



Consolidated Financial Results for the Six Months Ended September 30, 2017 [Japanese GAAP]

Date: November 9, 2017

Name of listed company: Arisawa Mfg. Co., Ltd. Listed on the Tokyo Stock Exchange (First Section)
 Securities code: 5208 (Website: <http://www.arisawa.co.jp/>)
 Name and title of representative: Yuta Arisawa, President and Representative Director
 Name and title of contact person: Takeshi Masuda, Operating Officer supervising Corporate Planning Dept. Telephone: +81-25-524-7101
 Scheduled date of filing Quarterly Report: November 14, 2017
 Scheduled date of commencing dividend payments: ---
 Preparation of supplementary briefing materials on the quarterly financial results: No
 Holding of a briefing session on the quarterly financial results: Yes (For analysts)

(Amounts of less than one million yen have been truncated.)

1. Financial results for the consolidated cumulative second quarter of the fiscal year ending March 31, 2018 (From April 1, 2017 to September 30, 2017)

(1) Consolidated results of operations (Percentage figures represent changes from the year-earlier quarter.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Six months ended September 30, 2017	19,307	13.7	1,586	194.3	2,179	216.1	1,557	195.1
Six months ended September 30, 2016	16,984	Δ11.3	539	Δ64.8	689	Δ65.2	527	Δ66.9

(Note) Comprehensive income: 1,909 million yen (---%) for the six months ended September 30, 2017
 Δ1,786 million yen (---%) for the six months ended September 30, 2016

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Six months ended September 30, 2017	43.55	43.24
Six months ended September 30, 2016	14.82	14.79

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
September 30, 2017	66,021	49,742	71.6	1,318.59
March 31, 2017	63,808	48,551	72.2	1,290.93

(Reference) Shareholders' equity: 47,269 million yen as of September 30, 2017
 46,051 million yen as of March 31, 2017

2. Dividends

	Dividend per share				
	1 st quarter end	2 nd quarter end	3 rd quarter end	Fiscal year end	Annual
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended March 31, 2017	---	0.00	---	20.00	20.00
Fiscal year ending March 31, 2018	---	0.00			
Fiscal year ending March 31, 2018 (Forecast)			---	---	---

(Note) Revision of the most recently announced dividend forecast: No
 No decision or forecast has hitherto been made regarding the dividend(s) for the fiscal year ending March 31, 2018.

3. Forecast of consolidated results of operations for the fiscal year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Percentage figures represent changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Full fiscal year	39,300	14.1	3,400	89.9	4,100	52.4	2,900	42.4	80.90

(Note) Revision of the most recently announced forecast of the consolidated results of operations: Yes
 For details, please refer to "1. Qualitative Information Concerning Quarterly Financial Results" on page 2 of the body of this summary.

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries entailing changes in the scope of consolidation): None

New companies: --- (Company name:) Excluded companies: --- (Company name:)

(2) Application of accounting treatments particular to preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and accounting estimates, retrospective restatements

1) Changes in accounting policies due to revisions of accounting standards, etc.: None

2) Changes in accounting policies other than those falling under item 1): None

3) Changes in accounting estimates: None

4) Retrospective restatements: None

(4) Number of shares issued and outstanding (Common stock)

1) Number of shares issued and outstanding as of the most recent quarter end and fiscal year end (including treasury stock)

September 30, 2017	35,855,124 shares
March 31, 2017	35,679,624 shares

2) Number of shares of treasury stock as of the most recent quarter end and fiscal year end

September 30, 2017	6,856 shares
March 31, 2017	6,536 shares

3) Average number of shares during the most recent consolidated cumulative second quarters

Six months ended September 30, 2017	35,760,445 shares
Six months ended September 30, 2016	35,607,782 shares

*This summary is not subject to quarterly review procedures.

*Proper Use of Forward-looking Statements and Other Matters to be Noted

Earnings forecasts and other forward-looking statements contained in this summary are based on information currently available to Arisawa Mfg. Co., Ltd. (hereinafter referred to as the "Company") and certain assumptions that the Company deems to be reasonable. The actual business results, etc. may therefore differ materially from these statements for various reasons.

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1. Qualitative Information Concerning Quarterly Financial Results

(1) Explanation Concerning Consolidated Results of Operations

The Japanese economy in the current consolidated cumulative second quarter, against the backdrop of the government's economic stimulus measures on the monetary and fiscal fronts, etc., remained on an overall slow recovery track. While the economy in Western countries is making a slow recovery, a sense of uncertainty regarding the economic outlook persisted due largely to the general misgivings about the apparent deceleration of growth in most major emerging economies.

Under such circumstances, our group (the Company, its consolidated subsidiaries and the companies accounted for under the equity method) saw a year-on-year upturn in both net sales and operating income as a result of the stagnant demand for electronic materials for use primarily in multifunctional mobile terminals and efforts to improve the profitability of industrial application structural materials.

Consequently, our group's results of operations for the current consolidated cumulative second quarter showed net sales of 19,307 million yen (a 13.7% increase as compared with the year-earlier quarter), an operating income of 1,586 million yen (a 194.3% increase as compared with the year-earlier quarter), an ordinary income of 2,179 million yen (a 216.1% increase as compared with the year-earlier quarter) and a profit attributable to owners of the parent of 1,557 million yen (a 195.1% increase as compared with the year-earlier quarter).

(2) Explanation Concerning Financial Conditions

Total assets as of the end of the current consolidated second quarter were 66,021 million yen (an increase of 2,213 million yen compared with the end of the fiscal year ended March 31, 2017). This was due largely to an increase of 2,484 million yen in notes and accounts receivable-trade.

Total liabilities as of the end of the current consolidated second quarter were 16,278 million yen (an increase of 1,021 million yen compared with the end of the fiscal year ended March 31, 2017). This was due largely to an increase of 1,392 million yen in notes and accounts payable-trade.

Total net assets as of the end of the current consolidated second quarter were 49,742 million yen (a increase of 1,191 million yen compared with the end of the fiscal year ended March 31, 2017). This was due largely to an increase of 839 million yen in retained earnings and 329 million yen in valuation difference on available-for-sale securities.

(3) Explanation Concerning Forecast of Consolidated Results of Operations

With the sales in electronic materials segment expected to increase more than initially anticipated, the forecast of the consolidated results of operations for the full fiscal year ending March 31, 2018 announced on August 3, 2017 has been revised as follows.

Revisions of forecast of consolidated results of operations for the full fiscal year ending March 31, 2018
(From April 1, 2017 to March 31, 2018)

	Net sales (Millions of yen)	Operating income (Millions of yen)	Ordinary income (Millions of yen)	Profit attributable to owners of the parent (Millions of yen)	Net income per share (Yen)
Previously announced forecast (A)	37,900	2,650	3,550	2,650	74.09
Revised forecast (B)	39,300	3,400	4,100	2,900	80.90
Difference (B-A)	1,400	750	550	250	
Percentage change (%)	3.7	28.3	15.5	9.4	
(Reference) Results for the full fiscal year ended March 31, 2017	34,451	1,790	2,690	2,037	57.20

2. Quarterly Consolidated Financial Statements
 (1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated second quarter (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	7,667,985	5,586,187
Notes and accounts receivable-trade	12,618,700	15,103,279
Securities	797,550	1,293,143
Merchandise and finished goods	2,602,353	3,267,216
Work in process	1,301,381	1,370,942
Raw materials and supplies	2,095,419	2,822,179
Other	1,331,705	1,439,808
Allowance for doubtful accounts	△127,077	△128,819
Total current assets	28,288,018	30,753,938
Non-current assets		
Property, plant and equipment	11,065,403	10,687,790
Intangible assets		
Other	65,486	62,106
Total intangible assets	65,486	62,106
Investments and other assets		
Investment securities	23,864,265	23,927,699
Other	707,162	780,640
Allowance for doubtful accounts	△181,927	△190,748
Total investments and other assets	24,389,500	24,517,592
Total non-current assets	35,520,391	35,267,488
Total assets	63,808,409	66,021,427

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated second quarter (As of September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,168,250	6,560,793
Short-term loans payable	2,908,630	2,514,822
Current portion of long-term loans payable	446,754	487,368
Income taxes payable	362,974	522,713
Provision for bonuses	447,415	609,747
Provision for directors' bonuses	3,573	3,588
Provision for product warranties	169	127
Other	2,341,381	1,910,135
Total current liabilities	11,679,149	12,609,296
Non-current liabilities		
Long-term loans payable	1,836,093	1,738,651
Net defined benefit liability	558,112	569,088
Asset retirement obligations	57,448	56,406
Other	1,126,306	1,305,286
Total non-current liabilities	3,577,960	3,669,433
Total liabilities	15,257,109	16,278,729
Net assets		
Shareholders' equity		
Capital stock	7,317,019	7,382,125
Capital surplus	6,429,038	6,494,129
Retained earnings	30,740,318	31,579,857
Treasury stock	△3,891	△4,189
Total shareholders' equity	44,482,485	45,451,922
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	942,763	1,272,457
Deferred gains or losses on hedges	5,153	164
Foreign currency translation adjustment	808,002	723,399
Remeasurements of defined benefit plans	△187,018	△178,749
Total accumulated other comprehensive income	1,568,901	1,817,272
Subscription rights to shares	143,292	134,647
Non-controlling interests	2,356,620	2,338,855
Total net assets	48,551,300	49,742,697
Total liabilities and net assets	63,808,409	66,021,427

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
[Quarterly Consolidated Statements of Income]
[Consolidated cumulative second quarter]

	(Thousands of yen)	
	Previous consolidated cumulative second quarter (From April 1, 2016 to September 30, 2016)	Current consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017)
Net sales	16,984,702	19,307,076
Cost of sales	14,369,335	15,554,421
Gross profit	2,615,367	3,752,655
Selling, general and administrative expenses	2,076,338	2,166,268
Operating income	539,029	1,586,387
Non-operating income		
Interest income	153,822	179,511
Dividends income	51,999	49,225
Share of profit of entities accounted for using equity method	184,190	250,320
Other	255,406	219,944
Total non-operating income	645,418	699,000
Non-operating expenses		
Interest expenses	24,665	33,187
Foreign exchange losses	394,511	—
Rent expenses	49,167	41,767
Other	26,521	30,739
Total non-operating expenses	494,866	105,694
Ordinary income	689,581	2,179,693
Extraordinary income		
Gain on sales of non-current assets	—	2,960
Gain on sales of investment securities	13,220	90,291
Insurance income	129,723	—
Other	7,608	10,904
Total extraordinary income	150,552	104,156
Extraordinary losses		
Loss on sales of investment securities	4,209	—
Loss on valuation of investment securities	—	63,595
Other	431	7,487
Total extraordinary losses	4,640	71,082
Income before income taxes	835,493	2,212,767
Income taxes	274,076	551,405
Profit	561,416	1,661,361
Profit attributable to non-controlling interests	33,767	104,040
Profit attributable to owners of the parent	527,649	1,557,321

[Quarterly Consolidated Statements of Comprehensive Income]
[Consolidated cumulative second quarter]

(Thousands of yen)

	Previous consolidated cumulative second quarter (From April 1, 2016 to September 30, 2016)	Current consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017)
Profit	561,416	1,661,361
Other comprehensive income		
Valuation difference on available-for-sale securities	△752,653	329,799
Deferred gains or losses on hedges	—	△4,989
Foreign currency translation adjustment	△1,167,804	△20,765
Remeasurements of defined benefit plans	4,642	4,825
Share of other comprehensive income of entities accounted for using equity method	△432,062	△60,644
Total other comprehensive income	△2,347,878	248,226
Comprehensive income	△1,786,462	1,909,587
(Breakdown)		
Comprehensive income attributable to owners of the parent	△1,279,374	1,805,692
Comprehensive income attributable to non-controlling interests	△507,087	103,895

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated cumulative second quarter (From April 1, 2016 to September 30, 2016)	Current consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Income before income taxes	835,493	2,212,767
Depreciation	815,285	819,998
Amortization of goodwill	59	—
Share-based compensation expenses	23,443	19,713
Gain on reversal of subscription rights to shares	△7,608	△1,442
Increase (△ decrease) in allowance for doubtful accounts	△42,689	11,032
Increase (△ decrease) in provision for bonuses	△3,443	162,332
Increase (△ decrease) in provision for product warranties	77	△42
Increase (△ decrease) in provision for directors' bonuses	△5,040	15
Increase (△ decrease) in net defined benefit liability	14,773	17,939
Insurance income	△129,723	—
Loss (△ gain) on redemption of investment securities	△61,146	△23,029
Interest and dividends income	△205,821	△228,736
Interest expenses	24,665	33,187
Foreign exchange losses (△ gains)	297,158	△739
Share of (△ profit) loss of entities accounted for using equity method	△184,190	△250,320
Loss (△ gain) on change in equity	—	△9,462
Loss (△ gain) on sales of short-term and long-term investment securities	△9,011	△90,235
Loss (gain) on valuation of investment securities		63,595
Loss (△ gain) on sales of golf club memberships	515	—
Loss (△ gain) on sales of non-current assets	—	△2,960
Loss on retirement of property, plant and equipment	369	4,381
Decrease (△ increase) in notes and accounts receivable-trade	232,891	△2,386,160
Decrease (△ increase) in inventories	791,695	△1,428,726
Increase (△ decrease) in notes and accounts payable-trade	△376,162	1,356,077
Increase (△ decrease) in accrued consumption taxes	△145,816	5,022
Decrease (△ increase) in other assets	△476,664	△227,813
Increase (△ decrease) in other liabilities	142,313	159,325
Subtotal	1,531,425	215,717
Interest and dividends income received	316,150	292,514
Interest expenses paid	△23,107	△38,430
Proceeds from insurance income	129,723	—
Income taxes paid	△49,653	△367,380
Payments for loss on litigation	△40,000	—
Net cash provided by (used in) operating activities	1,864,538	102,420

(Thousands of yen)

	Previous consolidated cumulative second quarter (From April 1, 2016 to September 30, 2016)	Current consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017)
Cash flows from investing activities		
Payments into time deposits	△294,815	—
Proceeds from withdrawal of time deposits	403,205	229,918
Purchase of property, plant and equipment	△693,448	△949,181
Proceeds from sales of property, plant and equipment	—	6,084
Purchase of intangible assets	△10,327	△7,396
Purchase of investment securities	△1,219,949	△254,743
Proceeds from sales of investment securities	1,253,073	593,045
Proceeds from liquidation of subsidiaries		31,096
Payments of loans receivable	△153,820	△105,742
Collection of loans receivable	—	80,000
Other proceeds	300	8,390
Net cash provided by (used in) investing activities	△715,781	△368,526
Cash flows from financing activities		
Net increase (Δ decrease) in short-term loans payable	△227,185	△444,132
Proceeds from long-term loans payable	1,434,100	482,698
Repayments of long-term loans payable	△777,821	△547,793
Repayments of lease obligations	△9,780	△10,941
Proceeds from issuance of common stock	2,080	103,280
Purchase of treasury stock	△10	△298
Cash dividends paid	△815,579	△711,355
Cash dividends paid to non-controlling interests	△124,727	△121,662
Net cash provided by (used in) financing activities	△518,924	△1,250,204
Effect of exchange rate change on cash and cash equivalents	△372,510	21,898
Net increase (Δ decrease) in cash and cash equivalents	257,321	△1,494,413
Cash and cash equivalents at beginning of period	4,901,124	7,026,200
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	△110,040
Cash and cash equivalents at end of period	5,158,445	5,421,746

(4) Notes Related to Going Concern Assumption

No applicable matter.

(5) Notes Related to Significant Changes in the Amount of Shareholders' Equity

No applicable matter.

(6) Particular Accounting Treatments Applied in Preparation of Quarterly Consolidated Financial Statements

<Calculation of tax expenses>

Tax expenses are calculated by multiplying the quarterly income before income taxes by an estimated effective tax rate. Such effective tax rate is reasonably estimated after applying tax effect accounting to the income before income taxes for the consolidated fiscal year including the current consolidated second quarter.

(7) Segment Information, etc.

[Segment Information]

I Previous consolidated cumulative second quarter (From April 1, 2016 to September 30, 2016)

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

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Net sales							
Net sales to external customers	9,786,504	3,936,175	1,460,478	1,287,138	16,470,296	514,406	16,984,702
Inter-segment sales or transfers	—	—	—	—	—	383,542	383,542
Total	9,786,504	3,936,175	1,460,478	1,287,138	16,470,296	897,948	17,368,245
Segment income or loss (Δ)	756,003	200,535	237,625	△115,999	1,078,165	106,892	1,185,057

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

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

(Thousands of yen)

Income	Amount
Total of reportable segments	1,078,165
Income in the category "Other"	106,892
Elimination of inter-segment transactions	△35,165
Amortization of goodwill	△59
Unallocated corporate expenses (See Note)	△592,013
Adjustment of inventories	△18,789
Operating income shown on the quarterly consolidated statements of income	539,029

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

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

No applicable matter.

II Current consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017)

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

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Net sales							
Net sales to external customers	12,575,626	3,383,148	1,611,855	1,340,027	18,910,658	396,418	19,307,076
Inter-segment sales or transfers	—	—	—	—	—	409,534	409,534
Total	12,575,626	3,383,148	1,611,855	1,340,027	18,910,658	805,952	19,716,611
Segment income or loss (Δ)	1,401,196	514,847	300,783	△91,780	2,125,046	130,423	2,255,470

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

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

(Thousands of yen)

Income	Amount
Total of reportable segments	2,125,046
Income in the category “Other”	130,423
Elimination of inter-segment transactions	△40,772
Unallocated corporate expenses (See Note)	△605,323
Adjustment of inventories	△22,986
Operating income shown on the quarterly consolidated statements of income	1,586,387

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

3. Matters concerning changes in reportable segments, etc.

The categorization, introduced in the consolidated first quarter, of reportable segments was changed due to the liquidation of a subsidiary so that the “Related goods sales”, which was categorized as a reportable segment, is incorporated into the “Other”.

In this regard, the segment information for the previous consolidated cumulative second quarter is reported on the basis of the reportable segments reflecting the said change in categorization.

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

No applicable matter.