

# **QUARTERLY REPORT**

(First Quarter of the 62<sup>nd</sup> Term)

From April 1, 2009  
to June 30, 2009

**ARISAWA MFG. CO., LTD.**

E01152

## TABLE OF CONTENTS

Page Number

Cover Page	
PART I. INFORMATION ABOUT THE BUSINESS .....	1
1. General Conditions of Business .....	1
1. Changes in Principal Business Indicators, etc.....	1
2. Details of Business .....	2
3. Status of Affiliated Companies .....	2
4. Status of Employees .....	2
2. Status of Business.....	3
1. Status of Manufacturing, Receipt of Orders and Sales .....	3
2. Business Risk, etc.....	3
3. Important Agreement for Operation, etc. ....	3
4. Analysis of Financial Conditions, Business Results and Status of Cash Flows.....	3
3. Status of Facilities .....	6
4. Status of the Submitting Company.....	7
1. Status of Shares, etc. ....	7
(1) Total Number of Shares, etc. ....	7
(2) Status of New Share Subscription Rights, etc. ....	8
(3) Details of Rights Plan .....	12
(4) The Change in Total Number of Shares Issued, Capital, etc. ....	12
(5) Status of Major Shareholders.....	12
(6) Status of Voting Rights.....	13
2. Share Price Movement .....	13
3. Status of Officers.....	13
5. Status of Accounting .....	14
1. Quarterly Consolidated Financial Statements .....	15
(1) Quarterly Consolidated Balance Sheet .....	15
(2) Quarterly Consolidated Profit and Loss Statement.....	17
(3) Quarterly Consolidated Cash Flow Statement.....	18
2. Other.....	25
PART II. INFORMATION ON GUARANTY COMPANIES OF THE SUBMITTING COMPANY, ETC.....	26
[Quarterly Review Report]	

## Cover Page

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Quarterly Accounting Period: First Quarter of the 62<sup>nd</sup> Term (from April 1, 2009 to June 30, 2009)

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

Location of Principal Office: 5-5, Minami Honcho 1-chome, Joetsu City, Niigata Prefecture

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Tokyo Stock Exchange  
(2-1, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)

## PART I. INFORMATION ABOUT THE BUSINESS

### 1. General Conditions of Business

#### 1. Changes in Principal Business Indicators, etc.

Term	61 <sup>st</sup> Term First Quarter Consolidated Aggregate (Accounting) Period	62 <sup>nd</sup> Term First Quarter Consolidated Aggregate (Accounting) Period	61 <sup>st</sup> Term
Accounting Period	From April 1, 2008 to June 30, 2008	From April 1, 2009 to June 30, 2009	From April 1, 2008 to March 31, 2009
Sales (¥ millions)	8,730	6,994	29,511
Ordinary profit or loss (Δ) (¥ millions)	499	Δ468	Δ1,139
Net profit or loss (Δ) (¥ millions)	423	Δ533	Δ2,758
Net assets (¥ millions)	42,592	38,775	39,360
Total assets (¥ millions)	55,693	51,018	47,771
Net asset per share (¥)	1,214.13	1,103.33	1,120.37
Net profit or loss (Δ) per share (¥)	12.10	Δ15.26	Δ78.84
Fully diluted net profit per share (¥)	12.09	---	---
Net worth ratio (%)	76.3	75.7	82.1
Cash flows from operating activities (¥ millions)	997	988	2,245
Cash flows from investing activities (¥ millions)	Δ827	Δ269	Δ5,777
Cash flows from financing activities (¥ millions)	Δ545	1,246	2,287
Cash and cash equivalents at end of period (¥ millions)	4,519	5,563	3,609
Number of employees	1,027	954	959

- 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.
  3. For the 61<sup>st</sup> term and 62<sup>nd</sup> term first quarter consolidated aggregate (accounting) period, “fully diluted net profit per share” is not stated as there was a net loss per share although residual shares existed.

## 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, 2009)

Number of Employees	954
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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, 2009)

Number of Employees	695
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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 “4. Analysis of Financial Conditions, Business Results and Status of Cash Flows” with respect to the status of manufacturing, receipt of orders and sales.

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

Customer	Previous consolidated first quarter (From April 1, 2008 to June 30, 2008)		Current consolidated first quarter (From April 1, 2009 to June 30, 2009)	
	Amount (¥1,000)	Ratio (%)	Amount (¥1,000)	Ratio (%)
Sumitomo Shoji Chemicals Co., Ltd	2,382,147	27.3	2,459,261	35.2

Note: The amount in the above table does not include consumption tax.

### 2. Business Risk, etc.

There is no business risk, etc., which occurred during the current consolidated first quarter.

There is no significant change in business risk, etc., stated in the financial report of the previous business year.

### 3. Important Agreement for Operation, etc.

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

## 4. Analysis of Financial Conditions, Business Results and Status of Cash Flows

### (1) Status of Business Results

For the Japanese economy in the current consolidated first quarter, while some export and production segments showed signs of recovery, severe situations continued such as deterioration in corporate income and employment and sluggish personal consumption due to the significant impact of the global financial and economic crises and stronger yen which have continued since last year.

Under such circumstances, our Group (the Company, its consolidated subsidiaries and companies to which the equity method is applied) has concentrated business resources on the electronic materials field and display materials field with the aim of increasing sales and has made every effort to reduce costs, but we were significantly affected by sluggish actual demand and inventory adjustments due to the economic slowdown.

As a result, for business results in the current consolidated first quarter, net sales were ¥6,994 million (a decrease of 19.9% as compared to the same quarter of the previous year), operating loss was ¥549 million (operating profit of ¥302 million in the same quarter of the previous year), ordinary loss was ¥468 million (ordinary profit of ¥499 million in the same quarter of the previous year) and quarterly net loss was ¥533 million (quarterly net profit of ¥423 million in the same quarter of the previous year).

The results by business segment are as follows

In the electronic materials field in manufacturing and sales operation of industrial materials, etc., net sales were ¥4,573 million, a decrease of 14.9% as compared to the same quarter of the previous year, mainly from flexible printed circuit board materials, our core product (orders received: ¥4,544 million, production output: ¥3,682 million, on a non-consolidated basis of the Submitting Company).

In the display materials field, net sales were ¥861 million, an increase of 1.8% as compared to the same quarter of the previous year and in the electric insulation materials field, net sales were ¥612 million, a decrease of 28.8% as compared to the same quarter of the previous year. In the industrial application structural materials field, net sales were ¥505 million, a decrease of 55.1% as compared to the same quarter

of the previous year and for the related products, net sales were ¥415 million, a decrease of 15.6% as compared to the same quarter of the previous year.

In other segments, net sales were ¥28 million, an increase of 3.7% as compared to the same quarter of the previous year.

For segment business results by region, statement of segment information by region is not included as sales in Japan account for over 90% of the total sales of all segments.

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

## (2) Status of Cash Flows

Cash and cash equivalents (hereinafter referred to as the “Funds”) as of the end of the current consolidated first quarter were ¥5,563 million, an increase of ¥1,043 million as compared to the end of the previous consolidated first quarter (an increase of 23.1% as compared to the same quarter of the previous year).

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)

Funds earned from operating activities were ¥988 million, a decrease of ¥9 million as compared to the previous consolidated first quarter (a decrease of 0.9% as compared to the same quarter of the previous year). This was mainly due to a decrease of ¥1,611 million as a result of an increase in accounts receivable and an increase of ¥1,578 million as a result of an increase in purchase debt and depreciation expense of ¥700 million.

### (Cash Flow from Investing Activities)

Funds disbursed for investing activities were ¥269 million, a decrease of ¥558 million as compared to the previous consolidated first quarter (a decrease of 67.4% as compared to the same quarter of the previous year). This was mainly due to expenditure of ¥290 million for placement in term deposits, revenue of ¥140 million from refund of term deposits and expenditure of ¥114 million for acquisition of tangible fixed assets.

### (Cash Flow from Financing Activities)

Funds earned from financing activities were ¥1,246 million, an increase of ¥1,791 million as compared to the previous consolidated first quarter (Funds outflow of ¥545 million for the same quarter of the previous year). This was mainly due to revenue of ¥2,204 million from sale and leaseback arrangements, a net decrease in short-term borrowings of ¥563 million and dividends paid of ¥221 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 Article 118, item 3 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 bidder or proposer who seeks a takeover (hereinafter collectively referred to as 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 61<sup>st</sup> ordinary general meeting of shareholders held on June 26, 2009.

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 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 common interest 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 ¥526 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

In the current consolidated first quarter, sale and leaseback arrangements of ¥2,099,782 thousand were made for the display materials manufacturing facilities.

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

There is no material change in the current consolidated first quarter in planned new installation and retirement, etc., of important facilities as of the end of the previous consolidated fiscal year. There is no plan, which was newly established, of new installation, expansion, retirement or sale, etc., of important facilities.

## 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, 2009)	Number of shares issued and outstanding as of the date submitted (as of August 12, 2009)	Name of financial instruments exchange where listed or the name of registered and authorized financial instruments firms association	Remarks
Common Stock	34,992,424	34,994,424	Tokyo Stock Exchange (First Section Market)	Number of Shares per Trading Unit: 100 shares
Total	34,992,424	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 August 1, 2009 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, 2005

	At the end of the first quarter (as of June 30, 2009)
Number of new share subscription rights	348
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	34,800
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 56<sup>th</sup> ordinary general meeting of shareholders (June 29, 2004).

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, 2009)
Number of new share subscription rights	1,238
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	123,800
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, 2009)
Number of new share subscription rights	1,682
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	168,200
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, 2009)
Number of new share subscription rights	1,964
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	196,400
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 the 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) Resolution at the Ordinary General Meeting of Shareholders as of June 27, 2008

	At the end of the first quarter (as of June 30, 2009)
Number of new share subscription rights	380
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	38,000
Amount to be paid-in upon exercise of the new share subscription rights (yen)	743
Exercise period of the new share subscription rights	July 1, 2010 through June 30, 2013
Issue price and paid-in capital amount per share to be issued upon exercise of the new share subscription rights (yen)	Issue Price 917 Paid-in Capital Amount 459
Terms and conditions to exercise the new share subscription rights	Being an officer 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 the 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.

4) Resolution at the Ordinary General Meeting of Shareholders as of June 27, 2008

	At the end of the first quarter (as of June 30, 2009)
Number of new share subscription rights	2,237
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	223,700
Amount to be paid-in upon exercise of the new share subscription rights (yen)	743
Exercise period of the new share subscription rights	July 1, 2010 through June 30, 2013
Issue price and paid-in capital amount per share to be issued upon exercise of the new share subscription rights (yen)	Issue Price 917 Paid-in Capital Amount 459
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 the 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
April 1, 2009 through June 30, 2009	---	34,992,424	---	7,117,256	---	6,229,282

(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, since 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, 2009).

### 1) Shares issued and outstanding

As of June 30, 2009

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 1,300	---	---
Shares with full voting rights (other)	Common Stock 34,846,800	348,468	---
Odd stocks	Common Stock 146,324	---	---
Total number of shares issued and outstanding	34,994,424	---	---
Total number of voting rights of shareholders	---	348,468	---

Note: 500 shares and 5 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, 2009

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 City, Niigata Prefecture	1,300	---	1,300	0.00
Total	---	1,300	---	1,300	0.00

## 2. Share Price Movement

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

Month	April 2009	May 2009	June 2009
High (¥)	413	427	628
Low (¥)	348	362	420

Note: Highest and lowest share prices are those on the 1<sup>st</sup> 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”).

In this regard, for the previous first quarter consolidated aggregate period (from April 1, 2008 to June 30, 2008), the financial statements are prepared in accordance with the Regulations for Quarterly Consolidated Financial Statements before amendment and for the current consolidated first quarter (from April 1, 2009 to June 30, 2009) and the current first quarter consolidated aggregate period (from April 1, 2009 to June 30, 2009), the financial statements are prepared in accordance with the amended Regulations for Quarterly Consolidated Financial Statements.

### **2. Certification of Auditing**

The Company received a quarterly review of quarterly consolidated financial statements for the previous first quarter consolidated aggregate period (from April 1, 2008 to June 30, 2008) and quarterly consolidated financial statements for the current consolidated first quarter (from April 1, 2009 to June 30, 2009) and the current first quarter consolidated aggregate period (from April 1, 2008 to June 30, 2009) by Ernst & Young ShinNihon LLC under the provision of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Law.

## 1. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheet

	(Unit: thousand yen)	
	End of the Current Consolidated First Quarter (as of June 30, 2009)	Consolidated Condensed Balance Sheet for the End of the Previous Consolidated Fiscal Year (as of March 31, 2009)
Assets		
Current Assets		
Cash and deposits	6,848,098	4,744,027
Notes and accounts receivable	6,868,024	5,254,417
Merchandise and finished goods	3,197,672	3,174,025
Work-in-progress	1,320,024	1,383,394
Raw materials and stores	1,349,137	1,460,110
Other	1,174,147	1,405,612
Allowance for doubtful accounts	△242,596	△159,864
Total Current Assets	20,514,509	17,261,721
Fixed Assets		
Tangible Fixed Assets		
Buildings & structures (net)	*1 8,155,685	*1 8,324,744
Machinery, equipment and delivery equipment (net)	*1, *4 4,637,014	*1 6,960,826
Other (net)	*1, *4 3,944,604	*1 1,917,544
Total Tangible Fixed Assets	16,737,305	17,203,115
Intangible Fixed Assets		
Goodwill	61,690	66,435
Other	88,816	90,897
Total Intangible Fixed Assets	150,506	157,333
Investments and Other Assets		
Investment securities	13,350,112	12,918,532
Other	587,268	628,858
Allowance for doubtful accounts	△321,687	△398,037
Total Investment and Other Assets	13,615,694	13,149,353
Total Fixed Assets	30,503,506	30,509,802
Total Assets	51,018,016	47,771,524

	(Unit: thousand yen)	
	End of the Current Consolidated First Quarter (as of June 30, 2009)	Consolidated Condensed Balance Sheet for the End of the Previous Consolidated Fiscal Year (as of March 31, 2009)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and accounts payable	4,988,064	3,409,863
Short-term borrowings	*3 474,000	*3 1,037,000
Current portion of long-term borrowings	501,400	501,400
Corporate income tax, etc., payable	56,548	63,097
Reserve for bonuses	664,994	447,071
Reserve for officers' bonuses	725	6,024
Provision for product warranties	130,765	42,148
Other	1,523,447	852,369
<b>Total Current Liabilities</b>	<b>8,339,945</b>	<b>6,358,975</b>
<b>Fixed Liabilities</b>		
Long-term borrowings	1,623,990	1,749,340
Reserve for retirement allowance	28,275	28,034
Other	2,250,375	274,366
<b>Total Fixed Liabilities</b>	<b>3,902,640</b>	<b>2,051,740</b>
<b>Total Liabilities</b>	<b>12,242,586</b>	<b>8,410,716</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital	7,117,256	7,117,256
Capital surplus	6,229,282	6,229,282
Earned surplus	25,298,585	26,112,651
Treasury stock	Δ828	Δ733
<b>Total Shareholders' Equity</b>	<b>38,644,294</b>	<b>39,458,456</b>
<b>Valuation and Translation Differences, etc.</b>		
Valuation difference on other securities	301,451	169,297
Foreign currency translation adjustments	Δ337,079	Δ422,706
<b>Total Valuation and Translation Differences, etc.</b>	<b>Δ35,628</b>	<b>Δ253,409</b>
New Share Subscription Rights	152,153	141,479
Minority interests	14,610	14,281
<b>Total Net Assets</b>	<b>38,775,430</b>	<b>39,360,808</b>
<b>Total Liabilities and Net Assets</b>	<b>51,018,016</b>	<b>47,771,524</b>

## (2) Quarterly Consolidated Profit and Loss Statement

[First quarter consolidated aggregate period]

(Unit: thousand yen)

	Previous First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)		Current First Quarter Consolidated Aggregate Period (From April 1, 2009 to June 30, 2009)	
Sales		8,730,037		6,994,291
Cost of Goods Sold		7,516,863		6,860,047
Gross Profit on Sales		1,213,173		134,244
Selling, General and Administrative Expenses	*1	910,740	*1	684,107
Operating Profit or Loss ( $\Delta$ )		302,433		$\Delta$ 549,862
Non-operating Income				
Interest received		5,085		1,682
Dividends received		17,509		13,026
Investment profit by equity method		122,238		184,231
Exchange profit		59,786		---
Technical support fee		53,100		---
Other		36,645		75,340
Total Non-operating Income		294,364		274,281
Non-operating Expenses				
Interest paid		1,313		18,193
Compensation expenses		44,015		---
Transfer to allowance for doubtful accounts		23,787		---
Transfer to provision for product warranties		---		99,788
Other		28,617		74,446
Total Non-operating Expenses		97,733		192,428
Ordinary Profit or Loss ( $\Delta$ )		499,064		$\Delta$ 468,010
Extraordinary Profits				
Profit on sale of fixed assets		383		22
Profit on sale of investment securities		84,054		---
Reversal of allowance for doubtful accounts		---		10,441
Other		4,482		3,520
Total Extraordinary Profits		88,921		13,984
Extraordinary Losses				
Loss on sale of fixed assets		486		---
Loss on retirement of fixed assets		---		19,464
Valuation loss on investment securities		14,856		---
Other		6,445		4,147
Total Extraordinary Losses		21,787		23,611
Net profit or loss ( $\Delta$ ) before taxes, etc.		566,198		$\Delta$ 477,636
Corporate income tax, etc.	*2	142,672	*2	55,958
Minority interests in profit		---		328
Net profit or loss ( $\Delta$ )		423,525		$\Delta$ 533,923

### (3) Quarterly Consolidated Cash Flow Statement

(Unit: thousand yen)

	Previous First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)	Current First Quarter Consolidated Aggregate Period (From April 1, 2009 to June 30, 2009)
Cash flow from operating activities		
Net profit or loss (Δ) before taxes, etc.	566,198	Δ477,636
Depreciation expense	558,955	700,851
Amortization of goodwill	4,885	4,745
Stock compensation expenses	18,029	13,445
Increase/decrease in allowance for doubtful accounts (Δ: decrease)	113,350	6,380
Increase/decrease in reserve for bonuses (Δ: decrease)	240,447	217,922
Increase/decrease in reserve for officers' bonuses (Δ: decrease)	Δ6,662	Δ5,298
Increase/decrease in provision for product warranties (Δ: decrease)	---	88,616
Interest received and dividends received	Δ22,594	Δ14,709
Interest paid	1,313	18,193
Exchange profit/loss (Δ: profit)	Δ65,815	10,260
Investment profit/loss by equity method (Δ: profit)	Δ122,238	Δ184,231
Profit/loss on changes in equity (Δ: profit)	Δ4,476	---
Profit on reversal of new share subscription rights	---	Δ2,770
Profit/loss on sale of securities and investment securities (Δ: profit)	Δ84,054	---
Valuation profit/loss on investment securities (Δ: profit)	19,927	9,276
Loss on retirement of tangible fixed assets	---	15,635
Increase/decrease in accounts receivable (Δ: increase)	1,027,606	Δ1,611,186
Increase/decrease in inventories (Δ: increase)	Δ122,399	150,694
Increase/decrease in trades payable (Δ: decrease)	Δ1,437,024	1,578,201
Increase/decrease in consumption tax, etc., payable (Δ: decrease)	82,002	210,272
Increase/decrease in other assets (Δ: increase)	210	107,367
Increase/decrease in other liabilities (Δ: decrease)	134,688	130,434
Other	470	259
Subtotal	902,821	966,725
Interest and dividends received	219,518	74,695
Interest paid	Δ700	Δ17,882
Corporate income tax, etc., paid	Δ124,029	Δ34,950
Cash flow from operating activities	997,609	988,588

(Unit: thousand yen)

	Previous First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)	Current First Quarter Consolidated Aggregate Period (From April 1, 2009 to June 30, 2009)
Cash flow from investing activities		
Expenditure for placement in term deposits	---	Δ290,000
Revenue from refund of term deposits	20,000	140,000
Expenditure for acquisition of tangible fixed assets	Δ764,284	Δ114,726
Revenue from sale of tangible fixed assets	2,522	1,038
Expenditure for acquisition of intangible fixed assets	---	Δ2,048
Expenditure for acquisition of investment securities	Δ667	Δ300
Revenue from sale of investment securities	1,536	3,554
Expenditure for lending	Δ86,892	Δ6,764
Other	72	96
Cash flow from investing activities	Δ827,713	Δ269,150
Cash flow from financing activities		
Net increase/decrease in short-term borrowings (Δ: decrease)	Δ41,000	Δ563,000
Expenditure for repayment of long-term borrowings	---	Δ125,350
Revenue from sale and leaseback	---	2,204,771
Expenditure for repayment of lease liabilities	---	Δ48,573
Dividends paid	Δ503,786	Δ221,186
Other	Δ365	Δ293
Cash flow from financing activities	Δ545,152	1,246,367
Translation differences in cash and cash equivalents	38,413	Δ11,733
Increase/decrease in cash and cash equivalents (Δ: decrease)	Δ336,841	1,954,071
Cash and cash equivalents at beginning of year	4,856,007	3,609,027
Cash and cash equivalents at end of quarter	* 4,519,165	* 5,563,098

[Changes in Method of Notation]

Current Consolidated First Quarter  
(From April 1, 2009 to June 30, 2009)

(Quarterly Consolidated Balance Sheet)

In connection with application of the “Cabinet Office Ordinance Partially Amending Regulations Concerning Terms, Forms and Preparation Method of Financial Statements” (Cabinet Office Ordinance No. 50, August 7, 2008), items stated as “Merchandise” “Finished goods” and “Semi-finished goods” in the previous consolidated first quarter are stated en bloc as “Merchandise and finished goods” in the current consolidated first quarter. In this regard, “Merchandise” “Finished goods” and “Semi-finished goods” included in the current consolidated first quarter are ¥78,332 thousand, ¥233,897 thousand and ¥2,885,443 thousand, respectively.

In addition, “Raw materials” and “Stores” (¥87,703 thousand), which had been included in “Other” in Current Assets in the previous consolidated first quarter, are stated en bloc as “Raw materials and stores” in the current consolidated first quarter. In this regard, “Raw materials” and “Stores” included in the current consolidated first quarter are ¥1,140,222 thousand and ¥208,914 thousand, respectively.

(Quarterly Consolidated Profit and Loss Statement)

1. “Compensation expenses” (¥10,351 thousand in the current first quarter consolidated aggregate period) in Non-operating Expenses, which had been separately stated in the previous first quarter consolidated aggregate period, is included in “Other” in Non-operating Expenses because it decreased to less than 20/100 of the total amount of Non-operating Expenses.
2. “Loss on retirement of fixed assets” (¥1,400 thousand in the previous first quarter consolidated aggregate period), which had been included in “Other” in Extraordinary Losses in the previous first quarter consolidated aggregate period, is separately stated from the current first quarter consolidated aggregate period because it exceeded 20/100 of the total amount of Extraordinary Losses.
3. “Valuation loss on investment securities” (¥4,106 thousand in the current first quarter consolidated aggregate period) in Extraordinary Losses, which had been separately stated in the previous first quarter consolidated aggregate period, is included in “Other” in Extraordinary Losses because it decreased to less than 20/100 of the total amount of Extraordinary Losses.

(Quarterly Consolidated Cash Flow Statement)

1. “Loss on retirement of tangible fixed assets” (¥232 thousand in the previous first quarter consolidated aggregate period), which had been included in “Other” in “Cash flow from operating activities” in the previous first quarter consolidated aggregate period, is separately stated from the current first quarter consolidated aggregate period because the importance increased.
2. “Expenditure for repayment of lease liabilities” (¥176 thousand in the previous first quarter consolidated aggregate period), which had been included in “Other” in “Cash flow from financing activities” in the previous first quarter consolidated aggregate period, is separately stated from the current first quarter consolidated aggregate period because the importance increased.

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

	Current Consolidated First Quarter (From April 1, 2009 to June 30, 2009)
Calculation of tax expenses	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. In this regard, adjustment of corporate income tax, etc., is included in “corporate income tax, etc.”

[Notes]

(Notes Related to Quarterly Consolidated Balance Sheet)

End of the Current Consolidated First Quarter (as of June 30, 2009)	End of the Previous Consolidated Fiscal Year (as of March 31, 2009)												
<p>*1 Accumulated depreciation of tangible fixed assets is ¥28,941,398 thousand.</p> <p>2 Liabilities on guarantee</p> <p style="padding-left: 20px;">(1) Liabilities on guarantee for deposit money deposited in connection with transfer of business</p> <p style="padding-left: 40px;">SURFCO HAWAII, INC.                      ¥15,554,000</p> <p>*3 The Submitting Company has executed an overdraft agreement with six 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;">5,950,000</td> </tr> <tr> <td><u>Draw-downs</u></td> <td style="text-align: right;"><u>290,000</u></td> </tr> <tr> <td>Net</td> <td style="text-align: right;">5,660,000</td> </tr> </table> <p>*4 For the depreciation method of lease assets, 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. For the assets recorded by transfer in lease assets due to the sale and leaseback transaction of part of machinery and equipment used for production in the current consolidated first quarter, the previous depreciation method (declining balance method) has continued to be applied.</p>	Total amount of current account overdrafts	5,950,000	<u>Draw-downs</u>	<u>290,000</u>	Net	5,660,000	<p>*1 Accumulated depreciation of tangible fixed assets is ¥28,311,888 thousand.</p> <p>2 Liabilities on guarantee</p> <p style="padding-left: 20px;">(1) Liabilities on guarantee for deposit money deposited in connection with transfer of business</p> <p style="padding-left: 40px;">SURFCO HAWAII, INC.                      ¥15,914,000</p> <p>*3 The Submitting Company has executed an overdraft agreement with six 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;">5,950,000</td> </tr> <tr> <td><u>Draw-downs</u></td> <td style="text-align: right;"><u>790,000</u></td> </tr> <tr> <td>Net</td> <td style="text-align: right;">5,160,000</td> </tr> </table> <p>*4 ---</p>	Total amount of current account overdrafts	5,950,000	<u>Draw-downs</u>	<u>790,000</u>	Net	5,160,000
Total amount of current account overdrafts	5,950,000												
<u>Draw-downs</u>	<u>290,000</u>												
Net	5,660,000												
Total amount of current account overdrafts	5,950,000												
<u>Draw-downs</u>	<u>790,000</u>												
Net	5,160,000												

(Notes Related to Quarterly Consolidated Profit and Loss Statement)

Previous First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)	Current First Quarter Consolidated Aggregate Period (From April 1, 2009 to June 30, 2009)																						
<p>*1 Major items and amount of selling, general and administrative 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	<p>*1 Major items and amount of selling, general and administrative 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%;">Salaries, allowances and bonuses</td> <td style="text-align: right;">165,963</td> </tr> <tr> <td>Transfer to reserve for bonuses</td> <td style="text-align: right;">41,842</td> </tr> <tr> <td>Transfer to reserve for officers' bonuses</td> <td style="text-align: right;">725</td> </tr> <tr> <td>Transfer to reserve for retirement allowance</td> <td style="text-align: right;">15,299</td> </tr> <tr> <td>Transfer to allowance for doubtful accounts</td> <td style="text-align: right;">20,310</td> </tr> </table> <p>*2 Same as on the left.</p>	Salaries, allowances and bonuses	165,963	Transfer to reserve for bonuses	41,842	Transfer to reserve for officers' bonuses	725	Transfer to reserve for retirement allowance	15,299	Transfer to allowance for doubtful accounts	20,310
Freight and packaging expenses	170,790																						
Salaries, allowances and bonuses	185,927																						
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Transfer to allowance for doubtful accounts	20,310																						

## (Notes Related to Quarterly Consolidated Cash Flow Statement)

Previous First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)	Current First Quarter Consolidated Aggregate Period (From April 1, 2009 to June 30, 2009)												
<p>* 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)</p> <p style="text-align: right;">(in thousands of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">5,514,165</td> </tr> <tr> <td>Fixed term deposits for a term longer than three months</td> <td style="text-align: right;">△995,000</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">4,519,165</td> </tr> </table>	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	<p>* 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, 2009)</p> <p style="text-align: right;">(in thousands of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">6,848,098</td> </tr> <tr> <td>Fixed term deposits for a term longer than three months</td> <td style="text-align: right;">△1,285,000</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">5,563,098</td> </tr> </table>	Cash and deposits	6,848,098	Fixed term deposits for a term longer than three months	△1,285,000	Cash and cash equivalents	5,563,098
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												
Cash and deposits	6,848,098												
Fixed term deposits for a term longer than three months	△1,285,000												
Cash and cash equivalents	5,563,098												

## (Notes Related to Shareholders' Equity, etc.)

End of the Current Consolidated First Quarter (as of June 30, 2009) and the Current First Quarter Consolidated Aggregate Period (from April 1, 2009 to June 30, 2009)

## 1. Types and Total Number of Outstanding Shares

Common stock 34,994,424 shares

## 2. Types and Number of Shares of Treasury Stock

Common stock 1,582 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 ¥152,153 thousand

Note: Balance of new share subscription rights for which the initial date of the period for exercising the right has not arrived is ¥79,323 thousand.

## 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 26, 2009	Common stock	279,944	8.00	March 31, 2009	June 29, 2009	Earned surplus

(Segment Information)

[Segment Information by Business Category]

Previous First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008) and Current First Quarter Consolidated Aggregate Period (From April 1, 2009 to June 30, 2009)

As both sales and operating profit of manufacturing and sales operation of industrial materials, etc., account for over 90% of the total sales and total operating profit of all segments, respectively, statement of segment information by business category is not included.

[Segment Information by Region]

Previous 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.

Current First Quarter Consolidated Aggregate Period (From April 1, 2009 to June 30, 2009)

As sales in Japan account for over 90% of the total sales of all segments, statement of segment information by region is not included.

[Overseas Sales]

Previous 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

Current First Quarter Consolidated Aggregate Period (From April 1, 2009 to June 30, 2009)

	Asia	North America	Other Region	Total
I Overseas sales (in thousands of yen)	2,499,731	427,628	3,984	2,931,344
II Consolidated sales (in thousands of yen)				6,994,291
III Ratio of overseas sales in the consolidated sales (%)	35.7	6.1	0.1	41.9

- 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.

(Notes Related to Stock Option, etc.)

Current First Quarter Consolidated Aggregate Period (From April 1, 2009 to June 30, 2009)

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 administrative expenses

¥13,445,000

## (Per Share Information)

## 1. Net asset per share

End of the Current Consolidated First Quarter (as of June 30, 2009)	End of the Previous Consolidated Fiscal Year (as of March 31, 2009)
Net asset per share ¥1,103.33	Net asset per share ¥1,120.37

## 2. Net profit or loss per share, etc.

Previous First Quarter Consolidated Aggregate Period (From April 1, 2008 to June 30, 2008)	Current First Quarter Consolidated Aggregate Period (From April 1, 2009 to June 30, 2009)
Net profit per share ¥12.10	Net loss per share ¥15.26
Fully diluted net profit per share ¥12.09	“Fully diluted net profit per share” is not stated as there was a net loss per share although residual shares existed.

Note: Net profit or loss 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)	Current First Quarter Consolidated Aggregate Period (From April 1, 2009 to June 30, 2009)
Net profit per share		
Net profit or loss ( $\Delta$ ) (in thousands of yen)	423,525	$\Delta$ 533,923
Amounts that are not attributable to common stock holders (in thousands of yen)	---	---
Net profit or loss ( $\Delta$ ) for common stocks (in thousands of yen)	423,525	$\Delta$ 533,923
Average number of shares during the period	34,991,982	34,992,955
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)

Previous Consolidated First Quarter (From April 1, 2008 to June 30, 2008)	Current Consolidated First Quarter (From April 1, 2009 to June 30, 2009)																						
---	<p>Sale of Stocks of Important Subsidiaries</p> <p>1. Reasons for sale of stock The Company has adopted, at the board of directors' meeting held on June 26, 2009, a resolution of sale of some of the stock of Polatechno Co., Ltd., an affiliate to which the equity method is applied, as a resolution of acquiring treasury stock was adopted at the ordinary general meeting of shareholders of the said company, held on June 24, 2009, and the Company has sold the stock as follows.</p> <p>2. Shares sold to Polatechno Co., Ltd. has purchased as acquisition of treasury stock.</p> <p>3. Time of sale July 31, 2009</p> <p>4. Name of the affiliate</p> <table data-bbox="852 824 1398 1366"> <tr> <td>Trade name</td> <td>Polatechno Co., Ltd.</td> </tr> <tr> <td>Business line</td> <td>Manufacture and sales of polarizing films for liquid crystal displays, phase difference films, polarizing films for projectors and other precision processed goods.</td> </tr> <tr> <td>Details of transactions with the Company</td> <td>Loan of land and building of the Company and sale and purchase of products related to display materials</td> </tr> <tr> <td>Amount of capital</td> <td>¥3,095,125 thousand</td> </tr> <tr> <td>Number of shares issued</td> <td>272,250 shares</td> </tr> <tr> <td>Voting rights ratio held by the Company</td> <td>40.9%</td> </tr> </table> <p>5. Number of shares sold, selling price, profit and loss on sale and status of shares held after sale</p> <table data-bbox="852 1460 1241 1792"> <tr> <td>Number of shares sold</td> <td>65,000 shares</td> </tr> <tr> <td>Selling price</td> <td>¥3,443,570 thousand</td> </tr> <tr> <td>Loss on sale</td> <td>¥1,051,755 thousand</td> </tr> <tr> <td>Number of shares held after sale</td> <td>46,600 shares</td> </tr> <tr> <td>Voting rights ratio held by the Company after sale</td> <td>22.4%</td> </tr> </table>	Trade name	Polatechno Co., Ltd.	Business line	Manufacture and sales of polarizing films for liquid crystal displays, phase difference films, polarizing films for projectors and other precision processed goods.	Details of transactions with the Company	Loan of land and building of the Company and sale and purchase of products related to display materials	Amount of capital	¥3,095,125 thousand	Number of shares issued	272,250 shares	Voting rights ratio held by the Company	40.9%	Number of shares sold	65,000 shares	Selling price	¥3,443,570 thousand	Loss on sale	¥1,051,755 thousand	Number of shares held after sale	46,600 shares	Voting rights ratio held by the Company after sale	22.4%
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**2. Other**

No applicable matter.

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

No applicable matter.

## 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 Operating Partner,  
Certified Public Accountant

Naoki Nomoto [Seal]  
Designated Limited Partner and Operating 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 Operating Partners to be stated under the provisions of the Certified Public Accountants 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 (submitting company of the quarterly report).  
2. XBRL data is not included in the scope of quarterly consolidated financial statements.

## Quarterly Review Report of Independent Auditor

August 11, 2009

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

Ernst & Young ShinNihon LLC

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

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

Shinichi Oshima [Seal]  
Designated Limited Partner and Operating 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 consolidated first quarter (from April 1, 2009 to June 30, 2009) and the first quarter consolidated aggregate period (from April 1, 2009 to June 30, 2009) of the consolidated fiscal year from April 1, 2009 to March 31, 2010, 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.

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### Additional Information

As stated in Important Events after Closing the Accounts, the Company sold some of the stock of the affiliated company on July 31, 2009.

There exists no special interest between the Company and this Audit Corporation or the Operating Partners to be stated under the provisions of the Certified Public Accountants 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 (submitting company of the quarterly report).  
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