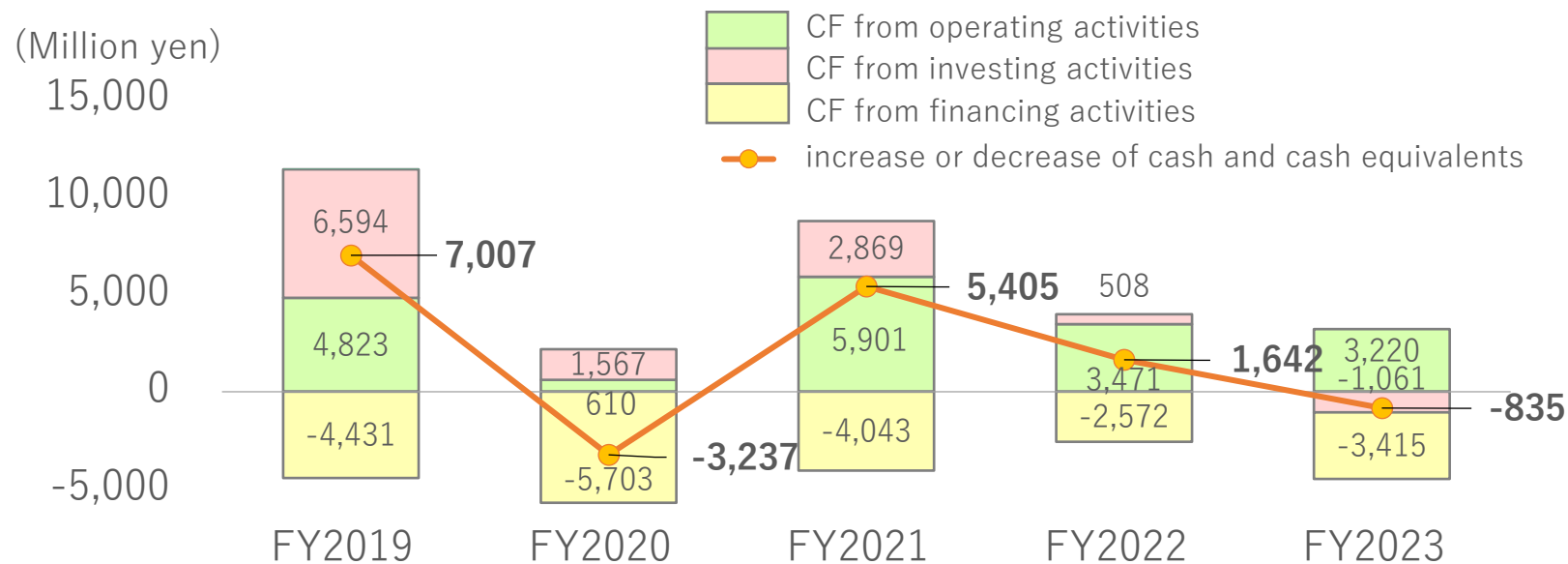


Liabilities and net assets

(Million yen)

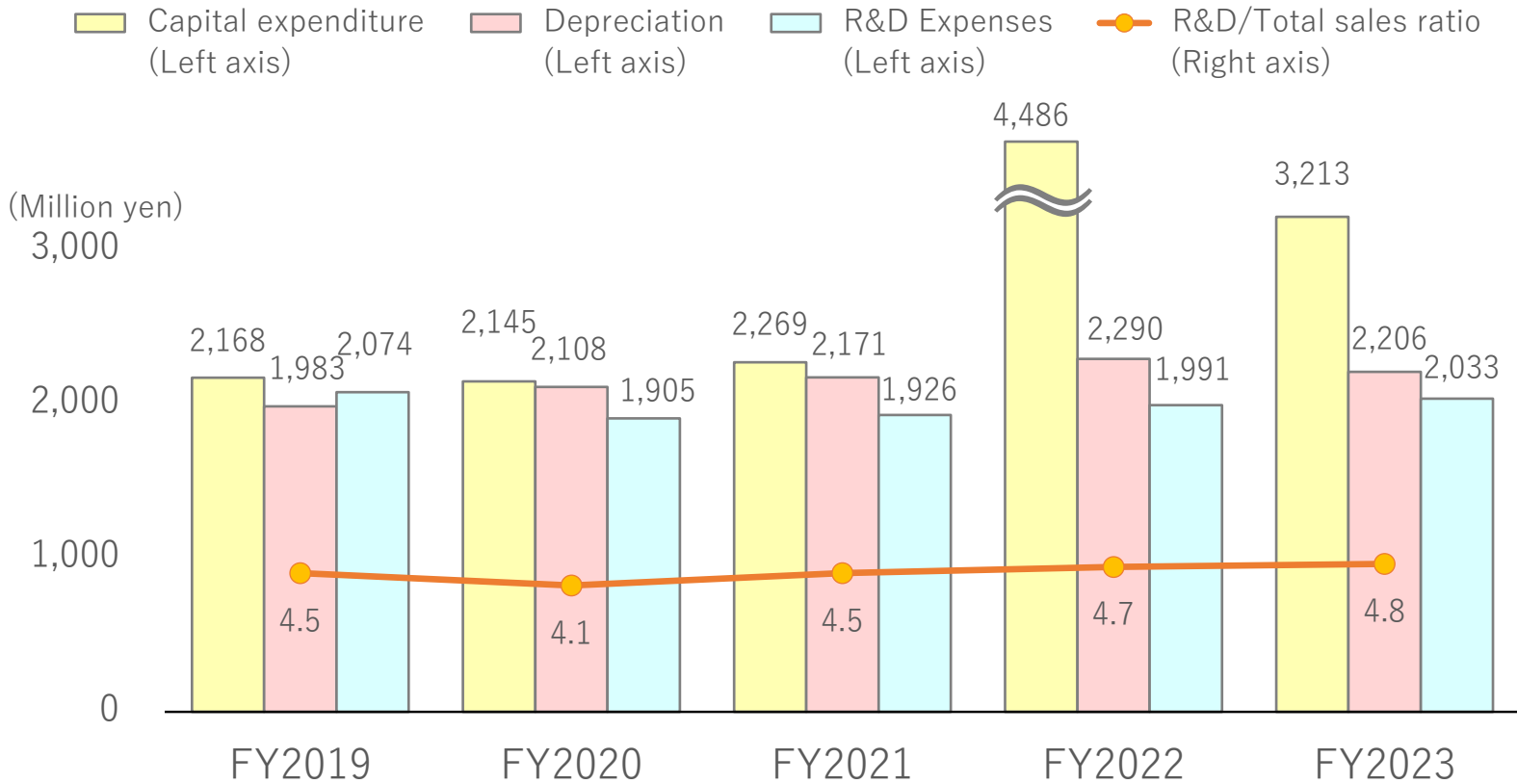


Cash Flow History



CF from operating activities	4,823	610	5,901	3,471	3,220
Income tax, etc. paid	-634	-4,970	889	-1,588	-1,016
CF from investing activities	6,594	1,567	2,869	508	-1,061
Purchases of property, plant and equipment and intangible assets	-2,863	-1,983	-2,007	-4,375	-3,779
Gain on sale of investment securities	9,604	4,938	3,235	6,411	1,087
CF from financial activities	-4,431	-5,703	-4,042	-2,572	-3,415
Dividends paid	-1,085	-995	-1,463	-3,000	-3,641
Purchase of treasury shares	-3,200		-82	-748	
Wholly owned subsidiary of ThinFlex		-4,324	-2,439		

Capital Expenditure, Depreciation and R&D Expenses History



• Capital investment as stated in the mid-term management plan is being implemented from March 2023 onward.

(Million yen)

(%)	Capital investment From March 2023 to March 2025	Plan	Estimation
15			
10	New product development	5,900	6,900
5	Increase in production capability	5,600	4,250
0	Maintenance of buildings and equipment	2,700	2,850
	Improvement in the production process	900	800

For details, please refer to the Mid-term Management Plan. (issued on May 9, 2024).

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