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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

November 7, 2024

Company Name:	Arisawa Mfg. Co., Ltd.	Stock exchange listing:	Tokyo
Stock code:	5208	(URL https://www.arisawa.co.jp/)	
Representative:	Representative Director and CEO:	Yuta Arisawa	
Inquiries:	Director and Senior Managing Operating Officer:	Takeshi Masuda	Telephone: 025-524-7101
Scheduled date to file semi-annual securities report:		November 14, 2024	
Scheduled date to commence dividend payments:		December 3, 2024	
Preparation of supplementary material on financial results:		Yes	
Holding of financial results briefing:		Yes (for analysts)	

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2024	25,172	26.5	2,734	—	2,917	—	2,122	276.6
September 30, 2023	19,895	(13.5)	169	(90.9)	218	(90.9)	563	(78.0)

(Note) Comprehensive income: For the six months ended September 30, 2024: 3,466 million yen [151.6%]
For the six months ended September 30, 2023: 1,377 million yen [(54.1%)]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2024	63.91	63.83
September 30, 2023	17.02	17.00

(Note) Percentage change in operating profit and ordinary profit for the six months ended September 30, 2024 are shown as “—” because they are more than 1,000% year on year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net asset per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2024	73,555	48,516	66.0	1,457.05
March 31, 2024	68,816	46,246	67.2	1,394.08

(Reference) Total equity: As of September 30, 2024: 48,510 million yen As of March 31, 2024: 46,218 million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	20.00	—	40.00	60.00
Fiscal year ending March 31, 2025	—	42.00			
Fiscal year ending March 31, 2025 (Forecast)			—	42.00	84.00

(Note) Revisions to dividend projections most recently announced: None

3. Forecasts of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	49,200	16.8	4,200	183.1	4,300	188.9	3,200	95.1	96.11

(Note) Revisions to projections of consolidated financial results most recently announced: Yes

For revisions to the financial forecasts, please refer to the “Notice Concerning Differences Between Consolidated Financial Forecasts and Actual Results for the Six Months Ended September 30, 2024, and Revisions of Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2025” disclosed today (November 7, 2024).

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the changes in scope of consolidation): None
- (2) Application of special accounting methods for preparing semi-annual consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - ii) Changes in accounting policies due to other reasons: None
 - iii) Changes in accounting estimates: None
 - iv) Restatement: None

(4) Number of issued shares (common shares)

i) Total number of issued shares at the end of the period (including treasury shares):	As of September 30, 2024:	33,599,524 shares	As of March 31, 2024:	33,566,924 shares
ii) Number of treasury shares at the end of the period:	As of September 30, 2024:	305,765 shares	As of March 31, 2024:	413,233 shares
iii) Average number of shares during the period (cumulative from the beginning of the fiscal year)	Six months ended September 30, 2024:	33,205,170 shares	Six months ended September 30, 2023:	33,104,555 shares

(Note) The shares of the Company (4,900 shares in the first half of the fiscal year ending March 31, 2025 and 82,300 shares in the year ended March 31, 2024) held by Custody Bank of Japan, Ltd. (Trust Account) as the trust assets of the "Employee Stock Ownership Plan" are included in the number of treasury shares at the end of the period.
The shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account) are included in the treasury shares to be deducted in calculation of the average number of shares during the year (59,347 shares in the first half of the fiscal year ending March 31, 2025 and 84,498 shares in first half of the fiscal year ended March 31, 2024).

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Descriptions and statements concerning estimates and forecasts in this material are based on information currently available to the Company and certain assumptions judged by the Company to be reasonable. Various factors could cause actual results to differ materially from these projections. Please refer to "1. Summary of Business Results, etc., (3) Explanation about Future Forecast Information, Including Forecast of Consolidated Business Results" of the attached materials on page 3 for information concerning business forecast.

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1. Summary of Business Results, etc.

(1) Summary of Business Results for the First Half

During the current semi-annual consolidated accounting period (from April 1, 2024 to September 30, 2024), the Japanese economy showed a moderate recovery trend due to a progressed normalization of socio-economic activities led by an improved employment and income environment and an increase in demand from inbound tourism, etc. Meanwhile, there is still an uncertain outlook for the economy due to a stagnation of the economy in China, rising geopolitical risks such as the situation in the Middle East, etc., and concerns about sluggish consumption caused by a global price increase, etc.

Under such circumstances, the results of operations of our group for the current semi-annual consolidated accounting period showed net sales of 25,172 million yen (an increase of 26.5% year-on-year) due to strong business performance in electronic materials, one of our main business fields, industrial application structural materials, and display materials. The results in terms of profit and loss are as follows: an operating profit was 2,734 million yen (an increase of 1,510.2% year-on-year); an ordinary profit was 2,917 million yen (an increase of 1,235.6% year-on-year); and a profit attributable to owners of parent was 2,122 million yen (an increase of 276.6% year-on-year).

Business results with respect to each segment are as follows.

(Electronic materials)

Net sales were 15,228 million yen (an increase of 29.9% year-on-year) due to an increase in sales of flexible printed circuit board materials and glass cloth for printed circuit board, while the segment profit was 1,296 million yen (the segment loss of 209 million yen in the same period of the previous year) due to an improvement of capacity utilization, etc. in addition to an increase in sales.

(Industrial application structural materials)

Net sales were 6,026 million yen (an increase of 18.1% year-on-year) due to an increase in sales of FRP vessels for water purification, etc., while the segment profit was 1,181 million yen (an increase of 106.6% year-on-year) due to a change in product mix in addition to an increase in sales.

(Electric insulation materials)

Net sales were 1,179 million yen (a decrease of 4.3 % year-on-year) due to a decrease in infrastructure-related sales, while the segment profit was 33million yen (a decrease of 71.0% year-on-year).

(Display materials)

Net sales were 2,545 million yen (an increase of 51.7% year-on-year) due to an increase in sales of 3D-related materials and polarization control optical components, while the segment profit was 920 million yen (an increase of 118.9% year-on-year).

(Other)

Net sales were 192 million yen (an increase of 21.7% year-on-year).

(2) Summary of Financial Position for the First Half

Total assets as of the end of the current semi-annual consolidated accounting period were 73,555 million yen, an increase of 4,739 million yen compared with the end of the previous fiscal year. This was largely due to an increase of 1,001 million yen in notes and accounts receivable-trade, and contract assets, an increase of 813 million yen in merchandise and finished goods, an increase of 1,060 million yen in raw materials and supplies and an increase of 1,241 million yen in property, plant and equipment, respectively.

Total liabilities were 25,039 million yen, an increase of 2,468 million yen compared with the end of the previous fiscal year. This was largely due to an increase of 1,409 million yen in notes and accounts payable-trade, an increase of 1,263 million yen in long-term borrowings, and a decrease of 2,100 million yen in current portion of long-term borrowings, respectively.

Total net assets were 48,516 million yen, an increase of 2,270 million yen compared with the end of the previous fiscal year. This was largely due to an increase of 792 million yen in retained earnings and an increase of 1,305 million yen in foreign currency translation adjustment.

(3) Explanation about Future Forecast Information, Including Forecast of Consolidated Business Results

The forecast of consolidated business results for the fiscal year ending March 31, 2025, is revised based on recent business trends. For details, please refer to the “Notice Concerning Differences Between Consolidated Financial Forecasts and Actual Results for the Six Months Ended September 30, 2024, and Revisions of Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2025” disclosed today (November 7, 2024).

2. Semi-annual Consolidated Financial Statements and Major Notes

(1) Semi-annual Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	18,163,338	18,251,105
Notes and accounts receivable - trade, and contract assets	16,515,625	17,516,721
Securities	—	100,240
Merchandise and finished goods	4,587,271	5,400,736
Work in process	2,515,667	2,759,627
Raw materials and supplies	4,359,283	5,419,869
Other	983,820	1,089,990
Allowance for doubtful accounts	(27,285)	(45,422)
Total current assets	47,097,722	50,492,867
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,372,500	7,457,245
Other, net	11,589,443	11,746,088
Total property, plant and equipment	17,961,943	19,203,334
Intangible assets	382,749	342,523
Investments and other assets		
Investment securities	2,327,455	2,319,870
Other	1,092,275	1,242,303
Allowance for doubtful accounts	(45,463)	(45,139)
Total investments and other assets	3,374,267	3,517,034
Total non-current assets	21,718,961	23,062,892
Total assets	68,816,683	73,555,759

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,014,220	8,424,043
Current portion of bonds payable	10,800	—
Short-term borrowings	5,301,635	5,775,313
Current portion of long-term borrowings	3,120,516	1,020,102
Income taxes payable	269,618	956,045
Provision for product warranties	28,739	29,203
Provision for bonuses	589,881	956,242
Provision for bonuses for directors (and other officers)	3,618	1,530
Other	3,083,775	3,369,505
Total current liabilities	19,422,805	20,531,987
Non-current liabilities		
Long-term borrowings	1,970,976	3,234,923
Provision for share awards	68,536	4,729
Retirement benefit liability	485,167	436,405
Asset retirement obligations	99,583	104,486
Other	523,416	726,667
Total non-current liabilities	3,147,680	4,507,211
Total liabilities	22,570,486	25,039,198
Net assets		
Shareholders' equity		
Share capital	7,862,036	7,879,586
Capital surplus	3,212,781	3,243,612
Retained earnings	32,253,196	33,045,823
Treasury shares	(460,640)	(353,773)
Total shareholders' equity	42,867,374	43,815,249
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	515,045	543,569
Deferred gains or losses on hedges	(1,706)	2,131
Foreign currency translation adjustment	2,870,994	4,176,519
Remeasurements of defined benefit plans	(32,930)	(26,825)
Total accumulated other comprehensive income	3,351,402	4,695,394
Share acquisition rights	27,419	5,916
Total net assets	46,246,196	48,516,560
Total liabilities and net assets	68,816,683	73,555,759

(2) Semi-annual Consolidated Statements of Income and Semi-annual Consolidated Statements of Comprehensive Income
(Semi-annual Consolidated Statements of Income)

	(Thousands of yen)	
	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	19,895,480	25,172,413
Cost of sales	16,998,186	18,981,450
Gross profit	2,897,293	6,190,962
Selling, general and administrative expenses	2,727,479	3,456,554
Operating profit	169,814	2,734,407
Non-operating income		
Interest income	53,404	49,148
Dividend income	19,635	12,056
Subsidy income	29,410	86,583
Foreign exchange gains	80,385	94,675
Other	46,615	56,889
Total non-operating income	229,451	299,352
Non-operating expenses		
Interest expenses	92,406	96,295
Share of loss of entities accounted for using equity method	43,023	—
Other	45,432	20,411
Total non-operating expenses	180,862	116,706
Ordinary profit	218,403	2,917,053
Extraordinary income		
Gain on sale of non-current assets	781	1,601
Gain on reversal of share acquisition rights	19,454	15,981
Other	656,042	19
Total extraordinary income	676,277	17,602
Extraordinary losses		
Loss on retirement of non-current assets	33,003	3,492
Impairment losses	6,557	4,646
Total extraordinary losses	39,560	8,138
Profit before income taxes	855,120	2,926,517
Income taxes	291,676	804,450
Profit	563,444	2,122,066
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	563,444	2,122,066

(Semi-annual Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	563,444	2,122,066
Other comprehensive income		
Valuation difference on available-for-sale securities	(183,718)	28,524
Deferred gains or losses on hedges	13,657	3,837
Foreign currency translation adjustment	978,884	1,305,525
Remeasurements of defined benefit plans, net of tax	14,646	6,104
Share of other comprehensive income of entities accounted for using equity method	(9,282)	—
Total other comprehensive income	814,187	1,343,992
Comprehensive income	1,377,632	3,466,058
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,377,632	3,466,058
Comprehensive income attributable to non-controlling interests	—	—

(3) Semi-annual Consolidated Cash Flows Statement

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	855,120	2,926,517
Depreciation	1,104,523	1,012,213
Share-based payment expenses	21,999	23,573
Gain on reversal of share acquisition rights	(19,454)	(15,981)
Increase (decrease) in allowance for doubtful accounts	34,184	17,097
Increase (decrease) in provision for bonuses	(22,616)	366,360
Increase (decrease) in provision for product warranties	(6,855)	(1,534)
Increase (decrease) in provision for bonuses for directors (and other officers)	(762)	(2,087)
Increase (decrease) in provision for share awards	11,071	8,187
Increase (decrease) in retirement benefit liability	(43,837)	(39,978)
Interest and dividend income	(73,039)	(61,204)
Subsidy income	(29,410)	(86,583)
Interest expenses	92,406	96,295
Foreign exchange losses (gains)	(151,210)	3,812
Share of loss (profit) of entities accounted for using equity method	43,023	—
Loss (gain) on sale of short-term and long-term investment securities	(656,042)	(19)
Loss (gain) on sale of non-current assets	(781)	(1,601)
Loss on retirement of property, plant and equipment	1,682	1,477
Impairment losses	6,557	4,646
Loss on valuation of golf club membership	175	—
Decrease (increase) in trade receivables	(1,538,621)	(378,965)
Decrease (increase) in inventories	90,251	(1,793,798)
Increase (decrease) in trade payables	890,233	1,199,465
Increase (decrease) in accrued consumption taxes	276,640	(74,399)
Decrease (increase) in other assets	222,760	(247,887)
Increase (decrease) in other liabilities	(86,227)	215,871
Subtotal	1,021,773	3,171,477
Interest and dividends received	99,527	66,989
Interest paid	(90,679)	(100,783)
Subsidies received	29,410	86,583
Income taxes refund (paid)	(356,390)	34,389
Net cash provided by (used in) operating activities	703,642	3,258,656

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from investing activities		
Payments into time deposits	(200,000)	(190,000)
Proceeds from withdrawal of time deposits	1,653,392	190,000
Purchase of property, plant and equipment	(1,383,741)	(1,335,076)
Proceeds from sale of property, plant and equipment	1,068	1,601
Purchase of intangible assets	(23,172)	(18,700)
Proceeds from sale of investment securities	824,135	2,191
Proceeds from sale of shares of subsidiaries and associates	210,317	—
Loan advances	—	(40,000)
Proceeds from collection of loans receivable	23,810	40,000
Decrease (increase) in investments and other assets	(3,787)	(1,883)
Net cash provided by (used in) investing activities	1,102,021	(1,351,867)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	16,776	305,551
Proceeds from long-term borrowings	2,141,828	455,910
Repayments of long-term borrowings	(1,857,761)	(1,597,428)
Repayments of lease liabilities	(62,060)	(101,059)
Redemption of bonds	(8,400)	(10,800)
Proceeds from issuance of shares	9,063	29,577
Purchase of treasury shares	(239)	(140)
Dividends paid	(2,974,133)	(1,327,032)
Net cash provided by (used in) financing activities	(2,734,927)	(2,245,422)
Effect of exchange rate change on cash and cash equivalents	599,653	412,528
Net increase (decrease) in cash and cash equivalents	(329,609)	73,894
Cash and cash equivalents at beginning of period	18,535,854	17,700,031
Cash and cash equivalents at end of period	18,206,244	17,773,925

(4) Notes to Semi-annual Consolidated Financial Statement

(Notes to Changes in Accounting Policies)

(Application of the Accounting Standard for Current Income Taxes, etc.)

“Accounting Standard for Current Income Taxes” (ASBJ Statement No.27, October 28, 2022; hereinafter referred to as the “Amended Accounting Standard 2022”), etc. has been applied from the beginning of the six months period ended September 30, 2024.

The amendment to the accounting for current income taxes (taxation on other comprehensive income) follows the transitional treatment prescribed in the proviso of the paragraph 20-3 of the Amended Accounting Standard 2022 and the transitional treatment prescribed in the proviso of paragraph 65-2(2) of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “Amended Implementation Guidance 2022”). This change in accounting policies has no impact on the semi-annual consolidated financial statements.

In addition, as for the amendment related to the revised accounting treatment in consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies are deferred for tax purposes, the Amended Implementation Guidance 2022 has been applied from the beginning of the period. As this change in accounting policies was applied retroactively, the semi-annual consolidated financial statements for the six months ended September 30, 2023 and the consolidated financial statements for the fiscal year ended March 31, 2024 have been prepared on retroactive basis. This change in accounting policies has no impact on the semi-annual consolidated financial statements for the six months ended September 30, 2023 and the consolidated financial statements for the fiscal year ended March 31, 2024.

(Notes to Special Accounting Methods for Preparing Semi-annual Consolidated Financial Statements)

(Calculation of Tax Expenses)

Tax expenses are calculated by multiplying the semi-annual profit before income taxes by an estimated effective tax rate. Such effective tax rate is reasonably estimated after applying tax effect accounting to the profit before income taxes for the consolidated fiscal year including the current semi-annual consolidated accounting period.

(Notes to Segment Information, etc.)

[Segment Information]

I Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

1. Information on the amount of net sales and profit or loss with respect to each reportable segment

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electric insulation materials	Display materials	Total		
Sales							
Revenues from external customers	11,725,893	5,101,193	1,232,897	1,677,607	19,737,592	157,888	19,895,480
Transactions with other segments	—	—	—	—	—	448,088	448,088
Net sales	11,725,893	5,101,193	1,232,897	1,677,607	19,737,592	605,977	20,343,569
Segment profit (loss)	(209,966)	571,906	113,641	420,641	896,222	99,319	995,541

Note: The column “Other” represents business operations that do not fall under any of the reportable segments and includes the related goods sales, the logistics-related operations and other businesses, etc.

2. Difference between the aggregate amount of profit or loss of reportable segments and the pertinent amount shown on the semi-annual consolidated statements of income as well as the key components of such difference (Matters concerning difference adjustment)

(Thousands of yen)

Profit	Amount
Total of reportable segments	896,222
Profit in the category “Other”	99,319
Elimination of inter-segment transactions	3,271
Unallocated corporate expenses (See Note)	(815,855)
Adjustment of inventories	(13,142)
Operating profit shown on the semi-annual consolidated statements of income	169,814

Note: Unallocated corporate expenses are mostly general and administrative expenses that are not attributable to any of the reportable segments.

3. Information on impairment loss on non-current assets or goodwill, etc. with respect to each reportable segment

(Significant impairment losses on non-current assets)

In the industrial application structural materials segment, with respect to the assets in which investments could not be expected to recover due to a downturn in profitability, the Company devalued their carrying amount to memorandum value and showed the relevant amount of loss to extraordinary losses as impairment losses.

In this regard, the amount of the relevant impairment losses shown in the current semi-annual consolidated accounting period is 6,557 thousand yen.

II Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

1. Information on the amount of net sales and profit or loss with respect to each reportable segment

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electric insulation materials	Display materials	Total		
Sales							
Revenues from external customers	15,228,606	6,026,554	1,179,849	2,545,225	24,980,235	192,177	25,172,413
Transactions with other segments	—	—	—	—	—	501,461	501,461
Net sales	15,228,606	6,026,554	1,179,849	2,545,225	24,980,235	693,639	25,673,875
Segment profit	1,296,499	1,181,772	33,008	920,799	3,432,079	113,821	3,545,901

Note: The column “Other” represents business operations that do not fall under any of the reportable segments and includes the related goods sales, the logistics-related operations and other businesses, etc.

2. Difference between the aggregate amount of profit or loss of reportable segments and the pertinent amount shown on the semi-annual consolidated statements of income as well as the key components of such difference (Matters concerning difference adjustment)

(Thousands of yen)

Profit	Amount
Total of reportable segments	3,432,079
Profit in the category “Other”	113,821
Elimination of inter-segment transactions	3,439
Unallocated corporate expenses (See Note)	(771,870)
Adjustment of inventories	(43,061)
Operating profit shown on the semi-annual consolidated statements of income	2,734,407

Note: Unallocated corporate expenses are mostly general and administrative expenses that are not attributable to any of the reportable segments.

3. Information on impairment loss on non-current assets or goodwill, etc. with respect to each reportable segment

(Significant impairment losses on non-current assets)

In the industrial application structural materials segment, with respect to the assets in which investments could not be expected to recover due to a downturn in profitability, the Company devalued their carrying amount to memorandum value and showed the relevant amount of loss to extraordinary losses as impairment losses.

In this regard, the amount of the relevant impairment losses shown in the current consolidated semi-annual accounting period is 4,646 thousand yen.

(Notes in the Case of Significant Changes in Shareholders' Equity)

No applicable matter.

(Notes on Going Concern Assumption)

No applicable matter.