

FINANCIAL REPORT

(Report under Article 24, paragraph 1 of the Financial Instruments and Exchange Act)

Business Year from April 1, 2017 to March 31, 2018
(The 70th Term)

(TRANSLATION)

ARISAWA MFG. CO., LTD.

E01152

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PART I. INFORMATION ON THE BUSINESS

I. General Conditions of Business

1. Changes in Principal Management Indicators, etc.

(1) Consolidated Management Indicators, etc.

Term	66 th term	67 th term	68 th term	69 th term	70 th term
Closing month	March 2014	March 2015	March 2016	March 2017	March 2018
Net sales (Millions of yen)	30,232	37,589	37,228	34,451	40,909
Ordinary income or loss (Δ) (Millions of yen)	2,730	4,503	3,510	2,690	4,044
Profit or loss (Δ) attributable to owners of the parent (Millions of yen)	4,025	4,821	2,702	2,037	3,452
Comprehensive income (Millions of yen)	7,638	5,564	1,067	1,821	4,497
Net assets (Millions of yen)	43,848	48,147	47,602	48,551	52,492
Total assets (Millions of yen)	58,286	65,766	60,983	63,808	72,644
Net assets per share (Yen)	1,177.47	1,280.69	1,263.29	1,290.93	1,378.12
Net income or loss (Δ) per share (Yen)	114.91	136.77	76.02	57.20	96.31
Fully diluted net income per share (Yen)	114.26	135.70	75.58	57.06	95.48
Equity ratio (%)	71.0	69.1	73.8	72.2	68.3
Return on equity (%)	10.6	11.1	6.0	4.5	7.2
Price earnings ratio (Times)	4.8	7.5	7.6	13.7	10.2
Cash flows from operating activities (Millions of yen)	2,793	2,293	4,548	3,419	2,181
Cash flows from investing activities (Millions of yen)	770	△5,579	△1,771	△1,671	△471
Cash flows from financing activities (Millions of yen)	△4	△188	△3,540	419	△59
Cash and cash equivalents at the end of period (Millions of yen)	9,393	6,021	4,901	7,026	8,829
Number of employees (Parenthesized figures indicate the average number of temporary employees not included in the total)	1,245 (82)	1,253 (163)	1,285 (189)	1,305 (139)	1,426 (295)

Note: Consumption tax, etc. are not included in the amount of net sales.

(2) Management Indicators, etc. of the Submitting Company

Term	66 th term	67 th term	68 th term	69 th term	70 th term
Closing month	March 2014	March 2015	March 2016	March 2017	March 2018
Net sales (Millions of yen)	21,277	27,578	25,793	23,410	28,503
Ordinary income or loss (Δ) (Millions of yen)	883	2,539	2,542	1,898	2,451
Net income or loss (Δ) (Millions of yen)	3,444	3,706	2,219	1,516	2,503
Capital stock (Millions of yen)	7,153	7,262	7,294	7,317	7,458
Number of shares issued and outstanding (Thousands of shares)	35,131	35,485	35,611	35,679	36,024
Net assets (Millions of yen)	31,306	33,446	32,759	33,852	36,138
Total assets (Millions of yen)	39,163	42,980	40,102	42,643	46,496
Net assets per share (Yen)	887.11	940.29	916.79	944.94	999.83
Dividend per share (Yen) (Parenthesized figures indicate the amount of interim dividend per share included in the total)	25.00 (—)	35.00 (—)	23.00 (—)	20.00 (—)	34.00 (—)
Net income or loss (Δ) per share (Yen)	98.31	105.13	62.43	42.59	69.83
Fully diluted net income per share (Yen)	97.75	104.30	62.06	42.48	69.22
Equity ratio (%)	79.6	77.6	81.4	79.0	77.4
Return on equity (%)	12.1	11.5	6.7	4.6	7.2
Price earnings ratio (Times)	5.6	9.8	9.2	18.4	14.1
Dividend payout ratio (%)	25.4	33.3	36.8	47.0	48.7
Number of employees (Parenthesized figures indicate the average number of temporary employees not included in the total)	576 (22)	585 (84)	583 (101)	589 (69)	592 (99)

Note: Consumption tax, etc. are not included in the amount of net sales.

2. History

- July 1949
 - Incorporation of Arisawa Mfg. Co., Ltd. (hereinafter referred to as either the “Company” or the “Submitting Company”, as the case may be), succeeding the businesses of “Arisawa Manufacturing”, which was founded in 1909 and manufactured Battenburg lace, narrow woven fabrics, electrical insulating tapes and glass fiber fabrics, etc.
- April 1954
 - Established a resin processing division.
- June 1954
 - Relocated the Head Office from Ohmachi, Takada-shi (currently Joetsu-shi), Niigata to Minami-honcho, Takada-shi.
- May 1959
 - Opened Tokyo Sales Office and Osaka Sales Office.
- September 1960
 - OTC trading of the Company’s stock started at Tokyo Securities Dealers Association.
- October 1961
 - The Company’s stock was listed on the Second Section of Tokyo Stock Exchange.
- December 1966
 - Incorporated Arisawa Jushi Kogyo Co., Ltd. (currently a consolidated subsidiary), which conducts molding and processing of resin products related to industrial application structural materials.
- June 1968
 - Opened a factory in Oaza-Nakadahara, Takada-shi (currently Joetsu-shi), Niigata, establishing new resin processing facilities.
- August 1973
 - Incorporated Eagle Co., Ltd., which operates a driving range.
- March 1974
 - Incorporated Myoko Shinko Co., Ltd., which conducts processing of resin products related to electrical insulating materials.
- June 1974
 - Absorbed Arisawa Shoji Co., Ltd. and reorganized the sales division into Tokyo Branch Office and Osaka Branch Office (Osaka Branch Office was closed down in September 2015).
- April 1976
 - Incorporated Yuai Sangyo, Ltd., which manufactures glass fiber fabrics and special fiber fabrics related to electrical insulating materials.
- May 1987
 - Incorporated Arisawa Logistics, Ltd., which conducts warehouse management and logistics operations.
- July 1991
 - Incorporated Polatechno Co., Ltd. (which manufactures polarizing plates for use in liquid crystal displays) through joint capital investment with Nippon Kayaku Co., Ltd.
- December 1994
 - Opened Technological Development Center on the premises of Nakadahara Factory.
- October 1996
 - Acquired Arisawa Polywork Co., Ltd. (which conducts molding and processing of resin products related to industrial application structural materials) with capital contribution of Arisawa Logistics, Ltd.
- July 1999
 - Opened a factory in Oaza-Nakadahara (on the west side of the current Nakadahara Factory), Joetsu-shi, Niigata, establishing new resin processing facilities.
- July 2000
 - Incorporated Arisawa Fiber Glass Co., Ltd. (currently a consolidated subsidiary), spinning off the glass cloth manufacturing division of the Submitting Company (related to electronic materials and electrical insulating materials) and consigning manufacture of glass cloth to Arisawa Fiber Glass Co., Ltd.
- September 2002
 - The Company’s stock was listed on the First Section of Tokyo Stock Exchange.
- April 2003
 - Myoko Shinko Co., Ltd. absorbed Arisawa Polywork Co., Ltd., Yuai Sangyo, Ltd. and Arisawa Logistics, Ltd. and changed its corporate name to Arisawa Sogyo Co., Ltd. (currently a consolidated subsidiary).
- March 2006
 - Stock of Polatechno Co., Ltd. (currently an affiliated company accounted for under the equity method) was listed on the JASDAQ Securities Exchange.
- October 2009
 - Acquired shares of ThinFlex Corporation (currently a consolidated subsidiary).
- December 2010
 - Howa Sangyo Ltd., a subsidiary, changed its corporate name to Protec International Holdings Co., Ltd. (currently a consolidated subsidiary) and acquired shares of Protec Arisawa Europe, S.A. and Protec Arisawa America, Inc. (both currently consolidated subsidiaries)
- April 2011
 - Incorporated Protec Arisawa Japan Co., Ltd. (currently a consolidated subsidiary), which conducts sales of filament winding molded products related to industrial application structural materials.
- July 2011
 - Arisawa Sogyo Co., Ltd. absorbed Eagle Co., Ltd.
- October 2015
 - Opened Kansai Sales Office in Kyoto-shi, Kyoto.
- November 2017
 - Acquired all shares of Satosen Co., Ltd., which conducts manufacturing and sales of electronic materials (currently a consolidated subsidiary).

3. Description of Business

Our corporate group (hereinafter referred to as either “our Group” or the “Group”, as the case may be) is comprised of the Company, sixteen (16) subsidiaries and four (4) affiliated companies and is engaged in manufacturing and sales of electronic materials, industrial application structural materials, electrical insulating materials and display materials. It also develops business activities such as sales of goods related to each business segment as well as logistics and other services.

Description of business of our Group and the capacities of the Company and its associated companies with respect to each business segment are as follows.

The business segments shown below are categorized in the same manner as those shown in V. Status of Accounting – 1. Consolidated Financial Statements, etc. – (1) Consolidated Financial Statements – [Notes]. With the liquidation of subsidiaries, the order of statement of our Group’s business segments was revised effective from the current consolidated fiscal year. Accordingly, "Related goods" which was a reportable segment is contained in "Other".

(1) Electronic Materials

The Company manufactures and sells materials for flexible and rigid printed circuit boards, etc. that are used as electronic materials, while Arisawa Fiber Glass Co., Ltd., a subsidiary, manufactures glass cloth for printed circuit boards. ThinFlex Corporation, a subsidiary, also manufactures and sells materials for flexible printed circuit boards, etc.

(2) Industrial Application Structural Materials

The Company, Protec Arisawa Japan Co., Ltd., Protec Arisawa Europe, S.A. and Protec Arisawa America, Inc. manufacture and sell filament winding molded products for use as industrial application structural materials. The Company manufactures and sells honeycomb panels and prepregs, etc. for aircraft. Arisawa Sogyo Co., Ltd., a subsidiary, manufactures and sells pultrusion molded products and FRP ski sheets, etc.

Protec International Holdings Co., Ltd. conducts business management of the aforesaid Protec Arisawa companies as the holding company of these subsidiaries engaged in the water treatment business with their filament winding molded products.

(3) Electrical Insulating Materials

Arisawa Fiber Glass Co., Ltd., a subsidiary, manufactures glass cloth and glass tapes for use as electrical insulating materials, and the Company sells such glass cloth and glass tapes. The Company manufactures and sells prepregs, etc. for electrical insulation, while Arisawa Sogyo Co., Ltd., a subsidiary, and Arisawa Jushi Kogyo Co., Ltd., another subsidiary, manufacture these products.

(4) Display Materials

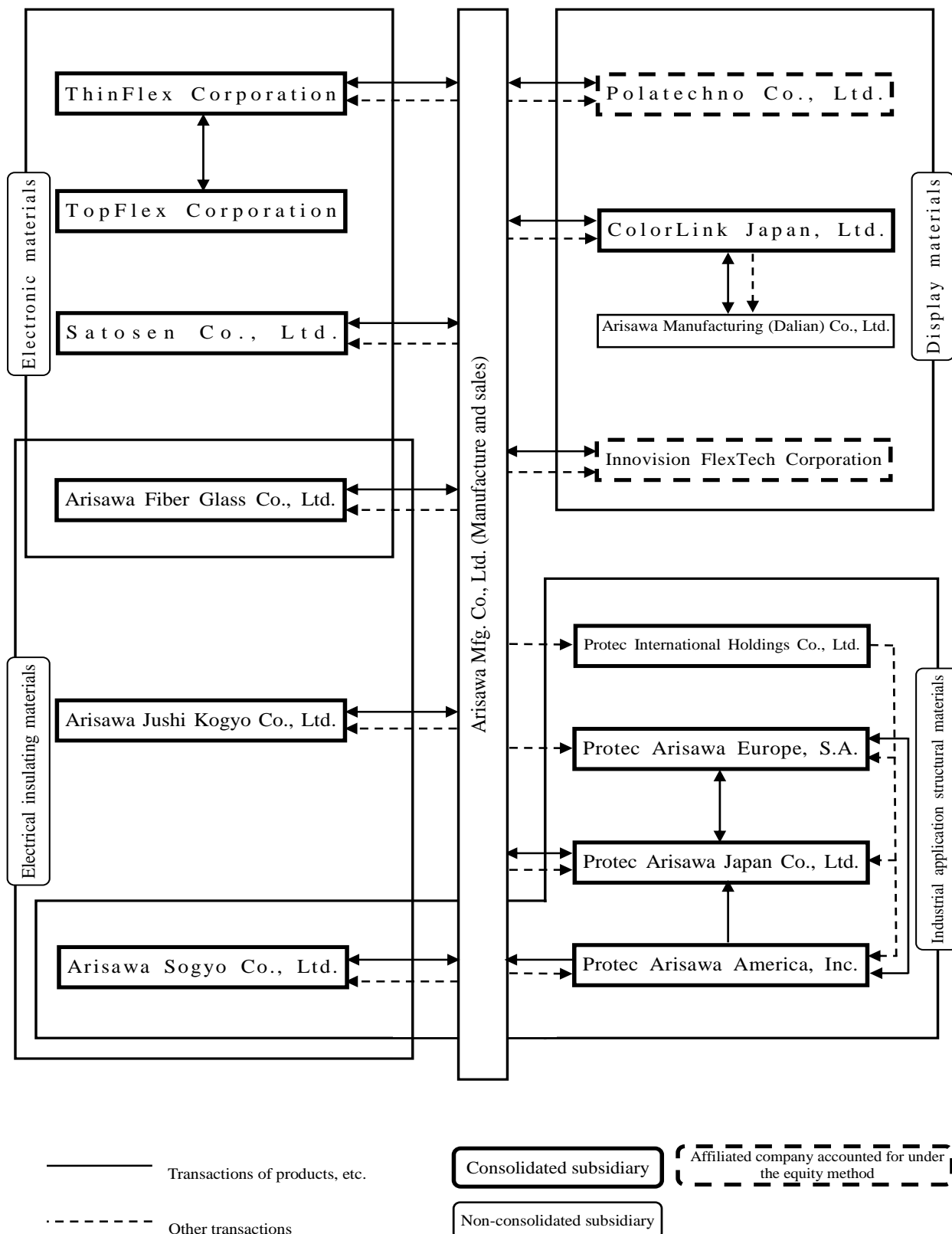
The Company manufactures and sells 3D display filters, etc. for use as display materials. ColorLink Japan, Ltd., a subsidiary, manufactures and sells special optical films, with Arisawa Manufacturing (Dalian) Co., Ltd. also conducting the post-process operations for such special optical films. Polatechno Co., Ltd., an affiliated company, manufactures and sells polarizing plates for liquid crystal displays, etc. Innovision FlexTech Corporation manufactures and sells screens, etc.

(5) Other Businesses

The Company conducts sales of the related goods mentioned above in (2) and (3). In addition, Arisawa Sogyo Co., Ltd., a subsidiary, conducts logistics operations and also operates a driving range.

The above matters are abstracted in the following Business Activities Diagram.

(Business Activities Diagram)



(Note) Arisawa Sogyo Co., Ltd. is engaged in other businesses in addition to the manufacture of electrical insulating materials and the manufacture and sales of industrial application structural materials.

4. Status of Subsidiaries and Affiliated Companies

Name	Location	Capital stock (Thousands of yen except as otherwise noted)	Description of core business	Voting interest held by the Company (%)	Relevant descriptions
(Consolidated subsidiaries) ThinFlex Corporation (See Note 2)	Kaohsiung County, Taiwan	1,006,377 (Thousands of New Taiwan dollar)	Electronic materials	52.3	Supply of raw materials as well as sales of products related to electronic materials, Concurrent directorship
ThinFlex Technology Corporation (B.V.I.) (See Note 2)	British Virgin Islands	15,710 (Thousands of US dollar)	Electronic materials	100.0 (100.0)	---
TopFlex Corporation (See Note 2 and Note 5)	Kunshan City, P.R. China	17,000 (Thousands of US dollar)	Electronic materials	100.0 (100.0)	Sales of electronic material products
Satosen Co., Ltd.	Osaka-shi, Osaka	99,540	Electronic materials	100.0	Leasing of land Concurrent directorship
Arisawa Fiber Glass Co., Ltd. (See Note 2)	Joetsu-shi, Niigata	100,000	Electronic materials, Electrical insulating materials	100.0	Consignment manufacture of glass fiber fabrics related to electronic materials and electrical insulating materials, Leasing of buildings and manufacturing equipment, Financial support, Concurrent directorship
Protec International Holdings Co., Ltd.	Joetsu-shi, Niigata	101,830	Industrial application structural materials	100.0	Financial support, Concurrent directorship
Protec Arisawa Europe, S.A.	Munguia, Spain	1,670 (Thousands of euro)	Industrial application structural materials	100.0 (100.0)	Financial support, Concurrent directorship
Protec Arisawa America, Inc.	Vista, CA, U.S.A.	3,200 (Thousands of US dollar)	Industrial application structural materials	100.0 (100.0)	Financial support, Concurrent directorship
Protec Arisawa Japan Co., Ltd.	Taito-ku, Tokyo	10,000	Industrial application structural materials	100.0 (100.0)	Sales of industrial application structural materials, Concurrent directorship
Arisawa Sogyo Co., Ltd.	Joetsu-shi, Niigata	30,950	Electrical insulating materials, Industrial application structural materials, Other businesses	100.0	Consignment manufacture as well as consignment of warehousing and logistics operations of resin products related to electrical insulating materials and industrial application structural materials, Leasing of buildings, machinery and equipment
Arisawa Jushi Kogyo Co., Ltd.	Joetsu-shi, Niigata	10,000	Electrical insulating materials	100.0	Consignment manufacture of resin products related to electrical insulating materials, Leasing of land and buildings, Concurrent directorship
ColorLink Japan, Ltd.	Joetsu-shi, Niigata	198,201	Display materials	97.2	Leasing of buildings, machinery and equipment, Supply of raw materials, Concurrent directorship

Name	Location	Capital stock (Thousands of yen except as otherwise noted)	Description of core business	Voting interest held by the Company (%)	Relevant descriptions
(Affiliated companies accounted for under the equity method)					
Polatechno Co., Ltd. (See Note 4)	Joetsu-shi, Niigata	3,095,125	Display materials	22.3	Sales and purchase of products related to display materials, Leasing of land and buildings, Concurrent directorship
Innovision FlexTech Corporation	Kaohsiung City, Taiwan	230,490 (Thousands of New Taiwan dollar)	Display materials	36.8	Sales and purchase of products related to display materials, Concurrent directorship

- Note:
1. Segment names are stated in the column "Description of core business".
 2. The company falls under the category of specified subsidiary.
 3. Parenthesized figures in the column "Voting interest held by the Company" indicate the ratio of indirect ownership to the pertinent total.
 4. The company submits its own financial report.
 5. Net sales (excluding inter-company sales between the consolidated companies) of TopFlex Corporation account for more than ten hundredths (10/100) of the Group's consolidated net sales.

Key income and loss indices, etc. of TopFlex Corporation

	(Thousands of yen)
(1) Net sales	6,230,292
(2) Ordinary income	275,502
(3) Net income	225,436
(4) Net assets	1,758,532
(5) Total assets	6,679,567

5. Status of Employees

(1) Status of Consolidated Group

(As of March 31, 2018)

Segment name	Number of employees	
Electronic materials	817	(171)
Industrial application structural materials	282	(67)
Electrical insulating materials	131	(12)
Display materials	123	(22)
Total of reportable segments	1,353	(272)
Other	35	(16)
Unallocated (Common)	38	(7)
Total	1,426	(295)

- Note: 1. The column “Number of employees” indicates the number of full-time employees (excluding persons on loan to companies outside our Group from those within our Group and including persons on loan to companies within our Group from those outside our Group), while the annual average number of temporary employees (including part-timers, employees dispatched from staffing agencies and seasonal workers) is stated in the parentheses.
2. The number of employees stated as that of “Unallocated (Common)” is the number of those who belong to the administrative departments of the Company.

(2) Status of Submitting Company

(As of March 31, 2018)

Number of employees	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
592 (99)	42.5	19.0	5,655

Segment name	Number of employees	
Electronic materials	326	(67)
Industrial application structural materials	114	(10)
Electrical insulating materials	65	(11)
Display materials	49	(4)
Total of reportable segments	554	(92)
Unallocated (Common)	38	(7)
Total	592	(99)

- Note: 1. The column “Number of employees” indicates the number of full-time employees (excluding persons on loan to other companies from the Company and including persons on loan to the Company from other companies), while the annual average number of temporary employees (including part-timers, employees dispatched from staffing agencies and seasonal workers) is stated in the parentheses.
2. “Average annual salary” includes bonuses and extra wages.
3. The number of employees stated as that of “Unallocated (Common)” is the number of those who belong to the administrative departments of the Company.

(3) Status of Labor Union

The labor union of the Submitting Company belongs to the local division of the Japanese Federation of Textile, Chemical, Food, Commercial, Service and General Workers’ Unions and has made sound development since its formation in 1946. The labor-management relations are harmonious, and efforts are made to develop the Company’s business through mutual cooperation. The union membership as of March 31, 2018 stands at 476 members.

II. Status of Business

1. Management Policy, Management Environment and Tasks to be Addressed

The matters stated concerning the future in the text are based on judgments made by our Group as of the end of the current consolidated fiscal year.

(1) Basic Policies of Corporate Management

Grounded in the motto “Creation, Innovation and Challenge”, our Group makes it its management policy to:

- (i) offer new values and enhance customer satisfaction;
- (ii) anticipate customer needs and create a new business with creative technology;
- (iii) improve quality and productivity, and strengthen business quality.

Under such management policy, we aim to create corporate value and enhance shareholder value of the Company by means of enhancing customer satisfaction, accelerating new product development and improving profitability through thorough cost reduction. Our Group’s mid- to long-term managerial goals in terms of management indicators are: a ratio of new product sales of 50% or more, an operating income margin of 8% or more and an ROA (return on assets) of 5% or more.

(2) Mid- to Long-Term Management Strategies

We strive to increase profits by enhancing competitiveness of the existing products as well as to develop new products to build the foundation for new businesses.

- In the electronic materials segment, we proceed with the development of new products, centering on mobile devices, in-vehicle devices and semiconductors. We also continue our exhaustive cost-cutting efforts and closely collaborate with the consolidated subsidiaries in pursuit of enhanced competitiveness and expanded market shares.
- In the industrial application structural materials segment and electrical insulating materials segment, we promote new product development and sales expansion focusing on transportation infrastructure, water treatment and electrical insulating, with a view to maintaining sound profitability and expanding market shares.
- In the display materials segment, we make efforts toward early launch of new products utilizing our unique optical technology into market, primarily in the fields of medical applications, in-vehicle devices and large sized displays.
- We deepens collaboration with the overseas consolidated subsidiaries and work to further expand sales by strengthening the technical service to customers.

(3) Tasks to be Addressed by the Company

Our Group promotes the following as the tasks to be addressed in order to ensure accelerated and thorough implementation of the aforesaid management strategies.

- Exhaustive review of manufacturing technologies and materials selection in order to realize more competitive cost structure
- Thorough cost reduction by means of improving management techniques (centering on the Arisawa Production System) and proprietary technologies as well as enhancing professional competence of individual employees
- Promotion of enhanced cooperation among the manufacturing, sales and technical divisions in pursuit of more efficient business operations

(4) Basic Policy for the Control of Kabushiki-Kaisha

- 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 stock listed on the stock exchange for unfettered trading of its shares 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.

2. Business Risks, etc.

Among the matters related to the status of business and the status of accounting, etc., which are stated in the Financial Report, the following matters are included, as of the date of submission of the Financial Report, in the matters that may substantially affect investors' judgment.

The matters stated concerning the future in the text are based on judgments made by our Group as of the end of the current consolidated fiscal year.

(1) Fluctuations in Demand for Products

Major users of the products manufactured and sold by our Group are consumer electronic appliance manufacturers, electronic component manufacturers, industrial electronic device manufacturers, etc., and fluctuations in demand for consumer electronic appliances affect the results of operations of our Group.

(2) Dependence on Particular Products

Net sales of our Group depend largely on the electronic materials segment. A sales decline in this segment may affect the results of operations of our Group.

(3) Development of New Businesses

Our Group is making efforts to launch several new businesses, and the status of progress in such efforts may affect the results of operations of our Group.

(4) Procurement of Raw Materials

If purchase prices of the raw materials purchased by our Group rise sharply due to a surge in crude oil prices, etc., such rise may affect the results of operations of our Group.

(5) Impact of Disasters

The vast majority of our Group's production bases are located in Joetsu-shi, Niigata, Japan. In the event of an earthquake or other disaster, the resultant disruption or interruption of production activities, etc. may affect the results of operations of our Group.

(6) Environmental Regulations

Businesses of our Group are subject to various legal regulations, including, but not limited to, those applicable to environmental protection. If any significant liability or obligation accrues to our Group in connection with compliance with any such environmental or other kind of regulation, such liability or obligation may affect the results of operations of our Group.

3. Analyses of Consolidated Financial Position, Business Results and Cash Flows by the Corporate Managers

(1) Overview of Operating Results, etc.

Analysis of financial conditions, results of operations and status of cash flows of the current consolidated fiscal year is as follows.

i) Financial Position and Operating Results

The Japanese economy in the current consolidated fiscal year, against the backdrop of the government's economic and monetary policies, remained on a moderate overall recovery track. Meanwhile, a sense of uncertainty regarding the economic outlook persisted due largely to the UK leaving the European Union (Brexit), the output of the U.S. Presidential Election and the deceleration of growth in most major emerging economies.

Under such circumstances, our corporate group (the Company, its consolidated subsidiaries and the affiliated companies accounted for under the equity method; hereinafter referred to as either "our Group" or the "Group", as the case may be) saw a year-on-year decline, as compared with the previous fiscal year, in the sales in the electronic materials segment (for use primarily in multifunctional mobile terminals) and the industrial application structural materials segment.

As a result, the business results of our Group for the current consolidated fiscal year showed net sales of 40,909 million yen (representing a 18.7% increase as compared with the previous consolidated fiscal year),

an operating income of 3,627 million yen (representing a 102.6% increase as compared with the previous consolidated fiscal year), an ordinary income of 4,044 million yen (representing a 50.3% increase as compared with the previous consolidated fiscal year) and a profit attributable to owners of the parent of 3,452 million yen (representing a 69.5% increase as compared with the previous consolidated fiscal year).

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 fiscal year, and the following comparisons with the previous consolidated fiscal year are made with figures for the previous consolidated fiscal year reclassified into the segmentation after such change.

1) Electronic materials

In the electronic materials segment, net sales were 20,306 million yen, representing a 9.4% decrease as compared with the previous consolidated fiscal year and consisting mainly of the sales of our mainstay product, i.e. materials for flexible printed circuit boards (the amount of orders received decreased by 16.7% to 12,928 million yen, and the production output decreased by 14.5%, as compared with the previous consolidated fiscal year on a non-consolidated basis of the Submitting Company), while the segment income or loss recorded an income of 1,850 million yen (representing a 22.7% decrease as compared with the previous consolidated fiscal year).

2) Industrial application structural materials

In the industrial application structural materials segment, net sales (consisting mainly of the sales of filament winding molded products, honeycomb panels and prepregs for aircraft, pultrusion molded products and FRP ski sheets) were 7,319 million yen, representing a 9.6% decrease as compared with the previous consolidated fiscal year, while the segment income or loss recorded an income of 568 million yen (representing a 52.4% decrease as compared with the previous consolidated fiscal year).

3) Electrical insulating materials

In the electrical insulating materials segment, net sales (consisting mainly of the sales of glass cloth, glass tapes and prepregs for electrical insulation) were 3,117 million yen, representing a 2.2% decrease as compared with the previous consolidated fiscal year, while the segment income or loss recorded an income of 570 million yen (representing a 2.1% increase as compared with the previous consolidated fiscal year).

4) Display materials

In the display materials segment, net sales (consisting mainly of the sales of 3D imaging-related materials) were 2,802 million yen, representing a 12.2% increase as compared with the previous consolidated fiscal year, while the segment income or loss recorded a loss of 172 million yen (representing a segment loss of 174 million yen for the previous consolidated fiscal year).

5) Related goods sales

In the related goods sales segment, net sales were 749 million yen, representing a 13.2% decrease as compared with the previous consolidated fiscal year, while the segment income or loss recorded an income of 46 million yen (representing a 16.6% decrease as compared with the previous consolidated fiscal year).

6) Other (other businesses)

In other businesses, net sales were 156 million yen, representing a 2.7% decrease as compared with the previous consolidated fiscal year, while the segment income or loss recorded an income of 150 million yen (representing a 5.3% increase as compared with the previous consolidated fiscal year).

The amounts of net sales, orders received, etc. stated in this section do not include consumption tax, etc.

ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as the "Funds") as of the end of the current consolidated fiscal year were 8,829 million yen, representing a year-on-year increase of 1,803 million yen, or 25.7%.

The following is the status of each cash flow category during the current consolidated fiscal year and the key factors of such status.

(Cash flows from operating activities)

Funds earned from operating activities were 2,181 million yen, representing a 36.2% decrease as compared with the previous consolidated fiscal year. This was due largely to an increase in the Funds comprising 4,745 million yen in income before income taxes and 1,712 million yen in depreciation, etc. as well as a decrease in the Funds comprising 2,663 million yen in increase in notes and accounts receivable-trade, etc.

(Cash flows from investing activities)

Funds disbursed for investing activities were 471 million yen, representing a 71.8% decrease as compared with the previous consolidated fiscal year. This was due largely to an increase in the Funds comprising the proceeds of 2,987 million yen from sales of investment securities, etc. as well as a decrease in the Funds comprising the expenditure of 1,700 million yen for purchases of property, plant and equipment and the expenditure of 1,418 million yen for purchases of investment securities, etc.

(Cash flows from financing activities)

Funds disbursed from financing activities were 59 million yen (versus an inflow of 419 million yen for the previous consolidated fiscal year). This was due largely to an increase in the Funds comprising the proceeds of 911 million yen from net increase in short-term loans payable and 690 million yen from long-term loans payable, etc. as well as a decrease in the Funds comprising the expenditure of 913 million yen for repayments of long-term loans payable and 712 million yen in cash dividends paid, etc.

iii) Status of Production, Receipt of Orders and Sales

1) Production Results and Status of Receipt of Orders

Our Group (the Company and its consolidated subsidiaries; the same shall apply hereinafter) manufactures and sells such an extensive and varied range of products that even the products of the same type are not necessarily uniform in capacity, construction, form or other respects. Also, quite a few of our products are not manufactured on a made-to-order basis. Such being the case, we do not indicate any segmentalized production volume and order volume in monetary amounts or quantities.

For this reason, we indicate the status of production, receipt of orders and sales in a correlation with the business results with respect to each of the segments shown in “(1) Overview of Operating Results, etc. -

i) Financial Position and Operating Results”

2) Sales Results

Net sales for the current consolidated fiscal year with respect to each reportable segment are as follows.

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

Segment name	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018) (Millions of yen)	Comparison with the previous consolidated fiscal year (%)
Electronic materials	26,758	31.8
Industrial application structural materials	7,220	△1.4
Electrical insulating materials	3,228	3.6
Display materials	2,988	6.6
Total of reportable segments	40,195	19.8
Other	713	△21.2
Total	40,909	18.7

Note: 1. Inter-segment transactions are eliminated by setoff.

2. Sales results with respect to each major customer and their respective ratios to the total sales amount for the last two consolidated fiscal years are as follows.

Customer name	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)		Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Sumitomo Shoji Chemicals Co., Ltd.	4,695	13.6	6,185	15.1

3. The amounts stated above do not include consumption tax, etc.

(2) Details of analysis and study regarding the conditions of operating results etc. from the viewpoint of corporate managers.

Details of perception, analysis and study regarding the conditions of operating results etc. of our Group from the viewpoint of corporate managers are as followings.

The matters regarding future in the following sentences were judged as of end of the current consolidated fiscal year.

i) Critical Accounting Policies and Estimates

The consolidated financial statements of our Group are made based upon the corporate accounting standards which are generally accepted in Japan. In preparing this consolidated financial statements, the management are required to estimate for accounting. With respect to such estimates, the management comprehensively considers and reasonably judges past results, present circumstances, etc.; nevertheless, actual results may become different from the said estimates due to uncertainty peculiar to estimating.

The critical accounting policies adopted for the preparation of financial statements are described in "Important Matters Underlying Preparation of Consolidated Financial Statements" of "V. Status of Accounting: 1. Consolidated Financial Statements, etc.", among which the following critical accounting policies are considered to have a profound effect on the important judging and estimating in course of preparing consolidated financial statements.

1) Allowance for doubtful accounts

In our Group, as a reserve for potential loan losses, an estimated uncollectible amount is recorded based on the historical loan-loss ratio in the case of general accounts receivable, and in light of the collectability in each instance in the case of some specific accounts receivable, e.g. doubtful receivables. When a financial condition of customers gets worse and their solvency declines, an additional allowance may need recording.

2) Assessment of recoverability of deferred tax assets

When applying tax effect accounting, our Group reasonably estimates recoverability of deferred tax assets and records such assets after deduction of valuation allowance. Recoverability of deferred tax assets depends on the possibility of future untaxable depreciation of taxable items and on the future taxable income estimated on the basis of future profitability; therefore, if such estimated amount vary, a profit may fluctuate due to reversal or additional recording of the deferred tax assets.

3) Impairment of securities and investment securities

Our Group holds securities and investment securities; we use, as valuation methods, the market method on securities with market value and use the cost method on securities without market value. We conduct treatments for impairment on our owned securities according to reasonable standards, because we bear the risk of price fluctuation in the stock market (if such securities have market value) and investees' business results etc. may worsen (if such securities have no market value).

Our Group has conducted necessary treatments for impairment on securities and investment securities. Additionally, if any loss which is not reflected on the current book value occurs or any book value becomes uncollectible due to deteriorating market conditions, worsening business results of investees, etc. in the future, further treatments for impairment may be required according to the said standards.

4) Impairment of non-current assets

Our Group applies Accounting Standard for Impairment of Fixed Assets, and is grouping non-current assets on the basis of business unit which generates cash flow independently. When the recoverable amount of an asset group falls below book amount, such different amount is perceived as an impairment loss. When the recoverable amount of an asset group further goes down in the future, further recording of an impairment loss may be required.

ii) Details of Perception, Analysis and Study regarding the Conditions of Operating Results etc. of the Current Consolidated Fiscal Year

1) Details of perception, analysis and study regarding the conditions of operating results etc.

In the current consolidated fiscal year, we worked, anticipating the changing market, for the continuous growth of existing business by developing new products and differentiation-products. At the same time, we continued an aggressive effort for the market expansion and the growth of our Group by developing new products in each segment. Electronic materials, as the core products of our Group, increased in orders (including our subsidiary, "ThinFlex Corporation") for multifunctional mobile devices and supported the whole Group. Regarding industrial application structural materials and electrical insulating materials, we look forward to further growth and we will continue to develop new products and to increase profitability.

With respect to display materials, though we have segment losses continuously, we aim to return to the black by obtaining stable orders.

Analysis of operating results etc. of our Group in the current fiscal year is as followings.

Analysis of Results of Operations

(Net sales)

Net sales for the current consolidated fiscal year were 40,909 million yen (34,451 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 6,457 million yen, or 18.7%. Cost of sales was 32,730 million yen (28,557 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 4,173 million yen and signifying a 2.9 percentage point amelioration in the ratio of cost of sales to 80.0% our thoroughgoing efforts to cut costs.

As a result, gross profit was 8,178 million yen (5,894 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 2,284 million yen and signifying the ratio of gross profit to 20.0%.

(Operating income or loss)

Total selling, general and administrative expenses for the current consolidated fiscal year were 4,551 million yen (4,104 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 447 million yen and signifying a 0.8 percentage point decrease in the ratio of selling, general and administrative expenses to 11.1% in our thoroughgoing efforts to cut costs.

As a result, operating income was 3,627 million yen (1,790 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 1,836 million yen.

(Ordinary income or loss)

Total non-operating income for the current consolidated fiscal year was 1,203 million yen (1,253 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 50 million yen. This was due largely to a decrease of 24 million yen in interest income. Total non-operating expenses were 786 million yen (353 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 432 million yen. This was due largely to the posting in the current consolidated fiscal year of 311 million yen in Provision of allowance for doubtful accounts.

As a result, ordinary income was 4,044 million yen (2,690 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 1,353 million yen.

(Income or loss before income taxes)

Total extraordinary income for the current consolidated fiscal year was 851 million yen (152 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 699 million yen. This was due largely to an increase of 729 million yen in gain on sales of investment securities. Total extraordinary losses were 150 million yen (36 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 114 million yen. This was due largely to an increase of 62 million yen in loss on valuation of investment securities.

As a result, income before income taxes was 4,745 million yen (2,806 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 1,938 million yen.

(Profit or loss attributable to owners of the parent)

Total income taxes for the current consolidated fiscal year were 995 million yen (591 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 403 million yen. As the bottom line, profit attributable to owners of the parent for the current consolidated fiscal year was 3,452 million yen (2,037 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 1,415 million yen and signifying a 2.5 percentage point decline in the ratio of profit attributable to owners of the parent to 8.4%.

Analysis of Financial Conditions

(Assets)

Total assets as of the end of the current consolidated fiscal year were 72,644 million yen (63,808 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 8,835 million yen, or 13.8%.

Balance of total current assets as of the end of the current consolidated fiscal year was 36,367 million yen (28,288 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 8,079 million yen, or 28.6%. This was due largely to an increase of 3,328 million yen in notes

and accounts receivable-trade, an increase of 1,455 million yen in cash and deposits an increase of 1,313 million yen in merchandise and finished goods.

Balance of total non-current assets as of the end of the current consolidated fiscal year was 36,276 million yen (35,520 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 756 million yen, or 2.1%. This was due largely to an increase of 570 million yen in investment securities.

(Liabilities)

Total liabilities as of the end of the current consolidated fiscal year were 20,151 million yen (15,257 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 4,894 million yen, or 32.1%.

Balance of total current liabilities as of the end of the current consolidated fiscal year was 15,982 million yen (11,679 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 4,303 million yen, or 36.8%. This was due largely to an increase of 1,751 million yen in short-term loans payable (including current portion of long-term loans payable), an increase of 1,626 million yen in notes and accounts payable-trade and an increase of 567 million yen in income taxes payable.

Balance of total non-current liabilities as of the end of the current consolidated fiscal year was 4,169 million yen (3,577 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 591 million yen, or 16.5%. This was due largely to an increase of 265 million yen in net defined benefit liability and an increase of 164 million yen in long-term loans payable.

(Net assets)

Total net assets as of the end of the current consolidated fiscal year were 52,492 million yen (48,551 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 3,941 million yen, or 8.1%. This was due largely to an increase of 2,752 million yen in retained earnings.

Analysis of Cash Flows

Status of each cash flow category during the current consolidated fiscal year and the factors behind such status are stated in II. Status of Business - 3. Analyses of Consolidated Financial Position, Business Results and Cash Flows by the Corporate Managers - (1) Overview of Operating Results, etc. - ii) Cash Flows.

(Cash flow indicators)

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Equity ratio (%)	72.2	68.3
Equity ratio on a mark-to-market basis (%)	43.7	48.9
Ratio of interest-bearing liabilities to cash flows (Years)	1.5	3.2
Interest coverage ratio (Times)	70.5	28.5

Note: Equity ratio: Total shareholders' equity / Total assets

Equity ratio on a mark-to-market basis: Total market capitalization / Total assets

Ratio of interest-bearing liabilities to cash flows: Interest-bearing liabilities / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest paid

- All indicators above are calculated on the basis of the consolidated financial results.
- Total market capitalization is calculated by multiplying the number of shares issued and outstanding at the end of the period (excluding treasury stock) by the closing price per share at the end of the period.
- Interest-bearing liabilities represent all those liabilities (stated in the consolidated balance sheets) on which interest is paid.
- For operating cash flows, the amount of "Net cash provided by (used in) operating activities" stated in the consolidated statements of cash flows is used. For the interest paid, the amount of "Interest expenses paid" stated in the consolidated statements of cash flows is used.

Factors that May Give Material Impact to Operating Results of Our Group

Factors that may give material impact to operating results of our Group are described in "II. Status of Business 2. Business Risks, etc."

2) Financial resources for capital and liquidity of funds

Our Group makes it our basic policy to stably secure the liquidity of funds and the resources of capital

required for business operations. Though we basically use our own capital for short-term working capital, we hold a contract for overdraft with main financing banks so as to procure temporary working capital efficiently in time of insufficiency. Regarding the capital relating to capital formation such as business investments, we basically procure our own capital and long-term borrowings from financial institutions in view of financing cost and risk diversification. Additionally, for the purpose of efficient fund management, reducing of financial risk and saving of interest expenses, our Group started "Group Finance".

3) Objective Indicators etc. for Judgement on the Status of Achievement of Management Policy, Management Strategies and Managerial goals

Our Group aims to enhance shareholder value of the companies by strengthening of profit structure and improving of asset efficiency, and also makes "Operating Income Margin" and "Return on Assets (ROA)" as critical indicators. In the current consolidated fiscal year, the Operating Income Margin is 8.9% (representing a 3.7 point improvement as compared with the previous year) and the Return on Assets is 5.1% (representing a 1.8% point improvement as compared with the previous year). We intend to continue further improvement of such indicators.

4) Details of Perception, Analysis and Study regarding Financial Position and Conditions of Operating Results of each Segment

Details of Perception, Analysis and Study regarding the financial position and conditions of operating results of each segment in the consolidated fiscal year are described in "(1) Overview of Operating Results, etc.; i) Financial Position and Operating Results" and "(2) Details of analysis and study regarding the conditions of operating results etc. from the viewpoint of corporate managers; ii) Details of Perception, Analysis and Study regarding the Conditions of Operating Results etc. of the Current Consolidated Fiscal Year; 1) Details of perception, analysis and study regarding the conditions of operating results etc."

4. Agreements with Managerial Implications, etc.

No applicable matter.

5. Research and Development Activities

Major research and development activities of our Group are conducted by the Submitting Company as well as ThinFlex Corporation, Satosen Co., Ltd. and ColorLink Japan, Ltd., consolidated subsidiaries of the Submitting Company, and these companies are also disseminating technologies to other consolidated subsidiaries.

As a technology-oriented corporate group, we adopt a flexible organization as a basis for our research and development activities in order to match the increasingly diversified and sophisticated needs of the users. Centering on our core business fields, i.e. the electronic materials field, the industrial structural materials field, the electrical insulating material field and the display materials field, we vigorously pursue research and development of new technologies and new products, aiming at launching new products to the market, nurturing of next generation products, forward-looking promotion of technologies and expansion of fundamental technologies.

Examples of electronic materials include glass cloth for printed circuit boards, prepregs for special printed circuit boards and materials for FPCs (flexible printed circuit boards), etc. Examples of industrial structural materials include materials for use in water treatment equipment, materials for use in superconductivity applications, materials for aircraft interiors. Examples of electrical insulating materials include prepregs for use in electrical insulating and various molded products, etc. Examples of display materials include 3D-filters, optical molded products, etc.

As of the end of the current consolidated fiscal year, we had 169 employees involved in research and development activities, and our total research and development expenses incurred in the current consolidated fiscal year amounted to 1,971 million yen.

Research and development achievements and the amount of research and development expenses incurred with respect to each field during the current consolidated fiscal year were as follows.

(1) Electronic Materials Field

- Materials for flexible printed circuit boards

Increasing amount of communicated information has accelerated the trend of high-speed telecommunication in

the field of mobile devices. It is anticipated that next-generation 5G telecommunication will be realized by 2020 and the trend of IoT will be accelerated furthermore. Electronic components used for such high-speed telecommunication require more reduction of signal transmission loss. In order to deal with this challenge, the Company has developed, by means of our original technology for resin composition, low-dielectric polyimide and adhesive which have less signal transmission loss. Now the evaluation of FPC circuit boards, adhesive sheets and coverlays is being conducted by our customers.

- Heat dissipation materials

Electronic components installed in automobiles require heat cycle resistance properties which are adaptable to very harsh condition of repeating exposure to frigid atmosphere and heat atmosphere. Heat dissipation sheets also require such heat cycle resistance properties. The Company has developed, by means of our original technology for resin composition, a heat dissipation resin sheet which is improved substantially in respect of such resistance. Now the evaluation is being conducted by our customers.

Research and development expenses incurred with respect to electronic materials amounted to 1,138 million yen.

(2) Industrial Application Structural Materials Field and Electrical Insulating Materials Field

- Interior materials for railway cars

The Company delivers flame-retardant honeycomb panels and carbon prepregs which are used as interior materials for cabins of airframes. We are now developing such flame-retardant technology for use as interior materials of railway cars. The interior materials for ceilings which we developed in the fiscal year 2017 satisfied the standard of "Non-flammable" of JRMA (Japan Railway Rolling Stock & Machinery Association). These interior materials for ceilings are to be used in some railway cars for sightseeing. Requirements of flame-retardant properties for the interior materials for railway vary between wall materials, ceiling materials and floor materials. Motivated by the said adoption of the ceiling materials, we intend to develop such new materials as satisfy each requirement for those above.

- FRP pressure vessels for forward osmosis membrane

In addition to Reverse Osmosis (RO), Forward Osmosis (FO) technology has attracted attention as the water treatment technology which desalinates seawater or converts river water into drinkable water. Forward Osmosis is water treatment technology which utilizes a natural phenomenon that saltwater will flow from dense side to thin side and water level of the thin side will rise (forward osmosis). This technology requires neither high-pressure pumps nor high-pressure piping because of its lower pressure to put (1/3~1/10) compared with Reverse Osmosis technology and features a reduction of running costs for desalination. The Company has developed a pressure vessel which is suitable to such lower pressure of Forward Osmosis. Forward Osmosis is expected to be applied to electric power generation other than water treatment and furthermore various kinds of demand are anticipated in the future. We will continue to develop more advanced pressure vessels for Forward Osmosis in flexible response to such demand.

Research and development expenses incurred with respect to composite materials amounted to 400 million yen.

(3) Display Materials Field

- 3D display materials

The 3D display systems incorporating the Company's "Xpol®" patterned retardation layer have been increasingly adopted in the healthcare sector, among others, due largely to their high quality reliability and excellent stereoscopic imaging properties. These systems have been evaluated for use of various purposes, so we are advancing the development in response to such demand. In the fiscal year 2017, we developed a new Xpol in response to the demand for high-definition trend and launched the delivery thereof. Now we are advancing further development and capital investment in order to respond to the demand for large screens, and we will continue efforts to clinch adoptions thereof in the fiscal year 2018.

- Screen materials

The Company's original fine contrast screens are optimally designed for use in the long throw projectors and our prismatic screens are optimally designed for use in the ultra-short throw projectors, both of which are highly regarded in respect of their excellent contrast and viewing angle characteristics.

In the fiscal year 2017, we developed an ultra-wide fine contrast screen for 150" and launched the delivery thereof. It is suitable for home theaters, education and business, and therefore is expected to be further adopted in the future. With respect to the prismatic screens, we are advancing the development of large and wind-up

products, and we will accelerate promotion for future adoptions thereof.

- UV-curing optically clear adhesives (OCAs)

The Optical Clear Adhesive sheets are used for bonding various components in products such as touchscreen devices as well as liquid crystal monitors. With the development of commercial large monitors and curved-surface monitors, the use of clear plastic materials instead of glass materials as surface materials is being studied in recent years. Traditional OCAs have a weakness of low adhesive reliability for clear plastic materials, and so the Company developed an OCA which has high reliability by means of our original technology for resin composition. The evaluation thereof is currently conducted by our customers.

Research and development expenses incurred with respect to display materials amounted to 394 million yen.

III. Status of Facilities

1. Outline of Capital Investment

Our Group concentrates its capital investment in the expansive and growing fields in order to keep pace with the rapid technological innovation and the tough sales competition and made capital expenditures totalling 1,194 million yen in the current consolidated fiscal year.

The principal component of our capital investment in the current consolidated fiscal year was 882 million yen for production equipment related to electronic materials centering on materials for flexible printed circuit boards.

In this regard, no retirement or sale, etc. of facilities or equipment that may significantly affect our Group's production capacity was conducted in the current consolidated fiscal year.

2. Status of Major Facilities

(1) Submitting Company

As of March 31, 2018

Name of business place (Location)	Segment name	Nature of facilities	Book value						Number of employees
			Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Land (Thousands of yen) (Area m ²)	Lease assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	
Minami-honcho Factory (Joetsu-shi, Niigata)	Electronic materials, Industrial application structural materials, Electrical insulating materials,	Electronic materials manufacturing facilities, Industrial application structural materials manufacturing facilities, Electrical insulating materials manufacturing facilities,	455,319	103,946	55,272 (18,263)	—	7,372	621,910	57 (11)
Nakadahara Factory (Joetsu-shi, Niigata)	Electronic materials, Industrial application structural materials, Electrical insulating materials, Display materials	Electronic materials manufacturing facilities, Industrial application structural materials manufacturing facilities, Electrical insulating materials manufacturing facilities, Display materials manufacturing facilities	2,432,266	1,228,729	290,647 (114,101)	—	120,717	4,072,360	420 (76)
Nakadahara-Nishi Factory (Joetsu-shi, Niigata)	Industrial application structural materials, Display materials	Industrial application structural materials, Display materials manufacturing facilities	168,866	235,419	371,813 (34,551)	—	5,464	781,564	45 (4)
Head Office (Joetsu-shi, Niigata)	Head office (Common)	Other facilities	659,853	6,652	103,742 (29,230)	—	82,502	852,751	33 (7)
Tokyo Branch Office (Taito-ku, Tokyo)	Electronic materials, Industrial application structural materials, Electrical insulating materials, Display materials, Other, Head office (Common)	Other facilities	126,499	1,749	173,086 (478)	860	3,550	305,745	37 (1)

(2) Domestic Subsidiaries

As of March 31, 2018

Company name	Name of business place (Location)	Segment name	Nature of facilities	Book value						Number of employees
				Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Land (Thousands of yen) (Area m ²)	Lease assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	
Satosan Co., Ltd.	--- (Osaka-shi, Osaka)	Electronic materials,	Electronic materials manufacturing	215,096	323,427	389,000 (4,373)	—	27,342	954,866	101 (87)
Arisawa Fiber Glass Co., Ltd.	--- (Joetsu-shi, Niigata)	Electronic materials, Electrical insulating materials	Electronic materials manufacturing facilities, Electrical insulating materials manufacturing facilities	278,339	162,267	117,092 (34,671)	—	419	558,117	84 (17)
Arisawa Sogyo Co., Ltd.	--- (Joetsu-shi, Niigata)	Industrial application structural materials, Electrical insulating materials, Other	Industrial application structural materials manufacturing facilities, Electrical insulating materials manufacturing facilities	276,244	55,787	254,122 (42,730)	—	7,709	593,863	119 (26)
Arisawa Jushi Kogyo Co., Ltd.	--- (Kawaguchi-shi, Saitama)	Electrical insulating materials	Electrical insulating materials manufacturing facilities	53,647	10,244	31,561 (2,407)	—	8,151	103,605	21 (—)
ColorLink Japan, Ltd.	--- (Joetsu-shi, Niigata)	Display materials	Display materials manufacturing facilities	103,380	87,075	45,476 (4,200)	—	22,262	258,194	74 (18)

(3) Overseas Subsidiaries

As of March 31, 2018

Company name	Name of business place (Location)	Segment name	Nature of facilities	Book value						Number of employees
				Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Land (Thousands of yen) (Area m ²)	Lease assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	
ThinFlex Corporation	--- (Kaohsiung County, Taiwan)	Electronic materials	Electronic materials manufacturing facilities	650,643	919,820	—	135,161	56,289	1,761,915	206 (—)
TopFlex Corporation	--- (Kunshan City, P.R. China)	Electronic materials	Electronic materials manufacturing facilities	279,975	125,671	47,580 (44,086)	—	18,201	471,429	129 (—)
Protec Arisawa Europe, S.A.	--- (Munguia, Spain)	Industrial application structural materials	Industrial application structural materials manufacturing facilities	73,146	157,702	4,384 (8,000)	—	9,552	244,786	60 (46)
Protec Arisawa America, Inc.	--- (Vista, CA, U.S.A.)	Industrial application structural materials	Industrial application structural materials manufacturing facilities	3,595	77,578	—	—	20,949	102,123	40 (2)

- Note:
1. Among the columns under “Book value”, “Other” indicates the total of tools, furniture and fixtures and construction in progress. The amounts stated above do not include consumption tax, etc.
 2. Major facilities leased out by the Submitting Company to its domestic subsidiaries are included in the facilities of the pertinent subsidiaries respectively.
 3. Facilities and employees in Kansai office are included in Satosen Co., Ltd. and the number of employees of Protec International Holdings Co., Ltd. and Protec Arisawa Japan Co., Ltd. combined is shown as part of the number of employees of the Tokyo Branch Office.
 4. The value of the land of TopFlex Corporation represents the balance of the relevant land-use rights and is recorded as part of “Other” in “Investments and other assets”.
 5. The parenthesized figures in the column “Number of employees” indicate the number of temporary employees not included in the pertinent total.
 6. Facilities leased out to non-consolidated subsidiaries are included in the facilities of Tokyo Branch Office of the Submitting Company. Major items of such leased facilities are shown below.

Name of associated company	Land		Buildings and structures	Machinery, equipment and vehicles
	Area (m ²)	Amount (Thousands of yen)	Amount (Thousands of yen)	Amount (Thousands of yen)
NB Optic, Co., Ltd.	108	39,203	—	—

3. Plans for Installation and Retirement, etc. of Facilities

(1) Installation, etc. of Material Facilities

Name of business place or company	Location	Segment name	Nature of facilities	Investment amount		Source of funds	Scheduled start and completion months		Capacity increase upon completion
				Total amount to be invested (Thousands of yen)	Amount hitherto disbursed (Thousands of yen)		Start	Completion	
Arisawa Mfg. Co., Ltd.	Joetsu-shi, Niigata	Electronic materials	Electronic materials manufacturing facilities	469,500	—	Own funds	March 2018	March 2019	—
ThinFlex Corporation	Kaohsiung County, Taiwan	Electronic materials	Electronic materials manufacturing facilities	456,250	395,462	Own funds and loan	October 2017	December 2018	—

- Note:
1. The amounts stated above do not include consumption tax, etc.
 2. No amount or value is shown in the column “Capacity increase upon completion” as it is difficult to reasonably determine any pertinent amount or value.

(2) Retirement, etc. of Material Facilities

There is no plan for retirement, etc. of material facilities.

IV. 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 business year (As of March 31, 2018)	Number of shares issued and outstanding as of the filing date of the Financial Report (As of June 29, 2018)	Name of financial instruments exchange where the shares are listed or authorized financial instruments firms association where the shares are registered	Remarks
Common stock	36,024,124	36,078,924	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	36,024,124	36,078,924	---	---

Note: The number of shares issued through the exercise of stock acquisition rights in the period from June 1, 2018 to the filing date of this Financial Report is not included in the column "Number of shares issued and outstanding as of the filing date of the Financial Report".

(2) Status of Stock Acquisition Rights, etc.

1) Details of Stock Option Scheme

Stock acquisition rights issued under the former Commercial Code were as follows.

Date of resolution	June 29, 2005
Category and number of persons to whom stock acquisition rights shall be granted	6 directors of the Company whose retirement bonuses were discontinued with approval of the shareholders at the 56th Ordinary General Meeting of Shareholders
Number of stock acquisition rights (Units) ※	271
Class, contents and number of shares subject to stock acquisition rights ※	Common stock 27,700
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	1
Exercise period for stock acquisition rights ※	August 1, 2005 through July 31, 2025
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 Amount credited to equity capital 1
Conditions for the exercise of stock acquisition rights ※	(1) Eligible person may exercise the stock acquisition rights only on the occasion of his or her retirement from the post of director of the Company; provided, however, that the eligible person shall exercise the stock acquisition rights in the period between the date immediately following the date of his or her retirement (hereinafter referred to as the “Date of Commencing Exercise of Right”) and the date elapsing ten (10) days from the Date of Commencing Exercise of Right (both dates inclusive). (2) In the event of the eligible person’s death, among his or her heirs, only the spouse, children and lineal ascendants (first degree) of the eligible person may exercise the stock acquisition rights; provided, however, that such heirs shall exercise the stock acquisition rights in the period between the date immediately following the date of retirement of the eligible person by death and the date elapsing three (3) months from such date (both dates inclusive).
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 the grant of stock acquisition rights in connection with acts of reorganization ※	---

※ The contents are described as of the end of the current business year (March 31, 2018). The description as of the end of the month previous to the filing is omitted, because there is no change in what should be described from the end of the current business year to the end of the month previous to the filing (May 31, 2018).

Note: The stock acquisition rights were granted in lieu of payment of money to the directors of the Company whose retirement bonuses were discontinued with approval of the shareholders at the 56th Ordinary General Meeting of Shareholders (June 29, 2004).

Stock acquisition rights issued under the Companies Act were as follows.

Date of resolution	June 27, 2013	June 26, 2014
Category and number of persons to whom stock acquisition rights shall be granted	6 directors of the Company, 163 employees of the Company, and 9 directors and employees of subsidiaries of the Company	6 directors of the Company, 163 employees of the Company, and 10 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	537 [444]	1,625 [1,326]
Class, contents and number of shares subject to stock acquisition rights	Common stock 53,700 [44,400]	Common stock 162,500 [132,600]
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	569 (See Note 1)	741 (See Note 1)
Exercise period for stock acquisition rights ※	July 1, 2015 through June 30, 2018	July 1, 2016 through June 30, 2019
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) ※	Issuance price 728 Amount credited to equity capital 364	Issuance price 923 Amount credited to equity capital 461.5
Conditions for the exercise of stock acquisition rights ※2	(See Note 2)	
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 the grant of stock acquisition rights in connection with acts of reorganization	(See Note 3)	

Date of resolution	June 26, 2015	June 24, 2016
Category and number of persons to whom stock acquisition rights shall be granted	5 directors of the Company, 176 employees of the Company, and 21 directors and employees of subsidiaries of the Company	5 directors of the Company, 187 employees of the Company, and 14 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	2,575 [2,416]	3,049 [3,049]
Class, contents and number of shares subject to stock acquisition rights	Common stock 257,500 [241,600]	Common stock 304,900 [304,900]
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	867 (See Note 1)	536 (See Note 1)
Exercise period for stock acquisition rights ※	July 1, 2017 through June 30, 2020	July 1, 2018 through June 30, 2021
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) ※	Issuance price 1,035 Amount credited to equity capital 518	Issuance price 634 Amount credited to equity capital 317
Conditions for the exercise of stock acquisition rights ※2	(See Note 2)	
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 the grant of stock acquisition rights in connection with acts of reorganization	(See Note 3)	

Date of resolution	June 28, 2017	June 28, 2018
Category and number of persons to whom stock acquisition rights shall be granted	5 directors of the Company, 194 employees of the Company, and 10 directors and employees of subsidiaries of the Company	5 directors of the Company, 211 employees of the Company, and 11 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	3,102 [3,102]	3,323 [3,323]
Class, contents and number of shares subject to stock acquisition rights	Common stock 310,200 [310,200]	Common stock 332,300 [332,300]
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	1,004 (See Note 1)	Undecided (See Note 1 and 4)
Exercise period for stock acquisition rights ※	July 1, 2019 through June 30, 2022	July 1, 2020 through June 30, 2023
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) ※	Issuance price 1,035 Amount credited to equity capital 518	Undecided
Conditions for the exercise of stock acquisition rights ※2	(See Note 2)	
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 the grant of stock acquisition rights in connection with acts of reorganization	(See Note 3)	

※ The contents are described as of the end of the current business year (March 31, 2018). With respect to the items which changed during the period from the end of the current business year to the end of the month previous to the filing (May 31, 2018), the contents thereof are described in [] as of the end of the month previous to the filing. No other contents changed from the end of the current business year.

Note 1. If the Company conducts a stock split or a reverse stock split after the issuance of stock acquisition rights, the paid-in amount shall be adjusted in accordance with the following calculation formula, and any fraction less than 1 yen arising from such adjustment shall be rounded up to the nearest integer value.

$$\text{Paid-in amount after adjustment} = \text{Paid-in amount before adjustment} \times \frac{1}{\text{Ratio of stock split and reverse stock split}}$$

If the Company issues new shares (except in the case of the issuance of new shares through the exercise of stock options) or disposes of shares of treasury stock at a price less than the current market price of the Company's common stock, the paid-in amount shall be adjusted in accordance with the following calculation formula, and any fraction less than 1 yen arising from such adjustment shall be rounded up to the nearest integer value.

$$\text{Paid-in amount after adjustment} = \text{Paid-in amount before adjustment} \times \frac{\text{Number of shares issued \& outstanding} + \frac{\text{Number of new shares being issued} \times \text{Paid-in amount per share}}{\text{Current market price per share}}}{\text{Number of shares issued \& outstanding} + \text{Number of new shares being issued}}$$

If the Company disposes of shares of treasury stock, the "Number of new shares being issued" shall instead be read as the "Number of shares of treasury stock being disposed of".

2. 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.
3. 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.
4. Amount to be paid at the time of exercising each unit of stock acquisition right shall be the amount obtained by multiplying the paid-in amount per share determined on the date of allotment by the number of shares subject to one unit of stock acquisition right. The said paid-in amount per share shall be the amount obtained by multiplying the simple mean value of the closing price of shares of common stock of the Company in regular trading at the Tokyo

Stock Exchange on the date of allotment and the closing prices for the nearest six (6) days where a closing price exists preceding the date of allotment (or the nearest seven (7) days where a closing price exists preceding the date of allotment, if there is no closing price on the date of allotment) by 1.05. Any fraction less than 1 yen arising from this calculation shall be rounded up to the nearest integer value. However, if the resulting amount is less than the closing price on the date of allotment (or the closing price on the nearest preceding day, if there is no closing price on the date of allotment), the closing price on the date of allotment (or the closing price on the nearest preceding day, if there is no closing price on the date of allotment) shall be used instead.

2) Details of Rights Plan

No applicable matter.

3) Status of Other stock acquisition right

No applicable matter.

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

No applicable matter.

(4) 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 April 1, 2013 to March 31, 2014 (See Note)	133,200	35,131,024	36,363	7,153,623	36,363	6,265,645
From April 1, 2014 to March 31, 2015 (See Note)	354,800	35,485,824	108,867	7,262,490	108,867	6,374,513
From April 1, 2015 to March 31, 2016 (See Note)	125,300	35,611,124	31,857	7,294,347	31,853	6,406,366
From April 1, 2016 to March 31, 2017 (See Note)	68,500	35,679,624	22,672	7,317,019	22,672	6,429,038
From April 1, 2017 to March 31, 2018 (See Note)	344,500	36,024,124	141,222	7,458,242	141,170	6,570,209

Note: The increases are due to the exercise of stock acquisition rights.

(5) Status of Shareholder Categories

As of March 31, 2018

Category	Status of Shares (Number of shares constituting one full unit: 100)								Status of shares constituting less than one full unit
	Governments and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	—	31	41	100	85	11	10,578	10,846	—
Number of shares held (Units except as otherwise noted)	—	143,405	7,456	30,882	53,041	116	124,515	359,415	82,624
Ratio of the number of shares held (%)	—	39.90	2.07	8.60	14.76	0.03	34.64	100.00	—

- Note:
1. Out of 7,084 shares of treasury stock, 70 units are included in the column “Individuals and others”, and 84 shares are included in the column “Status of shares constituting less than one full unit”.
 2. In the columns “Other corporations” and “Status of shares constituting less than one full unit”, shares held in the name of Japan Securities Depository Center, Inc. are included by 5 units and 19 shares, respectively.

(6) Status of Major Shareholders

As of March 31, 2018

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 (excluding treasury stock) (%)
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	3,431,500	9.52
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	3,093,500	8.58
Mitsubishi Gas Chemical Company, Inc. (注 1)	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,472,166	4.08
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/LU XEMBOURG FUNDS/UCITS ASSETS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Ltd., Tokyo Branch)	33 RUE DE GASPERICH, L-5826 HOWALD- HESPERANGE, LUXEMBOURG (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo)	1,390,000	3.85
The Hachijuni Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	178-8, Nakagosho Okada, Nagano-shi, Nagano (11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo)	1,000,930	2.77
Arisawa Kenko Ltd.	11-44, Nishishiro-cho 3-chome, Joetsu-shi, Niigata	834,338	2.31
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing Proxy: Citibank, N.A., Tokyo Branch)	Palisades West 6300, Bee Cave Road, Building One, Austin, TX 78746, U.S.A. (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	676,882	1.87
Japan Trustee Services Bank, Ltd. (Trust account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	637,700	1.77
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	1.74
Eiichi Arisawa	Joetsu-shi, Niigata	594,746	1.65
Total	---	13,760,665	38.20

Note: 1. 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)."

2. Though it is described in the Report on Bulk Holding available for public inspection as of February 7, 2018 that Sumitomo Mitsui Asset Management Company, Limited and a joint holder thereof hold the shares described below as of January 31, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2018. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Report on Bulk Holding are as follows:

Bulk Holders : Sumitomo Mitsui Asset Management Company, Limited and one joint holder thereof
Address : 2-5-1 Atago, Minato-ku, Tokyo
Number of shareholdings etc. : 1,842,229
Holding ratio of share certificates etc. : 5.12

(7) Status of Voting Rights

1) Shares issued and outstanding

As of March 31, 2018

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 7,000	---	---
Shares with full voting rights (Other) (See Note 1)	Common stock 35,934,500	359,345	---
Shares constituting less than one full unit (See Note 2)	Common stock 82,624	---	---
Number of shares issued and outstanding	36,024,124	---	---
Total number of voting rights held by shareholders	---	359,345	---

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

2) Treasury Stock, etc.

As of March 31, 2018

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	7,000	---	7,000	0.01
Total	---	7,000	---	7,000	0.01

2. Status of Acquisition of Treasury Stock, etc.

[Classes of Stock, etc.] Acquisition of common stock under the provisions of Article 155, item 7 of the Companies Act.

(1) Status of Acquisition by Resolution of a General Meeting of Shareholders

No applicable matter.

(2) Status of Acquisition by Resolution of the Board of Directors

No applicable matter.

(3) Details of Acquisition not Authorized by Resolution of a General Meeting of Shareholders or Resolution of the Board of Directors

Category	Number of shares	Total amount (Yen)
Treasury stock acquired during the current business year	548	576,395
Treasury stock acquired during the current period	30	38,790

Note: The row "Treasury stock acquired during the current period" does not include the shares acquired through the purchase of shares constituting less than one full unit in the period from June 1, 2018 to the filing date of this Financial Report.

(4) Status of Disposal and Holding of Acquired Treasury Stock

Category	Current Business Year		Current Period	
	Number of shares	Total disposal amount (Yen)	Number of shares	Total disposal amount (Yen)
Acquired treasury stock offered for subscription	---	---	---	---
Acquired treasury stock disposed of through retirement	---	---	---	---
Acquired treasury stock transferred in relation to merger, share exchange and company split	---	---	---	---
Other	---	---	---	---
Number of shares of treasury stock held	7,084	---	7,114	---

Note: The "Number of shares of treasury stock held" in the "Current Period" does not include the shares acquired through the purchase of shares constituting less than one full unit in the period from June 1, 2018 to the filing date of this Financial Report.

3. Dividend Policy

The Company positions the distribution of profits to its shareholders as a priority management objective and intends to maintain its basic policy of profit distributions with the business results, taking into consideration the strengthening of retained earnings for future business development and reinforcement of the corporate base. With respect to the consolidated payout, the Company sets a target dividend payout ratio of 35% to the profit attributable to owners of the parent.

With respect to the frequency of dividend payments, the Company specifies in its articles of incorporation that the Company can effect interim dividend payments. Currently, however, in view of the tendency for the net sales, etc. for the first half of fiscal year to be higher than those for the second half in the ratio to the annual result, the Company pays a year-end dividend once a year in order to ensure equitable distribution of dividends in light of business results.

Decisions with respect to dividends from surplus are made at a general meeting of shareholders for the year-end dividend and by the Board of Directors for the interim dividend.

As for the annual dividend for the current business year, the Company decided to pay 34 yen per share based on the said policy. As a result, the dividend payout ratio for the current consolidated fiscal year was 35.3%.

The Company plans to appropriate its internal reserves to research and development activities and capital investment for business expansion, etc., aiming at enhancement of the shareholder value in future years.

The distribution of dividends from surplus for the current business year is as follows.

Date of resolution	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)
Resolution at the Ordinary General Meeting of Shareholders of June 28, 2018	1,224,579	34.00

4. Share Price Movement

(1) Highest and Lowest Share Prices for Each of the Last Five Business Years

Term	66 th term	67 th term	68 th term	69 th term	70 th term
Closing Month	March 2014	March 2015	March 2016	March 2017	March 2018
High (Yen)	690	1,178	1,095	827	1,349
Low (Yen)	297	473	511	482	695

Note: The prices are those recorded on the Tokyo Stock Exchange (First Section).

(2) Highest and Lowest Share Prices for Each of the Last Six Months

Month	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018
High (Yen)	1,063	1,319	1,349	1,284	1,205	1,087
Low (Yen)	979	987	1,189	1,152	895	902

Note: The prices are those recorded on the Tokyo Stock Exchange (First Section).

5. Status of Directors and Officers

(Number of female directors and officers: 0)

(Percentage of female directors and officers: Nil)

Title	Position	Name	Date of birth	Career summary	Term	Number of shares of the Company held
Chairman and Representative Director		Sanji Arisawa	July 7, 1942	<p>April 1986 Joined the Company as General Manager, Development Dept.</p> <p>July 1987 Director of the Company</p> <p>June 1989 Managing Director of the Company</p> <p>June 1992 Senior Managing Director of the Company</p> <p>June 1995 President and Representative Director of the Company</p> <p>June 2003 Chief Executive Officer (CEO) of the Company</p> <p>December 2010 President and Representative Director of Protec International Holdings Co., Ltd. (Current)</p> <p>December 2010 Director and Chairman of Protec Arisawa Europe, S.A. (Current)</p> <p>June 2014 Chairman and Representative Director of the Company (Current)</p>	See Note 5	469,291
President and Representative Director	Chief Executive Officer (CEO)	Yuta Arisawa	July 25, 1969	<p>April 1992 Joined Mitsubishi Electric Corporation</p> <p>February 2002 Joined JPMorgan Securities Japan Co., Ltd.</p> <p>August 2003 Joined the Company</p> <p>April 2007 Assistant General Manager, Manufacturing Dept.</p> <p>April 2009 Operating Officer of the Company</p> <p>June 2010 Director and Senior Operating Officer of the Company</p> <p>June 2011 Director and Senior Managing Operating Officer of the Company</p> <p>June 2014 President, Representative Director of the Company</p> <p>June 2015 Chief Operating Officer (COO) of the Company</p> <p>June 2017 Chief Executive Officer (CEO) of the Company (Current)</p>	See Note 5	88,203
Director	Senior Managing Operating Officer supervising Electrical Insulating & Composite Materials Sales Dept.; Division Chief, Electrical Insulating & Composite Materials Business Div.	Yoshihiko Toda	January 24, 1958	<p>March 1981 Joined the Company</p> <p>July 1996 General Manager, Tokyo Branch Office</p> <p>June 2008 President and Representative Director of Arisawa Jushi Kogyo Co., Ltd. (Current)</p> <p>June 2008 Operating Officer of the Company</p> <p>June 2014 Director and Senior Operating Officer of the Company</p> <p>May 2017 President and Representative Director of Arisawa Fiber Glass Co., Ltd. (Current)</p> <p>June 2017 Director and Senior Managing Operating Officer of the Company (Current)</p>	See Note 5	39,451
Director	Senior Operating Officer supervising Electronic Materials Sales Dept.; Division Chief, Electronic Materials Business Div.	Osamu Nakajima	June 5, 1965	<p>April 1989 Joined Mitsui & Co., Ltd.</p> <p>May 2011 Department Manager, Solar Business Div., Functional Chemicals Business Unit of Mitsui & Co., Ltd.</p> <p>April 2013 Department Manager, Advanced Materials Div., Functional Chemicals Business Unit of Mitsui & Co., Ltd.</p> <p>July 2014 Department Manager, Business Development Div., Basic Chemicals Business Unit of Mitsui & Co., Ltd.</p> <p>October 2015 Joined the Company as Operating Officer</p> <p>June 2016 Director and Senior Operating Officer of the Company (Current)</p>	See Note 5	2,307

Title	Position	Name	Date of birth	Career summary	Term	Number of shares of the Company held
Director	Senior Operating Officer supervising Manufacturing Dept. and Administration Dept.; Division Chief, Manufacturing Engineering Div., General Affairs Div. and Human Resources Div.	Hidetaka Nonami	May 30, 1958	<p>April 1983 April 2000 April 2003 April 2011 June 2012 April 2015 July 2016 September 2016 September 2016 June 2017</p> <p>Joined Toshiba Corporation Vice President of Toshiba America Business Solutions, Inc. General Manager, MFP Business Division, Document Processing & Telecommunication System Company of TOSHIBA TEC CORPORATION General Manager, Emerging Countries Division, Global Solutions Business Group of TOSHIBA TEC CORPORATION Vice President, Chief Marketing Executive, Global Solutions Business Group of TOSHIBA TEC CORPORATION Vice President, Deputy Managing Director, Printing Solutions Business Group of TOSHIBA TEC CORPORATION Audit & Supervisory Board Member of TOSHIBA TEC CORPORATION Joined the Company as Assistant Division Chief, Administration Division Operating Officer, Deputy Division Chief, Administration Division; in charge of General Affairs Dept., Manufacturing Engineering Dept. and Quality Assurance Dept. of the Company Director and Senior Operating Officer of the Company (Current)</p>	See Note 5	747
Director		Katsuchika Goto	November 20, 1944	<p>June 1972 April 1987 April 1994 December 1998 March 2004 June 2010</p> <p>Joined GA Saxton & Co., New York Senior Analyst of SG Warburg Securities, Inc. (Tokyo) Managing Director and General Manager (Research Dept.) of Smith Barney, Inc. Senior Advisor, the Government of Singapore Investment Corporation Pte Ltd. Representative Director of Unipulse Corporation Director of the Company (Current)</p>	See Note 5	17,000
Director		Yutaka Tsukahara	December 21, 1945	<p>April 1968 June 1999 June 2001 June 2003 May 2005 June 2017</p> <p>Joined Fuji Heavy Industries Ltd. (currently Subaru Corporation) Vice President and Senior General Manager, Japan Sales & Marketing Div. of Fuji Heavy Industries Ltd. Senior Vice President and Chief General Manager, Japan Region, Subaru Sales & Marketing Div. of Fuji Heavy Industries Ltd. Senior Vice President and Chief General Manager, Subaru Product & Portfolio Planning Div. of Fuji Heavy Industries Ltd. President and Representative Director of Tokyo Subaru Inc. Director of the Company (Current)</p>	See Note 5	1,500
Full-time Corporate Auditor		Koji Ohta	February 9, 1955	<p>March 1973 July 2002 July 2004 June 2012 June 2017</p> <p>Joined the Company Group Leader, Accounting Group, General Affairs Dept. General Manager, General Affairs Dept. Full-time Corporate Auditor of the Company (Current) Corporate Auditor of Polatechno Co., Ltd. (Current)</p>	See Note 6	1,921
Corporate Auditor		Koichi Sakai	January 31, 1961	<p>April 1984 February 2004 June 2008 June 2010 June 2011 June 2013 June 2014 June 2015 June 2016 June 2018</p> <p>Joined The Hachijuni Bank, Ltd. Hata Branch Manager of the Bank Tokyo Main Office Manager of the Bank Kenchonai Branch Manager of the Bank Suzaka Area-Suzaka Branch Manager of the Bank Ina Area-Ina Branch Manager of the Bank Executive Officer and Ina Area-Ina Branch Manager of the Bank Executive Officer and Loan Control Dept. Manager of the Bank Full-time Corporate Auditor of the Bank (Current) Corporate Auditor of the Company (Current)</p>	See Note 7	---

Title	Position	Name	Date of birth	Career summary	Term	Number of shares of the Company held
Corporate Auditor		Shinjiro Kawai	May 19, 1959	April 1982 June 2006 April 2010 March 2011 February 2014 June 2014 February 2016 June 2017 June 2018 Joined The Daishi Bank, Ltd. Nagaoka Nishi Branch Manager of the Bank Credit Supervision Div. Deputy Manager of the Bank Credit Supervision Div. Manager of the Bank General Affairs Div. Manager of the Bank Executive Officer and Shibata Branch Manager of the Bank Executive Officer and Audit and Inspection Div. Manager of the Bank Director of the Bank (Audit & Supervisory Committee Member) (Current) Corporate Auditor of the Company (Current)	See Note 7	---
						Total: 620,420

- Note:
- Yuta Arisawa, President and Representative Director, is a son of Sanji Arisawa, Chairman and Representative Director.
 - Figures stated in the column “Number of shares of the Company held” represent the number of shares beneficially owned by each of the persons listed above, including their respective ownership interests under the Company’s stock ownership plan for its directors and officers. Since the number of shares acquired in June 2018 through the said stock ownership plan is yet to be confirmed as of the filing date of this Financial Report (June 29, 2018), the number of shares beneficially owned by each of the persons listed above as of May 31, 2018 is stated.
 - Among the Directors, Katsuchika Goto and Yutaka Tsukahara are Outside Directors (set forth in Article 2, item 15 of the Companies Act) falling under the outside officers (set forth in Article 2, paragraph 3, item 5 of the Ordinance for Enforcement of the Companies Act).
 - Among the Corporate Auditors, Koichi Sakai and Shinjiro Kawai are Outside Corporate Auditors (set forth in Article 2, item 16 of the Companies Act) falling under the outside officers (set forth in Article 2, paragraph 3, item 5 of the Ordinance for Enforcement of the Companies Act).
 - From the closing of the Ordinary General Meeting of Shareholders held on June 28, 2017 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2019.
 - From the closing of the Ordinary General Meeting of Shareholders held on June 24, 2016 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2020.
 - From the closing of the Ordinary General Meeting of Shareholders held on June 24, 2018 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2020.
 - The Company employs the Operating Officer system to ensure expeditious execution of the operations determined by the Board of Directors and formulation of highly transparent management strategies. The Company has a total of eleven (11) Operating Officers consisting of one (1) Chief Executive Officer, one (1) Senior Managing Operating Officer, two (2) Senior Operating Officers and the following seven (7) Operating Officers.

Yasunori Kihara	Operating Officer supervising Procurement Dept. and Quality Assurance Dept.; Deputy Division Chief, Administration Div.
Takeshi Masuda	Operating Officer supervising Corporate Planning Dept. and Accounting Dept.; Deputy Division Chief, Administration Div.
Yoshihiro Yoshihara	Operating Officer supervising Electrical Insulating & Composite Materials Research & Development Dept. and Optical Materials Research & Development Dept.; Deputy Division Chief, Electrical Insulating & Composite Materials Business Div.
Makoto Tai	Operating Officer supervising Electronic Materials Research & Development Dept.; Deputy Division Chief, Electronic Materials Business Div.
Mitsuru Ogino	Operating Officer supervising Electronic Materials Manufacturing Engineering Dept. and Technical Administration Dept.; Deputy Division Chief, Electronic Materials Business Div.
Takeshi Aizawa	Operating Officer supervising Manufacturing Dept.; Deputy Division Chief, Manufacturing Div.
Eiichi Matsuya	Operating Officer supervising ColorLink Japan, Ltd.
 - The Company appointed the substitute corporate auditors under the provisions of Article 329, paragraph 3 of the Companies Act as a precaution against shortage in the number of corporate auditors required by the applicable laws and regulations as follows: Yukio Takashima as a substitute for Koji Ohta, Full-time Corporate Auditor, and Hideyuki Baba as a substitute for the Outside Corporate Auditors, i.e. Koichi Sakai and Shinjiro Kawai. The career summary of each of the said substitute corporate auditors is shown below.

Name	Date of birth	Career summary	Term	Number of shares of the Company held
Yukio Takashima	October 30, 1949	<p>March 1972 Joined the Company</p> <p>July 1996 General Manager, Manufacturing Dept. I</p> <p>June 1998 Director of the Company</p> <p>June 2001 Managing Director of the Company</p> <p>June 2003 Managing Director and Senior Operating Officer of the Company</p> <p>June 2003 President and Representative Director of Arisawa Fiber Glass Co., Ltd.</p> <p>June 2005 Director and Senior Operating Officer of the Company</p> <p>June 2014 Director and Senior Managing Operating Officer of the Company</p> <p>June 2015 Director of Polatechno Co., Ltd. (Current)</p>	1 year	44,887
Hideyuki Baba	March 29, 1964	<p>April 1998 Registered at Niigata Bar Association</p> <p>April 2003 Representative, Hideyuki Baba Law Office (Current)</p>	1 year	---

6. Status of Corporate Governance, etc.

(1) Status of Corporate Governance

1) Corporate Governance System

a. Basic Concept of Corporate Governance

The Company has a corporate governance system in place to increase corporate value through sustainable growth and to maintain social credibility and is also making efforts to secure efficient and equitable management and to enhance management transparency through proactive disclosure.

In terms of management efficiency, to ensure collection of highly accurate information and expeditious decision making and executions, we aim at management by a selected few and restrict the number of Directors to the requisite minimum. In this context, we employ the Operating Officer system to ensure speedy execution of operations under the decisions of the Board of Directors, where the Outside Directors and Outside Corporate Auditors also attend.

In terms of equitable management, in line with the basic policy concerning improvement of the internal control system, we improve organizations and systems for the purpose of ensuring legal compliance. In order to enhance transparency, we promote communication with our shareholders and general investors through IR activities, etc. and conduct disclosure practices in as active and timely a manner as possible.

b. Outline of Corporate Governance System

As for execution of operations, to ensure speedy execution and control of the management policy and management plans determined at the regular/monthly or extraordinary meetings of the Board of Directors, an eleven (11)-member Board of Operating Officers (comprising one (1) Chief Executive Officer and ten (10) Operating Officers) is in place in pursuit of management efficiency and speed.

Each Operating Officer plans and promotes operations under his or her supervision upon approval at the regular/monthly or extraordinary meetings of the Board of Directors as well as the monthly meeting of the Board of Operating Officers and strives for efficient and speedy execution of duties pursuant to the Regulations for the Segregation of Duties, etc.

c. Reasons for Adopting Corporate Governance System

As a company employing the Board of Corporate Auditors system, we hold the meeting of the Board of Corporate Auditors monthly (in principle) pursuant to the Regulations for the Board of Corporate Auditors. The Corporate Auditors attend meetings of the Board of Directors, and the Full-time Corporate Auditor attends meetings of the Board of Operating Officers, etc. The Corporate Auditors also offer appropriate proposals and advice as to execution of Directors' duties and the status of improvement and operation of the internal control system, etc., thereby exercising strict oversight over the management.

We also appoint, in order to exercise external oversight, two (2) Outside Corporate Auditors and two (2) Outside Directors, each of whom bears a part in management oversight in terms of laws and regulations, finance, accounting and corporate governance respectively from a neutral and objective viewpoint, contributing to what we believe is a fully functioning corporate governance system.

d. Status of Improvement of Internal Control System and Risk Management System

The Company adopted, by resolution of the Board of Directors, the "Systems to Ensure Proper Operations" as shown below.

(i) System to ensure that execution by Directors and employees of the Company and its subsidiaries of their respective duties complies with the applicable laws and regulations and the Articles of Incorporation

The Company and its subsidiaries shall lay down the "Arisawa Group Corporate Action Guidelines" applicable throughout the Group, set specific internal regulations in line with the said guidelines, and then observe the said internal regulations, thereby establishing a system which ensures that execution by Directors and employees of their respective duties complies with the applicable laws and regulations and the Articles of Incorporation.

(ii) System concerning storage and management of information on execution of duties of Directors of the Company

As for the storage and management of information on execution of duties of Directors, internal regulations for document management shall be set in line with the provisions of the applicable laws and regulations and the Articles of Incorporation to construct a system which ensures proper storage and management of the relevant information.

- (iii) System concerning reporting to the Company of the matters relating to execution of duties of Directors, etc. of subsidiaries of the Company

Supervision over execution of duties of Directors, etc. of subsidiaries of the Company shall be exercised through having Directors of the Company concurrently serve as Directors of subsidiaries of the Company. Also, internal regulations for management of associated companies shall be set, establishing a system which makes it mandatory for subsidiaries of the Company to submit their respective board minutes to the Company and also to report the relevant material facts to the Company, both along the lines of the provisions of the said regulations.

- (iv) Regulations and other systems concerning management of risk of loss for the Company and its subsidiaries

In order to comprehend and manage various risks surrounding the Group and its operations, internal regulations managing and coping with each risk category shall be set. Observing the said regulations establishes a system that helps reduce and mitigate business risks.

- (v) System to ensure efficient execution of duties of Directors of the Company and its subsidiaries

The Group shall improve internal regulations governing the segregation of duties and the scope of job authorities to definitize each department's duty assignment and job authorities and shall also introduce a common accounting management system for the entire Group, etc., thereby establishing a system which ensures efficient execution of duties of Directors of the Company and its subsidiaries.

- (vi) Matters concerning employees assigned, upon request of Corporate Auditors of the Company, to assist with duties of Corporate Auditors of the Company, the matters concerning independence of such employees from Directors of the Company and the system to ensure effectiveness of instructions from Corporate Auditors of the Company to such employees

Employees to assist with duties of a Corporate Auditor shall be appointed upon request of the Corporate Auditor and in view of the expertise and experience, etc. required for the audit work. The employees so appointed as assistant shall execute the relevant duties under the direction of the Corporate Auditor and also be free from the dictates of any Director of the Company so as to ensure the independence of such employees from Directors and the effectiveness of instructions from the Corporate Auditor to such employees.

- (vii) System to mandate reporting to Corporate Auditors of the Company by Directors and employees, etc. of the Company as well as Directors, Corporate Auditors and employees, etc. of subsidiaries of the Company and the system to ensure prevention of unfavorable treatment of those who have made such reporting on account of the pertinent report having been made

Internal regulations stipulating the matters to be reported by Directors and employees, etc. of the Company to Corporate Auditors shall be set so as to establish a system which mandates immediate reporting to Corporate Auditors of all material facts with implications on the Group's management and business results. Also, the internal hotline system prohibiting unfavorable treatment of the whistle-blower shall be maintained so that Corporate Auditors can directly receive the relevant reports from employees, etc.

- (viii) Matters concerning policies on the processing of costs incurred from execution of duties of Corporate Auditors of the Company

Promptly upon receipt of a request, made by a Corporate Auditor under the provisions of Article 388 of the Companies Act, for an advance payment, etc. of expenses to be incurred from execution of his or her duties, the Company shall settle the pertinent expenses or liabilities. Also, if a Corporate Auditor deems consultations, etc. with lawyers, chartered accountants and other specialists to be necessary for execution of his or her duties, the Company shall allow the amount

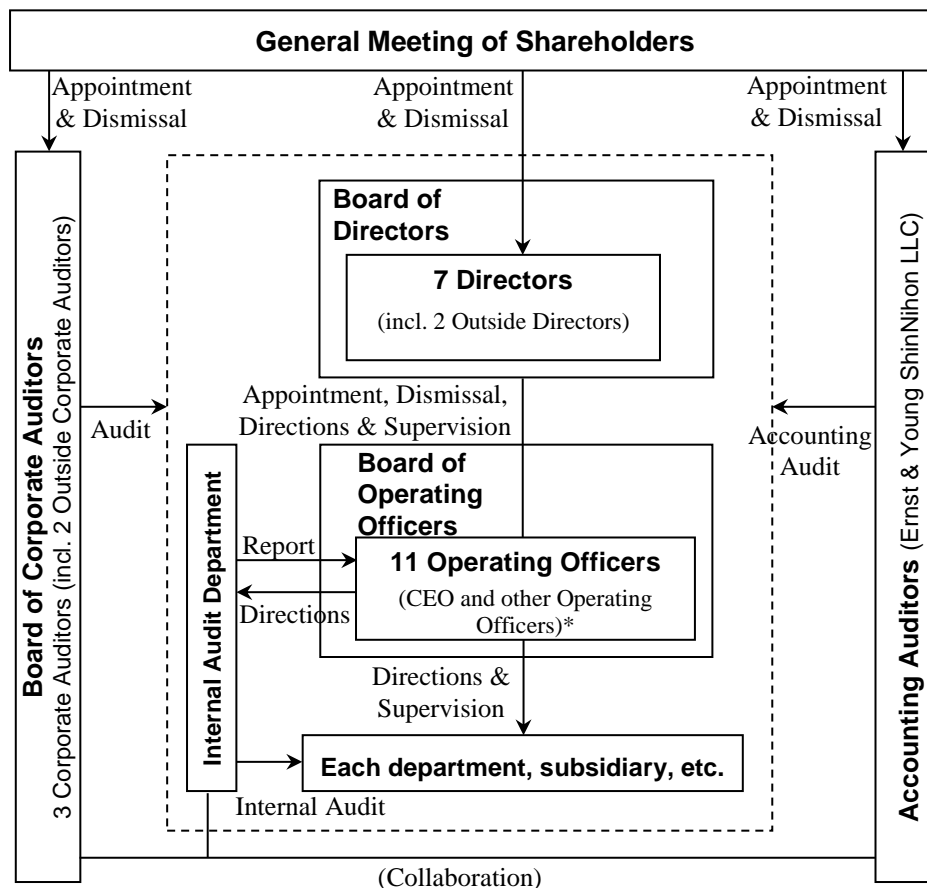
disbursed for enlisting such consultations, etc. as part of the necessary audit-related expenses.

(ix) Other systems to ensure execution of effective audits by Corporate Auditors of the Company
 Corporate Auditors of the Company shall collect periodic reports from Directors of subsidiaries of the Company, collect reports from Corporate Auditors of subsidiaries of the Company and also engage in other coordinated actions, as needed, so as to execute proper audits of the Group.

(x) System to ensure credibility of financial reporting
 To ensure credibility of financial reporting, the Group shall make continuous evaluation of the status of improvement and operation of the internal control system for financial reporting and also remedy any defect or flaw found in such system, thereby maintaining a system which allows the Group’s internal control to function effectively and properly.

(xi) System to exclude anti-social forces
 The Company and its subsidiaries shall expressly state in the “Arisawa Group Corporate Action Guidelines” a policy to prevent and preclude any relationship with anti-social forces that pose a threat to the order and safety of civil society. The Group shall also adopt and maintain a resolute attitude toward anti-social forces in cooperation with law enforcement and other external specialized agencies.

The Company’s corporate governance system is abstracted in the following diagram.



*Note: The Board of Operating Officers consists of a total of eleven (11) Operating Officers (including, but not limited to, the Chief Executive Officer), four (4) of which are concurrently assumed by the relevant Directors.

2) Status of Internal Audit and Auditing by Corporate Auditors

- As the internal audit division, two (2) full-time employees are assigned to the Internal Audit Dept., which is independent of other organizations of the Company and conducts scheduled audits and unscheduled audits as appropriate. As for scheduled audits, an audit plan is made for each term pursuant to the relevant internal regulations, and audits are conducted after the final decision by the Chief Executive Officer. Audit results are notified to the relevant departments along with specific advice and recommendations, while reporting to, and opinion exchanges with, the Corporate Auditors are also made.
- The Corporate Auditors conduct periodic audits, attend the meeting of the Board of Corporate Auditors (held monthly in principle pursuant to the Regulations for the Board of Corporate Auditors) and also raise issues, where appropriate, as to execution of Directors' duties and the status of improvement and operation of the internal control system, etc.
- Results of auditing by the Internal Audit Dept. are reported to the Board of Corporate Auditors, and the Corporate Auditors share in the recognition of such results in the course of their auditing to enhance their collective audit function.

3) Outside Directors and Outside Corporate Auditors

a. Summary of personal, capital and business relationships and other interests between Outside Directors and Outside Corporate Auditors and the Submitting Company

- As described in "IV. 5. Status of Directors and Officers", the number of the Company's shares owned by Katsuchika Goto, an Outside Director, is minimal. Therefore, there is no capital relationship, business relationship or any other interests existing between Katsuchika Goto, an Outside Director, and the Company, and we believe there is no possibility of conflict of interest between the said person as an Outside Director and the general shareholders of the Company.
- While Yutaka Tsukahara, an Outside Director, is a former director of Subaru Corporation and Tokyo Subaru Inc., the said company is not our major business partner, and the said person is no longer involved in execution of the said company's business. As described in "IV. 5. Status of Directors and Officers", the number of the Company's shares owned by Yutaka Tsukahara, an Outside Director, is minimal. In view of these facts, we believe there is no possibility of conflict of interest between the said person as an Outside Director and the general shareholders of the Company.
- Although Koichi Sakai, an Outside Corporate Auditor, is a full-time corporate auditor of The Hachijuni Bank, Ltd., which holds 2.77% of the Company's shares issued (excluding treasury stock) and outstanding, and the said bank is one of the Company's partner banks, we believe there is no problem as to the independence of the said person.
- Although Shinjiro kawai, an Outside Corporate Auditor, is a full-time corporate auditor of The Daishi Bank, Ltd., which holds 1.74% of the Company's shares issued (excluding treasury stock) and outstanding, and the said bank is one of the Company's partner banks, we believe there is no problem as to the independence of the said person.

b. Status of appointment of Outside Directors and Outside Corporate Auditors and functions and roles served by Outside Directors and Outside Corporate Auditors in corporate governance

The Company appoints, in order to exercise external oversight, two (2) Outside Directors and two (2) Outside Corporate Auditors, each of whom bears a part in management oversight in terms of laws and regulations, finance, accounting and corporate governance respectively from a neutral and objective viewpoint, contributing to what the Company considers as fully functioning oversight of management. In this regard, the names of the Outside Directors having voting rights on the Board of Directors, i.e. Katsuchika Goto and Yutaka Tsukahara, are filed with Tokyo Stock Exchange as the independent officers of the Company.

c. Details of the standards or policy in terms of independence from the Submitting Company for appointment of Outside Directors or Outside Corporate Auditors and the Submitting Company's standpoint concerning the status of the relevant appointments

Although the Company has no specific standards or policy in force as to independence from the Submitting Company applicable to appointment of Outside Directors or Outside Corporate Auditors, we judge, in making any such appointment, the independence of each candidate in terms of his or her personal, capital and business relationships and any other interests with the Company and also comprehensively

judge each candidate's experience and knowledge of corporate governance, internal control and financial reporting, etc.

- d. Mutual collaboration, etc. between supervision or auditing by Outside Directors and Outside Corporate Auditors and internal audit, accounting audit and auditing by Corporate Auditors

The Outside Corporate Auditors, tapping into their wealth of experience and insight, audit the legality of business operations by the Board of Directors and the effectiveness of corporate governance, etc. through attendance at meetings of the Board of Directors and of the Board of Corporate Auditors and also review of various reports on the status of internal audit and accounting audit, etc. obtained directly or via the Full-time Corporate Auditor.

The Outside Directors receive, at the Board of Directors' meetings, etc., reports, etc. on the internal audits conducted upon request of the Board of Corporate Auditors and the audits by the Corporate Auditors or the accounting auditors and maintain mutual collaboration including, but not limited to, opinion exchanges as appropriate.

- 4) Remuneration, etc. of Directors and Corporate Auditors

- a. The aggregate amount of remuneration, etc. of each category of Directors and Corporate Auditors, the breakdown of such aggregate amount by the type of remuneration, etc. and the number of Directors and Corporate Auditors covered

Category of Directors and Corporate Auditors	Aggregate amount of remuneration, etc. (Thousands of yen)	Breakdown by the type of remuneration, etc. (Thousands of yen)		Number of Directors or Corporate Auditors covered
		Basic fixed remuneration	Stock option	
Directors (excluding Outside Directors)	167,593	158,151	9,442	6
Corporate Auditors (excluding Outside Corporate Auditors)	11,763	11,763	—	1
Outside Directors and Outside Corporate Auditors	10,188	10,188	—	5

- b. Details and method for determination of the policy concerning the amount of remuneration, etc. of Directors and Corporate Auditors or the calculation method for such amount

With respect to the remuneration for Directors except Outside Directors, the policy concerning the amount of remuneration, etc. for Directors or the calculation method for such amount is constituted of fixed remuneration and performance-based remuneration. We calculate annual remuneration, according to their positions concerning the fixed portion and based on consolidated business results of the previous fiscal year concerning the performance-based portion. And such remuneration is divided equally and paid during the period of execution of duties thereof.

It was resolved at the 56th Ordinary General Meeting of Shareholders held on June 29, 2004 that total amount of remuneration for Directors should be no more than 360 million yen per year and total amount of remuneration for Corporate Auditors should be no more than 36 million yen per year.

5) Status of Shareholding

- a. Number of the stock names of the shares of investment stock held for purposes other than pure investment and the aggregate amount of such shares included in the amounts of investment securities and short-term investment securities shown on the balance sheets

27 stock names 3,621,500 thousand yen

- b. Classification and purpose of shareholding, stock name, the number of shares held and the amount included in the relevant figure(s) on the balance sheets concerning the shares of investment stock held for purposes other than pure investment

Previous business year

Specified Investment Stock

Stock name	Number of shares held	Amount shown on balance sheets (Thousands of yen)	Purpose of shareholding
Mitsubishi Gas Chemical Company, Inc.	333,000	769,896	Maintaining and strengthening business relationship
Mitsubishi Electric Corporation	275,000	439,175	Maintaining and strengthening business relationship
The Hachijuni Bank, Ltd.	581,113	365,520	Maintaining and strengthening banking relationship
NOK Corporation	132,700	342,896	Maintaining and strengthening business relationship
JSR Corporation	179,800	337,484	Maintaining and strengthening business relationship
The Daishi Bank, Ltd.	450,809	198,806	Maintaining and strengthening banking relationship
Kaneka Corporation	150,000	124,200	Maintaining and strengthening business relationship
Mitsubishi UFJ Financial Group, Inc.	62,420	43,675	Maintaining and strengthening banking relationship
The Hokuetsu Bank, Ltd.	97,649	28,042	Maintaining and strengthening banking relationship
Toshiba Corporation	102,834	24,824	Maintaining and strengthening business relationship
Sumitomo Corporation	6,655	9,965	Maintaining and strengthening business relationship
Mizuho Financial Group, Inc.	18,283	3,729	Maintaining and strengthening business relationship
Nishishiba Electric Co., Ltd.	17,600	3,220	Maintaining and strengthening business relationship
Broadcasting System of Niigata Inc.	1,800	1,350	Strengthening relationship with regional companies
Kobe Steel, Ltd.	515	523	Maintaining and strengthening business relationship
Tohoku Electric Power Co., Inc.	104	156	Maintaining and strengthening business relationship

Deemed Shareholding

No applicable matter.

Current business year
Specified Investment Stock

Stock name	Number of shares held	Amount shown on balance sheets (Thousands of yen)	Purpose of shareholding
ViSCO Technologies Corporation	322,400	1,194,492	Maintaining and strengthening cooperative relationship
Mitsubishi Gas Chemical Company, Inc.	333,000	848,817	Maintaining and strengthening business relationship
Mitsubishi Electric Corporation	275,000	467,912	Maintaining and strengthening business relationship
The Hachijuni Bank, Ltd.	581,113	331,234	Maintaining and strengthening banking relationship
NOK Corporation	132,700	274,158	Maintaining and strengthening business relationship
The Daishi Bank, Ltd.	45,080	211,876	Maintaining and strengthening banking relationship
Kaneka Corporation	150,000	158,250	Maintaining and strengthening business relationship
Mitsubishi UFJ Financial Group, Inc.	62,420	43,506	Maintaining and strengthening banking relationship
Toshiba Corporation	102,550	31,585	Maintaining and strengthening business relationship
The Hokuetsu Bank, Ltd.	9,764	22,652	Maintaining and strengthening banking relationship
Sumitomo Corporation	6,655	11,919	Maintaining and strengthening business relationship
Mizuho Financial Group, Inc.	18,283	3,499	Maintaining and strengthening business relationship
Nishishiba Electric Co., Ltd.	17,600	3,027	Maintaining and strengthening business relationship
Broadcasting System of Niigata Inc.	1,800	1,656	Strengthening relationship with regional companies
Kobe Steel, Ltd.	515	548	Maintaining and strengthening business relationship
Tohoku Electric Power Co., Inc.	104	147	Maintaining and strengthening business relationship

Deemed Shareholding
No applicable matter.

6) Status of Accounting Audit

- The certified public accountants who conducted the accounting audit of the Company are as follows.

Name of the CPA who executed the audit work	Audit corporation affiliation	Years of continuous service as accounting auditor
Designated Limited Liability Partner and Engagement Partner Satoshi Ejima	Ernst & Young ShinNihon LLC	4 years
Designated Limited Liability Partner and Engagement Partner Makoto Iguchi	Ernst & Young ShinNihon LLC	2 years

Note: Ernst & Young ShinNihon LLC has voluntarily introduced a rotation system for its engagement partners prior to the enforcement of the regulations under the Certified Public Accountants Act and implementation of the voluntary regulations by the Japanese Institute of Certified Public Accountants. The composition of assistants involved in the audit work is determined in accordance with the criteria for selection of audit corporations and includes eight (8) certified public accountants and ten (10) others.

7) Maximum Number of Directors

The Company's Articles of Incorporation stipulate that the number of Directors of the Company shall not be more than fifteen (15).

8) Requirements for Appointment of Directors

The Company's Articles of Incorporation stipulate that a resolution on appointing Directors shall be adopted by a majority vote of the voting rights of the shareholders who are present and also hold at least one-third (1/3) of all voting rights of the shareholders entitled to exercise voting rights.

It is also stipulated in the said Articles of Incorporation that no cumulative voting shall be allowed for a resolution on appointing Directors.

9) Summary of the Terms of Contracts for Limitation of Liability

The Company's Articles of Incorporation stipulate that the Company may, under the provisions of Article 427, paragraph 1 of the Companies Act, enter into contracts for limitation of liability with its Outside Directors and Outside Corporate Auditors so that the Company can recruit competent persons as Outside Directors and Outside Corporate Auditors and also that the recruited Outside Directors and Outside Corporate Auditors can soundly fulfill their expected roles. The main purport of such contracts for limitation of liability (entered into between the Company and the Outside Directors as well as Outside Corporate Auditors under the said stipulation) is as follows.

The Outside Directors and Outside Corporate Auditors shall, with respect to the liability for damages under Article 423, paragraph 1 of the Companies Act, assume such liability for damages to the extent of the statutory minimum liability amount as long as they perform their respective duties in good faith without being grossly negligent.

10) Matters Typically Requiring a Resolution of a General Meeting of Shareholders which may be Resolved by the Board of Directors

The Company's Articles of Incorporation stipulate that the Company may resolve on the following matters by voting at a meeting of the Board of Directors instead of voting at a general meeting of shareholders.

a. Organ to determine acquisition of treasury stock

The Company's Articles of Incorporation stipulate that the Company may, under the provisions of Article 165, paragraph 2 of the Companies Act, acquire shares of treasury stock through market transactions, etc. upon a resolution of the Board of Directors instead of that of a general meeting of shareholders. This stipulation aims to enable an agile capital policy by authorizing the Board of Directors to resolve on the acquisition of the Company's treasury stock.

b. Organ to determine distribution of interim dividends from surplus

The Company's Articles of Incorporation stipulate that the Company may, under the provisions of Article 454, paragraph 5 of the Companies Act, distribute interim dividends with the record date of September 30 of every year upon a resolution of the Board of Directors instead of that of a general meeting of shareholders. This stipulation aims to expeditiously return profits to the Company's shareholders by authorizing the Board of Directors to resolve on the distribution of interim dividends from surplus.

11) Requirements for Special Resolutions of a General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that, with respect to the requirements for special resolutions of a general meeting of shareholders provided for in Article 309, paragraph 2 of the Companies Act, a special resolution shall be adopted by a two-thirds (2/3) majority vote of the voting rights of the shareholders who are present and also hold at least one-third (1/3) of all voting rights of the shareholders entitled to exercise voting rights. This stipulation aims to ensure smooth operation of general meetings of shareholders by relaxing the quorum requirement for special resolutions of a general meeting of shareholders.

(2) Details, etc. of Remuneration of Accounting Auditors

1) Details of Remuneration of Auditing Certified Public Accountants, etc.

(Thousands of yen)

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services
Submitting Company	32,100	—	34,100	—
Consolidated subsidiaries	—	—	—	—
Total	32,100	—	34,100	—

2) Details of Other Significant Remuneration

(Previous consolidated fiscal year)

Protec Arisawa Europe, S.A., a consolidated subsidiary of the Company, paid 2,578 thousand yen as remuneration for audit and attestation services to Ernst & Young, S.L., which belongs to the same network as the Company's auditing certified public accountants, etc.

(Current consolidated fiscal year)

Protec Arisawa Europe, S.A., a consolidated subsidiary of the Company, paid 3,347 thousand yen as remuneration for audit and attestation services to Ernst & Young, S.L., which belongs to the same network as the Company's auditing certified public accountants, etc.

3) Details of Non-audit Services Provided by Auditing Certified Public Accountants, etc. to the Submitting Company

No applicable matter.

4) Policy for Determination of Remuneration of Accounting Auditors

The Company has no specific policy in force as to determination of remuneration of auditing certified public accountants, etc.

V. Status of Accounting

1. Method of Preparation of Consolidated Financial Statements and Financial Statements

(1) The consolidated financial statements of the Company are prepared in compliance with the “Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ministerial Ordinance No. 28 of the Ministry of Finance, 1976).

(2) The financial statements of the Company are prepared in compliance with the “Regulations for Terminology, Forms and Preparation Methods of Financial Statements, etc.” (Ministerial Ordinance No. 59 of the Ministry of Finance, 1963; hereinafter referred to as the “Regulations for Financial Statements”). The Company falls under the Special Financial Statement-Submitting Companies and prepares its financial statements pursuant to the provisions of Article 127 of the Regulations for Financial Statements.

2. Certification of Audit

The Company received a review of its consolidated financial statements for the current consolidated fiscal year (From April 1, 2017 to March 31, 2018) and its financial statements for the current business year (From April 1, 2017 to March 31, 2018) conducted by Ernst & Young ShinNihon LLC under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

3. Special Efforts to Secure Appropriateness of Consolidated Financial Statements, etc.

The Company makes special efforts to secure appropriateness of its consolidated financial statements, etc. Specifically, we make efforts to improve our systems by subscription to professional journals aiming to gain correct understanding of the changes, etc. in the accounting standards and also affiliation with the Financial Accounting Standards Foundation aiming to ensure precise understanding of and appropriate responses to the contents of the accounting standards, etc.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2017)		Current consolidated fiscal year (As of March 31, 2018)	
Assets				
Current assets				
Cash and deposits	*2	7,667,985	*2	9,123,877
Notes and accounts receivable-trade		12,618,700	*6	5,947,189
Securities		797,550		1,180,101
Merchandise and finished goods		2,602,353		3,915,375
Work in process		1,301,381		1,898,096
Raw materials and supplies		2,095,419		2,951,263
Deferred tax assets		383,814		584,907
Other		947,890		1,328,865
Allowance for doubtful accounts		△127,077		△562,185
Total current assets		28,288,018		36,367,491
Non-current assets				
Property, plant and equipment				
Buildings and structures		18,970,204		19,379,174
Accumulated depreciation		△13,153,475		△13,602,300
Buildings and structures, net	*2	5,816,729	*2	5,776,874
Machinery, equipment and vehicles		28,118,092		28,849,087
Accumulated depreciation		△24,769,585		△25,353,015
Machinery, equipment and vehicles, net	*2	3,348,507	*2	3,496,072
Land	*2	1,449,574	*2	1,836,200
Construction in progress		58,001		95,996
Other		2,234,282		2,350,493
Accumulated depreciation		△1,841,690		△1,919,982
Other, net	*2	392,591	*2	430,511
Total property, plant and equipment		11,065,403		11,635,655
Intangible assets				
Other		65,486		418,631
Total intangible assets		65,486		418,631
Investments and other assets				
Investment securities	*1	23,864,265	*1	23,365,824
Long-term loans receivable		210,592		218,734
Net defined benefit asset		—		11,731
Deferred tax assets		122,604		200,976
Other	*2	373,965	*2	602,142
Allowance for doubtful accounts		△181,927		△176,835
Total investments and other assets		24,389,500		24,222,574
Total non-current assets		35,520,391		36,276,860
Total assets		63,808,409		72,644,352

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,168,250	*6 6,794,393
Current portion of bonds	—	36,800
Short-term loans payable	*2, *5 2,908,630	*2, *5 4,242,472
Current portion of long-term loans payable	*2 446,754	*2 864,130
Lease obligations	17,086	18,230
Income taxes payable	362,974	930,529
Deferred tax liabilities	25,281	85
Provision for bonuses	447,415	598,261
Provision for directors' bonuses	3,573	5,956
Provision for product warranties	169	125
Other	2,299,014	*2 2,491,601
Total current liabilities	11,679,149	15,982,585
Non-current liabilities		
Bonds payable	—	164,800
Long-term loans payable	*2 1,836,093	*2 1,642,485
Lease obligations	53,973	33,691
Deferred tax liabilities	1,008,732	1,274,507
Net defined benefit liability	558,112	603,556
Asset retirement obligations	57,448	92,837
Other	63,599	357,334
Total non-current liabilities	3,577,960	4,169,212
Total liabilities	15,257,109	20,151,797
Net assets		
Shareholders' equity		
Capital stock	7,317,019	7,458,242
Capital surplus	6,429,038	6,570,209
Retained earnings	30,740,318	33,492,381
Treasury stock	△3,891	△4,467
Total shareholders' equity	44,482,485	47,516,364
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	942,763	1,214,473
Deferred gains or losses on hedges	5,153	—
Foreign currency translation adjustment	808,002	1,081,810
Remeasurements of defined benefit plans	△187,018	△176,694
Total accumulated other comprehensive income	1,568,901	2,119,588
Share acquisition rights	143,292	127,640
Non-controlling interests	2,356,620	2,728,960
Total net assets	48,551,300	52,492,554
Total liabilities and net assets	63,808,409	72,644,352

2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

[Consolidated Statements of Income]

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)		Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)	
Net sales		34,451,696		40,909,534
Cost of sales	*1, *2	28,557,289	*1, *2	32,730,617
Gross profit		5,894,406		8,178,916
Selling, general and administrative expenses				
Freightage and packing expenses		579,862		707,496
Salaries and allowances		1,172,723		1,293,438
Provision for bonuses		88,950		113,388
Provision for directors' bonuses		3,573		5,956
Provision for retirement benefits		44,529		55,169
Provision of allowance for doubtful accounts		8,281		52,607
Provision for product warranties		119		—
Other		2,205,991		2,323,500
Total selling, general and administrative expenses	*1	4,104,031	*1	4,551,558
Operating income		1,790,375		3,627,358
Non-operating income				
Interest income		335,426		310,701
Dividends income		93,573		92,786
Share of profit of entities accounted for using equity method		400,006		463,698
Rent income		169,072		159,403
Other		255,606		176,539
Total non-operating income		1,253,685		1,203,130
Non-operating expenses				
Interest expenses		48,478		76,466
Loss on redemption of investment securities		16,200		84,446
Foreign exchange losses		129,510		170,966
Rent expenses		98,591		83,031
Provision of allowance for doubtful accounts		—		311,796
Other		60,939		59,534
Total non-operating expenses		353,720		786,241
Ordinary income		2,690,339		4,044,247
Extraordinary income				
Gain on sales of non-current assets		—	*3	3,268—
Gain on sales of investment securities		13,513		743,019
Insurance income		129,723		—
Other		9,542		105,523
Total extraordinary income		152,779		851,812
Extraordinary losses				
Impairment loss		—	*4	26,028
Loss on sales of investment securities		4,236		40,202
Loss on valuation of investment securities		1,350		63,595
Other		30,556		20,886
Total extraordinary losses		36,143		150,712
Income before income taxes		2,806,975		4,745,347
Income taxes – current		653,576		1,199,341
Income taxes – deferred		△61,839		△204,047
Total income taxes		591,737		995,293
Profit		2,215,238		3,750,053
Profit attributable to non-controlling interests		178,025		297,508
Profit attributable to owners of the parent		2,037,212		3,452,544

[Consolidated Statements of Comprehensive Income]

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Profit	2,215,238	3,750,053
Other comprehensive income		
Valuation difference on available-for-sale securities	295,687	271,773
Deferred gains or losses on hedges	5,153	△5,153
Foreign currency translation adjustment	△478,630	491,053
Remeasurements of defined benefit plans, net of tax	△75,362	2,861
Share of other comprehensive income of entities accounted for using equity method	△140,791	△13,356
Total other comprehensive income	* △393,944	* 747,179
Comprehensive income	1,821,294	4,497,232
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,846,012	4,003,231
Comprehensive income attributable to non-controlling interests	△24,718	494,001

3) Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	7,294,347	6,406,366	29,522,018	△3,670	43,219,062
Changes of items during the period					
Issuance of new shares	22,672	22,672			45,344
Dividends from surplus			△818,912		△818,912
Change of scope of consolidation					—
Change of scope of equity method					—
Profit attributable to owners of the parent			2,037,212		2,037,212
Purchase of treasury stock				△221	△221
Net changes of items other than shareholders' equity					
Total changes of items during the period	22,672	22,672	1,218,299	△221	1,263,423
Balance at end of current period	7,317,019	6,429,038	30,740,318	△3,891	44,482,485

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	647,068		1,204,968	△91,934	1,760,101	117,201	2,506,066	47,602,431
Changes of items during the period								
Issuance of new shares								45,344
Dividends from surplus								△818,912
Change of scope of consolidation								—
Change of scope of equity method								—
Profit attributable to owners of the parent								2,037,212
Purchase of treasury stock								△221
Net changes of items other than shareholders' equity	295,695	5,153	△396,965	△95,083	△191,200	26,091	△149,445	△314,554
Total changes of items during the period	295,695	5,153	△396,965	△95,083	△191,200	26,091	△149,445	948,868
Balance at end of current period	942,763	5,153	808,002	△187,018	1,568,901	143,292	2,356,620	48,551,300

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	7,317,019	6,429,038	30,740,318	△3,891	44,482,485
Changes of items during the period					
Issuance of new shares	141,222	141,170			282,393
Dividends from surplus			△713,461		△713,461
Change of scope of consolidation			△4,320		△4,320
Change of scope of equity method			17,300		17,300
Profit attributable to owners of the parent			3,452,544		3,452,544
Purchase of treasury stock				△576	△576
Net changes of items other than shareholders' equity					
Total changes of items during the period	141,222	141,170	2,752,062	△576	3,033,879
Balance at end of current period	7,458,242	6,570,209	33,492,381	△4,467	47,516,364

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	942,763	5,153	808,002	△187,018	1,568,901	143,292	2,356,620	48,551,300
Changes of items during the period								
Issuance of new shares								282,393
Dividends from surplus								△713,461
Change of scope of consolidation								△4,320
Change of scope of equity method			△17,300		△17,300			0
Profit attributable to owners of the parent								3,452,544
Purchase of treasury stock								△576
Net changes of items other than shareholders' equity	271,709	△5,153	291,107	10,324	567,987	△15,651	372,339	924,675
Total changes of items during the period	271,709	△5,153	291,107	10,324	550,686	△15,651	372,339	3,941,254
Balance at end of current period	1,214,473	—	1,081,810	△176,694	2,119,588	127,640	2,728,960	52,492,554

4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Income before income taxes	2,806,975	4,745,347
Depreciation	1,678,117	1,712,330
Impairment loss	—	26,028
Amortization of goodwill	89	17,776
Share-based compensation expenses	44,725	42,636
Increase (decrease) in provision for product warranties	119	△44
Increase (decrease) in provision for bonuses	△15,200	131,882
Increase (decrease) in provision for directors' bonuses	△3,134	2,383
Increase (decrease) in allowance for doubtful accounts	△70,227	352,842
Increase (decrease) in other provision	7,081	—
Increase (decrease) in net defined benefit liability	27,599	36,012
Interest and dividends income	△428,999	△403,488
Loss (gain) on extinguishment of tie-in shares	△828	—
Insurance income	△129,723	—
Interest expenses	48,478	76,466
Foreign exchange losses (gains)	27,679	△81,697
Share of (profit) loss of entities accounted for using equity method	△400,006	△463,698
Loss (gain) on sales of investment securities	△9,276	△702,816
Loss (gain) on valuation of investment securities	1,350	63,595
Loss (gain) on sales of membership	11,407	—
Loss (gain) on sales of golf club memberships	515	—
Loss (gain) on redemption of investment securities	△78,205	42,556
Loss (gain) on sales of non-current assets	—	△3,268
Loss on retirement of property, plant and equipment	8,812	7,299
Gain on reversal of share acquisition rights	△8,714	△2,054
Loss (gain) on change in equity	—	△46,229
Other extraordinary loss (income)	—	△49,932
Decrease (increase) in notes and accounts receivable-trade	△1,037,746	△2,663,182
Decrease (increase) in inventories	886,484	△2,152,410
Increase (decrease) in notes and accounts payable-trade	△33,473	1,375,862
Increase (decrease) in accrued consumption taxes	△85,945	△35,911
Decrease (increase) in other assets	△286,709	66,227
Increase (decrease) in other liabilities	56,101	277,931
Subtotal	3,017,346	2,372,440
Interest and dividends income received	605,179	562,878
Proceeds from insurance income	129,723	—
Interest expenses paid	△31,765	△84,476
Income taxes (paid) refund	△260,947	△726,094
Other revenue	—	57,240
Payments for loss on litigation	△40,000	△40,000
Net cash provided by (used in) operating activities	3,419,536	2,181,988

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Cash flows from investing activities		
Payments into time deposits	△289,287	—
Proceeds from withdrawal of time deposits	421,921	226,918
Purchase of property, plant and equipment	△1,291,804	△1,700,551
Proceeds from sales of property, plant and equipment	—	6,392
Purchase of intangible assets	△21,501	△29,580
Purchase of investment securities	△1,666,784	△1,418,992
Proceeds from sales of investment securities	1,377,993	2,987,494
Proceeds from liquidation of subsidiaries	—	31,096
Payments of loans receivable	△210,813	△172,342
Collection of loans receivable	8,000	156,772
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*2 △549,365
Decrease (increase) in other investments	—	△9,302
Other proceeds	392	—
Net cash provided by (used in) investing activities	△1,671,883	△471,462
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	305,034	911,107
Proceeds from long-term loans payable	2,350,244	690,400
Repayments of long-term loans payable	△1,310,505	△913,848
Repayments of lease obligations	△19,410	△22,156
Payments for long-term accounts payable - other	—	△116,665
Proceeds from issuance of common shares	35,423	226,159
Purchase of treasury stock	△221	△576
Cash dividends paid	△816,582	△712,054
Cash dividends paid to non-controlling interests	△124,727	△121,662
Net cash provided by (used in) financing activities	419,255	△59,296
Effect of exchange rate change on cash and cash equivalents	△54,341	262,416
Net increase (decrease) in cash and cash equivalents	2,112,566	1,913,646
Cash and cash equivalents at beginning of period	4,901,124	7,026,200
Increase in cash and cash equivalents resulting from merger	12,508	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	△110,040
Cash and cash equivalents at end of period	*1 7,026,200	*1 8,829,805

[Notes]

(Important Matters Underlying Preparation of Consolidated Financial Statements)

1. Matters concerning scope of consolidation

(1) Number of consolidated subsidiaries: twelve (12)

Names of major consolidated subsidiaries:

ThinFlex Corporation, ThinFlex Technology Corporation (B.V.I.), TopFlex Corporation, (株)サトーセ
ン、Arisawa Fiber Glass Co., Ltd., Protec International Holdings Co., Ltd., Protec Arisawa Europe,
S.A., Protec Arisawa America, Inc., Protec Arisawa Japan Co., Ltd., Arisawa Sogyo Co., Ltd., Arisawa
Jushi Kogyo Co., Ltd., ColorLink Japan, Ltd.,

Of the above, Satosen Co., Ltd. became a consolidated subsidiary in the current consolidated fiscal
year, due to the acquisition of all shares thereof on November 30, 2017.

Arisawa Kenpan Co., Ltd., which was a consolidated subsidiary in the previous consolidated fiscal year,
was completely liquidated on May 29, 2017, and therefore has been excluded from the scope of
consolidation.

(2) Names, etc. of major non-consolidated subsidiaries

Major non-consolidated subsidiaries:

Arisawa Manufacturing (Dalian) Co., Ltd., Kashiwa Seiki Co., Ltd.

(Reasons for excluding the above-mentioned non-consolidated subsidiaries from the scope of consolidation)

The non-consolidated subsidiaries are small in size, and their aggregate total assets, net sales, net income
or loss (Amount corresponding to the Company's equity interest) and retained earnings (Amount
corresponding to the Company's equity interest), etc. do not materially affect the consolidated financial
statements.

2. Matters concerning application of equity method

(1) Number of affiliated companies accounted for under the equity method: two (2)

Names of major affiliated companies:

Polatechno Co., Ltd., Innovision FlexTech Corporation

DDD Group plc, which was an affiliated company accounted for under the equity method in the
previous consolidated fiscal year, went into liquidation and is no longer considered significant, and
therefore has been excluded from the scope of equity method.

(2) As the non-consolidated subsidiaries (Arisawa Manufacturing (Dalian) Co., Ltd. and three (3)
other companies) and the affiliated companies (Ryoyu Industrial Corporation and two (2) other
company) to which the equity method is not applied have only slight effects on the consolidated financial
statements in terms of net income or loss (Amount corresponding to the Company's equity interest) and
retained earnings (Amount corresponding to the Company's equity interest), etc. (even if they are
excluded from the scope of application of the equity method) and also bear no significance as a whole,
these companies have been excluded from the scope of application of the equity method.

(3) With respect to those companies accounted for under the equity method whose closing dates differ from the
consolidated closing date, the financial statements for the relevant business year of each such company have
been used.

3. Matters concerning business year, etc. of consolidated subsidiaries

The closing date of ThinFlex Corporation, TopFlex Corporation, ThinFlex Technology Corporation (B.V.I.),
Protec Arisawa Europe, S.A. and Protec Arisawa America, Inc., all of which are consolidated subsidiaries, is
December 31 of each year.

In preparation of consolidated financial statements, financial statements as of the said closing date are used;
provided, however, that for the important transactions conducted in the period from January 1 to March 31 (i.e.
the consolidated closing date), the adjustments necessary for consolidation purposes have been made.

4. Matters concerning accounting policies

(1) Valuation standards and valuation methods for important assets

1) Securities

Available-for-sale securities

Securities with available fair market values:

Stated at fair market value based on the market price as of the closing date, etc. (Valuation differences are reported as a component of net assets, and the cost of securities sold is calculated using the average cost method.)

Securities with no available fair market value:

Stated at average cost.

2) Derivative financial instruments

Stated at fair value method

3) Inventories

Merchandise, finished goods, semi-finished goods and work in process:

The Company and its domestic consolidated subsidiaries primarily adopt the cost method on a first-in, first-out basis (The amount shown on the balance sheets is calculated by writing inventories down due to a decline in profitability.), and the overseas subsidiaries primarily adopt the lower-of-cost-or-market method based on the moving average method.

Raw materials and supplies:

The Company and its domestic consolidated subsidiaries primarily adopt the cost method based on the periodic average method (The amount shown on the balance sheets is calculated by writing inventories down due to a decline in profitability.), and the overseas subsidiaries primarily adopt the lower-of-cost-or-market method based on the moving average method.

(2) Methods of depreciation and amortization of important depreciable assets

1) Property, plant and equipment (excluding lease assets)

The Company and its domestic consolidated subsidiaries adopt the declining-balance method, except for the buildings (excluding accompanying facilities) acquired on or after April 1, 1998, and accompanying facilities and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method. The overseas consolidated subsidiaries adopt the straight-line method.

The useful life mostly falls within the ranges shown below:

Buildings and structures: ten (10) years to thirty-one (31) years

Machinery, equipment and vehicles: four (4) years to nine (9) years

2) Intangible assets (excluding lease assets)

The straight-line method is adopted. Software used by the Company is amortized over an estimated in-house usable period. (Currently five (5) years)

3) Lease assets

Depreciation and amortization is based on the straight-line method that takes the lease period as the useful life and sets the residual value at zero (0).

(3) Standards for recording important allowances and provisions

1) Allowance for doubtful accounts

As a reserve for potential loan losses, an estimated uncollectible amount is allocated based on the historical loan-loss ratio in the case of general accounts receivable, and in light of the collectibility in each instance in the case of some specific accounts receivable, e.g. doubtful receivables.

2) Provision for bonuses

The Company and some of its consolidated subsidiaries, in preparation for the payment of bonuses to their respective employees, allocate such portion of the expected aggregate bonus amount that is recognizable in the current consolidated fiscal year.

3) Provision for directors' bonuses

Some of the Company's consolidated subsidiaries, in preparation for the payment of bonuses to their respective directors and officers, make a relevant allocation based on the expected aggregate amount of such bonus payment for the current consolidated fiscal year.

4) Provision for product warranties

As a reserve for warranty expenses potentially incurred with respect to the products delivered to customers, an amount reasonably expected to accrue in such expenses is estimated and appropriated.

(4) Accounting methods concerning retirement benefits

1) Method of inter-period attribution of expected retirement benefits

In calculating retirement benefit obligations, the benefit formula is employed as the method of attributing the estimated amount of each employee's retirement benefits to his or her service period up to the end of the current consolidated fiscal year.

2) Method of recognizing actuarial differences as expenses

Actuarial differences are recognized as expenses, effective from the consolidated fiscal year immediately following the year of occurrence of each such difference, in an amount prorated using the straight-line method over a certain number of years (Currently five (5) years) within the average remaining service period of the employees at the time of occurrence of the said difference in each consolidated fiscal year.

3) Adoption of simplified method by small-scale businesses, etc.

Some of the Company's consolidated subsidiaries employ, in calculating their respective net defined benefit liabilities and retirement benefit expenses, a simplified method which deems the size of retirement benefit obligations to be equal to the aggregate amount of retirement benefits payable assuming the voluntary retirement of all employees at the end of the current period.

(5) Standards for translating important foreign currency assets and liabilities into Japanese currency

Foreign currency monetary assets and liabilities are translated into Japanese yen at the spot exchange rate as of the consolidated closing date, and the resulting translation differences are entered as income or loss, as the case may be. Assets and liabilities of overseas subsidiaries, etc. are translated into Japanese yen at the spot exchange rate as of the consolidated closing date, and their respective incomes and expenses are translated into Japanese yen at the average exchange rate during the period, with the resulting translation differences being recorded as part of "Foreign currency translation adjustment" and "Non-controlling interests" in the "Net assets" section.

(6) Accounting method of significant hedge transactions

1) Method of hedge accounting

The Company adopts the deferred hedge accounting. With respect to the forward exchange contracts that meet the requirements of hedge accounting, we adopt the designated hedge accounting.

2) Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts

Hedged items: Monetary claims denominated in foreign currencies, Anticipated transactions in foreign currencies

3) Hedging policy

Forward foreign exchange transactions are conducted within the scope of actual demand for the purpose of deterring risks involved in transactions denominated in foreign currencies from the fluctuations in the foreign exchange market. These transactions will never be entered for speculative purpose.

4) Method of assessing hedge effectiveness

The Company assesses the effectiveness of hedging based on the ratio of changes that is calculated by comparing the cumulative total of the market fluctuations of hedged items with that of hedging instruments. However, when the forward foreign exchange transactions are by designated hedge accounting, such assessment of effectiveness is omitted.

(7) Method and period of amortization of goodwill

Goodwill is amortized using the straight-line method over a five (5)-year period.

(8) Scope of funds in the consolidated statements of cash flows

The funds consist of cash on hand, demand deposits that are immediately withdrawable and short-term investments with a maturity of three (3) months or less from the date of acquisition which are readily convertible to cash and carry only a negligible risk of value fluctuations.

(9) Other important matters concerning preparation of consolidated financial statements

Accounting methods concerning consumption tax, etc.

The consumption tax, etc. are accounted for using the tax exclusion method.

Accounting methods concerning deferred assets

Stock delivery expenses are fully charged to expenses when they are paid.

(Accounting Standards etc. not yet applied)

- "Implementation Guidance on Accounting Standards for Tax Effect Accounting" (Accounting Standards Board of Japan Guidance No. 28, amended on February 16, 2018)

- "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan Guidance No. 26, finally amended on February 16, 2018)

(1) Overview

When the practical guidelines on tax effect accounting issued by Japanese Institute of Certified Public Accountants (JICPA) were transferred to the Accounting Standards Board of Japan (ASBJ), the ASBJ made necessary revisions to the practical guidelines as mentioned below while maintaining the basic concepts and issued the "Implementation Guidance on Accounting Standard for Tax Effect Accounting", etc.

(Major accounting treatments revised)

- Treatment of taxable temporary differences pertaining to share of subsidiaries etc. in non-consolidated financial statements
- Treatment of recoverability of deferred tax assets for an entity classified as type 1

(2) Scheduled date of application

These ASBJ guidances will be applied at the start of the fiscal year beginning on April 1, 2018.

(3) Effect of application of the accounting standard, etc.

The effect of the application of the "Implementation Guidance on Accounting Standard for Tax Effect Accounting", etc. on the consolidated financial statements is currently under evaluation.

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No.29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Guidance No.30, March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive revenue recognition accounting standards and issued "Revenue from Contracts with Customers" in May 2014 (IASB: IFRS 15, FASB: Topic 606). Considering that IFRS 15 will apply to fiscal years beginning on or after January 1, 2018, and Topic 606 will apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by adhering a basic policy in developing it. This basic policy was to first, incorporate the core principles of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; and second, add alternative treatments, to the extent that they do not impair comparability, where consideration should be given to conventional practices etc. in Japan.

(2) Scheduled date of application

The Accounting Standard and the Implementation Guidance mentioned above will be applied at the start of the fiscal year beginning on April 1, 2021.

(3) Effect of application of the accounting standard, etc.

The effect of the application of the "Accounting Standard for Revenue Recognition", etc. on the consolidated financial statements is currently under evaluation.

(Changes in Presentation)

<Consolidated Statements of Income>

1. "Loss on redemption of investment securities", which was presented as part of "Other" in "Non-operating expenses" in the previous consolidated fiscal year, is separately stated effective from the current consolidated fiscal year due to a rise in percentage of the pertinent amount to more than ten hundredths (10/100) of the aggregate amount of non-operating expenses. In order to reflect such change

in presentation, a reclassification has been made in the consolidated financial statements for the previous consolidated fiscal year.

As a result, 77,140 thousand yen of “Other”, listed within “Non-operating income” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified into the combination of 16,200 thousand yen of “Loss on redemption of investment securities” and 60,939 thousand yen of “Other”.

2. “Gain on sales of investment securities”, which was presented as part of “Other” in “Extraordinary income” in the previous consolidated fiscal year, is separately stated effective from the current consolidated fiscal year due to a rise in percentage of the pertinent amount to more than ten hundredths (10/100) of the aggregate amount of Extraordinary income. In order to reflect such change in presentation, a reclassification has been made in the consolidated financial statements for the previous consolidated fiscal year.

As a result, 23,055 thousand yen of “Other”, listed within “Extraordinary income” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified into the combination of 13,513 thousand yen of “Gain on sales of investment securities” and 9,542 thousand yen of “Other”.

3. “Loss on retirement of non-current assets”, which was presented as part of “Other” in “Extraordinary losses” in the previous consolidated fiscal year, is separately stated effective from the current consolidated fiscal year due to a rise in percentage of the pertinent amount to more than ten hundredths (10/100) of the aggregate amount of extraordinary losses. Also, “Loss on retirement of non-current assets”, which was separately stated within “Extraordinary losses” in the previous consolidated fiscal year, is presented as part of “Other” effective from the current consolidated fiscal year due to a drop in percentage of the pertinent amount to ten hundredths (10/100) or less of the aggregate amount of extraordinary losses. In order to reflect such change in presentation, a reclassification has been made in the consolidated financial statements for the previous consolidated fiscal year.

As a result, 1,350 thousand yen listed within “Other” of “Extraordinary losses” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified as 1,350 thousand yen of “Loss on valuation of investment securities” and 30,556 thousand yen of “Loss on retirement of non-current assets”, listed within “Extraordinary losses” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified as part of “Other”.

(Notes Related to Consolidated Balance Sheets)

*1 Items related to non-consolidated subsidiaries and affiliated companies are as follows.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Investment securities (Stock)	7,893,184	8,277,856

*2 Assets subject to a security interest and secured liabilities

Assets subject to a security interest are as follows.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Cash and deposits	205,224 (---)	37,789 (---)
Buildings and structures	3,900,140 (2,905,148)	4,336,644 (3,190,575)
Machinery, equipment and vehicles	639,508 (639,508)	1,608,767 (1,160,304)
Property, plant and equipment (Other)	17,775 (17,775)	56,188 (56,188)
Land	266,900 (199,583)	500,923 (199,190)
Investments and other assets (Other)	61,556 (---)	47,580 (---)
Total	5,091,105 (3,762,016)	6,587,892 (4,606,259)

Secured liabilities are as follows.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Short-term loans payable	491,126 (---)	1,284,843 (300,000)
Current portion of long-term loans payable	428,384 (428,384)	825,300 (767,328)
Long-term loans payable	1,482,176 (1,482,176)	927,485 (714,848)
Total	2,401,686 (1,910,560)	3,037,628 (1,782,176)

The parenthesized figures represent factory foundation mortgages and the liabilities secured by such mortgages.

*3 Guarantee liabilities

The Company provides the following associated company with a guarantee of liabilities with respect to such company's accounts payable to trade creditors.

(1) Guarantee of liabilities

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Innovision FlexTech Corporation	44,400	43,800

*4 Balance of discounted notes and accounts receivable

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Discounted notes and accounts receivable	—	17,822

*5 The Submitting Company has an overdraft agreement in effect with each of its six (6) partner banks to ensure efficient procurement of operating funds. The following is the balance of unexecuted loans under such overdraft agreements as of the end of the current and previous consolidated fiscal years.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Aggregate overdraft limit	6,300,000	6,300,000
Drawdowns	190,000	790,000
Balance of unexecuted loans	6,110,000	5,510,000

*6 Notes, etc. maturing at the end of the consolidated fiscal year

For accounting treatment of notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the consolidated fiscal year, 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 fiscal year falls on a bank holiday, the following notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the consolidated fiscal year are included in their respective balances as of the end of the consolidated fiscal year.

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Notes and accounts receivable-trade	-	49,502
Notes and accounts payable-trade	-	144,191
Current liabilities and others (Notes payable-facilities, Electronically recorded obligations-non-operating)	-	40,343

(Thousands of yen)

(Notes Related to Consolidated Statements of Income)

*1 Total amount of research and development expenses included in manufacturing costs for the current period and general and administrative expenses

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
	1,756,916	1,971,169

(Thousands of yen)

*2 Closing inventories are stated in the amount after writing inventories down due to a decline in profitability, and the following loss on valuation of inventories or gain on reversal of loss on valuation of inventories (Δ) are included in the cost of sales.

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
	Δ 7,955	Δ 79,106

(Thousands of yen)

*3 Details of gain on sales of non-current assets are as follows.

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Machinery, equipment and vehicles	—	3,268

(Thousands of yen)

*4 Impairment loss

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)
No applicable matter.

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

Our Group recorded an impairment loss with respect to the following asset group(s) in the current consolidated fiscal year.

Location	Usage	Type
Joetsu-shi, Niigata	Display materials manufacturing facilities	Buildings and structures; machinery, equipment and vehicles; land; etc.

Our Group conducts asset grouping grounded in its business segments and based primarily on product lines (each line representing a family of products), while each asset becomes the subject of asset grouping in the cases of assets for rent and idle assets, etc.

Of the Group's business assets, those asset groups whose profitability significantly declined due largely to a fall in the market price of the relevant products, etc. have been written down to the recoverable amount, and the aggregate amount of such write-downs, 26,028 thousand yen, was recorded as an impairment loss in extraordinary losses. The said aggregate amount consists of 15,125 thousand yen of buildings and structures, 7,988 thousand yen of machinery, equipment and vehicles, 2,772 thousand yen of land and 141 thousand yen of others.

The recoverable amount of each relevant asset group is measured according to the net selling price, while the value of each real-estate property is fixed at the value assessed by a licensed real-estate appraiser.

(Notes Related to Consolidated Statements of Comprehensive Income)

*Reclassification adjustment and tax effects relating to other comprehensive income

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Valuation difference on available-for-sale securities:		
Amount arising in the current fiscal year	511,631	985,771
Reclassification adjustment	△86,181	△594,730
Before tax effects	425,449	391,041
Tax effects	△129,761	△119,267
Valuation difference on available-for-sale securities	295,687	271,773
Deferred gains or losses on hedges:		
Amount arising in the current fiscal year	7,437	—
Reclassification adjustment	—	△7,437
Before tax effects	7,437	△7,437
Tax effects	△2,283	2,283
Deferred gains or losses on hedges	5,153	△5,153
Foreign currency translation adjustment:		
Amount arising in the current fiscal year	△478,630	491,053
Remeasurements of defined benefit plans, net of tax:		
Amount arising in the current fiscal year	△95,130	△9,768
Reclassification adjustment	△13,398	13,926
Before tax effects	△108,529	4,158
Tax effects	33,166	△1,296
Remeasurements of defined benefit plans, net of tax	△75,362	2,861
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising in the current fiscal year	△140,791	△13,356
Total other comprehensive income	△393,944	747,179

(Notes Related to Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets)

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

1. Matters concerning class and number of shares issued and outstanding and of shares of treasury stock

	Number of shares at the beginning of the consolidated fiscal year	Increase in the number of shares during the consolidated fiscal year	Decrease in the number of shares during the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Shares issued and outstanding				
Common stock (See Note 1)	35,611,124	68,500	—	35,679,624
Total	35,611,124	68,500	—	35,679,624
Treasury stock				
Common stock (See Note 2)	6,215	321	—	6,536
Total	6,215	321	—	6,536

Note: 1. The increase of 68,500 shares in the number of shares issued and outstanding (common stock) is due to an issuance of new shares through the exercise of stock acquisition rights.

2. The increase of 321 shares in the number of shares of treasury stock (common stock) is due to a purchase of shares constituting less than one full unit.

2. Matters concerning stock acquisition rights and treasury stock acquisition rights

Category	Details of stock acquisition rights	Class of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights				Balance at the end of the consolidated fiscal year (Thousands of yen)
			At the beginning of the consolidated fiscal year	Increase during the consolidated fiscal year	Decrease during the consolidated fiscal year	At the end of the consolidated fiscal year	
Submitting Company (Parent company)	Stock acquisition rights issued as stock options	---	---	---	---	---	143,292
Total		---	---	---	---	---	143,292

3. Matters concerning dividends

(1) Dividends paid

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

Note: The dividend per share of 35 yen includes a special dividend of 11 yen.

(2) Dividends whose record date belongs to the current consolidated fiscal year but whose effective date belongs to the next consolidated fiscal year

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

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

1. Matters concerning class and number of shares issued and outstanding and of shares of treasury stock

	Number of shares at the beginning of the consolidated fiscal year	Increase in the number of shares during the consolidated fiscal year	Decrease in the number of shares during the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Shares issued and outstanding				
Common stock (See Note 1)	35,679,624	344,500	—	36,024,124
Total	35,679,624	344,500	—	36,024,124
Treasury stock				
Common stock (See Note 2)	6,536	548	—	7,084
Total	6,536	548	—	7,084

- Note: 1. The increase of 344,500 shares in the number of shares issued and outstanding (common stock) is due to an issuance of new shares through the exercise of stock acquisition rights.
2. The increase of 548 shares in the number of shares of treasury stock (common stock) is due to a purchase of shares constituting less than one full unit.

2. Matters concerning stock acquisition rights and treasury stock acquisition rights

Category	Details of stock acquisition rights	Class of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights				Balance at the end of the consolidated fiscal year (Thousands of yen)
			At the beginning of the consolidated fiscal year	Increase during the consolidated fiscal year	Decrease during the consolidated fiscal year	At the end of the consolidated fiscal year	
Submitting Company (Parent company)	Stock acquisition rights issued as stock options	---	---	---	---	---	127,640
Total		---	---	---	---	---	127,640

3. Matters concerning dividends

(1) Dividends paid

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

(2) Dividends whose record date belongs to the current consolidated fiscal year but whose effective date belongs to the next consolidated fiscal year

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders of June 28, 2018	Common stock	1,224,579	Retained earnings	34.00	March 31, 2018	June 29, 2018

(Notes Related to Consolidated Statements of Cash Flows)

*1 The correlation between the balance of cash and cash equivalents at the end of the current and previous consolidated fiscal years and the amounts shown for the corresponding items on the relevant consolidated balance sheets

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Cash and deposits	7,667,985	9,123,877
Time deposits with a deposit term of more than three months	△761,568	△538,000
Securities (Money management fund)	119,782	243,92
Cash and cash equivalents	7,026,200	8,829,805

*2 Principal assets and liabilities of a company that became a consolidated subsidiary due to acquisition of stock in the current consolidated fiscal year

Assets and liabilities of the corporation at time of its consolidation resulting from the acquisition of stock of Satosen Co., Ltd. as well as the relationship between the acquisition price of Satosen's stock and expenditures (net) for the acquisition of Satosen are presented below.

(Thousands of yen)

Current assets	1,213,804
Non-current assets	1,100,544
Goodwill	355,527
Current liabilities	△943,047
Non-current liabilities	△1,076,828
Acquisition price of Satosen's stock	650,000
Satosen's cash and cash equivalents	△100,634
Balance: Expenditures for the acquisition of Satosen Co., Ltd.	549,365

(Notes Related to Lease Transactions)

(As lessee)

Finance lease transactions

Finance lease transactions that do not entail transfer of title

1) Details of lease assets

Property, plant and equipment

Photovoltaic facility, mainly. (falling under “Machinery, equipment and vehicles” respectively)

2) Methods of depreciation and amortization of lease assets

As is stated in (Important Matters Underlying Preparation of Consolidated Financial Statements) - 4. Matters concerning accounting policies - (2) Methods of depreciation and amortization of important depreciable assets.

(Notes Related to Financial Instruments)

1. Matters concerning the status of financial instruments

(1) Policies for financial instruments

Our Group obtains funds required in light of its financing plan and business plan (mainly through bank loans), and invest any temporary surplus funds in highly liquid financial instruments, and also obtains short-term operating funds through bank loans. Our Group makes use of derivative transactions in order to avoid the risks mentioned below and maintains a policy of eschewing speculative transactions.

(2) Description of financial instruments and risks associated with such financial instruments

Notes and accounts receivable, a type of operating receivables, are exposed to customer credit risk, and foreign currency operating receivables are also exposed to exchange rate fluctuation risk.

Securities and investment securities consist of those held primarily as pure investments and equity shares in the Company's business partners and are exposed to market price fluctuation risk.

Notes and accounts payable, a type of operating payables, are mostly due in approximately four (4) months. The notes and accounts payable denominated in foreign currencies are exposed to exchange rate fluctuation risk.

Loans payable are primarily aimed at obtaining funds required for capital investment. They are fixed rate loans and liabilities and therefore are not exposed to interest rate fluctuation risk.

Derivative transactions conducted by our Group are restricted to forward exchange contracts with the purpose to hedge exchange fluctuation risk in respect of operating receivables denominated in foreign currency. To learn about hedging instruments and hedged items with respect to hedge accounting, hedging policy and method of assessing hedge effectiveness, etc., refer to "4. Matters concerning accounting policies (6) Accounting method of significant hedge transactions" in [Notes] (Important Matters Underlying Preparation of Consolidated Financial Statements) described above.

(3) Risk management system for financial instruments

1) Management of credit risk (Risks associated with default of contract by business partners, etc.)

As for notes and accounts receivable, the sales departments set a credit limit for each of the Company's regular customers, monitoring such customers' respective payment schedules, remaining credit lines and overall business conditions in an attempt to promptly recognize and reduce doubtful accounts.

As for securities and investment securities held for the purpose of fund management, higher-rated bonds are selected to minimize credit risk.

2) Management of market risk (Risks associated with fluctuations in foreign exchange rates and interest rates, etc.)

As for some foreign currency operating receivables and payables, forward exchange contracts may be employed to avoid exchange rate fluctuation risk.

As for securities and investment securities, the Company continually reviews the holding status in light of the relevant market conditions and business relations.

The execution and management of derivative transactions are conducted, pursuant to the management rules that specify transaction authority and transaction amount limits, by the department in charge with the approval of the person in charge of settlement.

3) Management of liquidity risk (Risk that payment cannot be made as and when due under contract) in financing activities

The Company has entered into an overdraft agreement with its partner banks to ensure expeditious financing and to minimize liquidity risk.

In financing activities, the Company prepares and updates a financial plan under its business plan and capital investment plan and maintains liquidity on hand, etc. in an attempt to minimize liquidity risk.

(4) Supplementary explanations on matters concerning fair value, etc. of financial instruments

The fair value of financial instruments is based on either the quoted market price, if available, or a reasonably estimated price where no market price is available. As variable factors are incorporated in the determination of the said reasonably estimated price, such price may vary depending on the choice among different assumptions, etc.

2. Matters concerning fair value, etc. of financial instruments

The amount shown on the consolidated balance sheets, the fair value and the difference between the former and the latter are as follows. Financial instruments whose fair value is deemed extremely difficult to reasonably determine are not included (See Note 2).

Previous consolidated fiscal year (As of March 31, 2017) (Thousands of yen)

	Amount shown on consolidated balance sheets	Fair value	Difference
(1) Cash and deposits	7,667,985	7,667,985	—
(2) Notes and accounts receivable—trade	12,618,700	12,618,700	—
(3) Securities and investment securities	24,057,039	22,669,512	△1,387,526
Total assets	44,343,725	42,956,198	△1,387,526
(1) Notes and accounts payable—trade	5,168,250	5,168,250	—
(2) Short-term loans payable	2,908,630	2,908,630	—
(3) Income taxes payable	362,974	362,974	—
(4) Long-term loans payable (*1)	2,282,847	2,286,562	3,714
Total liabilities	10,722,702	10,726,417	3,714

(*1) The current portion of long-term loans payable is included.

Current consolidated fiscal year (As of March 31, 2018) (Thousands of yen)

	Amount shown on consolidated balance sheets	Fair value	Difference
(1) Cash and deposits	9,123,877	9,123,877	—
(2) Notes and accounts receivable—trade	15,947,189	15,947,189	—
(3) Securities and investment securities	24,023,638	25,379,821	1,356,182
Total assets	49,094,705	50,450,888	1,356,182
(1) Notes and accounts payable—trade	6,794,393	6,794,393	—
(2) Short-term loans payable	4,242,472	4,242,472	—
(3) Income taxes payable	930,529	930,529	—
(4) Long-term loans payable (*1)	2,506,615	2,502,645	△3,969
Total liabilities	14,474,010	14,470,041	△3,969

(*1) The current portion of long-term loans payable is included.

Note: 1. Methods of calculating fair value of financial instruments and matters concerning securities

Assets

(1) Cash and deposits and (2) Notes and accounts receivable—trade

As the fair value of these items approximates their respective book values due to their short maturities, they are recorded at the pertinent book value.

(3) Securities and investment securities

The fair value of stock, etc. is based on the quoted price in an active market (e.g. a stock exchange), and the fair value of bonds is based on the said quoted price or the price presented by the relevant financial institutions, etc. For matters concerning securities with respect to each purpose of holding, refer to (Notes Related to Securities).

Liabilities

(1) Notes and accounts payable—trade, (2) Short-term loans payable and (3) Income taxes payable

As the fair value of these items approximates their respective book values due to their short maturities, they are recorded at the pertinent book value.

(4) Long-term loans payable

The fair value of these loans is calculated based on the present value obtained by discounting the sum of the principal and the interest accruing thereon at the rate that should apply if a similar borrowing is

newly made.

2. Financial instruments whose fair value is deemed extremely difficult to reasonably determine

(Thousands of yen)

Category	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Unlisted stock, etc.	604,776	522,287

As these instruments have no quoted market price, and it is deemed extremely difficult to reasonably determine their respective fair values, they are not included in “(3) Securities and investment securities”.

3. Scheduled amount of redemption after the consolidated closing date of monetary receivables and securities with a maturity date

Previous consolidated fiscal year (As of March 31, 2017)

(Thousands of yen)

	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Deposits	7,661,438	—	—	—
Notes and accounts receivable—trade	12,618,700	—	—	—
Securities and investment securities				
Available-for-sale securities with a maturity date				
(1) Government bonds, local government bonds, etc.	—	112,190	—	—
(2) Corporate bonds	692,286	3,444,041	4,745,687	1,354,323
(3) Other	14,023	392,665	602,941	423,520
Total	20,986,449	3,948,896	5,348,629	1,777,843

Current consolidated fiscal year (As of March 31, 2018)

(Thousands of yen)

	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Deposits	9,111,499	3,000	—	—
Notes and accounts receivable—trade	15,947,189	—	—	—
Securities and investment securities				
Available-for-sale securities with a maturity date				
(1) Government bonds, local government bonds, etc.	—	106,240	—	—
(2) Corporate bonds	958,489	3,743,230	4,343,086	958,819
(3) Other	13,280	365,200	365,640	—
Total	26,030,458	4,217,670	4,708,726	958,819

4. Scheduled amount of repayment after the consolidated closing date of corporate bonds, long-term loans payable, lease obligations and other interest-bearing liabilities

Previous consolidated fiscal year (As of March 31, 2017)

(Thousands of yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term loans payable	2,908,630	—	—	—	—	—
Long-term loans payable	446,754	1,121,245	714,848	—	—	—
Total	3,355,384	1,121,245	714,848	—	—	—

Current consolidated fiscal year (As of March 31, 2018)

(Thousands of yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term loans payable	4,242,472	—	—	—	—	—
Long-term loans payable	864,130	850,540	191,137	452,192	142,312	6,304
Total	5,106,602	850,540	191,137	452,192	142,312	6,304

(Notes Related to Securities)

1. Available-for-sale securities

Previous consolidated fiscal year (As of March 31, 2017)

(Thousands of yen)

	Type	Amount shown on consolidated balance sheets	Acquisition cost	Difference
Those whose amount shown on consolidated balance sheets exceeds the acquisition cost	(1) Equity Shares	2,668,643	967,766	1,700,876
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	—	—	—
	2) Corporate bonds	4,779,257	4,253,661	525,596
	3) Other	761,951	727,777	34,174
	(3) Other	348,983	328,840	20,143
	Subtotal	8,558,836	6,278,045	2,280,791
Those whose amount shown on consolidated balance sheets does not exceed the acquisition cost	(1) Equity Shares	24,824	30,102	△5,278
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	111,155	124,780	△13,624
	2) Corporate bonds	5,789,784	6,585,844	△796,059
	3) Other	355,763	401,895	△46,131
	(3) Other	1,602,268	1,658,265	△55,997
	Subtotal	7,883,796	8,800,888	△917,091
Total		16,442,632	15,078,933	1,363,699

Note: As shares of unlisted stock, etc. (shown in the amount of 325,999 thousand yen on the consolidated balance sheets) have no quoted market price, and it is deemed extremely difficult to reasonably determine their respective fair values, they are not included in the table above.

Current consolidated fiscal year (As of March 31, 2018)

(Thousands of yen)

	Type	Amount shown on consolidated balance sheets	Acquisition cost	Difference
Those whose amount shown on consolidated balance sheets exceeds the acquisition cost	(1) Equity Shares	3,605,283	852,902	2,752,381
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	—	—	—
	2) Corporate bonds	4,387,051	4,155,214	231,837
	3) Other	364,581	362,371	2,209
	(3) Other	562,862	553,440	9,421
	Subtotal	8,919,779	5,923,929	2,995,850
Those whose amount shown on consolidated balance sheets does not exceed the acquisition cost	(1) Equity Shares	—	—	—
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	104,680	124,598	△19,917
	2) Corporate bonds	5,863,278	6,955,231	△1,091,953
	3) Other	425,871	504,505	△78,633
	(3) Other	786,211	840,159	△53,947
	Subtotal	7,180,041	8,424,494	△1,244,452
Total		16,099,821	14,348,423	1,751,397

Note: As shares of unlisted stock, etc. (shown in the amount of 168,247 thousand yen on the consolidated balance sheets) have no quoted market price, and it is deemed extremely difficult to reasonably determine their respective fair values, they are not included in the table above.

2. Available-for-sale securities sold

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

(Thousands of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Equity Shares	2	0	—
(2) Bonds			
1) Government bonds, local government bonds, etc.	—	—	—
2) Corporate bonds	421,619	53,149	16,200
3) Other	14,635	1,861	—
(3) Other	941,737	52,907	4,236
Total	1,377,993	107,919	20,437

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

(Thousands of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Equity Shares	976,820	734,374	21
(2) Bonds			
1) Government bonds, local government bonds, etc.	—	—	—
2) Corporate bonds	702,085	29,558	86,380
3) Other	178,360	12,331	—
(3) Other	1,130,227	8,645	40,182
Total	2,987,494	784,909	126,584

3. Securities subject to impairment

An impairment of available-for-sale securities totalling 1,350 thousand yen was made in the previous consolidated fiscal year.

An impairment of available-for-sale securities totalling 63,595 thousand yen was made in the current consolidated fiscal year.

In this regard, an impairment of securities is made in full if the fair value at the end of the consolidated fiscal year is 50% or less of the acquisition cost, and in such amount as deemed necessary in view of the prospects for a price rebound, etc. if the fair value at the end of the consolidated fiscal year falls within the range of 30% to 50% of the acquisition cost.

(Notes Related to Derivative Transactions)

1. Derivative transaction not subject to hedge accounting

No applicable matter.

2. Derivatives transactions subject to hedge accounting

Currency-related transactions

Previous consolidated fiscal year (As of March 31, 2017)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount (Thousands of yen)	Contract amount due after 1 year-period (Thousands of yen)	Fair value (Thousands of yen)
Designated hedge accounting for forward foreign exchange, etc.	Forward foreign exchange transactions				
	Short open position				
	U.S. dollar	Accounts receivable	630,500	—	7,437
Total			630,500	—	7,437

Note: 1. The method of calculating the fair market value is based on the price presented by the counterparty financial institution.

2. Because it is calculated together with the accounts receivable considered as hedged item, the amount of fair value by designated hedge accounting for forward foreign exchange contracts, etc. is included in the fair value of such accounts receivable.

Current consolidated fiscal year (As of March 31, 2018)

No applicable matter.

(Notes Related to Retirement Benefits)

1. Outline of retirement benefit plans adopted by the Group

The Company and some of its consolidated subsidiaries adopt, as a defined benefit scheme, the defined benefit corporate pension plan and the retirement lump-sum distribution plan. The Submitting Company shifted to the defined benefit corporate pension plan from the qualifying retirement pension plan as of April 1, 2007. Some of the Company's domestic consolidated subsidiaries participate in the Smaller Enterprise Retirement Allowance Mutual Aid System as a defined contribution scheme. Some of the Company's overseas consolidated subsidiaries adopt the defined contribution retirement allowance plan.

2. Defined benefit scheme (including plans employing the simplified method)

(1) Reconciliation between the beginning and ending balances of retirement benefit obligations

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Balance of retirement benefit obligations at the beginning of year	3,905,242	4,134,272
Service cost	253,927	268,528
Interest cost	11,637	12,323
Actuarial differences generated	72,647	46,431
Retirement benefits paid	△109,181	△83,603
Increase resulting from acquisition of a consolidated subsidiary	—	13,590
Balance of retirement benefit obligations at the end of year	4,134,272	4,391,542

(2) Reconciliation between the beginning and ending balances of plan assets

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Balance of plan assets at the beginning of year	3,483,259	3,576,160
Expected return on plan assets	34,832	35,761
Actuarial differences generated	△22,483	36,663
Employer contributions	189,552	223,004
Retirement benefits paid	△109,001	△83,603
Balance of plan assets at the end of year	3,576,160	3,787,985

(3) Reconciliation between the ending balance of retirement benefit obligations and plan assets combined and the net defined benefit liability and net defined benefit asset shown on consolidated balance sheets

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Retirement benefit obligations under the funded plans	4,107,872	4,349,942
Plan assets	△3,576,160	△3,787,985
	531,711	561,956
Retirement benefit obligations under the unfunded plans	26,400	41,599
Net amount of liability and asset shown on consolidated balance sheets	558,112	603,556
Net defined benefit liability	558,112	603,556
Net amount of liability and asset shown on consolidated balance sheets	558,112	603,556

(4) Amount of retirement benefit expenses and components thereof

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Service cost	253,927	268,528
Interest cost	11,637	12,323
Expected return on plan assets	△34,832	△35,761
Recognized actuarial loss	△13,398	13,926
Retirement benefit expenses incurred under defined benefit scheme	217,333	259,016

(5) Remeasurements of defined benefit plans, net of tax

Remeasurements of defined benefit plans, net of tax (before tax effects) consist of the following.

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Actuarial differences	108,529	△4,158

(6) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (before tax effects) consist of the following.

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Unrecognized actuarial differences	△199,774	△195,616

Note: The figures stated above only cover the Company and its consolidated subsidiaries, while the amount shown as remeasurements of defined benefit plans includes not only the figures stated above but also the unrecognized items attributable to the companies accounted for under the equity method (Amount corresponding to the Company's equity interest).

(7) Matters concerning plan assets

1) Rough breakdown of plan assets

The categorical distribution of the total plan assets held is as follows.

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Life insurance company general accounts	51%	51%
Trust bank special accounts	30%	25%
Life insurance company special accounts	19%	24%
Total	100%	100%

Note: Each account comprises a diverse range of investment asset classes centering on domestic bonds, in a reflection of the basic policy of securing stable returns.

2) Method of determining the expected long-term rate of return on plan assets

The current and expected future allocations of the plan assets as well as the current and anticipated long-term rates of return on the diverse range of asset classes comprising the plan assets are taken into account in determining the expected long-term rate of return on plan assets.

(8) Matters concerning actuarial assumptions

Major actuarial assumptions

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Discount rate	0.3%	0.3%
Expected long-term rate of return on plan assets	1.0%	1.0%
Expected rates of salary increase	1.0~2.8%	1.0~2.8%

3. Defined contribution scheme

The total amount required for contributions to the defined contribution plans of some of the Company's domestic consolidated subsidiaries and overseas consolidated subsidiaries was 51,308 thousand yen for the previous consolidated fiscal year (From April 1, 2016 to March 31, 2017) and 60,334 thousand yen for the current consolidated fiscal year (From April 1, 2017 to March 31, 2018).

(Notes Related to Stock Options, etc.)

1. Amount recorded as expenses and item of expenses associated with stock options

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Share-based compensation expenses in cost of sales and selling, general and administrative expenses	44,725	42,636

2. Amount recorded as income due to forfeiture by non-exercise of rights

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Gain on reversal of share acquisition rights	8,714	2,054

3. Outline and scale of stock options and changes

(1) Outline of stock options

	Directors' retirement bonuses stock option in 2005	Employees, etc. stock option in 2012	Directors' remuneration stock option in 2013
Category and number of grantees	6 directors of the Company	165 employees and advisors of the Company, and 6 directors and employees of subsidiaries of the Company	6 directors of the Company
Number of stock options (See Note)	39,700 shares of common stock	194,500 shares of common stock	80,000 shares of common stock
Grant date	August 1, 2005	August 16, 2012	August 16, 2013
Conditions for vesting	<p>No condition for vesting is set, but the conditions for exercising the rights are as follows:</p> <p>(1) Eligible person may exercise the stock acquisition rights only on the occasion of his or her retirement from the post of director of the Company; provided, however, that the eligible person shall exercise the stock acquisition rights in the period between the date immediately following the date of his or her retirement (hereinafter referred to as the "Date of Commencing Exercise of Right") and the date elapsing ten (10) days from the Date of Commencing Exercise of Right (both dates inclusive).</p> <p>(2) In the event of the eligible person's death, among his or her heirs, only the spouse, children and lineal ascendants (first degree) of the eligible person may exercise the stock acquisition rights; provided, however, that such heirs shall exercise the stock acquisition rights in the period between the date immediately following the date of retirement of the eligible person by death and the date elapsing three (3) months from such date (both dates inclusive).</p>	<p>No condition for vesting is set, but the condition for exercising the rights is as follows:</p> <p>- Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.</p>	<p>No condition for vesting is set, but the condition for exercising the rights is as follows:</p> <p>- Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.</p>
Requisite service period	N.A.	1 year and 11 months (August 16, 2012 through June 30, 2014)	1 year and 11 months (August 16, 2013 through June 30, 2015)
Exercise period	August 1, 2005 through July 31, 2025	July 1, 2014 through June 30, 2017	July 1, 2015 through June 30, 2018

	Employees, etc. stock option in 2013	Directors' remuneration stock option in 2014	Employees, etc. stock option in 2014
Category and number of grantees	163 employees and advisors of the Company, and 9 directors and employees of subsidiaries of the Company	6 directors of the Company	163 employees and advisors of the Company, and 10 directors and employees of subsidiaries of the Company
Number of stock options (See Note)	203,100 shares of common stock	93,000 shares of common stock	216,500 shares of common stock
Grant date	August 16, 2013	August 18, 2014	August 18, 2014
Conditions for vesting	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.
Requisite service period	1 year and 11 months (August 16, 2013 through June 30, 2015)	1 year and 11 months (August 18, 2014 through June 30, 2016)	1 year and 11 months (August 18, 2014 through June 30, 2016)
Exercise period	July 1, 2015 through June 30, 2018	July 1, 2016 through June 30, 2019	July 1, 2016 through June 30, 2019

	Directors' remuneration stock option in 2014	Employees, etc. stock option in 2015	Directors' remuneration stock option in 2015
Category and number of grantees	5 directors of the Company	176 employees and advisors of the Company, and 20 directors and employees of subsidiaries of the Company	5 directors of the Company
Number of stock options (See Note)	78,000 shares of common stock	241,400 shares of common stock	73,000 shares of common stock
Grant date	August 17, 2015	August 17, 2015	August 16, 2016
Conditions for vesting	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.
Requisite service period	1 year and 11 months (August 17, 2015 through June 30, 2016)	1 year and 11 months (August 17, 2015 through June 30, 2017)	1 year and 11 months (August 16, 2016 through June 30, 2017)
Exercise period	July 1, 2017 through June 30, 2020	July 1, 2017 through June 30, 2020	July 1, 2018 through June 30, 2021

	Employees, etc. stock option in 2016	Directors' remuneration stock option in 2016	Employees, etc. stock option in 2017
Category and number of grantees	187 employees and advisors of the Company, and 14 directors and employees of subsidiaries of the Company	5 directors of the Company	194 employees and advisors of the Company, and 10 directors and employees of subsidiaries of the Company
Number of stock options (See Note)	234,000 shares of common stock	75,000 shares of common stock	235,300 shares of common stock
Grant date	August 16, 2016	August 16, 2017	August 16, 2017
Conditions for vesting	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.
Requisite service period	1 year and 11 months (August 16, 2016 through June 30, 2018)	1 year and 11 months (August 16, 2017 through June 30, 2019)	1 year and 11 months (August 16, 2017 through June 30, 2019)
Exercise period	July 1, 2018 through June 30, 2021	July 1, 2019 through June 30, 2022	July 1, 2019 through June 30, 2022

Note: Stated in terms of shares of stock.

(2) Scale of stock options granted and changes

Stock options that existed during the current consolidated fiscal year (fiscal year ended March 31, 2018) are covered, with the number of stock options stated in terms of shares of stock.

(a) Number of stock options

	Directors' retirement bonuses stock option in 2005	Employees, etc. stock option in 2012	Directors' remuneration stock option in 2013
Before vested (Shares)			
At the end of the previous consolidated fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vested (Shares)			
At the end of the previous consolidated fiscal year	27,700	41,400	60,000
Vested	—	—	—
Exercised	600	19,400	60,000
Forfeited	—	22,000	—
Exercisable	27,100	—	—

	Employees, etc. stock option in 2013	Directors' remuneration stock option in 2014	Employees, etc. stock option in 2014
Before vested (Shares)			
At the end of the previous consolidated fiscal year	—	—	93,000
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	93,000
Outstanding	—	—	—
After vested (Shares)			
At the end of the previous consolidated fiscal year	139,700	93,000	197,500
Vested	—	—	—
Exercised	85,700	45,600	82,100
Forfeited	300	—	300
Exercisable	53,700	47,400	115,100

	Directors' remuneration stock option in 2015	Employees, etc. stock option in 2015	Directors' remuneration stock option in 2016
Before vested (Shares)			
At the end of the previous consolidated fiscal year	78,000	234,300	73,000
Granted	—	—	—
Forfeited	—	—	—
Vested	78,000	234,300	—
Outstanding	—	—	73,000
After vested (Shares)			
At the end of the previous consolidated fiscal year	—	—	—
Vested	78,000	234,300	—
Exercised	17,000	34,100	—
Forfeited	—	3,700	—
Exercisable	61,000	196,500	—

	Employees, etc. stock option in 2016	Directors' remuneration stock option in 2017	Employees, etc. stock option in 2017
Before vested (Shares)			
At the end of the previous consolidated fiscal year	232,000	—	
Granted	—	75,000	235,300
Forfeited	100	—	100
Vested	—	—	—
Outstanding	231,900	75,000	235,200
After vested (Shares)			
At the end of the previous consolidated fiscal year	—	—	—
Vested	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Exercisable	—	—	—

(b) Unit price information

	Directors' retirement bonuses stock option in 2005	Employees, etc. stock option in 2012	Directors' remuneration stock option in 2013
Exercise price (Yen)	1	223	569
Average stock price at the time of exercise (Yen)	863	855	883
Fair value at the grant date (Yen)	—	64	159

	Employees, etc. stock option in 2013	Directors' remuneration stock option in 2014	Employees, etc. stock option in 2014
Exercise price (Yen)	569	741	741
Average stock price at the time of exercise (Yen)	1,038	1,229	1,056
Fair value at the grant date (Yen)	159	182	182

	Directors' remuneration stock option in 2015	Employees, etc. stock option in 2015	Directors' remuneration stock option in 2016
Exercise price (Yen)	867	867	536
Average stock price at the time of exercise (Yen)	1,119	1,141	—
Fair value at the grant date (Yen)	168	168	98

	Employees, etc. stock option in 2016	Directors' remuneration stock option in 2017	Employees, etc. stock option in 2017
Exercise price (Yen)	536	1,004	1,004
Average stock price at the time of exercise (Yen)	—	—	—
Fair value at the grant date (Yen)	98	188	188

4. Method of estimating fair value of stock options

Method of estimating fair value of directors' remuneration stock option in 2017 and employees, etc. stock option in 2017 granted in the current consolidated fiscal year is as follows.

- 1) Valuation technique used Black-Scholes model
- 2) Principal parameters and method of estimation

	Directors' remuneration stock option in 2017	Employees, etc. stock option in 2017
Stock price volatility (See Note 1)	34.26%	34.26%
Expected life (See Note 2)	3 years and 6 months	3 years and 6 months
Expected dividends (See Note 3)	20.00 yen per share	20.00 yen per share
Risk-free interest rate (See Note 4)	0.00%	0.00%

- Note:
1. Calculated based on the actual stock prices during the three (3) years and six (6) months from February 2014 to August 2017.
 2. As reasonable estimates are difficult to make due to a lack of sufficient accumulation of data, the expected life is estimated on the presumption that the rights are exercised at the midpoint of the exercise period.
 3. Based on the actual amount of dividends for the consolidated fiscal year ended March 31, 2017.
 4. Japanese government bond yield for the period corresponding to the expected life.

5. Method of estimating the number of stock options vested

Only the actual number of forfeited stock options is reflected because it is basically difficult to reasonably estimate the number of stock options that will be forfeited in the future.

(Notes Related to Tax Effect Accounting)

1. Breakdown by major occurrence factor of deferred tax assets and deferred tax liabilities

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Deferred tax assets		
Impairment loss	410,279	386,449
Loss on valuation of investment securities	411,706	326,938
Tax loss carry-forward	313,986	289,158
Allowance for doubtful accounts	145,025	204,677
Provision for bonuses	138,007	185,018
Loss on valuation of inventories	151,192	142,657
Other	562,275	731,236
Deferred tax assets subtotal	2,132,473	2,266,135
Valuation allowance	△1,385,032	△1,126,479
Deferred tax assets total	747,441	1,139,656
Deferred tax liabilities		
Retained earnings of subsidiaries and associates	△790,008	△903,239
Valuation difference on available-for-sale securities	△431,227	△534,550
Reserve for advanced depreciation of non-current assets	△17,936	△118,452
Other	△35,863	△72,123
Deferred tax liabilities total	△1,275,036	△1,628,364
Net amount of deferred tax assets (liabilities)	△527,594	△488,708

Note: Net amount of deferred tax assets (liabilities) in the previous consolidated fiscal year and the current consolidated fiscal year is included in the following items in the consolidated balance sheets.

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Current assets – Deferred tax assets	383,814	584,907
Non-current assets – Deferred tax assets	122,604	200,976
Current liabilities – Deferred tax liabilities	△25,281	△85
Non-current liabilities – Deferred tax liabilities	△1,008,732	△1,274,507

2. Breakdown by item of major causes of any significant difference between the normal effective statutory tax rate and the effective income tax rate after tax effect accounting

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Normal effective statutory tax rate	30.7%	30.5%
(Adjustments)		
Valuation allowance	△7.6%	△6.3%
Share of profit of entities accounted for using equity method	△5.1%	△3.0%
Difference in tax rates with overseas subsidiaries	△2.3%	△2.9%
Special tax deductions	△1.3%	△2.1%
Items permanently excluded from taxable income	△3.1%	△1.7%
Retained earnings of subsidiaries and associates	△0.4%	△2.4%
Dividends income eliminated in consolidation	3.8%	2.1%
Items permanently excluded from tax-deductible expenses	1.5%	0.7%
Consolidated adjustment items	3.9%	0.3%
Other	1.0%	1.0%
Effective income tax rate after tax effect accounting	21.1%	21.0%

(Business Combinations)

(Notes to business combinations by acquisition)

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

(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 acquires shares of Satosen Co., Ltd. in consideration for cash paid.

2. Period for which the operating results of the acquired company are included in the consolidated financial statements

From January 1, 2018 to March 31, 2018

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

Consideration for acquisition	Cash	650,000 thousand yen
Acquisition cost		650,000 thousand yen

4. Main details and amount of acquisition-related expenses

No applicable matter.

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

(1) Amount of goodwill arising from the business combination

355,527 thousand yen

As allocation of the acquisition cost has not been completed, the amount of goodwill that occurred from this event is a provisional estimate.

(2) Cause of the goodwill

The goodwill arose due to Satosen Co.'s future additional earnings power that is expected from future business development.

(3) Amortization method and period

Straight-line amortization over 5 years.

6. Amount of assets received and liabilities undertaken on the date of the business combination and their breakdown

	(Thousands of yen)
Current assets	1,213,804
Non-current assets	<u>1,100,544</u>
Total assets	<u>2,314,348</u>
Current liabilities	943,047
Non-current liabilities	<u>1,076,828</u>
Total Liabilities	2,019,875

7. The allocation of acquisition cost

As classification of identifiable assets and liabilities as well as calculation of market value on the date of the business combination had not been completed at the end of the current consolidated fiscal year, the allocation of acquisition cost has not been completed and therefore it is provisionally accounted based on practical information available at the said time.

8. Estimated amount and calculation method for hypothetical impact on consolidated statements of income for the fiscal year under review assuming business combination was completed on the first day of the fiscal year under review

This information has been omitted owing to difficulties in calculating the estimated amount of such impact for the consolidated fiscal year ended March 31, 2018.

(Notes Related to Asset Retirement Obligations)

Asset retirement obligations that are recorded in the consolidated balance sheets

(1) Outline of asset retirement obligations

These are restoration obligations, etc. in connection with real estate rental agreements for certain factories and offices.

(2) Method of calculating the amount of asset retirement obligations

An estimated useful life of thirty-one (31) years and a discount rate at 1.9% are used in calculating the amount of asset retirement obligations.

(3) Changes in the aggregate amount of asset retirement obligations

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Balance at the beginning of year	58,319	57,448
Adjustment due to lapse of time	158	161
Increase resulting from acquisition of a consolidated subsidiary	—	36,100
Other increase or decrease (Δ: decrease)	△1,029	△872
Balance at the end of year	<u>57,448</u>	<u>92,837</u>

(Notes Related to Real Properties for Rent, etc.)

Statement is omitted as the aggregate value of the real properties for rent, etc. is not material.

(Segment Information, etc.)

[Segment Information]

1. Outline of reportable segments

Reportable segments of the Company are those constituent units of the Company who make available separate financial information and also are subject to periodic review by the board of directors aimed at determining the distribution of management resources and evaluating business results.

The Company has manufacturing and sales systems in place for each category of product and service at its head office, etc. and conducts business activities based on the comprehensive strategies that the Company develops for the domestic and overseas markets as to its products and services.

The Company's business, therefore, consists of several segments that represent each category of product and service and are based on the said manufacturing and sales systems. Such segments are the four (4) reportable segments of the Company, i.e. "Electronic materials business", "Industrial application structural materials business", "Electrical insulating materials business" and "Display materials business".

"Electronic materials business" produces materials for flexible and rigid printed circuit boards, etc. "Industrial application structural materials business" produces filament winding molded products, honeycomb panels and prepregs for aircraft, pultrusion molded products and FRP ski sheets, etc. "Electrical insulating materials business" produces glass cloth, glass tapes and prepregs for electrical insulation, etc. "Display materials business" produces 3D display filters and special optical films, etc.

With the liquidation of subsidiaries, the order of statement of our Group's business segments was revised effective from the current consolidated fiscal year. In this regard, "Related goods" which was a reportable segment will be contained in "Other". Accordingly, the reportable segment information of the preceding consolidated fiscal year is also made on the basis of the revised reportable segment.

2. Method of calculating the amount of net sales, income or loss, assets, liabilities and other items with respect to each reportable segment

The accounting methods applied to the reported business segments are basically the same as those stated in the (Important Matters Underlying Preparation of Consolidated Financial Statements).

The amount of income or loss recorded for each reportable segment is based on the operating income or loss (before amortization of goodwill).

Inter-segment revenues and transfers are based on the prevailing market price.

3. Information on the amount of net sales, income or loss, assets, liabilities and other items with respect to each reportable segment

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

(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	20,306,830	7,319,538	3,117,177	2,802,618	33,546,164	905,531	34,451,696
Inter-segment sales or transfers	—	—	—	—	—	753,598	753,598
Total	20,306,830	7,319,538	3,117,177	2,802,618	33,546,164	1,659,130	35,205,294
Segment income or loss (Δ)	1,850,067	568,401	570,337	Δ 172,492	2,816,313	196,884	3,013,198
Segment assets	20,110,482	7,487,433	3,220,313	10,387,071	41,205,300	1,131,072	42,336,373
Other							
Depreciation	1,064,184	189,227	96,292	203,593	1,553,297	29,826	1,583,124
Investment in companies accounted for under the equity method	—	—	—	7,338,578	7,338,578	—	7,338,578
Increase in property, plant and equipment and intangible assets	1,163,852	121,440	21,837	100,805	1,407,934	8,635	1,416,569

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.

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

(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	26,758,514	7,220,625	3,228,116	2,988,521	40,195,778	713,755	40,909,534
Inter-segment sales or transfers	—	—	—	—	—	843,096	843,096
Total	26,758,514	7,220,625	3,228,116	2,988,521	40,195,778	1,556,851	41,752,630
Segment income or loss (Δ)	3,116,093	1,109,805	608,213	Δ 55,614	4,778,498	240,672	5,019,170
Segment assets	27,044,184	7,974,313	3,416,151	10,924,722	49,359,372	1,454,461	50,813,833
Other							
Depreciation	1,195,443	175,801	78,369	145,435	1,595,048	25,512	1,620,561
Investment in companies accounted for under the equity method	—	—	—	7,713,250	7,713,250	—	7,713,250
Increase in property, plant and equipment and intangible assets	894,521	136,411	36,201	49,642	1,116,776	11,103	1,127,879

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.

4. Difference between the total amount of reportable segments and the pertinent amount shown on the consolidated financial statements as well as the key components of such difference (Matters concerning difference adjustment)

(Thousands of yen)

Net sales	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	33,546,164	40,195,778
Net sales in the category "Other"	1,659,130	1,556,851
Elimination of inter-segment transactions	△753,598	△843,096
Net sales shown on the consolidated financial statements	34,451,696	40,909,534

(Thousands of yen)

Income	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	2,816,313	4,778,498
Income in the category "Other"	196,884	240,672
Elimination of inter-segment transactions	△70,080	△98,443
Amortization of goodwill	△89	△17,776
Unallocated corporate expenses (See Note)	△1,134,823	△1,239,914
Adjustment of inventories	△17,829	△35,678
Operating income shown on the consolidated financial statements	1,790,375	3,627,358

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

(Thousands of yen)

Assets	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	41,205,300	49,359,372
Assets in the category "Other"	1,131,072	1,454,461
Elimination of claims to administrative departments of the head office	△578,925	△694,241
Unallocated corporate assets (See Note)	22,068,791	22,560,438
Adjustment of inventories	△17,829	△35,678
Total assets shown on the consolidated financial statements	63,808,409	72,644,352

Note: "Unallocated corporate assets" are mostly investment securities, etc. that are not attributable to any of the reportable segments.

(Thousands of yen)

Other item	Total of reportable segments		Other		Adjustment		Amount shown on the consolidated financial statements	
	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year
Depreciation	1,553,297	1,595,048	29,826	25,512	94,993	91,768	1,678,117	1,712,330
Increase in property, plant and equipment and intangible assets	1,407,934	1,116,776	8,635	11,103	184,712	95,706	1,601,282	1,223,586

Note: The adjustment to "Increase in property, plant and equipment and intangible assets" represents capital investment in the assets used for the common corporate purpose.

[Related Information]

I Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

1. Information by product and service

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Total
Net sales to external customers	20,306,830	7,319,538	3,117,177	2,802,618	905,531	34,451,696

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	P.R. China	Other country or region	Total
16,252,218	7,451,964	10,747,513	34,451,696

Note: Net sales are categorized by country or region on the basis of customer locations.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Taiwan	Other country or region	Total
8,591,956	1,688,748	784,699	11,065,403

3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Relevant segment
Sumitomo Shoji Chemicals Co., Ltd.	4,695,595	Electronic materials business

II Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

1. Information by product and service

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Total
Net sales to external customers	26,758,514	7,220,625	3,228,116	2,988,521	713,755	40,909,534

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	P.R. China	Other country or region	Total
18,823,232	12,452,111	9,634,189	40,909,534

Note: Net sales are categorized by country or region on the basis of customer locations.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Taiwan	Other country or region	Total
9,104,933	1,759,963	770,758	11,635,655

3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Relevant segment
Sumitomo Shoji Chemicals Co., Ltd.	6,185,199	Electronic materials business

[Information on impairment loss on non-current assets with respect to each reportable segment]

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

No applicable matter.

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Unallocated/ Eliminated	Total
Impairment loss	—	—	—	26,028	—	—	26,028

[Information on amortization of goodwill and unamortized balance with respect to each reportable segment]

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Unallocated/ Eliminated	Total
Amortization in the year	—	—	—	89	—	—	89
Balance at the end of year	—	—	—	—	—	—	—

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Unallocated/ Eliminated	Total
Amortization in the year	17,776	—	—	—	—	—	17,776
Balance at the end of year	337,751	—	—	—	—	—	337,751

Note: As allocation of the acquisition cost has not been completed, 337,751 thousand yen at the end of year is a provisional estimate.

[Information on gain on bargain purchase with respect to each reportable segment]

No applicable matter.

(Information on Related Parties)

1. Transactions with related parties

Transactions between the company submitting the consolidated financial statements and related parties

Directors and major shareholders (individuals only), etc. of the company submitting the consolidated financial statements

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

No applicable matter.

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

Type	Full name or corporate name	Location	Capital stock or investment in capital (Thousands of yen)	Business outline or occupation	Ratio of voting right holding (held), etc.	Relationship	Description of transaction	Amount of transaction (Thousands of yen)	Item	Balance at the end of year (Thousands of yen)
Director of the Company	Sanji Arisawa	—	—	Chairman, Representative Director of the Company	1.30% directly held	—	Exercise of the right of stock option	11,380	—	—
Director of the Company	Yuta Arisawa	—	—	Representative Director and Chief Executive Officer of the Company	0.24% directly held	—	Exercise of the right of stock option	20,465	—	—
Director of the Company	Yoshihiko Toda	—	—	Director and Senior Managing Operating Officer of the Company	0.10% directly held	—	Exercise of the right of stock option	16,080	—	—

Note: Terms of transactions and the policy for determining the terms of transactions, etc.

The table above covers the exercises in the previous consolidated fiscal year of the rights of stock option granted under a resolution at the Board of Directors' Meeting of the Company of June 27, 2013, the rights of stock option granted under a resolution at the Board of Directors' Meeting of the Company of June 26, 2014 and the rights of stock option granted under a resolution at the Board of Directors' Meeting of the Company of June 26, 2015.

The column "Amount of transaction" indicates the amount obtained by multiplying the number of shares of stock granted through the exercise in the previous consolidated fiscal year of the pertinent right of stock option by the paid-in amount per share.

2. Notes with respect to parent or important affiliated companies

(1) Information on parent

No applicable matter.

(2) Condensed financial information on important affiliated companies

In the current consolidated fiscal year, the important affiliated company was Polatechno Co., Ltd., and its condensed consolidated financial information for the previous and current consolidated fiscal years was as shown below.

(Thousands of yen)

	Polatechno Co., Ltd.	
	Previous consolidated fiscal year	Current consolidated fiscal year
Total current assets	28,364,341	28,837,343
Total non-current assets	10,320,453	10,831,902
Total current liabilities	3,944,411	3,865,825
Total non-current liabilities	696,379	587,001
Total net assets	34,044,004	35,216,419
Net sales	20,867,054	21,201,867
Income before income taxes	2,830,072	2,740,192
Profit attributable to owners of the parent	1,979,977	2,023,986

(Per Share Information)

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Net assets per share	1,290.93 yen	1,378.12 yen
Net income per share	57.20 yen	96.31 yen
Fully diluted net income per share	57.06 yen	95.48 yen

Note: The bases of calculation of net income per share and fully diluted net income per share are as follows.

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Net income per share		
Profit attributable to owners of the parent (Thousands of yen)	2,037,212	3,452,544
Amount not attributable to common stockholders (Thousands of yen)	---	---
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	2,037,212	3,452,544
Average number of shares of common stock during the year	35,614,798	35,846,832
Fully diluted net income per share		
Adjustment of profit attributable to owners of the parent (Thousands of yen)	---	---
Increase in the number of shares of common stock	85,295	314,832
(Number of shares subject to stock acquisition rights included in the figure above)	(85,295)	(314,832)
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	<p>Four (4) types of stock acquisition rights: Resolution at the Board of Directors' Meeting of June 26, 2014 (93,000 shares); Resolution at the Ordinary General Meeting of Shareholders of June 26, 2014 (197,500 shares); Resolution at the Board of Directors' Meeting of June 26, 2015 (78,000 shares); and Resolution at the Ordinary General Meeting of Shareholders of June 26, 2015 (234,300 shares).</p> <p>For details, see IV. Status of the Submitting Company - 1. Status of Shares, etc. - (2) Status of Stock Acquisition Rights, etc.</p>	<p>Four (4) types of stock acquisition rights: Resolution at the Board of Directors' Meeting of June 26, 2015 (61,000 shares); Resolution at the Ordinary General Meeting of Shareholders of June 26, 2015 (196,500 shares); Resolution at the Board of Directors' Meeting of June 28, 2017 (75,000 shares); and Resolution at the Ordinary General Meeting of Shareholders of June 28, 2017 (235,200 shares).</p> <p>For details, see IV. Status of the Submitting Company - 1. Status of Shares, etc. - (2) Status of Stock Acquisition Rights, etc.</p>

(Significant Subsequent Events)

No applicable matter.

(Consolidated Supplementary Schedules)

[Schedule of corporate bonds]

Company	Issue	Issue date	Balance at beginning of current period (Thousands of yen)	Balance at end of current period (Thousands of yen)	Interest rate (%)	Collateral	Maturity date
Satosan Co., Ltd.	First series unsecured bond (Private placement bond)	March 31, 2017	—	90,000 (20,000)	0.21	None	April 15, 2022
Satosan Co., Ltd.	Second series unsecured bond (Private placement bond)	April 28, 2017	—	111,600 (16,800)	0.25	None	May 24, 2024
Total	—	—	—	201,600 (36,800)	—	—	—

- Note: 1. The parenthesized figures represent the outstanding balance of redemptions due within 1 year.
2. No balance at beginning of current period is shown regarding Satosen Co., Ltd. as it became a consolidated subsidiary in the current consolidated fiscal year.
3. Redemption amounts within five years of the consolidated closing date are shown below.

Within one year (Thousands of yen)	1-2years (Thousands of yen)	2-3years (Thousands of yen)	3-4years (Thousands of yen)	4-5years (Thousands of yen)
36,800	36,800	36,800	36,800	26,800

[Schedule of loans payable, etc.]

Category	Balance at the beginning of current period (Thousands of yen)	Balance at the end of current period (Thousands of yen)	Average interest rate (%)	Repayment period
Short-term loans payable	2,908,630	4,242,472	1.24	---
Current portion of long-term loans payable	446,754	864,130	0.25	---
Current portion of lease obligations	17,086	18,230	2.05	---
Long-term loans payable (excluding the current portion)	1,836,093	1,642,485	0.87	2019 to 2023
Lease obligations (excluding the current portion)	53,973	33,691	2.01	2019 to 2020
Other interest-bearing liabilities Current portion of long-term accounts payable - other	—	125,523	1.70	---
Other interest-bearing liabilities Long-term accounts payable - other (excluding the current portion)	—	270,328	1.64	2019 to 2023
Total	5,262,537	7,196,861	—	---

- Note: 1. The column "Average interest rate" indicates the weighted average interest rate to the balance of loans payable, etc. at the end of the current period.

2. The scheduled amount of repayment of long-term loans payable (excluding the current portion) , lease obligations (excluding the current portion) and long-term accounts payable - other (excluding the current portion) over the five (5) years after the consolidated closing date is as follows.

(Thousands of yen)

	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
Long-term loans payable	850,540	191,137	452,192	142,312
Lease obligations	18,027	15,664	—	—
Long-term accounts payable - other	115,173	99,170	50,805	5,179

[Schedule of asset retirement obligations]

As the amount of asset retirement obligations as of the beginning of the current consolidated fiscal year and as of the end of the current consolidated fiscal year is not more than one hundredth (1/100) of the aggregate amount of liabilities and net assets as of the beginning of the current consolidated fiscal year and as of the end of the current consolidated fiscal year respectively, statement has been omitted under the provisions of Article 92-2 of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

(2) Other

Quarterly Information, etc. in the Current Consolidated Fiscal Year

(Cumulative period)	First quarter	Second quarter	Third quarter	Current consolidated fiscal year
Net sales (Thousands of yen)	9,140,478	19,307,076	30,325,502	40,909,534
Income before income taxes (Thousands of yen)	804,422	2,212,767	3,642,980	4,745,347
Profit attributable to owners of the parent (Thousands of yen)	595,281	1,557,321	2,655,699	3,452,544
Net income per share (Yen)	16.67	43.55	74.18	96.31

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (Yen)	16.67	26.87	30.61	22.15

2. Financial Statements, etc.

(1) Financial Statements

1) Balance Sheets

(Thousands of yen)

	Previous business year (As of March 31, 2017)		Current business year (As of March 31, 2018)	
Assets				
Current assets				
Cash and deposits		3,971,907		4,393,050
Notes receivable-trade	*2	546,264	*2, *5	439,054
Accounts receivable-trade	*2	6,858,753	*2	8,756,848
Electronically recorded monetary claims- operating		80,246	*5	131,959
Securities		797,550		1,080,611
Merchandise and finished goods		1,669,378		2,531,491
Work in process		972,751		1,052,474
Raw materials and supplies		659,645		1,044,991
Prepaid expenses		66,086		73,325
Deferred tax assets		239,267		354,759
Accrued income	*2	178,353	*2	148,773
Short-term loans receivable from subsidiaries and associates		2,289,765		1,677,411
Other	*2	71,011	*2	614,555
Allowance for doubtful accounts		△281,609		△460,749
Total current assets		18,119,373		21,838,558
Non-current assets				
Property, plant and equipment				
Buildings	*1	4,163,810	*1	3,935,761
Structures	*1	257,163	*1	304,800
Machinery and equipment	*1	1,892,202	*1	1,656,081
Vehicles		14,502		15,243
Tools, furniture and fixtures	*1	142,631	*1	165,263
Land	*1	1,265,075	*1	1,262,302
Lease assets		1,467		860
Construction in progress		28,167		56,674
Total property, plant and equipment		7,765,020		7,396,987

(Thousands of yen)

	Previous business year (As of March 31, 2017)	Current business year (As of March 31, 2018)
Intangible assets		
Software	31,652	27,879
Other	10,176	10,036
Total intangible assets	41,829	37,915
Investments and other assets		
Investment securities	14,290,628	14,238,124
Shares of subsidiaries and associates	2,246,952	2,866,952
Long-term loans receivable	171,326	162,598
Long-term prepaid expenses	103,740	41,735
Other	86,885	83,041
Allowance for doubtful accounts	△181,927	△169,864
Total investments and other assets	16,717,604	17,222,588
Total non-current assets	24,524,453	24,657,491
Total assets	42,643,826	46,496,049
Liabilities		
Current liabilities		
Notes payable-trade	*2 1,126,765	*2, *5 1,192,678
Accounts payable-trade	*2 2,062,559	*2 2,543,243
Electronically recorded obligations-operating	*2 892,414	*2, *5 1,432,628
Short-term loans payable	*4 190,000	*1, *4 790,000
Current portion of long-term loans payable	*1 428,384	*1 767,328
Accounts payable-other	*2 508,132	*2 600,491
Accrued expenses	81,396	101,516
Income taxes payable	283,612	675,358
Unearned revenue	1,596	1,596
Deposits received	24,787	23,319
Provision for bonuses	309,494	415,000
Other	747,210	*5 327,966
Total current liabilities	6,656,352	8,871,127

(Thousands of yen)

	Previous business year (As of March 31, 2017)	Current business year (As of March 31, 2018)
Non-current liabilities		
Long-term loans payable	*1 1,482,176	*1 714,848
Deferred tax liabilities	236,194	300,945
Provision for retirement benefits	331,936	366,340
Asset retirement obligations	28,325	28,487
Other	56,576	75,667
Total non-current liabilities	2,135,209	1,486,288
Total liabilities	8,791,561	10,357,415
Net assets		
Shareholders' equity		
Capital stock	7,317,019	7,458,242
Capital surplus		
Legal capital surplus	6,429,038	6,570,209
Total capital surplus	6,429,038	6,570,209
Retained earnings		
Legal retained earnings	748,262	748,262
Other retained earnings		
Reserve for advanced depreciation of non-current assets	20,997	19,633
General reserve	14,020,000	17,020,000
Retained earnings brought forward	4,190,417	2,981,528
Total retained earnings	18,979,677	20,769,424
Treasury stock	△3,891	△4,467
Total shareholders' equity	32,721,843	34,793,408
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	981,974	1,217,584
Deferred gains or losses on hedges	5,153	—
Total valuation and translation adjustments	987,128	1,217,584
Share acquisition rights	143,292	127,640
Total net assets	33,852,265	36,138,633
Total liabilities and net assets	42,643,826	46,496,049

2) Statements of Income

(Thousands of yen)

	Previous business year (From April 1, 2016 to March 31, 2017)		Current business year (From April 1, 2017 to March 31, 2018)	
Net sales	*1	23,410,548	*1	28,503,870
Cost of sales	*1	20,463,826	*1	24,016,541
Gross profit		2,946,721		4,487,328
Selling, general and administrative expenses	*1,*2	2,362,133	*1,*2	2,543,020
Operating income		584,587		1,944,308
Non-operating income				
Interest and dividends income	*1	785,155	*1	724,446
Rent income	*1	285,597	*1	252,105
Other	*1	493,701	*1	135,949
Total non-operating income		1,564,454		1,112,501
Non-operating expenses				
Interest expenses		4,153		3,602
Foreign exchange losses		—		173,902
Rent expenses		194,291		166,251
Provision of allowance for doubtful accounts		2,967		175,316
Other		48,886		86,292
Total non-operating expenses		250,298		605,364
Ordinary income		1,898,743		2,451,445
Extraordinary income				
Gain on sales of investment securities		323		743,019
Insurance income		129,723		—
Other		9,544	*1	59,294
Total extraordinary income		139,591		802,313
Extraordinary losses				
Loss on retirement of non-current assets		28,262		9,428
Impairment loss		—		26,028
Loss on valuation of investment securities		90,935		—
Other		4		20
Total extraordinary losses		119,202		35,476
Income before income taxes		1,919,132		3,218,282
Income taxes-current		446,186		866,927
Income taxes-deferred		△43,740		△151,854
Total income taxes		402,446		715,073
Net income		1,516,686		2,503,208

3) Statements of Changes in Shareholders' Equity and Other Net Assets
Previous business year (From April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings			
					Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	7,294,347	6,406,366	6,406,366	748,262	22,434	14,020,000	3,491,206	18,281,903
Changes of items during the period								
Issuance of new shares	22,672	22,672	22,672					
Reversal of reserve for advanced depreciation of non-current assets					△1,437		1,437	—
Dividends from surplus							△818,912	△818,912
Net income (loss)							1,516,686	1,516,686
Provision of general reserve						—	—	—
Purchase of treasury stock								
Net changes of items other than shareholders' equity								
Total changes of items during the period	22,672	22,672	22,672	—	△1,437	—	699,210	697,773
Balance at end of current period	7,317,019	6,429,038	6,429,038	748,262	20,997	14,020,000	4,190,417	18,979,677

	Shareholders' equity			Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	△3,670	31,978,947	663,135	—	663,135	117,201	32,759,284
Changes of items during the period							
Issuance of new shares		45,344					45,344
Reversal of reserve for advanced depreciation of non-current assets		—					—
Dividends from surplus		△818,912					△818,912
Net income (loss)		1,516,686					1,516,686
Provision of general reserve		—					—
Purchase of treasury stock	△221	△221					△221
Net changes of items other than shareholders' equity			318,839	5,153	323,993	26,091	350,084
Total changes of items during the period	△221	742,896	318,839	5,153	323,993	26,091	1,092,980
Balance at end of current period	△3,891	32,721,843	981,974	5,153	987,128	143,292	33,852,265

Current business year (From April 1, 2017 to March 31, 2018)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings			
					Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	7,317,019	6,429,038	6,429,038	748,262	20,997	14,020,000	4,190,417	18,979,677
Changes of items during the period								
Issuance of new shares	141,222	141,170	141,170					
Reversal of reserve for advanced depreciation of non-current assets					△1,364		1,364	—
Dividends from surplus							△713,461	△713,461
Net income (loss)							2,503,208	2,503,208
Provision of general reserve						3,000,000	△3,000,000	—
Purchase of treasury stock								
Net changes of items other than shareholders' equity								
Total changes of items during the period	141,222	141,170	141,170	—	△1,364	3,000,000	△1,208,888	1,789,747
Balance at end of current period	7,458,242	6,570,209	6,570,209	748,262	19,633	17,020,000	2,981,528	20,769,424

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	△3,891	32,721,843	981,974	5,153	987,128	143,292	33,852,265
Changes of items during the period							
Issuance of new shares		282,393					282,393
Reversal of reserve for advanced depreciation of non-current assets		—					—
Dividends from surplus		△713,461					△713,461
Net income (loss)		2,503,208					2,503,208
Provision of general reserve		—					—
Purchase of treasury stock	△576	△576					△576
Net changes of items other than shareholders' equity			235,610	△5,153	230,456	△15,651	214,804
Total changes of items during the period	△576	2,071,564	235,610	△5,153	230,456	△15,651	2,286,368
Balance at end of current period	△4,467	34,793,408 1,217,584	1,217,584	—	1,217,584	127,640	36,138,633

[Notes]

(Important Accounting Policies)

1. Valuation standards and valuation methods for assets
 - (1) Valuation standards and valuation methods for securities
 - 1) Equity stakes in subsidiaries and affiliated companies
Stated at average cost.
 - 2) Available-for-sale securities
Securities with available fair market values:
Stated at fair market value based on the market price as of the closing date, etc. (Valuation differences are reported as a component of net assets, and the cost of securities sold is calculated using the average cost method.)
Securities with no available fair market value:
Stated at average cost.
 - (2) Derivative financial instruments
Stated fair value method
 - (3) Valuation standards and valuation methods for inventories
 - 1) Merchandise, finished goods, semi-finished goods and work in process
The cost method on a first-in, first-out basis is adopted. (The amount shown on the balance sheets is calculated by writing inventories down due to a decline in profitability.)
 - 2) Raw materials and supplies
The cost method based on the periodic average method is adopted. (The amount shown on the balance sheets is calculated by writing inventories down due to a decline in profitability.)
2. Methods of depreciation and amortization of non-current assets
 - (1) Property, plant and equipment (excluding lease assets)
The declining-balance method is adopted, except for the buildings (excluding accompanying facilities) acquired on or after April 1, 1998 and accompanying facilities and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method.
The useful life mostly falls within the ranges shown below:
Buildings: fifteen (15) years to thirty-one (31) years
Machinery and equipment: eight (8) years to nine (9) years
 - (2) Intangible assets (excluding lease assets)
The straight-line method is adopted. Software used by the Company is amortized over an estimated in-house usable period. (Currently five (5) years)
 - (3) Lease assets
Depreciation and amortization is based on the straight-line method that takes the lease period as the useful life and sets the residual value at zero (0).
3. Standards for translating foreign currency assets and liabilities into Japanese currency
Foreign currency monetary assets and liabilities are translated into Japanese yen at the spot exchange rate as of the closing date, and the resulting translation differences are entered as income or loss, as the case may be.
4. Standards for recording allowances and provisions
 - (1) Allowance for doubtful accounts
As a reserve for potential loan losses, an estimated uncollectible amount is allocated based on the historical loan-loss ratio in the case of general accounts receivable, and in light of the collectability in each instance in the case of some specific accounts receivable, e.g. doubtful receivables.
 - (2) Provision for bonuses
In preparation for the payment of bonuses to its employees, the Company allocates an expected aggregate amount of such payment.
 - (3) Provision for retirement benefits
As a reserve for the payment of retirement benefits to employees, an amount is appropriated on the basis of the estimated amounts of retirement benefit obligations and plan assets as of the end of the current business year.
 - 1) Method of inter-period attribution of expected retirement benefits

In calculating retirement benefit obligations, the benefit formula is employed as the method of attributing the estimated amount of each employee's retirement benefits to his or her service period up to the end of the current business year.

2) Method of recognizing actuarial differences as expenses

Actuarial differences are recognized as expenses, effective from the business year immediately following the year of occurrence of each such difference, in an amount prorated using the straight-line method over a certain number of years (Currently five (5) years) within the average remaining service period of the employees at the time of occurrence of the said difference in each business year.

5. Accounting method of significant hedge transactions

(1) Method of hedge accounting

The Company adopts the deferred hedge accounting. With respect to the forward exchange contracts that meet the requirements of hedge accounting, we adopt the designated hedge accounting.

(2) Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts

Hedged items : Monetary claims denominated in foreign currencies, Anticipated transactions in foreign currencies

(3) Hedging policy

Forward foreign exchange transactions are conducted within the scope of actual demand for the purpose of deterring risks involved in transactions denominated in foreign currencies from the fluctuations in the foreign exchange market. These transactions will never be entered for speculative purpose.

(4) Method of assessing hedge effectiveness

The Company assesses the effectiveness of hedging based on the ratio of changes that is calculated by comparing the cumulative total of the market fluctuations of hedged items with that of hedging instruments. However, when the forward foreign exchange transactions are by designated hedge accounting, such assessment of effectiveness is omitted.

6. Other important matters underlying preparation of financial statements

(1) Accounting methods concerning retirement benefits

The method of accounting for an unappropriated portion of unrecognized actuarial differences concerning retirement benefits is different from the method of accounting applied to the same in the case of the consolidated financial statements.

(2) Accounting methods concerning consumption tax, etc.

The consumption tax, etc. are accounted for using the tax exclusion method.

(3) Accounting methods concerning deferred assets

Stock delivery expenses are fully charged to expenses when they are paid.

(Changes in Presentation)

<Statements of Income>

- 1 “Rent income”, which was presented as part of “Other” in “Non-operating income” in the previous business year, is separately stated effective from the current business year due to a rise in quantitative materiality. In order to reflect such change in presentation, a reclassification has been made in the financial statements for the previous business year. As a result, 779,299 thousand yen of “Other”, listed within “Non-operating income” in the statements of income for the previous business year, has been reclassified into the combination of 285,597 thousand yen of “Rent income” and 493,701 thousand yen of “Other”.
- 2 “Provision of allowance for doubtful accounts”, which was presented as part of “Other” in “Non-operating expenses” in the previous business year, is separately stated effective from the current business year due to a rise in quantitative materiality. In order to reflect such change in presentation, a reclassification has been made in the financial statements for the previous business year. As a result, 51,854 thousand yen of “Other”, listed within “Non-operating expenses” in the statements of income for the previous business year, has been reclassified into the combination of 2,967 thousand yen of “Provision of allowance for doubtful accounts” and 48,886 thousand yen of “Other”.
- 3 “Gain on sales of investment securities”, which was presented as part of “Other” in “Extraordinary income” in the previous business year, is separately stated effective from the current business year due to a rise in quantitative materiality. In order to reflect such change in presentation, a reclassification has been made in the financial statements for the previous business year. As a result, 9,868 thousand yen of “Other”, listed within “Extraordinary income” in the statements of income for the previous business year, has been reclassified into the combination of 323 thousand yen of “Gain on sales of investment securities” and 9,544 thousand yen of “Other”.

(Notes Related to Balance Sheets)

- *1 Assets subject to a security interest and secured liabilities corresponding thereto
Assets subject to a security interest

	Previous business year (As of March 31, 2017)		Current business year (As of March 31, 2018)	
Buildings	2,795,886	(2,795,886)	3,021,950	(3,021,950)
Structures	109,262	(109,262)	168,624	(168,624)
Machinery and equipment	639,508	(639,508)	1,160,304	(1,160,304)
Tools, furniture and fixtures	17,775	(17,775)	56,188	(56,188)
Land	266,900	(199,583)	266,508	(199,190)
Total	3,829,333	(3,762,016)	4,673,576	(4,606,259)

Secured liabilities	Previous business year (As of March 31, 2017)		Current business year (As of March 31, 2018)	
Short-term loans payable	—	(—)	300,000	(300,000)
Current portion of long-term loans payable	428,384	(428,384)	767,328	(767,328)
Long-term loans payable	1,482,176	(1,482,176)	714,848	(714,848)
Total	1,910,560	(1,910,560)	1,782,176	(1,782,176)

The parenthesized figures represent factory foundation mortgages and the liabilities secured by such mortgages.

*2 Monetary receivables and payables outstanding with associated companies (excluding those separately stated)
(Thousands of yen)

	Previous business year (As of March 31, 2017)	Current business year (As of March 31, 2018)
Short-term monetary receivables	699,545	842,283
Short-term monetary payables	509,567	581,185

*3 Guarantee obligations with respect to associated companies' trade payables and their performance of contracts
(Thousands of yen)

	Previous business year (As of March 31, 2017)	Current business year (As of March 31, 2018)
Protec Arisawa Europe, S.A. (Product warranty)	77,870	Satosen Co., Ltd. (Loan guarantee) 799,368
Protec Arisawa America, Inc. (Product warranty)	25,038	Protec Arisawa Europe, S.A. (Product warranty) 84,845
Innovision FlexTech Corporation (Loan guarantee)	44,400	Protec Arisawa America, Inc. (Product warranty) 23,710 Innovision FlexTech Corporation (Loan guarantee) 43,800

*4 The Company has an overdraft agreement in effect with each of its six (6) partner banks to ensure efficient procurement of operating funds. The following is the balance of unexecuted loans under such overdraft agreements as of the end of the current and previous business years.

	Previous business year (As of March 31, 2017)	Current business year (As of March 31, 2018)
Aggregate overdraft limit	6,300,000	6,300,000
Drawdowns	190,000	790,000
Balance of unexecuted loans	6,110,000	5,510,000

*5 Notes, etc. maturing at the end of the business year

For accounting treatment of notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the business year, 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 business year falls on a bank holiday, the following notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the business year are included in their respective balances as of the end of the business year.

	Previous business year (As of March 31, 2017)	Current business year (As of March 31, 2018)
Notes receivable - trade	—	22,321
Electronically recorded monetary claims - operating	—	4,637
Notes payable - trade	—	3,321
Electronically recorded obligations - operating	—	106,975
Current liabilities and others (Notes payable-facilities, Electronically recorded obligations-non-operating)	—	40,343

(Notes Related to Statements of Income)

*1 Volume of transactions with associated companies

(Thousands of yen)

	Previous business year (From April 1, 2016 to March 31, 2017)	Current business year (From April 1, 2017 to March 31, 2018)
Gross operating transaction volume		
Net sales	1,939,288	2,465,376
Value of goods laid in	3,423,960	4,116,745
Gross non-operating transaction volume	229,893	498,747

*2 Approximately 48% of the amount of selling, general and administrative expenses recorded for the previous business year falls under selling expenses, while the remaining 49% falls under general and administrative expenses. Approximately 52% of the amount of selling, general and administrative expenses recorded for the current business year falls under selling expenses, while the remaining 51% falls under general and administrative expenses. The major items of selling, general and administrative expenses and their respective amounts are as follows.

(Thousands of yen)

	Previous business year (From April 1, 2016 to March 31, 2017)	Current business year (From April 1, 2017 to March 31, 2018)
Salaries and allowances	489,962	532,210
Provision for bonuses	57,720	78,933
Retirement benefit expenses	36,786	45,638
Freightage and packing expenses	642,652	762,609
Depreciation	63,654	63,221
Other	1,071,357	1,060,407

(Notes Related to Securities)

Equity stakes in subsidiaries and affiliated companies

Previous business year (As of March 31, 2017)

(Thousands of yen)

Category	Amount shown on balance sheets	Fair value	Difference
Equity stakes in subsidiaries	1,116,334	3,505,369	2,389,035
Equity stakes in affiliated companies	233,905	6,226,880	5,992,974
Total	1,350,239	9,732,249	8,382,010

Current business year (As of March 31, 2018)

(Thousands of yen)

Category	Amount shown on balance sheets	Fair value	Difference
Equity stakes in subsidiaries	1,116,334	4,745,144	3,628,810
Equity stakes in affiliated companies	233,905	9,280,000	9,046,094
Total	1,350,239	14,025,144	12,674,905

Note: Amount shown on the balance sheets for the equity stakes in subsidiaries and affiliated companies whose fair value is deemed extremely difficult to reasonably determine

(Thousands of yen)

Category	Previous business year (As of March 31, 2017)	Current business year (As of March 31, 2018)
Equity stakes in subsidiaries	675,582	1,295,582
Equity stakes in affiliated companies	221,130	221,130

As these equity stakes have no quoted market price, and it is deemed extremely difficult to reasonably determine their respective fair values, they are not included in the tables entitled "Equity stakes in subsidiaries and affiliated companies" shown before.

(Notes Related to Tax Effect Accounting)

1. Breakdown by major occurrence factor of deferred tax assets and deferred tax liabilities

(Thousands of yen)

	Previous business year (As of March 31, 2017)	Current business year (As of March 31, 2018)
Deferred tax assets		
Impairment loss	407,381	385,433
Loss on valuation of investment securities	324,839	275,034
Allowance for doubtful accounts	141,571	192,337
Provision for bonuses	95,014	126,575
Provision for retirement benefits	101,240	111,733
Loss on valuation of inventories	98,720	61,020
Other	254,834	279,253
Deferred tax assets subtotal	1,423,603	1,431,387
Valuation allowance	△976,785	△832,094
Deferred tax assets total	446,817	599,292
Deferred tax liabilities		
Valuation difference on available-for-sale securities	△430,938	△534,335
Reserve for advanced depreciation of non-current assets	△9,220	△8,616
Asset retirement obligations	△1,301	△1,170
Other	△2,283	△1,357
Deferred tax liabilities total	△443,743	△545,479
Net amount of deferred tax liabilities	3,073	53,813

Note: Net amount of deferred tax liabilities in the previous business year and the current business year is included in the following items in the balance sheets.

(Thousands of yen)

	Previous business year (As of March 31, 2017)	Current business year (As of March 31, 2018)
Current assets – Deferred tax assets	239,267	354,759
Non-current liabilities – Deferred tax liabilities	△236,194	△300,945

2. Breakdown by item of major causes of any difference between the normal effective statutory tax rate and the effective income tax rate after tax effect accounting

	Previous business year (As of March 31, 2017)	Current business year (As of March 31, 2018)
Normal effective statutory tax rate	30.7%	30.5%
(Adjustments)		
Valuation allowance	△6.6%	△4.4%
Special tax deductions	△1.1%	△2.8%
Items permanently excluded from taxable income	△4.8%	△2.5%
Items permanently excluded from tax-deductible expenses	1.7%	0.8%
Other	1.1%	0.6%
Effective income tax rate after tax effect accounting	21.0%	22.2%

(Business combinations)

Notes to business combinations by acquisition

Notes hereof are omitted as they are shown in "[Notes] (Business Combinations) of Consolidated Financial Statements"

(Significant Subsequent Events)

No applicable matter.

(Supplementary Schedules)

[Schedule of property, plant and equipment, etc.]

(Thousands of yen)

Category	Type of assets	Balance at the beginning of current period	Amount of increase in current period	Amount of decrease in current period	Amount of depreciation or amortization in current period	Balance at the end of current period	Accumulated depreciation or accumulated amortization
Property, plant and equipment	Buildings	4,163,810	63,308	15,720 (14,758)	275,636	3,935,761	10,450,711
	Structures	257,163	83,274	2,445 (367)	33,192	304,800	1,109,137
	Machinery and equipment	1,892,202	305,227	8,027 (7,943)	533,321	1,656,081	21,251,991
	Vehicles	14,502	9,485	44 (44)	8,701	15,243	197,760
	Tools, furniture and fixtures	142,631	91,799	402 (141)	68,765	165,263	1,397,274
	Land	1,265,075	—	2,772 (2,772)	—	1,262,302	—
	Lease assets	1,467	—	—	607	860	2,175
	Construction in progress	28,167	671,122	642,614	—	56,674	—
	Total property, plant and equipment	7,765,020	1,224,218	672,027 (26,028)	920,223	7,396,987	34,409,051
Intangible assets	Software	31,652	9,808	—	13,582	27,879	—
	Other	10,176	—	—	140	10,036	—
	Total intangible assets	41,829	9,808	—	13,722	37,915	—

- Note: 1. The parenthesized figures in the column “Amount of decrease in current period” indicate the amount of impairment loss included in the pertinent total.
2. Key components of the increase in the current period are as follows. (Thousands of yen)
- | | | |
|--------------------------|---|---------|
| Machinery and equipment | Electronic materials manufacturing facilities | 233,062 |
| Construction in progress | Electronic materials manufacturing facilities | 355,559 |
3. Key components of the decrease in the current period are as follows.
- Construction in progress: This is mainly due to a transfer of 305,227 thousand yen for machinery and equipment from Construction in Progress.

[Schedule of allowances and provisions]

(Thousands of yen)

Item	Balance at the beginning of current period	Amount of increase in current period	Amount of decrease in current period	Balance at the end of current period
Allowance for doubtful accounts	463,537	630,613	463,537	630,613
Provision for bonuses	309,494	415,000	309,494	415,000

(2) Details of Major Assets and Liabilities

Statement is omitted as the relevant information is stated in the consolidated financial statements.

(3) Other

No applicable matter.

VI. Outline of Share Handling of the Submitting Company

Business year	From April 1 to March 31
Ordinary General Meeting of Shareholders	To be held in June
Record date	March 31
Record dates of distribution of dividends from surplus	September 30 and March 31
Number of shares per unit	100 shares
Purchase of shares constituting less than one full unit	
Handling place	(Special account) Stock Transfer Agency Dept., Mitsubishi UFJ Trust and Banking Corporation 1-1 Nikko-cho, Fuchu-shi, Tokyo
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Forwarding office	---
Purchase fees	The amount obtained by prorating the consignment fee per unit (prescribed by Tokyo Stock Exchange) according to the number of shares constituting less than one full unit purchased
Method of giving public notice	Public notices of the Company shall be given by electronic means; provided, however, that if an electronic public notice cannot be provided due to an accident or any other unavoidable reason, the Company shall publish its public notice in the Nikkei newspaper. Electronic public notices URL: http://www.arisawa.co.jp/japanese/koukoku.html
Privileges of shareholders	None

Note: Pursuant to the provisions of the Articles of Incorporation of the Company, the shareholders of the Company's shares constituting less than one full unit may not exercise any rights other than: (i) the rights set forth in each item of Article 189, paragraph 2 of the Companies Act; (ii) the right to make requests under the provisions of Article 166, paragraph 1 of the Companies Act; and (iii) the right to receive allotment of the shares offered and allotment of the stock acquisition rights offered in proportion to the number of shares held by each such shareholder.

VII. Reference Information on the Submitting Company

1. Information on Parent Company, etc. of Submitting Company

The Company has no parent company, etc. provided for in Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company submitted the following documents between the commencement date of the current business year and the date of submission of the Financial Report.

- (1) Financial Report, documents attached thereto and Confirmation Letter
Business year from April 1, 2016 to March 31, 2017 (The 69th Term)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2017.
- (2) Internal Control Report and documents attached thereto
Submitted to the Director-General of the Kanto Local Finance Bureau on June 29, 2017.
- (3) Quarterly Report and Confirmation Letter
(The First Quarter of the 70th Term) (From April 1, 2017 to June 30, 2017)
Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2017.
(The Second Quarter of the 70th Term) (From July 1, 2017 to September 30, 2017)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2017.
(The Third Quarter of the 70th Term) (From October 1, 2017 to December 31, 2017)
Submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2018.
- (4) Extraordinary Report
Submitted to the Director-General of the Kanto Local Finance Bureau on June 30, 2017.
This is an Extraordinary Report under the provisions of Article 19, paragraph 2, item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. (Results of exercise of voting rights at the general meeting of shareholders) .
Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2018.
This is an Extraordinary Report under the provisions of Article 19, paragraph 2, item 2-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. (Issuance of stock acquisition rights as stock options).
- (5) Amendment Report of Financial Report and Confirmation Letter
Business year from April 1, 2013 to March 31, 2014 (The 66th Term)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.
Business year from April 1, 2014 to March 31, 2015 (The 67th Term)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.
Business year from April 1, 2015 to March 31, 2016 (The 68th Term)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.
Business year from April 1, 2016 to March 31, 2017 (The 69th Term)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.
- (6) Amendment Report of Quarterly Report and Confirmation Letter
(The First Quarter of the 68th Term) (From April 1, 2015 to June 30, 2015)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.
(The Second Quarter of the 68th Term) (From July 1, 2015 to September 30, 2015)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.
(The Third Quarter of the 68th Term) (From October 1, 2015 to December 31, 2015)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.
(The First Quarter of the 69th Term) (From April 1, 2016 to June 30, 2016)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.

(The Second Quarter of the 69th Term) (From July 1, 2016 to September 30, 2016)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.
(The Third Quarter of the 69th Term) (From October 1, 2016 to December 31, 2016)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.
(The First Quarter of the 70th Term) (From April 1, 2017 to June 30, 2017)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.

(7) Amendment Report of Internal Control Report

Business year from April 1, 2013 to March 31, 2014 (The 66th Term)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.
Business year from April 1, 2014 to March 31, 2015 (The 67th Term)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.
Business year from April 1, 2015 to March 31, 2016 (The 68th Term)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.
Business year from April 1, 2016 to March 31, 2017 (The 69th Term)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2017.

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

No applicable matter.

Independent Auditors' Report
concerning consolidated financial statements and internal control report

June 27, 2018

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

<Audit of Financial Statements>

For the purpose of granting audit certification under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Arisawa Mfg. Co., Ltd. listed in the "Status of Accounting" for the consolidated fiscal year from April 1, 2017 to March 31, 2018, consisting of the consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and other net assets, consolidated statements of cash flows, important matters underlying preparation of consolidated financial statements, other notes and consolidated supplementary schedules.

Responsibility of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the corporate accounting standards 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 consolidated financial statements free from material misstatement, whether due to fraud or error.

Responsibility of Auditors

Our responsibility is to express an opinion on the consolidated financial statements from an independent standpoint based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in Japan. The said auditing standards require that we develop an audit plan and conduct an audit based on such plan in order to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the reported amounts and disclosures in the consolidated financial statements. Audit procedures are selected and applied at our own judgment, based on the assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error. In making such risk assessments, we review internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate under the circumstances, while it is not the objective of an audit of financial statements to express an opinion on the effectiveness of the entity's internal control. Another element of an audit is evaluating the overall presentation of the consolidated financial statements, including assessment and evaluation of the accounting policies adopted by the management and the methods of their application as well as of the accounting estimates made by the management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the above consolidated financial statements fairly present, in all material respects, the financial conditions of Arisawa Mfg. Co., Ltd. and its consolidated subsidiaries as of March 31, 2018 as well as the results of their operations and their status of cash flows for the consolidated fiscal year ended March 31, 2018 in accordance with the corporate accounting standards generally accepted in Japan.

<Audit of Internal Control>

For the purpose of granting audit certification under the provisions of Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act, we have audited the internal control report as of March 31, 2018 of Arisawa Mfg. Co., Ltd.

Responsibility of Management for the Internal Control Report

Management is responsible for the improvement and operation of internal control over financial reporting as well as the preparation and fair presentation of the internal control report in accordance with the evaluation standards for internal control over financial reporting generally accepted in Japan.

In this regard, there is a possibility that internal control over financial reporting cannot completely prevent or detect false statements in financial reporting.

Responsibility of Auditors

Our responsibility is to express an opinion on the internal control report from an independent standpoint based on our internal control audit. We conducted an internal control audit in accordance with the auditing standards for internal control over financial reporting generally accepted in Japan. The auditing standards for internal control over financial reporting require that we develop an audit plan and conduct an internal control audit based on such plan in order to obtain reasonable assurance about whether the internal control report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of evaluating internal control over financial reporting stated in the internal control report. Audit procedures for an internal control audit are selected and applied at our own judgment, based on the gravity of the impact on the credibility of financial reporting. Another element of an internal control audit is evaluating the overall presentation of the internal control report, including a review of the statements made by the management with respect to the scope, procedures and results of the assessment of internal control over financial reporting.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the above internal control report, in which Arisawa Mfg. Co., Ltd. represents that its internal control over financial reporting is effective as of March 31, 2018, fairly presents, in all material respects, the evaluation results of its internal control over financial reporting in accordance with the evaluation standards for internal control over financial reporting 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 Audit Report. The original Audit Report is separately archived by the Company.
2. XBRL data are not included in the subject of the audit.

Independent Auditors' Report

June 27, 2018

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

For the purpose of granting audit certification under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the financial statements of Arisawa Mfg. Co., Ltd. listed in the "Status of Accounting" for the 70th business year from April 1, 2017 to March 31, 2018, consisting of the balance sheets, statements of income, statements of changes in shareholders' equity and other net assets, important accounting policies, other notes and supplementary schedules.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the corporate accounting standards 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 financial statements free from material misstatement, whether due to fraud or error.

Responsibility of Auditors

Our responsibility is to express an opinion on the financial statements from an independent standpoint based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in Japan. The said auditing standards require that we develop an audit plan and conduct an audit based on such plan in order to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the reported amounts and disclosures in the financial statements. Audit procedures are selected and applied at our own judgment, based on the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making such risk assessments, we review internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate under the circumstances, while it is not the objective of an audit of financial statements to express an opinion on the effectiveness of the entity's internal control. Another element of an audit is evaluating the overall presentation of the financial statements, including assessment and evaluation of the accounting policies adopted by the management and the methods of their application as well as of the accounting estimates made by the management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the above financial statements fairly present, in all material respects, the financial conditions of Arisawa Mfg. Co., Ltd. as of March 31, 2018 and the results of its operations for the business year ended March 31, 2018 in accordance with the corporate accounting standards 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.

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- Note: 1. All the matters stated above have been electronically copied from the matters stated in the original Audit Report. The original Audit Report is separately archived by the Company.
2. XBRL data are not included in the subject of the audit.