

QUARTERLY REPORT

(First Quarter of the 61st Term)

From April 1, 2008
to June 30, 2008

ARISAWA MFG. CO., LTD.

E01152

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Quarterly Accounting Period: First Quarter of the 61st Term (from April 1, 2008 to June 30, 2008)

Name of Company: Kabushiki Kaisha Arisawa Seisakusho

English Translation of Company Name: Arisawa Mfg. Co., Ltd.

Name and Title of Representative: Sanji Arisawa, President and Chief Executive Officer

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PART I. INFORMATION ABOUT THE BUSINESS

1. General Conditions of Business

1. Changes in Principal Business Indicators, etc.

Term	61 st Term First Quarter Consolidated Aggregate (Accounting) Period	60 th Term
Accounting Period	From April 1, 2008 to June 30, 2007	From April 1, 2007 to March 31, 2008
Sales (¥ millions)	8,730	40,697
Ordinary profits (¥ millions)	499	2,827
Net profit (¥ millions)	423	1,119
Net assets (¥ millions)	42,592	42,847
Total assets (¥ millions)	55,693	55,248
Net asset per share (¥)	1,214.13	1,221.91
Net profit per share (¥)	12.10	31.98
Fully diluted net profit per share (¥)	12.09	31.95
Net worth ratio (%)	76.3	77.4
Cash flows from operating activities (¥ millions)	997	5,074
Cash flows from investing activities (¥ millions)	△827	△3,165
Cash flows from financing activities (¥ millions)	△545	△1,009
Cash and cash equivalents at end of period (¥ millions)	4,519	4,856
Number of employees	1,027	992

- Note: 1. As the Company prepares quarterly consolidated financial statements, the changes in principal business indicators, etc., of the Submitting Company are not described.
2. Consumption tax not included in sales amounts.

2. Details of Business

There has been no material change in information regarding business lines of our Group (the Company and its affiliated companies) during the current consolidated first quarter. Also, there has been no material change in major affiliated companies.

3. Status of Affiliated Companies

There has been no material change in important affiliated companies during the current consolidated first quarter.

4. Status of Employees

(1) Status of Consolidated Companies

(as of June 30, 2008)

Number of Employees	1,027
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Note: The number of employees indicates full-time employees and does not include part-time and temporary employees.

(2) Status of the Submitting Company

(as of June 30, 2008)

Number of Employees	723
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Note: The number of employees indicates full-time employees and does not include part-time and temporary employees.

2. Status of Business

1. Status of Manufacturing, Receipt of Orders and Sales

Our Group (the Company and its consolidated subsidiaries) has many different categories of products manufactured and sold, in widely differing areas, and even products of the same type are not necessarily the same in their volume, construction, form or other elements. There are also products which are not manufactured on a produce to order basis, and we do not indicate production volume or order volume in monetary amounts or quantities for business segment.

For this reason we have indicated the relationships for performance for each business segment in “3. Analysis of Financial Conditions and Business Results” with respect to the status of manufacturing, receipt of orders and sales.

The following states the percentage of sales by major customer and its percentage of total sales during the current consolidated first quarter.

Customer	Current consolidated first quarter (From April 1, 2008 to June 30, 2008)	
	Amount (¥1,000)	Ratio (%)
Sumitomo Shoji Chemicals Co., Ltd	2,382,147	27.3

Note: The amounts in the above table do not include consumption tax.

2. Important Agreement for Operation, etc.

In the current consolidated first quarter, no decision on or execution of important agreement for operation, etc., was made.

3. Analysis of Financial Conditions and Business Results

(1) Status of Business Results

For the Japanese economy in the current consolidated first quarter, a sense of uncertainty about the future course of the economy has grown as can be seen from the following: corporate profits have trended downward due to soaring raw material prices, including crude oil and the impact from a slowdown in the US economy, triggered by financial instability, and a weakening in personal consumption and capital investment.

Under such circumstances, our Group (the Company, its consolidated subsidiaries and companies to which the equity method applies) has concentrated business resources in the electronic materials field, focusing on materials for flexible printed circuit boards to make efforts at increasing sales and reducing costs.

For the business results in the current consolidated first quarter, net sales were ¥8,730 million, operating profit was ¥302 million, ordinary profit was ¥499 million and quarterly net profit was ¥423 million.

The results by business segment are as follows.

In the electronic materials field in the business of manufacturing and sales of industrial materials, etc., net sales were ¥5,375 million, mainly from the sales of flexible printed circuit boards, core products (orders received: ¥5,333 million, production output: ¥4,306 million, non-consolidated basis of the Submitting Company).

In addition, in the display materials field, net sales were ¥845 million, in the electric insulation materials field, net sales were ¥860 million, and in the industrial application structural materials field, net sales were ¥1,127 million and for related products, net sales were ¥492 million.

In other segments, net sales were ¥27 million.

The category for regional segments does not apply as our Group only engages in business within Japan.

It should also be noted that the amounts of sales, receipt of orders and the like stated in this section do not include the amount for local consumption tax, etc.

(2) Status of Cash Flows

Cash and cash equivalents (hereinafter referred to as the “Funds”) at the end of the current consolidated first quarter were ¥4,519 million.

The following is the status of each cash flow category and their major factors in the current consolidated first quarter.

(Cash Flow from Operating Activities)

Cash flow from operating activities recorded an inflow of Funds of ¥997 million. This was mainly due to an increase by recording of quarterly net profit before taxes, etc., of ¥566 million and depreciation costs of ¥558 million and a decrease in accounts receivable of ¥1,027 million and to a decrease by a decrease in purchase debt of ¥1,437 million.

(Cash Flow From Investing Activities)

For cash flow from investing activities, outflow of Funds was ¥827 million. This was mainly due to the expenditure of ¥764 million for acquisition of tangible fixed assets.

(Cash Flow from Financing Activities)

For cash flow from financing activities, outflow of Funds was ¥545 million. This was mainly due to the payment of dividends of ¥503 million.

(3) Business and Financial Tasks to be Tackled

There was no significant change in the tasks to be tackled by our Group in the current consolidated first quarter.

In this regard, the Company provides for the basic policy for how the person controlling financial and business policies should be and the contents (the matters set forth in each item of Article 127 of the Enforcement Rules of the Corporation Law) are as follows.

- 1) Effective use of the contents of the basic policy and the assets of the Company and formulation of appropriate corporate group as well as the efforts for realization of other basic policies.

The Company since its incorporation in 1909, has made efforts at technological innovation and product development while consistently responding to user needs as well as addressing improvements in corporate value by developing unique technologies integrating weaving, coating and molding under an environment of favorable labor relations. The Company's Board of Directors believes that the company is always obligated to continue to develop along its historical path of accumulating technologies as well as understanding such corporate value and fostering improvement of this corporate value over the long run.

Based on the above, our Group aims at enhancing profitability by creating new businesses and markets, prioritizing safety and quality as our objectives under the corporate policies based on the philosophy of “Creation, Innovation and Challenge.”

- 2) Efforts for preventing control by inappropriate persons of decisions on financing and corporate policies of the Company

We have witnessed such takeover methods across stock markets recently, through forceful acquisition of large block share buyouts without sufficient explanation or consultation with shareholders of a targeted company or its top management. Not a few of these buyouts can be regarded as leading to loss of corporate value, forced sale of large block shares or violation of shareholder interests.

We have determined that it is necessary to secure the disclosure of necessary and sufficient information and a period for examination and consideration of a takeover bid by presenting rules and procedures to be complied with by a takeover bidder through Company developed countermeasures for acquisition of large block shares of the Company (hereinafter referred to as the “Rules”), and obtained approval for the Rules at the 59th ordinary general meeting of shareholders held on June 28, 2007.

Under the Rules, in the event that implementation of countermeasures has been approved at the general meeting of shareholders, etc., to confirm the will of shareholders, and that a bidder or proposer who seeks a takeover (hereinafter collectively referred to as a “Takeover Bidder”) does not comply with the Rules or that it is clear a large block acquisition of shares of the Company and similar acts or proposals (hereinafter collectively referred to as a “Takeover”) will destroy corporate value, countermeasures shall be implemented in accordance with the Rules.

(For the details of the Rules, please refer to the website of the Company at <http://www.arisawa.co.jp/>)

- 3) That the said efforts in accordance with the basic policy do not encroach on the corporate value of the Company and the common interest of shareholders and that they do not aim at maintaining the status of officers.

The Board of Directors of the Company believes that while the company's shares have been listed on the stock exchange and investors can freely trade shares of the company, a large block acquisition of shares of the Company against the will of the Board of Directors of the Company or a takeover bid accompanying the transfer of control of the Company should not be denied if such actions contribute

to the interest of all shareholders through an improvement in corporate value, and a final judgment should be made by all shareholders of the Company.

If such Takeover is made, in order for shareholders to make an appropriate judgment, we think it is best to have the Takeover Bidder provide detailed information and disclose sufficient information to shareholders as well as having the Board of Directors of the Company express its opinions which will in turn allow the shareholders to directly express their opinions at the general meeting of shareholders, etc., on which proposal is best suited to securing and improving corporate value and the interests of the shareholders, and the Rules provide for as follows.

a. Judgment by direct resolution of shareholders

The Rules are to confirm directly the will of shareholders on approval or disapproval of a takeover bid by a Takeover Bidder except for noncompliance of the Rules by the Takeover Bidder, etc. In confirmation of the will of shareholders, it is almost impossible for the Directors to make individual solicitation for the protection of their own interests and there is no room for arbitrary intention of the Directors.

b. Restrictions on implementation of countermeasures by the judgment of the board of directors

It is restricted to the cases where the violation of the Rules or destruction of corporate value and the common interest of shareholders are clear that a countermeasure can be implemented by the Board of Directors of the Company without confirming the will of shareholders, and so-called "Sunset-clause," which limits the term of the Rules to two (2) years, is also attached.

Therefore, the Board of Directors of the Company believes that the "Basic Policy for Control of the Company" is the efforts for securing the corporate value of the Company and the common interest of shareholders and that it shall not impair the common interest of shareholders.

(4) Research and Development Activities

Amount of expenses for research and development activities of the entire Group in the current consolidated first quarter was ¥617 million.

In this regard, there was no significant change in the status of research and development activities of our Group in the current consolidated first quarter.

3. Status of Facilities

(1) Status of Major Facilities

There was no significant change in major facilities during the current consolidated first quarter.

(2) Plan of New Installation and Retirement, etc., of Facilities

Important new facilities completed in the current consolidated first quarter, which was planned at the end of the previous consolidated fiscal year, are as follows.

New display materials manufacturing facilities of Nakadahara-Nishi Factory of the Submitting Company in the business of manufacturing and sales of industrial materials, etc., were completed in May 2008 and started operation.

Statement of the manufacturing facilities of our Group was omitted as each product has a wide variety of difference in content and form and each facility can be shared and thus it is extremely difficult to indicate the increased capacity.

4. Status of the Submitting Company

1. Status of Shares, etc.

(1) Total Number of Shares, etc.

1) Total number of shares

Class	Authorized number of shares to be issued
Common Stock	130,000,000
Total	130,000,000

2) Shares issued

Class	Number of shares issued and outstanding at the end of the first quarter (as of June 30, 2008)	Number of shares issued and outstanding as of the date submitted (as of August 12, 2008)	Name of financial instruments exchange where listed or the name of registered and authorized financial instruments firms association	Contents
Common Stock	34,992,124	34,994,424	Tokyo Stock Exchange (First Section Market)	---
Total	34,992,124	34,994,424	---	---

Note: In the column "Number of shares issued and outstanding as of the date submitted," the number of shares issued by the exercise of new share subscription rights during the period from June 1, 2008 through the submitting date of this quarterly report is not included.

(2) Status of New Share Subscription Rights, etc.

New share subscription rights issued under the former Commercial Code were as follows.

1) Resolution at the Ordinary General Meeting of Shareholders as of June 29, 2004

	At the end of the first quarter (as of June 30, 2008)
Number of new share subscription rights	1,314
Number of treasury new share subscription rights out of new share subscription rights (unit)	---
Class of shares to be subject to new share subscription rights	Common Stock
Number of shares to be subject to new share subscription rights	131,400
Amount to be paid-in upon exercise of the new share subscription rights (yen)	4,393
Exercise period of the new share subscription rights	July 1, 2006 through June 30, 2009
Issue price and paid-in capital amount per share to be issued upon exercise of the new share subscription rights (yen)	Issue Price 4,393 Paid-in Capital Amount 2,197
Terms and conditions to exercise the new share subscription rights	Being an employee of the Company or a director or an employee of the affiliated companies of the Company at the time of exercising the rights.
Provisions concerning the transfer of the new share subscription rights	Transfer of the new share subscription rights must be approved by the Board of Directors.
Matters concerning substitute payment	---
Matters concerning issue of new share subscription rights in connection with reorganization	---

2) Resolution at the Ordinary General Meeting of Shareholders as of June 29, 2005

	At the end of the first quarter (as of June 30, 2008)
Number of new share subscription rights	371
Number of treasury new share subscription rights out of new share subscription rights (unit)	---
Class of shares to be subject to new share subscription rights	Common Stock
Number of shares to be subject to new share subscription rights	37,100
Amount to be paid-in upon exercise of the new share subscription rights (yen)	1
Exercise period of the new share subscription rights	August 1, 2005 through July 31, 2025
Issue price and paid-in capital amount per share to be issued upon exercise of the new share subscription rights (yen)	Issue Price 1 Paid-in Capital Amount 1
Terms and conditions to exercise the new share subscription rights	(1) Eligible persons may exercise the new share subscription rights only at the time of their retirement from office of directors of the Company; provided, however, that the eligible persons may exercise the new share subscription rights during the period between the following day of the date of retirement (hereinafter referred to as the "Commencement Date of Exercising Right") and the date elapsing ten (10) days from the Commencement Date of Exercising Right. (2) In the event that the eligible person has died, among his/her heirs, only the spouse, children and direct ancestors of the first degree may exercise the new share subscription rights; provided, however, that heirs may exercise the new share subscription rights during the period between following day of the retirement of the eligible person by death and the date elapsing three (3) months from that date.
Provisions concerning the transfer of the new share subscription rights	Transfer of the new share subscription rights must be approved by the Board of Directors.
Matters concerning substitute payment	---
Matters concerning issue of new share subscription rights in connection with reorganization	---

Note: It was granted in lieu of payment of money to the directors of the Company whose termination of the retirement bonuses was approved at the 56th ordinary general meeting of shareholders (June 29, 2004).

3) Resolution at the Ordinary General Meeting of Shareholders as of June 29, 2005

	At the end of the first quarter (as of June 30, 2008)
Number of new share subscription rights	1,435
Number of treasury new share subscription rights out of new share subscription rights (unit)	---
Class of shares to be subject to new share subscription rights	Common Stock
Number of shares to be subject to new share subscription rights	143,500
Amount to be paid-in upon exercise of the new share subscription rights (yen)	2,637
Exercise period of the new share subscription rights	July 1, 2007 through June 30, 2010
Issue price and paid-in capital amount per share to be issued upon exercise of the new share subscription rights (yen)	Issue Price 2,637 Paid-in Capital Amount 1,319
Terms and conditions to exercise the new share subscription rights	Being an employee of the Company or a director or an employee of the affiliated companies of the Company at the time of exercising the rights.
Provisions concerning the transfer of the new share subscription rights	Transfer of the new share subscription rights must be approved by the Board of Directors.
Matters concerning substitute payment	---
Matters concerning issue of new share subscription rights in connection with reorganization	---

New share subscription rights issued under the Corporation Law were as follows.

1) Resolution at the Ordinary General Meeting of Shareholders as of June 29, 2006

	At the end of the first quarter (as of June 30, 2008)
Number of new share subscription rights	1,839
Number of treasury new share subscription rights out of new share subscription rights (unit)	---
Class of shares to be subject to new share subscription rights	Common Stock
Number of shares to be subject to new share subscription rights	183,900
Amount to be paid-in upon exercise of the new share subscription rights (yen)	1,810
Exercise period of the new share subscription rights	July 1, 2008 through June 30, 2011
Issue price and paid-in capital amount per share to be issued upon exercise of the new share subscription rights (yen)	Issue Price 2,243 Paid-in Capital Amount 1,122
Terms and conditions to exercise the new share subscription rights	Being an employee of the Company or a director or an employee of a subsidiary of the Company at the time of exercising the rights.
Provisions concerning the transfer of the new share subscription rights	Transfer of the new share subscription rights must be approved by the Board of Directors.
Matters concerning substitute payment	---
Matters concerning issue of new share subscription rights in connection with reorganization	---

2) Resolution at the Ordinary General Meeting of Shareholders as of June 28, 2007

	At the end of the first quarter (as of June 30, 2008)
Number of new share subscription rights	2,000
Number of treasury new share subscription rights out of new share subscription rights (unit)	---
Class of shares to be subject to new share subscription rights	Common Stock
Number of shares to be subject to new share subscription rights	200,000
Amount to be paid-in upon exercise of the new share subscription rights (yen)	1,187
Exercise period of the new share subscription rights	July 1, 2009 through June 30, 2012
Issue price and paid-in capital amount per share to be issued upon exercise of the new share subscription rights (yen)	Issue Price 1,480 Paid-in Capital Amount 740
Terms and conditions to exercise the new share subscription rights	Being an officer or an employee of the Company or a director or an employee of a subsidiary of the Company at the time of exercising the rights.
Provisions concerning the transfer of the new share subscription rights	Transfer of the new share subscription rights must be approved by the Board of Directors.
Matters concerning substitute payment	---
Matters concerning issue of new share subscription rights in connection with reorganization	In the event that a merger contract in which a Company is a defunct company has been approved, or that a proposal for approval of a stock swap agreement in which the Company becomes a wholly owned subsidiary or a proposal for a transfer of stocks has been approved at a general meeting of shareholders, except as the surviving company or the wholly owning parent approves the obligation to grant new share subscription rights, the Company may acquire the New Share Subscription Rights without consideration.

(3) Details of Rights Plan

No applicable matter.

(4) The Change in Total Number of Shares Issued, Capital, etc.

Date	Number of shares issued and outstanding		Capital (in thousands of yen)		Capital reserves (in thousands of yen)	
	Change	Balance	Change	Balance	Change	Balance
June 27, 2008 Note 1	Δ1,557,505	34,992,124	---	7,117,253	---	6,229,282

Note: 1. Decrease by retirement of treasury stocks.

2. Number of outstanding shares increased 2,300 shares and capital increased ¥2,000 by exercise of new share subscription rights during the period from July 1, 2008 to July 31, 2008.

(5) Status of Major Shareholders

Changes in major shareholders are not recognized in the current first quarter as a copy of the report on large shareholders, etc., has not been sent to the Company.

(6) Status of Voting Rights

For the “Status of Voting Rights” as of the end of the current first quarter, it is unable to be stated here as the entries in the list of shareholders could not be confirmed, it is stated based on the list of shareholders as of the most recent record date (March 31, 2008).

1) Shares issued and outstanding

As of June 30, 2008

Category	Number of Shares	Number of Rights	Remarks
Shares without voting rights	---	---	---
Shares with restricted voting rights (treasury stock, etc.)	---	---	---
Shares with restricted voting rights (other)	---	---	---
Shares with full voting rights (treasury stock, etc.)	Common Stock 1,557,500	---	---
Shares with full voting rights (other)	Common Stock 34,838,700	348,387	---
Odd stocks	Common Stock 153,429	---	---
Total number of shares issued and outstanding	36,549,629	---	---
Total number of voting rights of shareholders	---	348,387	---

Note: 600 shares and 6 rights held in the name of Japan Securities Depository Center, Inc. are included in Number of Shares and Number of Rights of Shares with full voting rights (other), respectively.

2) Treasury Stocks, etc.

As of June 30, 2008

Full name or corporate name, etc., of holder		Number of shares held			Ratio of shares held to total number of shares issued and outstanding (%)
Full name or corporate name	Address	In own name	In other's name	Total	
Arisawa Mfg. Co., Ltd.	5-5 Minami Honcho 1-chome, Joetsu-shi, Niigata Prefecture	1,557,500	---	1,557,500	4.26
Total	---	1,557,500	---	1,557,500	4.26

Note: By a resolution of the Board of Directors' meeting held on May 23, 2008, retirement of treasury stocks was made as of June 27, 2008 and the total number of shares issued and outstanding decreased by 1,557,505 shares.

2. Share Price Movement

The highest/lowest share prices during the current quarter aggregate period:

Month	April 2008	May 2008	June 2008
High (¥)	817	755	758
Low (¥)	730	680	673

Note: Highest and lowest share prices are those on the 1st Section Market of Tokyo Stock Exchange.

3. Status of Officers

There are no changes to Officers from the date of submission of Financial Report for the previous fiscal year through the date of submission of the current Quarterly Report.

5. Status of Accounting

1. Method of Preparation of Quarterly Consolidated Financial Statements

The quarterly consolidated financial statements of the Company are prepared in compliance with the “Regulations Concerning Terms, Forms and Preparation Method of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64, 2007; hereinafter referred to as “Regulations for Quarterly Consolidated Financial Statements”).

2. Certification of Auditing

The Company received a quarterly review of quarterly consolidated financial statements for the current first quarter consolidated aggregate period (from April 1, 2008 to June 30, 2008) by Ernst & Young ShinNihon LLC under the provision of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Law.

Ernst & Young ShinNihon LLC changed its name from Ernst & Young ShinNihon as of July 1, 2008 due to the change in categories of audit corporations.

1. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

	(Unit: thousand yen)	
	End of the Current Consolidated First Quarter (as of June 30, 2008)	Consolidated Condensed Balance Sheet for the End of the Previous Consolidated Fiscal Year (as of March 31, 2008)
Assets		
Current Assets		
Cash and deposits	5,514,165	5,871,007
Trade notes & accounts receivable	9,024,158	10,228,577
Merchandise	121,837	112,068
Finished goods	232,724	222,183
Semi-finished goods	3,373,290	3,022,017
Raw materials	1,862,846	2,085,035
Work-in-progress	1,567,473	1,594,233
Other	1,361,248	1,318,285
Allowance for doubtful accounts	△77,413	△68,900
Total Current Assets	22,980,332	24,384,509
Fixed Assets		
Tangible Fixed Assets		
Buildings & structures (net)	*1 7,400,612	*1 7,537,094
Machinery, equipment and delivery equipment (net)	*1 5,579,636	*1 5,813,344
Other (net)	*1 4,948,911	*1 2,710,876
Total Tangible Fixed Assets	17,929,161	16,061,314
Intangible Fixed Assets		
Goodwill	83,054	87,940
Other	110,921	119,842
Total Intangible Fixed Assets	193,975	207,782
Investments and Other Assets		
Investment securities	13,823,130	13,947,008
Other	1,133,857	910,185
Allowance for doubtful accounts	△367,326	△262,489
Total Investment and Other Assets	14,589,661	14,594,705
Total Fixed Assets	32,712,797	30,863,802
Total Assets	55,693,130	55,248,312

	(Unit: thousand yen)	
	End of the Current Consolidated First Quarter (as of June 30, 2008)	Consolidated Condensed Balance Sheet for the End of the Previous Consolidated Fiscal Year (as of March 31, 2008)
Liabilities		
Current Liabilities		
Trade notes & accounts payable	7,378,491	8,815,516
Short-term borrowings	*3 349,000	*3 390,000
Corporate income tax, etc., payable	157,855	135,216
Reserve for bonuses	813,196	572,749
Reserve for officers' bonuses	1,887	8,549
Other	4,247,207	2,317,687
Total Current Liabilities	12,947,638	12,239,718
Fixed Liabilities		
Reserve for retirement allowance	27,908	27,773
Other	125,236	133,795
Total Fixed Liabilities	153,145	161,569
Total Liabilities	13,100,783	12,401,288
Net Assets		
Shareholders' Equity		
Capital	7,117,253	7,117,253
Capital surplus	6,229,282	6,229,282
Earned surplus	28,707,960	32,126,042
Treasury stock	△189	△3,211,749
Total Shareholders' Equity	42,054,307	42,260,829
Valuation and Translation Differences, etc.		
Other revaluation balance of securities	513,424	434,965
Foreign currency translation adjustments	△83,039	61,604
Total Valuation and Translation Differences, etc.	430,384	496,569
New Share Subscription Rights	107,655	89,625
Total Net Assets	42,592,347	42,847,024
Total Liabilities and Net Assets	55,693,130	55,248,312

(2) Quarterly Consolidated Profit and Loss Statement

[First quarter consolidated aggregate period]

	(Unit: thousand yen)
	Current First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)
Sales	8,730,037
Cost of Goods Sold	7,516,863
Gross Profit on Sales	1,213,173
Selling, General & Admin. Expenses	*1 910,740
Operating Profit	302,433
Non-operating Income	
Interest received	5,085
Dividends received	17,509
Investment profit by equity method	122,238
Exchange profit	59,786
Technical support fee	53,100
Other	36,645
Total Non-operating Income	294,364
Non-operating Expenses	
Interest paid	1,313
Compensation expenses	44,015
Transfer to allowance for doubtful accounts	23,787
Other	28,617
Total Non-operating Expenses	97,733
Ordinary Profit	499,064
Extraordinary Profits	
Profit on sale of fixed assets	383
Profit on sale of investment securities	84,054
Other	4,482
Total Extraordinary Profits	88,921
Extraordinary Losses	
Loss on sale of fixed assets	486
Valuation loss on investment securities	14,856
Other	6,445
Total Extraordinary Losses	21,787
Net profit before taxes, etc.	566,198
Corporate income tax, etc.	*3 142,672
Net profit	423,525

(3) Quarterly Consolidated Cash Flow Statement

(Unit: thousand yen)

	Current First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)
Cash flow from operating activities	
Net profit before taxes, etc.	566,198
Depreciation costs	558,955
Amortization of good will	4,885
Stock compensation expenses	18,029
Increase/decrease in allowance for doubtful accounts (Δ: decrease)	113,350
Increase/decrease in reserve for bonuses (Δ: decrease)	240,447
Increase/decrease in reserve for officers' bonuses (Δ: decrease)	Δ6,662
Interest received and dividends received	Δ22,594
Interest paid	1,313
Exchange profit/loss (Δ: profit)	Δ65,815
Investment profit/loss by equity method (Δ: profit)	Δ122,238
Profit/loss on changes in equity (Δ: profit)	Δ4,476
Profit/loss on sale of securities and investment securities (Δ: profit)	Δ84,054
Valuation profit/loss on investment securities (Δ: profit)	19,927
Increase/decrease in accounts receivable (Δ: increase)	1,027,606
Increase/decrease in inventories (Δ: increase)	Δ122,399
Increase/decrease in trades payable (Δ: decrease)	Δ1,437,024
Increase/decrease in consumption tax, etc., payable (Δ: decrease)	82,002
Increase/decrease in other assets (Δ: increase)	210
Increase/decrease in other liabilities (Δ: decrease)	134,688
Other	470
Subtotal	902,821
Interest and dividends received	219,518
Interest paid	Δ700
Corporate income tax, etc., paid	Δ124,029
Cash flow from operating activities	997,609
Cash flow from investing activities	
Revenue from refund of term deposits	20,000
Expenditure for acquisition of tangible fixed assets	Δ764,284
Revenue from sale of tangible fixed assets	2,522
Expenditure for acquisition of investment securities	Δ667
Revenue from sale of investment securities	1,536
Expenditure for lending	Δ86,892
Other	72
Cash flow from investing activities	Δ827,713

	(Unit: thousand yen)
	Current First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)
<hr/>	
Cash flow from financing activities	
Expenditure for repayment of short-term borrowings	Δ41,000
Dividends paid	Δ503,786
Other	Δ365
Cash flow from financing activities	<hr/> Δ545,152
Translation differences in cash and cash equivalents	<hr/> 38,413
Increase/decrease in cash and cash equivalents (Δ: decrease)	<hr/> Δ336,841
Cash and cash equivalents at beginning of year	<hr/> 4,856,007
Cash and cash equivalents at end of quarter	<hr/> * 4,519,165 <hr/>

[Changes in Substantial Underlying Matters for Preparation of Quarterly Consolidated Financial Statements]

	Current Consolidated First Quarter (From April 1, 2008 to June 30, 2008)
Changes in accounting standards	<p>Application of Accounting Standard for Lease Transactions</p> <p>Finance lease transactions in which ownership is not transferred have been accounted in a similar method as lease transactions. In connection with the application of the following accounting standards to the quarterly consolidated financial statements for the consolidated fiscal year commencing after April 1, 2008, such accounting standards have been applied from the current consolidated first quarter and finance lease transactions are accounted as ordinary purchase and sale transactions: “Accounting Standard for Lease Transactions” (Accounting Standards Board of Japan (ASBJ) Statement No. 13 (June 17, 1993 (Business Accounting Council, First Section), amended as of March 30, 2007)) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16 (January 18, 1994 (Japan Institute of Certified Public Accountants, Accounting System Committee), amended as of March 30, 2007)). For the depreciation method of lease assets in finance lease transactions in which ownership is not transferred, straight line method is adopted, where the period of a lease is set as the useful life and the salvage value is set at zero.</p> <p>For finance lease transactions in which ownership is not transferred, as for transactions commenced before April 1, 2008, an accounting method similar to that applied to ordinary lease transactions has been applied.</p> <p>As a result, there is no impact on operating profit, ordinary profit and quarterly net profit before taxes, etc., as compared to the previous method.</p>

[Particular accounting applied to preparation of quarterly consolidated financial statements]

	Current Consolidated First Quarter (From April 1, 2008 to June 30, 2008)
Calculation of tax expenses	<p>For tax expenses, the effective tax rate is reasonably estimated after application of tax effect accounting for net profit before taxes in the consolidated fiscal year, including the current consolidated first quarter and these are calculated by multiplying the quarterly net profit before taxes by the estimated effective tax rate.</p> <p>In this regard, adjustment of corporate income tax, etc., is included in the corporate income tax, etc.</p>

[Notes]

(Notes to Related Quarterly Consolidated Balance Sheet)

End of the Current First Quarter (as of June 30, 2008)	End of the Previous Consolidated Fiscal Year (as of March 31, 2008)												
<p>*1 Accumulated depreciation of tangible fixed assets is 26,298,912 thousand.</p> <p>2 Liabilities on guarantee</p> <p>(1) Liabilities on guarantee for deposit money deposited in connection with transfer of business</p> <p style="padding-left: 40px;">SURFCO HAWAII, INC. ¥18,623,000</p> <p>(2) ---</p> <p>*3 The Submitting Company has executed an overdraft agreement with five correspondent banks for the purpose of efficient procurement of operating capital. The following are unused lines of credit based on these agreements as of the end of the current consolidated first quarter:</p> <p style="text-align: right;">(in thousands of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Total amount of current account overdrafts</td> <td style="text-align: right;">5,450,000</td> </tr> <tr> <td><u>Draw-downs</u></td> <td style="text-align: right;"><u>190,000</u></td> </tr> <tr> <td>Net</td> <td style="text-align: right;">5,260,000</td> </tr> </table>	Total amount of current account overdrafts	5,450,000	<u>Draw-downs</u>	<u>190,000</u>	Net	5,260,000	<p>*1 Accumulated depreciation of tangible fixed assets is 25,911,354 thousand.</p> <p>2 Liabilities on guarantee</p> <p>(1) Liabilities on guarantee for deposit money deposited in connection with transfer of business</p> <p style="padding-left: 40px;">SURFCO HAWAII, INC. ¥17,533,000</p> <p>(2) Liabilities on guarantee for purchase debt of a company other than the consolidated subsidiaries from the clients</p> <p style="padding-left: 40px;">ARISAWA MANUFACTURING ¥31,581,000 (DALIAN) CO., LTD.</p> <p>*3 The Submitting Company has executed an overdraft agreement with five correspondent banks for the purpose of efficient procurement of operating capital. The following are unused lines of credit based on these agreements as of the end of the current consolidated fiscal year:</p> <p style="text-align: right;">(in thousands of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Total amount of current account overdrafts</td> <td style="text-align: right;">5,450,000</td> </tr> <tr> <td><u>Draw-downs</u></td> <td style="text-align: right;"><u>190,000</u></td> </tr> <tr> <td>Net</td> <td style="text-align: right;">5,260,000</td> </tr> </table>	Total amount of current account overdrafts	5,450,000	<u>Draw-downs</u>	<u>190,000</u>	Net	5,260,000
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<u>Draw-downs</u>	<u>190,000</u>												
Net	5,260,000												

(Notes to Related Quarterly Consolidated Profit and Loss Statement)

Current First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)												
<p>*1 Major items and amount of selling, general and administration expenses are as follows.</p> <p style="text-align: right;">(in thousands of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Freight and packaging expenses</td> <td style="text-align: right;">170,790</td> </tr> <tr> <td>Salaries, allowances and bonuses</td> <td style="text-align: right;">185,927</td> </tr> <tr> <td>Transfer to reserve for bonuses</td> <td style="text-align: right;">48,434</td> </tr> <tr> <td>Transfer to reserve for officers' bonuses</td> <td style="text-align: right;">1,887</td> </tr> <tr> <td>Transfer to reserve for retirement allowance</td> <td style="text-align: right;">7,765</td> </tr> <tr> <td>Transfer to allowance for doubtful accounts</td> <td style="text-align: right;">92,893</td> </tr> </table> <p>*2 For tax expenses in the current consolidated first quarter, adjustment of corporate income tax, etc., is included in "corporate income tax, etc." as the accounting particular to preparation of quarterly consolidated financial statements is applied.</p>	Freight and packaging expenses	170,790	Salaries, allowances and bonuses	185,927	Transfer to reserve for bonuses	48,434	Transfer to reserve for officers' bonuses	1,887	Transfer to reserve for retirement allowance	7,765	Transfer to allowance for doubtful accounts	92,893
Freight and packaging expenses	170,790											
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Transfer to reserve for retirement allowance	7,765											
Transfer to allowance for doubtful accounts	92,893											

(Notes to Related Quarterly Consolidated Cash Flow Statement)

Current First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)	
* Relationship between the final figures of cash and cash equivalents at end of quarter and the amounts of items shown on the quarterly consolidated balance sheets. (As of June 30, 2008) (in thousands of yen)	
Cash and deposits	5,514,165
Fixed term deposits for a term longer than three months	△995,000
Cash and cash equivalents	4,519,165

(Notes to Related Shareholders' Equity, etc.)

End of the Current Consolidated First Quarter (as of June 30, 2008) and the Current First Quarter Consolidated Aggregate Period (from April 1, 2008 to June 30, 2008)

1. Types and Total Number of Outstanding Shares

Common stock 34,992,124 shares

Note: Number of outstanding shares decreased 1,557,505 shares due to the retirement of treasury stocks as of June 27, 2008 and the treasury stocks decreased ¥3,211,749 thousand by the resolution of the Board of Directors' meeting held on May 23, 2008.

2. Types and Number of Shares of Treasury Stock

Common stock 254 shares

3. Matters concerning New Share Subscription Rights, etc.

New share subscription rights as stock option

Balance of new share subscription rights at the end of the consolidated first quarter:

Parent ¥107,655 thousand

Note: There is no new share subscription right for which the initial date of the period for exercising the right has arrived.

4. Matters concerning Dividends

Dividend Amount

(Resolution)	Type of stock	Total amount of dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date	Underlying assets of dividends
Ordinary general meeting of shareholders held on June 27, 2008	Common stock	629,858	18.00	March 31, 2008	June 30, 2008	Earned surplus

(Segment Information)

[Segment Information by Business Category]

Current First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)

As either ratio of sales and operating profit of manufacture and sales business of industrial materials, etc., to the total sales and total operating profit of all segments accounts for over 90%, statement of segment information by business category is omitted.

[Segment Information by Region]

Current First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)

There is no applicable matter as there is no consolidated subsidiaries and major overseas branches in countries or areas other than Japan.

[Overseas Sales]

Current First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)

	Asia	North America	Other Region	Total
I Overseas sales (in thousands of yen)	2,746,043	27,452	7,063	2,780,559
II Consolidated sales (in thousands of yen)				8,730,037
III Ratio of overseas sales in the consolidated sales (%)	31.5	0.3	0.1	31.9

Note: 1. The regions are segmented by proximity.

2. The respective regions are composed of the following countries.

Asia: Korea, China, Taiwan and Malaysia, etc.

North America: USA and Canada

3. Overseas sales are the sales (including indirect exports) by the Company and consolidated subsidiaries of countries or areas other than Japan.

(Stock Option, etc.)

Current First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)

Amount of Expenses appropriated and Item in the Current First Quarter Consolidated Aggregate Period concerning Stock Option

Stock compensation expenses in cost of goods sold, selling, general and administration expenses

¥18,029,000

(Per Share Information)

1. Net asset per share

End of the Current Consolidated First Quarter (as of June 30, 2008)	End of the Previous Consolidated Fiscal Year (as of March 31, 2008)
Net asset per share ¥1,214.13	Net asset per share ¥1,221.91

2. Net profit per share, etc.

Current First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)	
Net profit per share	¥12.10
Fully diluted net profit per share	¥12.09

Note: Net profit per share and fully diluted net profit per share are calculated on the basis of the following:

	Current First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)
Net profit per share	
Net profit (in thousands of yen)	423,525
Amounts that are not attributable to common stock holders (in thousands of yen)	---
Net profit for common stocks (in thousands of yen)	423,525
Average number of shares during the period	34,991,982
Fully diluted net profit per share	
Adjusted amount of net profit (in thousands of yen)	---
Increase in number of common stocks	37,049
The outline of potential shares which were not included in the calculation of the amount of fully-diluted net profit per share due to the absence of dilutive effects and significantly changed from the end of the previous consolidated fiscal year.	---

(Important events after closing the accounts)

No applicable matters.

2. Other

No applicable matters.

PART II. INFORMATION ON GUARANTY COMPANIES OF THE SUBMITTING COMPANY, ETC.

No applicable matters.

Quarterly Review Report of Independent Auditor

August 11, 2008

To: Board of Directors
Arisawa Mfg. Co., Ltd.

Ernst & Young ShinNihon LLC

Shinji Tanabe [Seal]
Designated Limited Partner and Managing Partner,
Certified Public Accountant

Naoki Nomoto [Seal]
Designated Limited Partner and Managing Partner,
Certified Public Accountant

This Audit Corporation conducted, under the provision of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Law, a quarterly review of the quarterly consolidated financial statements of Arisawa Mfg. Co., Ltd. listed in "Status of Accounting" for the first quarter consolidated aggregate period (from April 1, 2008 to June 30, 2008) of the consolidated fiscal year from April 1, 2008 to March 31, 2009, consisting of a quarterly consolidated balance sheet, quarterly consolidated profit and loss statement and quarterly consolidated cash flow statement. Management holds responsibility for preparation of these quarterly consolidated financial statements and the responsibility of this Audit Corporation is to express our conclusions on these quarterly consolidated financial statements from an independent position.

This Audit Corporation conducted the quarterly review in accordance with the standards for quarterly review generally accepted in Japan. The quarterly review was mainly conducted by asking questions to the management and the persons responsible for the matters concerning finance and accounting, analytical procedures and other quarterly review procedures, which was conducted in accordance with procedures limited in comparison to the procedures for audit of annual financial statements, which is conducted in accordance with the audit standards generally accepted in Japan.

In the quarterly review conducted by this Audit Corporation, no matter was discovered in every material respect, which lead us to believe that the quarterly consolidated financial statements did not properly represent the financial conditions as of June 30, 2008 and business results and status of cash flow of Arisawa Mfg. Co., Ltd. and its consolidated subsidiaries in the first quarter consolidated aggregate period ended the same day in accordance with the standards for preparing quarterly consolidated financial statements generally accepted in Japan.

There exists no special interest between the Company and this Audit Corporation or the Managing Partners to be stated under the provisions of the Certified Public Accountant Law.

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- Note: 1. All matters in the above are copied electronically from the matters stated in the original quarterly review report. The original quarterly review report is kept separately by the Company.
2. XBRL data is not included in the scope of financial statements.