

QUARTERLY REPORT

(The Second Quarter of the 70th Term)
From July 1, 2017 to September 30, 2017

(TRANSLATION)

ARISAWA MFG. CO., LTD.

TABLE OF CONTENTS

Page Number

| | |
|--|----|
| Cover Page | |
| PART I. INFORMATION ON THE BUSINESS | 1 |
| I. General Conditions of Business | 1 |
| 1. Changes in Principal Management Indicators, etc. | 1 |
| 2. Description of Business..... | 1 |
| II. Status of Business | 2 |
| 1. Business Risks, etc. | 2 |
| 2. Agreements with Managerial Implications, etc..... | 2 |
| 3. Analysis of Financial Conditions, Results of Operations and Status of Cash Flows | 2 |
| III. Status of the Submitting Company | 6 |
| 1. Status of Shares, etc. | 6 |
| (1) Total Number of Shares, etc. | 6 |
| (2) Status of Stock Acquisition Rights, etc. | 7 |
| (3) Status of Exercise of Moving Strike Convertible Bonds, etc. | 8 |
| (4) Details of Rights Plan | 8 |
| (5) Changes in the Number of Shares Issued and Outstanding, Capital Stock, etc..... | 8 |
| (6) Status of Major Shareholders..... | 9 |
| (7) Status of Voting Rights..... | 10 |
| 2. Status of Directors and Officers | 10 |
| IV. Status of Accounting | 11 |
| 1. Quarterly Consolidated Financial Statements | 12 |
| (1) Quarterly Consolidated Balance Sheets..... | 12 |
| (2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income..... | 14 |
| [Quarterly Consolidated Statements of Income]..... | 14 |
| [Quarterly Consolidated Statements of Comprehensive Income]..... | 15 |
| (3) Quarterly Consolidated Statements of Cash Flows | 16 |
| 2. Other..... | 23 |
| PART II. INFORMATION ON GUARANTY COMPANIES, ETC. OF THE SUBMITTING COMPANY | 24 |
| [Independent Auditors' Quarterly Review Report] | |

Cover Page

| | |
|--|--|
| Document to be filed: | Quarterly Report |
| Statutory basis: | Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act |
| Filing to: | Director-General of the Kanto Local Finance Bureau |
| Date of filing: | November 14, 2017 |
| Quarterly accounting period: | The Second Quarter of the 70 th Term (From July 1, 2017 to September 30, 2017) |
| Company name (Japanese): | <i>Kabushiki-Kaisha Arisawa Seisakusho</i> |
| Company name (English): | Arisawa Mfg. Co., Ltd. |
| Name and title of representative: | Yuta Arisawa, President and Representative Director |
| Location of head office: | 5-5, Minami-honcho 1-chome, Joetsu-shi, Niigata |
| Telephone number: | (025) 524-5126 |
| Contact person: | Shuichi Kubota, General Manager, Accounting Department |
| Place of contact: | 5-5, Minami-honcho 1-chome, Joetsu-shi, Niigata |
| Telephone number: | (025) 524-5126 |
| Contact person: | Shuichi Kubota, General Manager, Accounting Department |
| Places where copies of this Quarterly Report are made available for public inspection: | Arisawa Mfg. Co., Ltd., Tokyo Branch Office (12-5, Yanagibashi 2-chome, Taito-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) |

PART I. INFORMATION ON THE BUSINESS

I. General Conditions of Business

1. Changes in Principal Management Indicators, etc.

| Term | 69 th term consolidated cumulative second quarter | 70 th term consolidated cumulative second quarter | 69 th term |
|--|--|--|---|
| Accounting period | From April 1, 2016 to September 30, 2016 | From April 1, 2017 to September 30, 2017 | From April 1, 2016 to March 31, 2017 |
| Net sales (Millions of yen) | 16,984 | 19,307 | 34,451 |
| Ordinary income (Millions of yen) | 689 | 2,179 | 2,690 |
| Profit attributable to owners of the parent (Millions of yen) | 527 | 1,557 | 2,037 |
| Comprehensive income (Millions of yen) | △1,786 | 1,909 | 1,821 |
| Net assets (Millions of yen) | 44,890 | 49,742 | 48,551 |
| Total assets (Millions of yen) | 57,502 | 66,021 | 63,808 |
| Net income per share (Yen) | 14.82 | 43.55 | 57.20 |
| Fully diluted net income per share (Yen) | 14.79 | 43.24 | 57.06 |
| Equity ratio (%) | 74.6 | 71.6 | 72.2 |
| Cash flows from operating activities (Millions of yen) | 1,864 | 102 | 3,419 |
| Cash flows from investing activities (Millions of yen) | △715 | △368 | △1,671 |
| Cash flows from financing activities (Millions of yen) | △518 | △1,250 | 419 |
| Cash and cash equivalents at the end of period (Millions of yen) | 5,158 | 5,421 | 7,026 |

| Term | 69 th term consolidated second quarter | 70 th term consolidated second quarter |
|----------------------------|---|---|
| Accounting period | From July 1, 2016 to September 30, 2016 | From July 1, 2017 to September 30, 2017 |
| Net income per share (Yen) | 12.46 | 26.87 |

- Note: 1. As Arisawa Mfg. Co., Ltd. (hereinafter referred to as either the “Company” or the “Submitting Company”, as the case may be) prepares the quarterly consolidated financial statements, the changes in principal management indicators, etc. of the Submitting Company are not stated above.
2. Consumption tax, etc. are not included in the amount of net sales.

2. Description of Business

There was no material change in information regarding the business lines of our corporate group (the Company and its associated companies; hereinafter referred to as either the “Group” or “our Group”, as the case may be) in the current consolidated cumulative second quarter.

No change of organization was made to any of the Company’s principal associated companies.

II. Status of Business

1. Business Risks, etc.

The current consolidated cumulative second quarter saw neither any new business risks, etc. emerging nor any significant change in the business risks, etc. stated in the Financial Report for the previous business year.

2. Agreements with Managerial Implications, etc.

In the current consolidated second quarter, there was no decision made on, or execution of, agreements with managerial implications, etc.

3. Analysis of Financial Conditions, Results of Operations and Status of Cash Flows

Matters stated concerning the future in the text are based on judgments made by our Group (the Company and its consolidated subsidiaries) as of the end of the current consolidated second quarter.

(1) Status of Business Results

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).

Business results with respect to each segment are as follows.

In this regard, the order of statement of our Group's business segments was revised effective from the current consolidated first quarter, and the following comparisons with the year-earlier quarter are made with figures for the year-earlier quarter reclassified into the segmentation after such change.

1) Electronic materials segment

In the electronic materials segment, net sales were 12,575 million yen (a 28.5% increase as compared with the year-earlier quarter) and consisting mainly of the sales of our mainstay product, i.e. materials for flexible printed circuit boards (the amount of orders received increased by 29.9%, and the production output increased by 48.4%, as compared with the year-earlier quarter on a non-consolidated basis of the Submitting Company), while the segment income was 1,401 million yen (a 85.3% increase as compared with the year-earlier quarter).

2) Industrial application structural materials segment

In the industrial application structural materials segment, net sales (consisting mainly of the sales of filament winding molded products as well as honeycomb panels and prepregs for aircraft) were 3,383 million yen (a 14.0% decrease as compared with the year-earlier quarter), while the segment income was 514 million yen (a 156.7% increase as compared with the year-earlier quarter).

3) Electrical insulating materials segment

In the electrical insulating materials segment, net sales (consisting mainly of the sales of prepregs and glass cloth for electrical insulation) were 1,611 million yen (a 10.4% increase as compared with the year-earlier quarter), while the segment income was 300 million yen (a 26.6% increase as compared with the year-earlier quarter).

4) Display materials segment

In the display materials segment, net sales (consisting mainly of the sales of 3D imaging-related materials)

were 1,340 million yen (an 4.1% increase as compared with the year-earlier quarter), while the segment loss was 91 million yen (a segment loss of 115 million yen for the year-earlier quarter).

5) Other (other businesses)

In other businesses, net sales were 396 million yen (a 22.9% decrease as compared with the year-earlier quarter), while the segment income was 130 million yen (a 22.0% increase as compared with the year-earlier quarter).

It should also be noted that the amounts of net sales, orders received, etc. stated in this section do not include 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 second quarter amounted to 5,421 million yen, increasing 263 million yen, or 5.1%, as compared with the end of the previous consolidated second quarter.

The following is the status of each cash flow category during the current consolidated cumulative second quarter and the key factors of such status.

(Cash flows from operating activities)

Funds earned from operating activities were 102 million yen (a 94.5% decrease as compared with the year-earlier quarter). This was due largely to an increase in the Funds comprising the postings of 2,212 million yen in income before income taxes, 819 million yen in depreciation and 1,356 million yen in increase in notes and accounts payable-trade as well as a decrease in the Funds comprising 2,386 million yen in increase in notes and accounts receivable-trade and 1,428 million yen in increase in inventories.

(Cash flows from investing activities)

Funds disbursed from investing activities were 368 million yen (a 48.5% decrease as compared with the year-earlier quarter). This was due largely to an increase in the Funds comprising the proceeds of 593 million yen from sales of investment securities as well as a decrease in the Funds comprising the expenditure of 949 million yen for purchases of property, plant and equipment.

(Cash flows from financing activities)

Funds disbursed for financing activities were 1,250 million yen (a 140.9% increase as compared with the year-earlier quarter). This was due largely to an increase in the Funds comprising the proceeds of 482 million yen from long-term loans payable as well as a decrease in the Funds comprising the payment of 711 million yen in cash dividends, the expenditure of 547 million yen for repayments of long-term loans payable and 444 million yen in net decrease in short-term loans payable.

(3) Business and Financial Tasks to be Addressed

There was no significant change in the tasks to be addressed by our Group in the current consolidated cumulative second quarter.

In this regard, the Company has a basic policy in place as to how the persons controlling the Company’s financial and business policymaking shall act, and the contents, etc. of such basic policy (the matters set forth in Article 118, item 3 of the Ordinance for Enforcement of the Companies Act) are as follows.

- 1) Contents of the basic policy and the efforts toward the realization of the basic policy (including, but not limited to, effective utilization of the assets of the Company and formation of an appropriate corporate group)

The Company, ever since its initiation in 1909, has been working on technological innovations and product development to build up unique technologies that integrate the “weaving, coating and molding” elements of its expertise while consistently fulfilling users’ needs, thereby increasing its corporate value under favorable labor-management climate. The Company’s Board of Directors believes that the Company is obligated to adhere to such time-honored principle of nurturing technological accumulation and also to understand, foster and enhance the said corporate value in the long run.

In light of the above, our Group stands on a management policy centering on the motto “Creation, Innovation and Challenge” as we aim to enhance profitability through creation of new business bases and new markets with the utmost emphasis on the pursuit of safety and quality.

- 2) Efforts to prevent inappropriate persons from controlling the Company’s financial and business policymaking

Stock markets in late years witnessed such takeover methods that, for instance, force through large-

scale purchases of shares without providing sufficient explanation to, or consultation with, the shareholders and the management of the target company. Many of the takeovers using such methods apparently entail erosion of corporate value and forced sales of shares, etc. to the detriment of shareholders' interests.

Such being the case, we acknowledged the need to ensure proper disclosure of necessary and sufficient information and also secure the time required for examination and consideration of an offer to purchase by presenting a set of rules and procedures for large-block purchasers and purchase offerors (hereinafter individually referred to as a "Purchaser") to comply with. Thus the Company, pursuant to the provisions of its Articles of Incorporation, established the measures to address large-scale acquisitions of the Company's shares (hereinafter referred to as the "Rules") and obtained the shareholders' approval of the Rules at the 69th Ordinary General Meeting of Shareholders held on June 28, 2017.

In the event that: (i) invocation of a countermeasure is approved under the Rules at a general meeting of shareholders, etc. held to confirm the shareholders' intentions; (ii) the Purchaser does not comply with the Rules; or (iii) it is evident that a large-scale acquisition of the Company's shares or any similar act or an offer of any of such acts (hereinafter individually referred to as a "Purchase") will impair the Company's corporate value, the countermeasure(s) shall be invoked in accordance with the Rules.

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

- 3) The fact that the aforesaid efforts, in accordance with the basic policy, do not erode the Company's corporate value and the common interests of the shareholders and that such efforts do not aim to maintain the status of the Company's directors and officers

The Company's Board of Directors believes that, with the Company's shares listed on the stock exchange for unfettered trading by the investors, a large-scale purchase of the Company's shares conducted against the will of the Company's Board of Directors or an offer to purchase entailing a change of control of the Company should not be ruled out by the Company's Board of Directors if and to the extent that such acts contribute to the common interests of the shareholders through enhancement of the Company's corporate value, and so the final judgment as to the said acts should be made collectively by the shareholders of the Company.

If and when such Purchase is conducted, we deem it best to collect detailed information from the Purchaser and provide the shareholders with sufficient levels of disclosure (in order for the shareholders to make a proper judgment) and also to have the Company's Board of Directors express its opinions, inviting the shareholders to directly express their intentions at a general meeting of shareholders, etc. as to which of the cases is more conducive to securing and enhancing the Company's corporate value and the common interests of the shareholders. The Rules set forth as follows:

- a. Judgment by direct resolution of the shareholders

The Rules provide that the shareholders shall directly pass judgment on whether an offer to purchase made by a Purchaser should be approved, except where the Purchaser does not comply with the Rules, etc. It is virtually impossible, in the process and procedures of confirming the shareholders' intentions, for a director of the Company to make individual solicitations, etc. in pursuit of his or her own interests, and no room is left for an arbitrary intent of any of the Company's directors to impinge on the shareholders' intentions.

- b. Restrictions on invocation of countermeasures by the judgment of the Board of Directors

Invocation by the Company's Board of Directors of a countermeasure without confirming the shareholders' intentions is possible only when any breach of the Rules or erosion of the Company's corporate value and the common interests of the shareholders is evident, and also the so-called "sunset clause" is attached to limit the valid term of the Rules to approximately two (2) years.

Therefore, the Company's Board of Directors believes that this "Basic Policy for the Control of Kabushiki-Kaisha" represents the Company's efforts to secure and maintain the Company's corporate value and the common interests of the shareholders and that such basic policy does not impair the interests of the Company's shareholders.

(4) Research and Development Activities

The Group's total expenses for research and development activities incurred in the current consolidated cumulative second quarter amounted to 931 million yen.

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

III. Status of the Submitting Company

1. Status of Shares, etc.

(1) Total Number of Shares, etc.

1) Total number of shares

| Class | Total number of shares authorized to be issued |
|--------------|--|
| Common stock | 130,000,000 |
| Total | 130,000,000 |

2) Shares issued and outstanding

| Class | Number of shares issued and outstanding as of the end of the second quarter (As of September 30, 2017) | Number of shares issued and outstanding as of the filing date of this Quarterly Report (As of November 14, 2017) | Name of financial instruments exchange where the shares are listed or authorized financial instruments firms association where the shares are registered | Remarks |
|--------------|--|--|--|--|
| Common stock | 35,855,124 | 35,856,824 | Tokyo Stock Exchange (First Section) | Number of shares constituting one full unit: 100 |
| Total | 35,855,124 | 35,856,824 | --- | --- |

Note: The number of shares issued through the exercise of stock acquisition rights in the period from November 1, 2017 to the filing date of this Quarterly Report is not included in the column "Number of shares issued and outstanding as of the filing date of this Quarterly Report".

(2) Status of Stock Acquisition Rights, etc.

Stock acquisition rights issued during the current second quarter were as follows.

1) Resolution at the Board of Directors' Meeting

| | |
|--|---|
| Date of Resolution | June 28, 2017 |
| Number of stock acquisition rights (Units) | 750 |
| Number of treasury stock acquisition rights out of the total number of stock acquisition rights (Units) | --- |
| Class of shares subject to stock acquisition rights | Common stock |
| Number of shares subject to stock acquisition rights | 75,000 |
| Amount to be paid per share at the time of exercising each stock acquisition right (Yen) | 1,004 |
| Exercise period for stock acquisition rights | July 1, 2019 through June 30, 2022 |
| Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) | Issuance price 1,192 Amount credited to equity capital 596 |
| Conditions for the exercise of stock acquisition rights | Being a director of the Company or an advisor or a counselor provided for in Article 28 of the Articles of Incorporation of the Company at the time of exercising the rights. |
| Matters concerning the transfer of stock acquisition rights | Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors. |
| Matters concerning substitute payment | --- |
| Matters concerning the grant of stock acquisition rights in connection with acts of reorganization | In the event that a merger agreement in which the Company becomes a defunct company has been approved, or that a proposal for approval of a stock swap agreement (or for a transfer of shares) in which the Company becomes a wholly owned subsidiary has been approved at a general meeting of shareholders, except where the surviving company or the Company's wholly owning parent company succeeds to the obligation to grant stock acquisition rights, the Company shall be able to acquire the stock acquisition rights without consideration. |

2) Resolution at the Ordinary General Meeting of Shareholders

| | | |
|--|---|-------|
| Date of Resolution | June 28, 2017 | |
| Number of stock acquisition rights (Units) | 2,353 | |
| Number of treasury stock acquisition rights out of the total number of stock acquisition rights (Units) | --- | |
| Class of shares subject to stock acquisition rights | Common stock | |
| Number of shares subject to stock acquisition rights | 235,300 | |
| Amount to be paid per share at the time of exercising each stock acquisition right (Yen) | 1,004 | |
| Exercise period for stock acquisition rights | July 1, 2019 through June 30, 2022 | |
| Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) | Issuance price | 1,192 |
| | Amount credited to equity capital | 596 |
| Conditions for the exercise of stock acquisition rights | Being a director, an advisor or an employee of the Company or a director, an advisor or an employee of a subsidiary of the Company at the time of exercising the rights. | |
| Matters concerning the transfer of stock acquisition rights | Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors. | |
| Matters concerning substitute payment | --- | |
| Matters concerning the grant of stock acquisition rights in connection with acts of reorganization | In the event that a merger agreement in which the Company becomes a defunct company has been approved, or that a proposal for approval of a stock swap agreement (or for a transfer of shares) in which the Company becomes a wholly owned subsidiary has been approved at a general meeting of shareholders, except where the surviving company or the Company's wholly owning parent company succeeds to the obligation to grant stock acquisition rights, the Company shall be able to acquire the stock acquisition rights without consideration. | |

(3) Status of Exercise of Moving Strike Convertible Bonds, etc.

No applicable matter.

(4) Details of Rights Plan

No applicable matter.

(5) Changes in the Number of Shares Issued and Outstanding, Capital Stock, etc.

| Period | Number of shares issued and outstanding | | Capital stock (Thousands of yen) | | Legal capital surplus (Thousands of yen) | |
|--|---|------------|-------------------------------------|-----------|---|-----------|
| | Change | Balance | Change | Balance | Change | Balance |
| From July 1, 2017 to September 30, 2017 (See Note 1) | 78,900 | 35,855,124 | 33,191 | 7,382,125 | 33,176 | 6,494,129 |

- Note:
1. The increases are due to the exercise of stock acquisition rights.
 2. In the period from October 1, 2017 to October 31, 2017, the number of shares issued and outstanding increased by 1,700 shares, and the amount of capital stock and that of legal capital surplus increased by 618 thousand yen respectively, all through the exercise of stock acquisition rights.

(6) Status of Major Shareholders

As of September 30, 2017

| Full name or corporate name | Address | Number of shares held | Ratio of the number of shares held to the number of shares issued and outstanding (%) |
|---|---|-----------------------|---|
| The Master Trust Bank of Japan, Ltd. (Trust account) | 11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo | 2,560,500 | 7.14 |
| Japan Trustee Services Bank, Ltd. (Trust account) | 8-11, Harumi 1-chome, Chuo-ku, Tokyo | 2,002,400 | 5.58 |
| Mitsubishi Gas Chemical Company, Inc. | 5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo | 1,472,166 | 4.10 |
| The Hachijuni Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.) | 178-8, Nakagoshō Okada, Nagano-shi, Nagano (11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo) | 1,000,930 | 2.79 |
| DFA INTL SMALL CAP VALUE PORTFOLIO (Standing Proxy: Citibank Japan Ltd.) | Palisades West 6300, Bee Cave Road Building One, Austin, TX 78746 US (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo) | 857,282 | 2.39 |
| Arisawa Kenko Ltd. | 11-44, Nishishiro-cho 3-chome, Joetsu-shi, Niigata | 834,338 | 2.32 |
| CHASE MANHATTAN BANK GTS CLIENTS ACCOOUNT ESCROW (Standing Proxy: Mizuho Bank, Ltd.) | 5th Floor, Trinity Tower 9, Thomas More Street, London E1W 1YT, United Kingdom (15-1, Konan 2-chome, Minato-ku, Tokyo) | 825,546 | 2.30 |
| NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB) (Standing Proxy: Nomura Securities Co., Ltd.) | 1 Angel Lane, London, EC4R 3AB, United Kingdom (9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo) | 763,500 | 2.12 |
| Japan Trustee Services Bank, Ltd. (Trust account 5) | 8-11, Harumi 1-chome, Chuo-ku, Tokyo | 671,400 | 1.87 |
| The Daishi Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.) | 1071-1, Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi, Niigata (11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo) | 628,903 | 1.75 |
| Total | --- | 11,616,965 | 32.39 |

Note: The number of shares held by Mitsubishi Gas Chemical Company, Inc. includes 966,306 shares that have been contributed by Mitsubishi Gas Chemical Company, Inc. as the trust property of retirement benefit trust. The pertinent name in the Company's register of shareholders is "The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account and Mitsubishi Gas Chemical Company, Inc. account)."

(7) Status of Voting Rights

1) Shares issued and outstanding

As of September 30, 2017

| Category | Number of shares | Number of voting rights (Units) | 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 6,800 | --- | --- |
| Shares with full voting rights (Other) (See Note 1) | Common stock 35,760,900 | 357,609 | --- |
| Shares constituting less than one full unit (See Note 2) | Common stock 87,424 | --- | --- |
| Number of shares issued and outstanding | 35,855,124 | --- | --- |
| Total number of voting rights held by shareholders | --- | 357,609 | --- |

Note: 1. 500 shares held in the name of Japan Securities Depository Center, Inc. are included in the row "Shares with full voting rights (Other)". 5 units of voting rights pertaining to shares with full voting rights held in the name of Japan Securities Depository Center, Inc. are included in the column "Number of voting rights".

2. 56 shares of treasury stock are included in the row "Shares constituting less than one full unit".

2) Treasury Stock, etc.

As of September 30, 2017

| Name and address of shareholder | | Number of shares held | | | Ratio of the number of shares held to the number of shares issued and outstanding (%) |
|---------------------------------|---|-----------------------|---------------------------|-------|---|
| Full name or corporate name | Address | Under own name | Under the names of others | Total | |
| Arisawa Mfg. Co., Ltd. | 5-5, Minami-honcho 1-chome, Joetsu-shi, Niigata | 6,800 | --- | 6,800 | 0.01 |
| Total | --- | 6,800 | --- | 6,800 | 0.01 |

2. Status of Directors and Officers

No applicable matter.

IV. 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 for Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

2. Certification of Audit

The Company received a quarterly review of its quarterly consolidated financial statements for the current consolidated second quarter (From July 1, 2017 to September 30, 2017) and the current consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017) conducted by Ernst & Young ShinNihon LLC under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

1. 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 (△ 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 (△ 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 |

[Notes]

(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.

(Notes Related to Quarterly Consolidated Balance Sheets)

* Notes, etc. maturing at the end of the consolidated third quarter

For accounting treatment of notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the consolidated third quarter, settlement is made as of the clearing date of each note or as of the settlement date of each electronically recorded monetary claim and electronically recorded obligation, as the case may be. As the end of the current consolidated third quarter falls on a bank holiday, the following notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the consolidated third quarter are included in their respective balances as of the end of the consolidated third quarter.

| | (Thousands of yen) | |
|--|---|--|
| | Previous consolidated fiscal year (As of March 31, 2017) | Current consolidated third quarter (As of September 30, 2017) |
| Notes and accounts receivable-trade | - | 41,434 |
| Notes and accounts payable-trade | - | 137,634 |
| Current liabilities and others (Notes payable-facilities, Electronically recorded obligations-non-operating) | - | 9,738 |

(Notes Related to Quarterly Consolidated Statements of Income)

* Major items under selling, general and administrative expenses and their respective amounts are as follows.

| | (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) |
| Salaries, benefits and bonuses | 550,928 | 564,587 |
| Provision for bonuses | 96,552 | 120,292 |
| Provision for directors' bonuses | 1,667 | 3,588 |
| Retirement benefit expenses | 22,368 | 26,107 |
| Provision of allowance for doubtful accounts | 17,832 | 12,895 |

(Notes Related to Quarterly Consolidated Statements of Cash Flows)

* The correlation between the balance of cash and cash equivalents at the end of the current consolidated second quarter and the amounts shown for the corresponding items on the quarterly consolidated balance sheets is as follows.

| | 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 and deposits | 5,587,808 | 5,586,187 |
| Time deposits with a deposit term of more than three months | △762,319 | △535,000 |
| Securities (Money management fund) | 332,956 | 370,558 |
| Cash and cash equivalents | 5,158,445 | 5,421,746 |

(Notes Related to Shareholders' Equity, etc.)

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

Dividends paid

| (Resolution) | Class of shares | Total amount of dividends (Thousands of yen) | Dividend per share (Yen) | Record date | Effective date | Source of dividends |
|--|--------------------|---|--------------------------------|----------------|-------------------|------------------------|
| Ordinary General Meeting of Shareholders of June 24, 2016 | Common stock | 818,912 | 23.00 | March 31, 2016 | June 27, 2016 | Retained earnings |

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

Dividends paid

| (Resolution) | Class of shares | Total amount of dividends (Thousands of yen) | Dividend per share (Yen) | Record date | Effective date | Source of dividends |
|--|--------------------|---|--------------------------------|----------------|-------------------|------------------------|
| Ordinary General Meeting of Shareholders of June 28, 2017 | Common stock | 713,461 | 20.00 | March 31, 2017 | June 29, 2017 | Retained earnings |

(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 (△) | 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 current consolidated cumulative 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.

(Per Share Information)

The amounts of net income per share and fully diluted net income per share with their respective bases of calculation are as follows.

| | 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) |
|--|---|--|
| (1) Net income per share | 14.82 yen | 43.55 yen |
| (Basis of calculation) | | |
| Profit attributable to owners of the parent (Thousands of yen) | 527,649 | 1,557,321 |
| Amount not attributable to common stockholders (Thousands of yen) | --- | --- |
| Profit attributable to owners of the parent pertaining to common stock (Thousands of yen) | 527,649 | 1,557,321 |
| Average number of shares of common stock during the period | 35,607,782 | 35,760,445 |
| (2) Fully diluted net income per share | 14.79 yen | 43.24 yen |
| (Basis of calculation) | | |
| Adjustment of profit attributable to owners of the parent (Thousands of yen) | --- | --- |
| Increase in the number of shares of common stock | 61,153 | 254,631 |
| Outline of dilutive shares that were not included in the calculation of fully diluted net income per share due to a lack of dilutive effect and also underwent a significant change after the end of the previous consolidated fiscal year | --- | --- |

(Significant Subsequent Events)

(Notes to business combinations by acquisition)

At a meeting of the Board of Directors held on November 9, 2017, the Company resolved to acquire shares of Satosen Co., Ltd. and make it a subsidiary.

1. Outline of the business combination

(1) Names of acquired companies and their business lines

Name of acquired company : Satosen Co., Ltd.

Business of acquired company: Manufacturing and selling of industrial printed circuit boards

(2) Main reasons for business combination

The company is engaged in designing and prototyping printed wiring boards to mass production. We believe that by transforming the company with high technical strength and product development capability into a subsidiary, we can realize synergistic effects and further enhance the corporate value of the Group.

(3) Date of business combination

November 30, 2017 (Undetermined)

(4) Legal form of business combination

Acquisition of shares

(5) Company name after combination

Satosen Co., Ltd.

(6) Ratio of voting rights acquired

100%

(7) Main basis for determining the acquiring company

The Company will acquire shares of Satosen Co., Ltd. in consideration for cash paid.

2. Acquisition cost of the acquired companies and breakdown by type of consideration

| | | |
|-------------------------------|------|-----------------|
| Consideration for acquisition | Cash | 650 million yen |
| Acquisition cost | | 650 million yen |

3. Major breakdown and amount of the expenses related to the acquisition

Unable to confirm at present.

4. Amount, cause, amortization method and amortization period of goodwill incurred

Unable to confirm at present.

5. Amount of acquired assets and assumed liabilities as of the date of the business combination and their major breakdown

Unable to confirm at present.

2. Other

No applicable matter.

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

No applicable matter.

Independent Auditors' Quarterly Review Report

November 13, 2017

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

Ernst & Young ShinNihon LLC

Satoshi Ejima [Seal]
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

Makoto Iguchi [Seal]
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

We have conducted, under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, a quarterly review of the quarterly consolidated financial statements of Arisawa Mfg. Co., Ltd. listed in the "Status of Accounting" for the consolidated second quarter (From July 1, 2017 to September 30, 2017) and the consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017) of the consolidated fiscal year from April 1, 2017 to March 31, 2018, consisting of the quarterly consolidated balance sheets, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income, quarterly consolidated statements of cash flows and notes.

Responsibility of Management for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the quarterly consolidated financial statements in accordance with the standards for preparation of quarterly consolidated financial statements generally accepted in Japan. This includes improvement and operation of such internal control as the management deems necessary for the preparation and fair presentation of quarterly consolidated financial statements free from material misstatement, whether due to fraud or error.

Responsibility of Auditors

Our responsibility is to express a conclusion on the quarterly consolidated financial statements from an independent standpoint based on our quarterly review. We conducted our quarterly review in accordance with the quarterly review standards generally accepted in Japan.

A quarterly review consists principally of making inquiries to the management and the persons responsible for financial and accounting matters, etc., applying analytical procedures and conducting other quarterly review procedures. The quarterly review procedures are less exhaustive than the procedures for annual financial statement audits conducted in accordance with the audit standards generally accepted in Japan.

We believe that the evidence we have obtained provides a basis for our conclusion.

Conclusion of Auditors

In our quarterly review, no matter has come to our attention that causes us to believe that the above quarterly consolidated financial statements do not fairly present, in any material respect, the financial conditions of Arisawa Mfg. Co., Ltd. and its consolidated subsidiaries as of September 30, 2017 as well as the results of their operations and the status of their cash flows in the consolidated cumulative second quarter ended September 30, 2017 in accordance with the standards for preparation of quarterly consolidated financial statements generally accepted in Japan.

Interest

There exists no special interest between the Company and this audit corporation or its engagement partners which is required to be stated pursuant to the provisions of the Certified Public Accountants Act.

Note: 1. All the matters stated above have been electronically copied from the matters stated in the original quarterly review report. The original quarterly review report is separately archived by the Company (the company submitting the Quarterly Report).
2. XBRL data are not included in the subject of the quarterly review.