

FINANCIAL REPORT

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

Business Year from April 1, 2018 to March 31, 2019
(The 71th Term)

(TRANSLATION)

ARISAWA MFG. CO., LTD.

E01152

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Document to be filed:	Financial Report
Statutory basis:	Article 24, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	June 28, 2019
Business year:	The 71 th Term (From April 1, 2018 to March 31, 2019)
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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	67 th term	68 th term	69 th term	70 th term	71 th term
Closing month	March 2015	March 2016	March 2017	March 2018	March 2019
Net sales (Millions of yen)	37,589	37,228	34,451	40,909	44,728
Ordinary income or loss (Δ) (Millions of yen)	4,503	3,510	2,690	4,044	4,297
Profit or loss (Δ) attributable to owners of the parent (Millions of yen)	4,821	2,702	2,037	3,453	2,861
Comprehensive income (Millions of yen)	5,564	1,067	1,821	4,498	2,200
Net assets (Millions of yen)	48,147	47,602	48,551	52,493	53,462
Total assets (Millions of yen)	65,766	60,983	63,808	72,382	73,096
Net assets per share (Yen)	1,280.69	1,263.29	1,290.93	1,378.16	1,397.78
Net income or loss (Δ) per share (Yen)	136.77	76.02	57.20	96.35	79.15
Fully diluted net income per share (Yen)	135.70	75.58	57.06	95.51	78.70
Equity ratio (%)	69.1	73.8	72.2	68.6	69.3
Return on equity (%)	11.1	6.0	4.5	7.2	5.7
Price earnings ratio (Times)	7.5	7.6	13.7	10.2	10.0
Cash flows from operating activities (Millions of yen)	2,293	4,548	3,419	2,181	2,893
Cash flows from investing activities (Millions of yen)	Δ5,579	Δ1,771	Δ1,671	Δ471	Δ3,304
Cash flows from financing activities (Millions of yen)	Δ188	Δ3,540	419	Δ59	Δ576
Cash and cash equivalents at the end of period (Millions of yen)	6,021	4,901	7,026	8,829	7,718
Number of employees (Parenthesized figures indicate the average number of temporary employees not included in the total)	1,253 (163)	1,285 (189)	1,305 (139)	1,426 (295)	1,432 (313)

Note: 1. Consumption tax, etc. are not included in the amount of net sales.

2. During the current consolidated fiscal year, the Company finalized the provisional accounting treatment for business combinations. As a result, figures as of previous consolidated fiscal year reflect the important revision of the initially allocated amounts of acquisition price.

3. Partial amendments to "Accounting Standards for Tax Effect Accounting" (Accounting Standards Board of Japan No. 28, February 16, 2018), etc. were applied at the beginning of the current consolidated fiscal year. Principal Management Indicators, etc. for the previous consolidated fiscal year are shown after retroactive application of the said Accounting Standards, etc.

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

Term	67 th term	68 th term	69 th term	70 th term	71 th term
Closing month	March 2015	March 2016	March 2017	March 2018	March 2019
Net sales (Millions of yen)	27,578	25,793	23,410	28,503	29,269
Ordinary income or loss (Δ) (Millions of yen)	2,539	2,542	1,898	2,451	2,602
Net income or loss (Δ) (Millions of yen)	3,706	2,219	1,516	2,503	1,947
Capital stock (Millions of yen)	7,262	7,294	7,317	7,458	7,541
Number of shares issued and outstanding (Thousands of shares)	35,485	35,611	35,679	36,024	36,226
Net assets (Millions of yen)	33,446	32,759	33,852	36,138	36,571
Total assets (Millions of yen)	42,980	40,102	42,643	46,195	45,688
Net assets per share (Yen)	940.29	916.79	944.94	999.83	1,005.76
Dividend per share (Yen) (Parenthesized figures indicate the amount of interim dividend per share included in the total)	35.00 (—)	23.00 (—)	20.00 (—)	34.00 (—)	30.00 (—)
Net income or loss (Δ) per share (Yen)	105.13	62.43	42.59	69.83	53.87
Fully diluted net income per share (Yen)	104.30	62.06	42.48	69.22	53.56
Equity ratio (%)	77.6	81.4	79.0	78.0	79.7
Return on equity (%)	11.5	6.7	4.6	7.2	5.4
Price earnings ratio (Times)	9.8	9.2	18.4	14.1	14.7
Dividend payout ratio (%)	33.3	36.8	47.0	48.7	55.7
Number of employees (Parenthesized figures indicate the average number of temporary employees not included in the total)	585 (84)	583 (101)	589 (69)	592 (99)	602 (119)
Shareholders' gross yield (%) (Comparative Indicator : dividend-included TOPIX (Tokyo Stock Price Index))	192.6 (130.7)	114.5 (116.6)	155.5 (133.7)	198.6 (154.9)	169.1 (147.1)
Highest share price (Yen)	1,178	1,095	827	1,349	1,350
Lowest share price (Yen)	473	511	482	695	655

- Note: 1. Consumption tax, etc. are not included in the amount of net sales.
2. Partial amendments to "Accounting Standards for Tax Effect Accounting" (Accounting Standards Board of Japan No. 28, February 16, 2018), etc. were applied at the beginning of the current fiscal year. Principal Management Indicators, etc. for the previous fiscal year are shown after retroactive application of the said Accounting Standards, etc.
3. "Highest share price" and "Lowest share price" are recorded in Tokyo Stock Exchange (First section).

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)
- July 2011
 - Arisawa Sogyo Co., Ltd. absorbed Eagle Co., Ltd.
- October 2015
 - Opened Kansai Sales Office in Kyoto-shi, Kyoto. (Relocated to Osaka-shi, Osaka in March 2018)
- 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, fifteen (15) 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].

(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., while Satosen Co., Ltd., a subsidiary, manufactures and sells rigid printed circuit boards.

(2) Industrial Application Structural Materials

The Company, 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

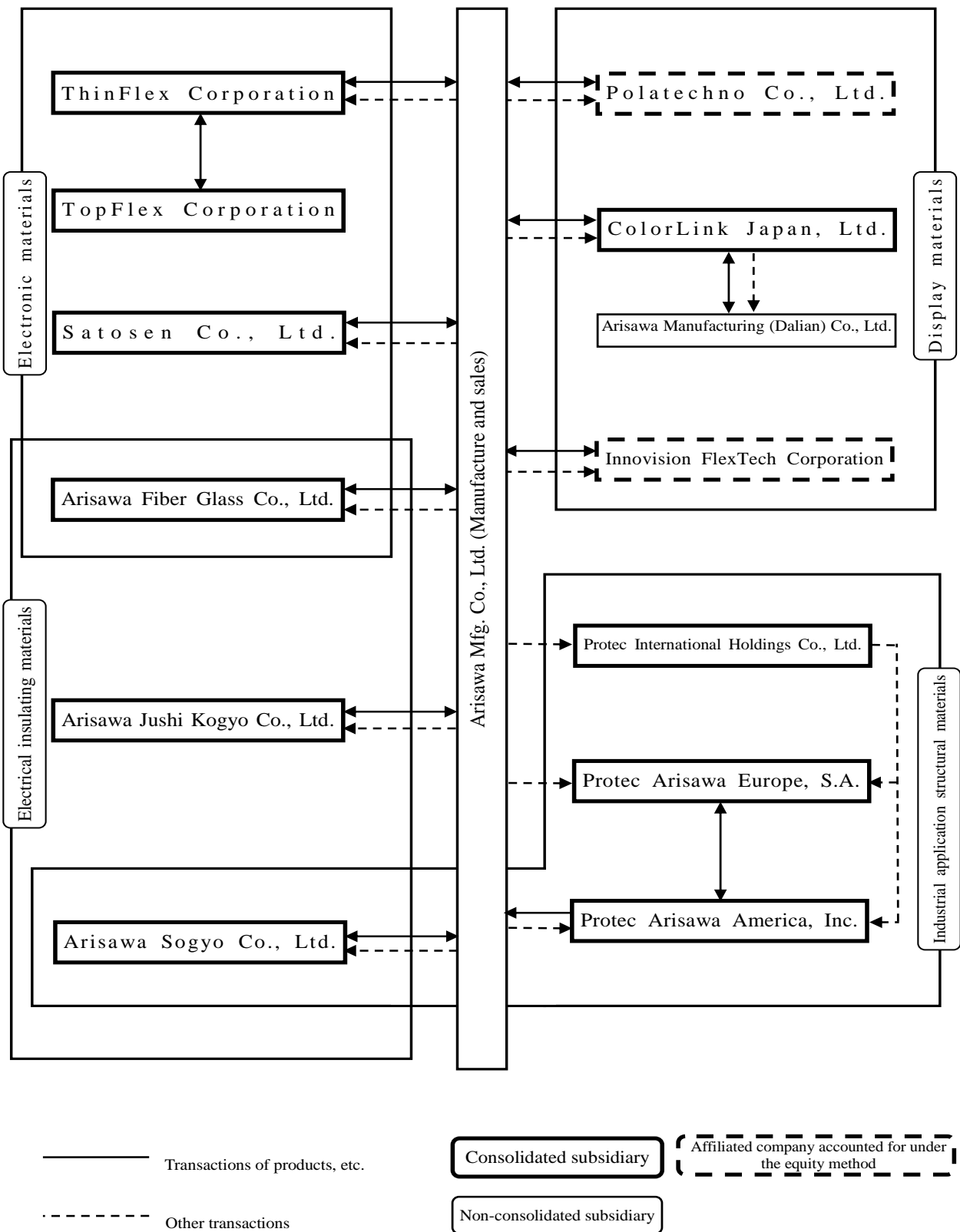
The Company manufactures and sells 3D display filters, etc. for use as display materials. ColorLink Japan, Ltd., a subsidiary, manufactures and sells special optical films, with Arisawa Manufacturing (Dalian) Co., Ltd. also conducting the post-process operations for such special optical films. Polatechno 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
Satosan 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
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	239,560 (Thousands of New Taiwan dollar)	Display materials	35.4	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	5,989,048
(2) Ordinary income	3,815
(3) Net income	11,403
(4) Net assets	1,651,633
(5) Total assets	6,304,855

5. Status of Employees

(1) Status of Consolidated Group

(As of March 31, 2019)

Segment name	Number of employees	
Electronic materials	827	(171)
Industrial application structural materials	272	(72)
Electrical insulating materials	134	(13)
Display materials	125	(31)
Total of reportable segments	1,358	(287)
Other	34	(19)
Unallocated (Common)	40	(7)
Total	1,432	(313)

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, 2019)

Number of employees	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
602 (119)	42.9	19.3	5,842

Segment name	Number of employees	
Electronic materials	331	(72)
Industrial application structural materials	112	(22)
Electrical insulating materials	72	(12)
Display materials	47	(6)
Total of reportable segments	562	(112)
Unallocated (Common)	40	(7)
Total	602	(119)

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, 2019 stands at 482 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) create 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

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 create corporate value and enhance shareholder value of the Company by means of enhancing customer satisfaction.

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

The Company decided not to continue the protective measures (Takeover defensive measures) as of the end of the 71st Ordinary General Meeting of Shareholders held on June 27, 2019. However, if any

acquisition of large block shares of the Company is made, we will strive to gather necessary and sufficient information which may enable the shareholders to make an appropriate judgement on the pros and cons of such acquisition of large block shares, and seek to secure time and information required for the shareholders' considering by disclosing opinions of the Board of Directors, etc.

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 escalating price of crude oil and copper, 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 remained on a moderate overall recovery track due to the improvement of corporate earnings and employment situation, etc. Meanwhile, a sense of uncertainty regarding the economic outlook is growing further due to concern over the trade conflicts caused by US trade policy and its monetary policy, the slowdown in the Chinese economy, and the UK leaving the European Union (Brexit), etc.

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 44,728 million yen (representing a 9.3% increase as compared with the previous consolidated fiscal year), an operating income of 3,119 million yen (representing a 14.0% decrease as compared with the previous consolidated fiscal year), an ordinary income of 4,297 million yen (representing a 6.3% increase as compared with the previous consolidated fiscal year) and a profit attributable to owners of the parent of 2,861 million yen (representing a 17.2% decrease as compared with the previous consolidated fiscal year).

Business results with respect to each segment are as follows.

Electronic materials

In the electronic materials segment, net sales were 28,770 million yen, representing a 7.5% increase 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 for multi-functional cellular phones (the amount of orders received increased by 1.2% to 17,013 million yen, and the production output decreased by 4.5%, 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 2,620 million yen (representing a 15.8% decrease as compared with the previous consolidated fiscal year).

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, and water treatment pressure vessels) were 8,395 million yen, representing a 16.3% increase as compared with the previous consolidated fiscal year, while the segment income or loss recorded an income of 1,393 million yen (representing a 25.5% increase as compared with the previous consolidated fiscal year).

Electrical insulating materials

In the electrical insulating materials segment, due to a decrease in infrastructure business, net sales were 3,127 million yen, representing a 3.1% decrease as compared with the previous consolidated fiscal year, while the segment income or loss recorded an income of 430 million yen (representing a 29.2% decrease as compared with the previous consolidated fiscal year).

Display materials

In the display materials segment, 3D materials etc. being increasingly used for medical purposes, net sales were 3,699 million yen, representing a 23.8% increase as compared with the previous consolidated fiscal year, while the segment income or loss recorded an income of 114 million yen (representing a segment loss of 55 million yen for the previous consolidated fiscal year).

Other (other businesses)

In other businesses, net sales were 735 million yen, representing a 3.1% increase as compared with the previous consolidated fiscal year, while the segment income or loss recorded an income of 192 million yen (representing a 19.9% decrease 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 7,718 million yen, representing a year-on-year decrease of 1,111 million yen, or 12.6%.

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 2,893 million yen, representing a 32.6% increase as compared with the previous consolidated fiscal year. This was due largely to an increase in the Funds comprising 4,215 million yen in income before income taxes and 1,901 million yen in depreciation, etc. as well as a decrease in the Funds comprising 1,460 million yen in Income taxes paid, etc.

(Cash flows from investing activities)

Funds disbursed for investing activities were 3,304 million yen, representing a 600.8% increase as compared with the previous consolidated fiscal year. This was due largely to an increase in the Funds comprising the proceeds of 1,476 million yen from sales of investment securities, etc. as well as a decrease in the Funds comprising the expenditure of 2,758 million yen for purchases of property, plant and equipment and the expenditure of 1,929 million yen for purchases of investment securities, etc.

(Cash flows from financing activities)

Funds disbursed from financing activities were 576 million yen, representing an 872.7% increase as compared with the previous consolidated fiscal year. This was due largely to an increase in the Funds comprising the proceeds of 1,295 million yen from net increase in short-term loans payable and 917 million yen from long-term loans payable, etc. as well as a decrease in the Funds comprising the expenditure of 1,341 million yen for repayments of long-term loans payable and 1,221 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.

Segment name	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019) (Millions of yen)	Comparison with the previous consolidated fiscal year (%)
Electronic materials	28,770	7.5
Industrial application structural materials	8,395	16.3
Electrical insulating materials	3,127	△3.1
Display materials	3,699	23.8
Total of reportable segments	43,992	9.4
Other	735	3.1
Total	44,728	9.3

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, 2017 to March 31, 2018)		Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Sumitomo Shoji Chemicals Co., Ltd.	6,185	15.1	5,664	12.7

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.

5) Impairment of goodwill

Our Group uses amortization for goodwill by the straight-line method over a five (5)-year period. Its asset value is reviewed based on results of operations and business plans of the subsidiaries, etc. If the original income estimate, etc. is no longer viable and necessity of impairment is recognized in the future, goodwill in the relevant consolidated fiscal year could be written down due to impairment.

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, we achieved a surplus for the current fiscal year. We will develop new markets and enhance our profitability.

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 44,728 million yen (40,909 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 3,818 million yen, or 9.3%. Cost of sales was 36,607 million yen (32,730 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 3,876 million yen and signifying a 1.8 percentage point deterioration in the ratio of cost of sales to 81.8% our thoroughgoing efforts to cut costs.

As a result, gross profit was 8,121 million yen (8,178 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 57 million yen and signifying a 1.8 percentage point decrease in the ratio of gross profit to 18.2%.

(Operating income or loss)

Total selling, general and administrative expenses for the current consolidated fiscal year were 5,001 million yen (4,551 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 450 million yen and signifying a 0.1 percentage point increase in the ratio of selling, general and administrative expenses to 11.2% in our thoroughgoing efforts to cut costs.

As a result, operating income was 3,119 million yen (3,627 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 507 million yen and signifying a 1.9 percentage point decrease in the ratio of operating profit to 7.0%.

(Ordinary income or loss)

Total non-operating income for the current consolidated fiscal year was 1,508 million yen (1,203 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 305 million yen. This was due largely to the posting of 160 million yen in foreign exchange gains. Total non-operating expenses were 330 million yen (786 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 455 million yen. This was due largely to the posting in the previous consolidated fiscal year of 311 million yen in Provision of allowance for doubtful accounts and 170 million yen in foreign exchange losses.

As a result, ordinary income was 4,297 million yen (4,044 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 253 million yen and signifying a 0.3 percentage point decrease in the ratio of ordinary profit to 9.6%.

(Income or loss before income taxes)

Total extraordinary income for the current consolidated fiscal year was 113 million yen (851 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 738 million yen. This was due largely to a decrease of 678 million yen in gain on sales of investment securities. Total extraordinary losses were 194 million yen (150 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 44 million yen. This was due largely to an increase of 70 million yen in impairment loss.

As a result, income before income taxes was 4,215 million yen (4,745 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 529 million yen and signifying a 2.2 percentage point decrease in the ratio of profit before income taxes to 9.4%.

(Profit or loss attributable to owners of the parent)

Total income taxes for the current consolidated fiscal year were 1,066 million yen (994 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 72 million yen. As the bottom line, profit attributable to owners of the parent for the current consolidated fiscal year was 2,861 million yen (3,453 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 592 million yen and signifying a 2.0 percentage point decrease in the ratio of profit attributable to owners of the parent to 6.4%.

Analysis of Financial Conditions

(Assets)

Total assets as of the end of the current consolidated fiscal year were 73,096 million yen (72,382 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 713 million yen, or 1.0%.

Balance of total current assets as of the end of the current consolidated fiscal year was 35,577 million yen (35,782 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year decrease of 204 million yen, or 0.6%. This was due largely to an increase of 427 million yen in raw materials and supplies, an increase of 221 million yen in securities, a decrease of 930 million yen in cash and deposits.

Balance of total non-current assets as of the end of the current consolidated fiscal year was 37,518 million yen (36,599 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 918 million yen, or 2.5%. This was due largely to an increase of 611 million yen in investments and other assets, an increase of 362 million yen in investment securities.

(Liabilities)

Total liabilities as of the end of the current consolidated fiscal year were 19,633 million yen (19,888 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year decrease of 254 million yen, or 1.3%.

Balance of total current liabilities as of the end of the current consolidated fiscal year was 16,172 million yen (15,982 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 190 million yen, or 1.2%. This was due largely to an increase of 1,067 million yen in short-term loans payable (including current portion of long-term loans payable), a decrease of 689 million yen in notes and accounts payable-trade and a decrease of 629 million yen in income taxes payable.

Balance of total non-current liabilities as of the end of the current consolidated fiscal year was 3,461 million yen (3,906 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year decrease of 445 million yen, or 11.4%. This was due largely to a decrease of 377 million yen in long-term loans payable.

(Net assets)

Total net assets as of the end of the current consolidated fiscal year were 53,462 million yen (52,493 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 968 million yen, or 1.8%. This was due largely to an increase of 1,636 million yen in retained earnings, a decrease of 469 million yen in valuation difference on available-for-sale securities, a decrease of 374 million yen in foreign currency translation adjustment.

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, 2018)	Current consolidated fiscal year (As of March 31, 2019)
Equity ratio (%)	68.6	69.3
Equity ratio on a mark-to-market basis (%)	49.1	39.3
Ratio of interest-bearing liabilities to cash flows (Years)	3.3	2.7
Interest coverage ratio (Times)	25.8	34.2

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

1. All indicators above are calculated on the basis of the consolidated financial results.
2. 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.
3. Interest-bearing liabilities represent all those liabilities (stated in the consolidated balance sheets) on which interest is paid.

4. 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 7.0% (representing a 1.9 point deterioration as compared with the previous year) and the Return on Assets is 3.9% (representing a 0.9% point deterioration 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 173 employees involved in research and development activities, and our total research and development expenses incurred in the current consolidated fiscal year amounted to 2,001 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

In the field of mobile devices, the next-generation 5G telecommunication is said to partly start in the current fiscal year. 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 FPC circuit materials, adhesive sheets and coverlays which have less signal transmission loss. Now the evaluation of them is being conducted by our customers. The Company has also developed, by using new materials, new FPC circuit materials with further improved dielectric properties. Now the evaluation of them is being conducted by our customers not only for mobile applications but also for automotive sensor applications.

- Semiconductor-related materials

While the trend of IoT is proceeding further, there is a growing demand for thinner and downsized semiconductor packages. The Company is promoting the development of a protection adhesive tape which may be used in such production process. This adhesive tape requires a balance between adhesive property and stripping performance, as well as non-contaminative characteristics for products. The Company has developed adhesives which satisfy such required properties by means of our original technology for resin composition. Now the evaluation of them for certification is being conducted by our customers.

- Heat dissipation materials

Electronic components for automobiles require stronger heat cycle resistance properties in adapting to the trend of downsizing. Heat dissipation adhesive sheets developed by the Company have passed such heat cycle test and obtained certifications of automobile manufacturers. Future expansion of the adoption can be expected. In addition, we also work on development of new heat dissipation adhesive sheets with more improved heat dissipation property.

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

- Interior materials for aircrafts

Interior materials for aircraft require high flame-retardancy and involve a high degree of technical difficulty. The Company has delivered sandwich panels for use of galley units and lavatories as interior materials for aircraft. The company is also promoting, with this flame-retardation technology, the development of carbon prepregs for materials of seat body in aircraft. In the fiscal year of 2018, a new type of carbon prepreg was completed and started to be delivered. Our carbon prepregs are used for business-class seats to contribute to the weight reduction of airframe. We will continue to develop a wide variety of interior materials using the flame-retardation technology. .

-Cryostats for medical use

The Company has developed and manufactured cryostats (FRP vessels which can store liquid helium) for

Magnetoencephalography (magnetic field measurement of brains) used for diagnosis of epilepsy and Alzheimer dementia. We made a great advance in the development of cryostats for Magnetospinography (magnetic field measurement of spinal cords) in the fiscal year of 2018. Magnetospinography is a device which is said to be effective in diagnosis of many diseases such as paralysis and numbness of limbs. We will work hard to place it on the market soon.

Research and development expenses incurred with respect to composite materials amounted to 397 million yen.

(3) Display Materials Field

- 3D display materials

The 3D display systems incorporating the Company's "Xpol®" patterned retardation layer have been used for a large variety of purposes mainly in the healthcare sector, among others, due largely to their high quality reliability and excellent stereoscopic imaging properties. Formerly they were used mainly for endoscopic surgery but now they are increasingly adopted for the use of ophthalmology and brain surgery. In response to the customer requests for large-sized screens, we completed the development of 55 inch-Xpol in the fiscal year of 2018. We hope that they will be used for more kinds of usages in the future.

Research and development expenses incurred with respect to display materials amounted to 296 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 2,500 million yen in the current consolidated fiscal year.

The principal component of our capital investment in the current consolidated fiscal year was 1,940 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, 2019

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,	424,095	83,634	55,202 (18,240)	—	8,936	571,868	56 (13)
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	2,342,746	1,327,237	292,445 (114,611)	—	154,824	4,117,253	427 (92)
Nakadahara-Nishi Factory (Joetsu-shi, Niigata)	Industrial application structural materials, Display materials	Industrial application structural materials, Display materials manufacturing facilities	196,161	604,725	361,602 (34,638)	—	11,806	1,174,295	44 (6)
Head Office (Joetsu-shi, Niigata)	Head office (Common)	Other facilities	642,415	5,853	103,697 (29,209)	—	69,346	821,312	34 (7)
Tokyo Branch Office (Taito-ku, Tokyo)	Electronic materials, Industrial application structural materials, Electrical insulating materials, Display materials, Other, Head office (Common)	Other facilities	124,513	4,958	297,516 (577)	2,202	2,276	431,465	39 (1)

(2) Domestic Subsidiaries

As of March 31, 2019

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	198,667	245,107	389,000 (4,373)	—	22,546	855,321	93 (79)
Arisawa Fiber Glass Co., Ltd.	--- (Joetsu-shi, Niigata)	Electronic materials, Electrical insulating materials	Electronic materials manufacturing facilities, Electrical insulating materials manufacturing facilities	269,363	247,292	117,197 (34,706)	—	3,803	637,656	81 (20)
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	254,962	34,249	252,866 (42,229)	—	8,825	550,902	103 (27)
Arisawa Jushi Kogyo Co., Ltd.	--- (Kawaguchi-shi, Saitama)	Electrical insulating materials	Electrical insulating materials manufacturing facilities	50,242	6,944	31,561 (2,407)	—	5,739	94,487	20 (—)
ColorLink Japan, Ltd.	--- (Joetsu-shi, Niigata)	Display materials	Display materials manufacturing facilities	97,421	85,240	44,500 (4,110)	—	11,813	238,976	78 (25)

(3) Overseas Subsidiaries

As of March 31, 2019

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	637,446	933,714	-	119,339	70,364	1,760,865	218 (—)
TopFlex Corporation	--- (Kunshan City, P.R. China)	Electronic materials	Electronic materials manufacturing facilities	257,654	127,742	43,090 (30,136)	-	16,483	444,971	134 (—)
Protec Arisawa Europe, S.A.	--- (Munguia, Spain)	Industrial application structural materials	Industrial application structural materials manufacturing facilities	79,099	151,806	4,126 (8,000)	-	9,628	244,660	61 (42)
Protec Arisawa America, Inc.	--- (Vista, CA, U.S.A.)	Industrial application structural materials	Industrial application structural materials manufacturing facilities	7,766	57,013	-	-	32,725	97,504	44 (1)

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. 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.

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	43,849	Own funds	December2018	December2019	—

- 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, 2019)	Number of shares issued and outstanding as of the filing date of the Financial Report (As of June 28, 2019)	Name of financial instruments exchange where the shares are listed or authorized financial instruments firms association where the shares are registered	Remarks
Common stock	36,226,224	36,231,024	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	36,226,224	36,231,024	---	---

Note: The number of shares issued through the exercise of stock acquisition rights in the period from June 1, 2019 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, 2019). 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, 2019).

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 26, 2014	June 26, 2015
Category and number of persons to whom stock acquisition rights shall be granted	6 directors of the Company, 163 employees of the Company, and 10 directors and employees of subsidiaries of the Company	5 directors of the Company, 176 employees of the Company, and 21 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	941 [921]	2,074 [2,074]
Class, contents and number of shares subject to stock acquisition rights	Common stock 94,100 [92,100]	Common stock 207,400 [207,400]
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	741 (See Note 1)	867 (See Note 1)
Exercise period for stock acquisition rights ※	July 1, 2016 through June 30, 2019	July 1, 2017 through June 30, 2020
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) ※	Issuance price 923 Amount credited to equity capital 461.5	Issuance price 1,035 Amount credited to equity capital 518
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 24, 2016	June 28, 2017
Category and number of persons to whom stock acquisition rights shall be granted	5 directors of the Company, 187 employees of the Company, and 14 directors and employees of subsidiaries of the Company	5 directors of the Company, 194 employees of the Company, and 10 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	2,286 [2,258]	3,102 [3,101]
Class, contents and number of shares subject to stock acquisition rights	Common stock 228,600 [225,800]	Common stock 310,200 [310,100]
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	536 (See Note 1)	1,004 (See Note 1)
Exercise period for stock acquisition rights ※	July 1, 2018 through June 30, 2021	July 1, 2019 through June 30, 2022
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) ※	Issuance price 634 Amount credited to equity capital 317	Issuance price 1,035 Amount credited to equity capital 518
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, 2018	June 27, 2019
Category and number of persons to whom stock acquisition rights shall be granted	5 directors of the Company, 211 employees of the Company, and 11 directors and employees of subsidiaries of the Company	4 directors of the Company, 208 employees of the Company, and 14 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	3,309 [3,299]	3,260 [3,260]
Class, contents and number of shares subject to stock acquisition rights	Common stock 330,900 [329,900]	Common stock 326,000 [326,000]
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	1,104 (See Note 1)	Undecided (See Note 1 and 4)
Exercise period for stock acquisition rights ※	July 1, 2020 through June 30, 2023	July 1, 2021 through June 30, 2024
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) ※	Issuance price 1,272 Amount credited to equity capital 636	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, 2019). 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, 2019), 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, 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
From April 1, 2018 to March 31, 2019 (See Note)	202,100	36,226,224	83,450	7,541,693	83,406	6,653,615

Note 1. The increases are due to the exercise of stock acquisition rights.

- In the period from April 1, 2019 to May 31, 2019, the number of shares issued and outstanding increased by 4,800 shares, and the amount of capital stock and that of legal capital surplus increased by 1,810 thousand yen respectively, all through the exercise of stock acquisition rights.

(5) Status of Shareholder Categories

As of March 31, 2019

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	—	28	40	111	88	14	11,917	12,198	—
Number of shares held (Units except as otherwise noted)	—	125,450	6,914	36,284	56,255	142	136,406	361,451	81,124
Ratio of the number of shares held (%)	—	34.71	1.91	10.04	15.56	0.04	37.74	100.00	—

- Note:
1. Out of 7,378 shares of treasury stock, 73 units are included in the column “Individuals and others”, and 78 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, 2019

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) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	3,780,800	10.43
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	2,114,100	5.83
Mitsubishi Gas Chemical Company, Inc. (注 1)	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,472,166	4.06
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	2.76
Arisawa Kenko Ltd.	11-44, Nishishiro-cho 3-chome, Joetsu-shi, Niigata	834,338	2.30
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)	763,882	2.10
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	1.73
Japan Trustee Services Bank, Ltd. (Trust account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	622,200	1.71
NORTHERN TRUST CO. (AVFC) RE NVI01 (Standing Proxy: The Hongkong and Shanghai Banking Corporation Ltd., Tokyo Branch)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo)	617,400	1.70
The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account and Mitsubishi Electric Corporation account)	11-3, Hamamatsu-cho 2-chome,	530,536	1.46
Total	---	12,365,255	34.14

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 Change Report of the Report on Bulk Holding available for public inspection as of September 6, 2018 that Sumitomo Mitsui Trust Bank, Limited and a joint holder thereof hold the shares described below as of August 31, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2019. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Change Report of the Report on Bulk Holding are as follows:

Bulk Holders : Sumitomo Mitsui Trust Bank, Limited and two joint holder thereof
Address : 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Number of shareholdings etc. : 1,488,200
Holding ratio of share certificates etc. : 4.12

3. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of December 20, 2018 that BlackRock Japan Company, Limited and a joint holder thereof hold the shares described below as of December

14, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2019. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Change Report of the Report on Bulk Holding are as follows:

Bulk Holders : BlackRock Japan Company, Limited and one joint holder thereof
Address : 1-8-3, Marunouchi, Chiyoda-ku, Tokyo
Number of shareholdings etc. : 1,259,700
Holding ratio of share certificates etc. : 3.48

4. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of December 21, 2018 that Sumitomo Mitsui Asset Management Company, Limited hold the shares described below as of December 14, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2019. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Change Report of the Report on Bulk Holding are as follows:

Bulk Holders : Sumitomo Mitsui Asset Management Company, Limited
Address : 2-5-1 Atago, Minato-ku, Tokyo
Number of shareholdings etc. : 1,090,300
Holding ratio of share certificates etc. : 3.01

5. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of April 1, 2019 that Nippon Value Investors KK hold the shares described below as of March 29, 2019, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2019. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Change Report of the Report on Bulk Holding are as follows:

Bulk Holders : Nippon Value Investors KK
Address : 1-8-1 Marunouchi, Chiyoda-ku, Tokyo
Number of shareholdings etc. : 2,438,400
Holding ratio of share certificates etc. : 6.73

(7) Status of Voting Rights

1) Shares issued and outstanding

As of March 31, 2019

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 7,300	---	---
Shares with full voting rights (Other) (See Note 1)	Common stock 36,137,800	361,378	---
Shares constituting less than one full unit (See Note 2)	Common stock 81,124	---	---
Number of shares issued and outstanding	36,226,224	---	---
Total number of voting rights held by shareholders	---	361,378	---

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

2) Treasury Stock, etc.

As of March 31, 2019

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	7,300	---	7,300	0.02
Total	---	7,300	---	7,300	0.02

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	294	296,958
Treasury stock acquired during the current period	72	63,564

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, 2019 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	7,378	---	7,450	---

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, 2019 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 30 yen per share based on the said policy. As a result, the dividend payout ratio for the current consolidated fiscal year was 37.9%.

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 27, 2019	1,086,565	30.00

4. Status of Corporate Governance, etc.

(1) Outline of Corporate Governance

1) 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.

2) 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.

3) 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.

4) 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.

- a. 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.

- b. 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.
- c. 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.
- d. 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.
- e. 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.
- f. 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.
- g. 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 whistleblower shall be maintained so that Corporate Auditors can directly receive the relevant reports from employees, etc.
- h. 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.
- i. 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.

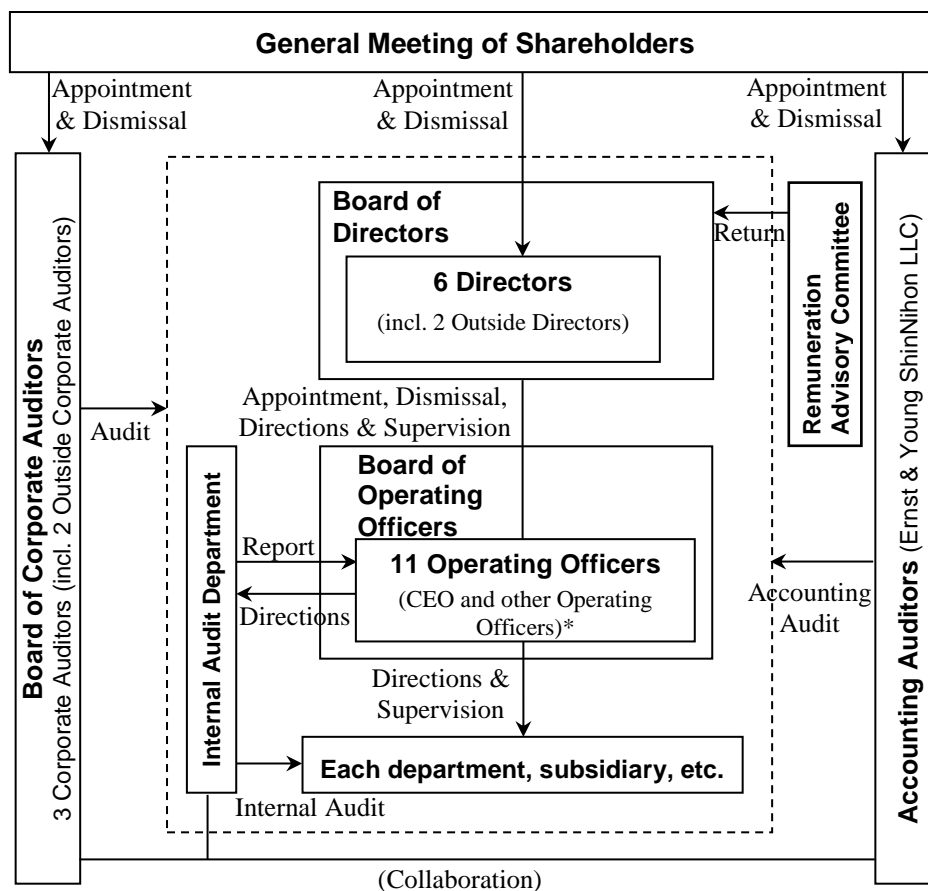
j. System to ensure credibility of financial reporting

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.

k. 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.

5) 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).

6) 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.

7) 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.

8) 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.

9) 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) Status of Directors and Officers

1) Directors and Officers

(Number of female directors and officers: 0)

(Percentage of female directors and officers: Nil)

Title	Name	Date of birth	Career summary	Term	Number of shares of the Company held
President and Representative Director Chief Executive Officer (CEO)	Yuta Arisawa	July 25, 1969	April 1992 February 2002 August 2003 April 2007 April 2009 June 2010 June 2011 June 2014 June 2015 June 2017 Joined Mitsubishi Electric Corporation Joined JPMorgan Securities Japan Co., Ltd. Joined the Company Assistant General Manager, Manufacturing Dept. Operating Officer of the Company Director and Senior Operating Officer of the Company Director and Senior Managing Operating Officer of the Company President, Representative Director of the Company Chief Operating Officer (COO) of the Company Chief Executive Officer (CEO) of the Company (Current)	See Note 4	75,026
Director Division Chief, Electrical Insulating & Composite Materials Business Div.	Yoshihiko Toda	January 24, 1958	March 1981 July 1996 June 2008 June 2008 June 2014 May 2017 June 2017 Joined the Company General Manager, Tokyo Branch Office President and Representative Director of Arisawa Jushi Kogyo Co., Ltd. (Current) Operating Officer of the Company Director and Senior Operating Officer of the Company President and Representative Director of Arisawa Fiber Glass Co., Ltd. (Current) Director and Senior Managing Operating Officer of the Company (Current)	See Note 4	49,846
Director Senior Operating Officer supervising Electronic Materials Sales Dept.; Division Chief, Electronic Materials Business Div.	Osamu Nakajima	June 5, 1965	April 1989 May 2011 April 2013 July 2014 October 2015 June 2016 Joined Mitsui & Co., Ltd. Department Manager, Solar Business Div., Functional Chemicals Business Unit of Mitsui & Co., Ltd. Department Manager, Advanced Materials Div., Functional Chemicals Business Unit of Mitsui & Co., Ltd. Department Manager, Business Development Div., Basic Chemicals Business Unit of Mitsui & Co., Ltd. Joined the Company as Operating Officer Director and Senior Operating Officer of the Company (Current)	See Note 4	13,731
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	April 1983 April 2000 April 2003 April 2011 June 2012 April 2015 July 2016 September 2016 September 2016 June 2017 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)	See Note 4	1,450

Title	Name	Date of birth	Career summary	Term	Number of shares of the Company held
Director	Katsuchika Goto	November 20, 1944	<p>June 1972 April 1987</p> <p>April 1994</p> <p>December 1998</p> <p>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 4	10,000
Director	Yutaka Tsukahara	December 21, 1945	<p>April 1968</p> <p>June 1999</p> <p>June 2001</p> <p>June 2003</p> <p>May 2005</p> <p>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 4	1,500
Full-time Corporate Auditor	Koji Ohta	February 9, 1955	<p>March 1973 July 2002</p> <p>July 2004 June 2012</p> <p>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 5	1,921
Corporate Auditor	Koichi Sakai	January 31, 1961	<p>April 1984 February 2004 June 2006 June 2008 June 2011 June 2013 June 2014</p> <p>June 2015</p> <p>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 6	---
Corporate Auditor	Shinjiro Kawai	May 19, 1959	<p>April 1982 June 2006 April 2010</p> <p>March 2011 February 2014 June 2014</p> <p>February 2016</p> <p>June 2017</p> <p>June 2018 October 2018</p> <p>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) Director of Daishi Hokuetsu Financial Group, Inc. (Audit & Supervisory Committee Member) (Current)</p>	See Note 6	---
					Total: 153,474

- Note:
1. 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 2019 through the said stock ownership plan is yet to be confirmed as of the filing date of this Financial Report (June 28, 2019), the number of shares beneficially owned by each of the persons listed above as of May 31, 2019 is stated.
 2. 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).
 3. 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).
 4. From the closing of the Ordinary General Meeting of Shareholders held on June 27, 2019 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2021.

5. 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.
6. From the closing of the Ordinary General Meeting of Shareholders held on June 28, 2018 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2020.
7. 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.
Makoto Tai	Operating Officer supervising Electrical Insulating & Composite Materials Engineering Dept., Optical Materials Engineering Dept. and Electronic Materials Engineering Dept.(sub-) ; Deputy Division Chief, Electrical Insulating & Composite Materials Business Dept.
Takeshi Aizawa	Operating Officer supervising Manufacturing Dept.; Deputy Division Chief, Manufacturing Div.
Eiichi Matsuya	Operating Officer supervising ColorLink Japan, Ltd.
Yoshifumi Ara	Operating Officer supervising Electrical Insulating & Composite Materials Sales Dept.; Deputy Division Chief, Electrical Insulating & Composite Materials Business Dept.
Syuichi Fujita	Operating Officer supervising Electronic Materials Technical Administration Dept. (principal) and Electronic Materials Manufacturing Engineering Dept.; Deputy Division Chief, Electronic Materials Business Div.
8. 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: Takashi Miwa 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
Takashi Miwa	March 3, 1951	March 1973 Joined the Company April 2000 General Manager, Electronic Materials Div., Research & Development Dept. July 2001 Operating Officer of the Company June 2003 Senior Operating Officer of the Company June 2004 Director and Senior Operating Officer of the Company June 2014 Director and Senior Managing Operating Officer of the Company June 2016 Advisor of the Company (Current)	1 year	12,206
Hideyuki Baba	March 29, 1964	April 1998 Registered at Niigata Bar Association April 2003 Representative, Hideyuki Baba Law Office (Current)	1 year	---

2) Status of Outside Directors and Officers

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 "1) 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 "1) 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 2.76% 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.
- Shinjiro kawai, an Outside Corporate Auditor, is a director (Audit & Supervisory Committee Member) of Daishi Hokuetsu Financial Group, Inc., whose subsidiaries (The Daishi Bank, Ltd. and The Hokuetsu Bank, Ltd.) hold respectively 1.73% and 0.31% of the Company's shares issued (excluding treasury stock) and outstanding. Although the said banks are partner banks of the Company, 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.

3) Mutual Collaboration between supervision or auditing by Outside Directors or Outside Corporate Auditors and internal audit, accounting audit and auditing by Corporate Auditors, as well as Relationship between supervision or auditing by Outside Directors or Outside Corporate Auditors and Internal Control Division.

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.

(3) Status of Audit

1) Status of Auditing by Corporate Auditors

The Board of Corporate Auditors of the Company is composed of three (3) members (one [1] full-time Corporate Auditor and two [2] Outside Corporate Auditors). 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.

Koji Ohta, a full-time Corporate Auditor, has substantial practical experience of financial and accounting affairs in Accounting Department of the Company.

2) Status of Internal Audit

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.

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) Status of Accounting Audit

a. Name of Audit Corporation

Ernst & Young ShinNihon LLC

b. CPA who executed the audit work

Satoshi Ejima

Akira Igarashi

c. Composition of assistants involved in the audit work.

The composition of assistants involved in the accounting audit work of the Company is determined in accordance with the criteria for selection of audit corporations and includes eight (8) certified public accountants and nine (9) others.

d. Policy and reason for the selection of Audit Corporation

The said audit corporation has expertise, independence, quality control of auditing, system for integrated auditing of global business activities of the Company, satisfactory support for auditing, etc., which are required of accounting auditors.

e. Evaluation of Audit Corporation by Corporate Auditors and Board of Corporate Auditors

Corporate Auditors and Board of Corporate Auditors of the Company evaluate the audit corporations in accordance with "Practical Guidelines for Corporate Auditors, etc. regarding Evaluation of Accounting Auditors and Setting of Selection Standards" (Japan Audit & Supervisory Board Members Association, November 10, 2015). Board of Corporate Auditors checks on Audit Corporation with respect to the problem of quality control system, independence and expertise of the audit team, validity and efficiency of auditing, etc. by means of regular exchanging of opinions with the audit corporation, hearing of matters to be checked, and report on the implementation of audit, etc., so we believe there is no problem.

4) Details, etc. of Remuneration of Accounting Auditors

Provisional measures are applied to the rules of Form No.2 'Notes for stating' (56) d (f) i ~ iii of "Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.", which was amended by "Cabinet Office Ordinance on the Partial Revision of Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc." (Cabinet Office Ordinance No. 3, January 31, 2019).

a. 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	34,100	—	35,100	—
Consolidated subsidiaries	—	—	—	—
Total	34,100	—	35,100	—

b. Details of Other Significant Remuneration

(Previous 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.

(Current consolidated fiscal year)

Protec Arisawa Europe, S.A., a consolidated subsidiary of the Company, paid 2,998 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.

c. Policy for Determination of Remuneration of Accounting Auditors

Remuneration of Auditing Certified Public Accountants, etc. of the Company is determined by consideration of scale and characteristics of the Company as well as the number of auditing days, etc., by consultation with the audit corporation and by getting consent of Board of Corporate Auditors.

d. Reason for the consent of Board of Corporate Auditors to remuneration of accounting auditors

Board of Corporate Auditors decided to provide consent to the amount of remuneration of accounting auditors, etc., after carefully examining the adequacy of performance of accounting auditors and such decision-making, etc.

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

1) Matters relating to Policy of Determination on Amount of Remuneration, etc. of Directors and Corporate Auditors or Calculation Method thereof

Our fundamental policy is to establish a corporate governance system for the improvement of corporate value through sustainable development and acquiring social credibility as well as to make efforts for securing efficient and fair management and improvement of transparency by positive information disclosure. We will further reinforce our efforts to strengthen such corporate governance.

In implementing the following remuneration programs, the Company deliberates and decides the remuneration, etc. of directors and corporate auditors through development of remuneration governance.

a. Basic Guidelines for Remuneration System for Directors and Corporate Auditors

The Company established basic guidelines for the remuneration system for directors and corporate auditors as below.

- The system should encourage the management to improve their performance through associating the performance with remuneration and to exercise their solid entrepreneurship for sustainable development of the Company.

- The system should reflect not only financial performance but also appreciation for proactive initiative based on the management philosophy of "CIC Better today than yesterday, better tomorrow than today" with the venture spirit of "Creation, Innovation and Challenge".

- The system should attract excellent human resources for management who can contribute to sustainable

development and enhancement of corporate value of the Company.

b. Structure of Remuneration System for Directors and Corporate Auditors

The remuneration for Directors except Outside Directors of the Company is monthly remuneration which 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.

In the remuneration System for Directors and Corporate Auditors applied after the 71st Ordinary General Meeting of Shareholders (held on June 27, 2019), the remuneration shall be constituted of basic fixed remuneration, performance-based remuneration and stock option remuneration.

Key Performance Indicators (KPI) of performance-based remuneration is consolidated operating income in a single year, and the performance targets as a basis has been set at 3.5 billion yen. The reasons for the selection of consolidated operating income as Key Performance Indicators (KPI) are that it is a financial indicator that represents the result of primary business activities and is used for the system of employee bonus, and that it is important to keep consistency between the both systems. Performance-based remuneration for inside directors except President reflects the results of individual performance evaluation by President.

The percentage of a single-year basic amount (refer to Note) of performance-based remuneration to basic fixed remuneration is 60% across all titles, and a rate of pay which is multiplied by a single-year basic amount will range from 0% to 200% according to results of performance evaluation.

Regarding the stock option remuneration, a given number of stock acquisition rights are granted according to titles every fiscal year.

When determining a remuneration level of the Company and a rate of performance-based portion, we check the validity thereof through objective and multilateral benchmark analysis of remuneration which is based on "Management Remuneration Database" run by an outside remuneration consultant.

Regarding the remuneration of outside directors and corporate auditors, however, only fixed portion of monthly remuneration is paid in consideration of their roles.

(Note) 'A single-year basic amount' refers to the amount of performance-based remuneration in the case that individual performance evaluation of certain title is equal to standard evaluation when consolidated operating income is 3.5 billion yen.

c. Date of Resolution of a General Meeting of Shareholders regarding Remuneration of Directors and Corporate Auditors

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 30 million yen per month and total amount of remuneration for Corporate Auditors should be no more than 3 million yen per month.

It was resolved at the 62th Ordinary General Meeting of Shareholders held on June 29, 2010 that stock option remuneration for directors should be no more than 50 million yen (100,000 shares) per year.

The number of Directors and Corporate Auditors covered (as of the filing date: June 28, 2019) consists of 6 directors (4 inside directors and 2 outside directors) regarding monthly remuneration and 4 directors (only inside directors) regarding stock option remuneration. Regarding the remuneration of outside directors and corporate auditors, only fixed portion of monthly remuneration is paid in consideration of their roles.

d. Remuneration Governance

The Company deliberates and determines, at the Board of Directors, Basic Guidelines for Remuneration System for Directors and Corporate Auditors and Structure of Remuneration System for Directors and Corporate Auditors, as well as total amount thereof, while individual payments are determined by President. In order to ensure a high degree of independence, objectivity and transparency in the process of determining and managing of Remuneration System for Directors and Corporate Auditors of the Company, the Remuneration Advisory Committee was set up as an advisory body to the Board of Directors after the 71st Ordinary General Meeting of Shareholders (held on June 27, 2019).

A chairman of the Remuneration Advisory Committee shall be selected from among independent outside directors by resolution of the Board of Directors and majority of committee members shall consist of independent outside directors.

After setting up of the Remuneration Advisory Committee, the Board of Directors will deliberate and determine, in accordance with the contents of return from the Remuneration Advisory Committee, Basic Guidelines for Remuneration System for Directors and Corporate Auditors and Structure of Remuneration System for Directors and Corporate Auditors, as well as individual amount of remuneration, etc. Regarding the performance-based remuneration for inside directors except President in individual amount of remuneration, only a single-year basic amount reflecting standard evaluation is determined by the Board of Directors, while the amount of payment based on individual performance evaluation shall be determined by President.

2) 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
		Monthly remuneration	Stock option	
Directors (excluding Outside Directors)	203,547	191,067	12,480	5
Corporate Auditors (excluding Outside Corporate Auditors)	10,944	10,944	—	1
Outside Directors and Outside Corporate Auditors	10,818	10,818	—	6

(Note) Performance-based portion included in monthly remuneration of the above is annual remuneration which was calculated based on consolidated business results of the fiscal year of 2017. And the amounts which were paid evenly during the fiscal year of 2018 are stated above.

3) Targets and Results of Indicators (KPI) for performance-based remuneration of previous business year

Regarding the performance-based portion of previous business year, annual remuneration was comprehensively calculated based on growth rates, etc., compared with the previous fiscal year, of consolidated net sales, consolidated operating income, consolidated ordinary income and consolidated profit. Growth rate of each indicator compared with previous year is as below.

Consolidated net sales	+9.3%
Consolidated operating income	-14.0%
Consolidated ordinary income	+6.3%
Consolidated profit	-17.2%

(5) Status of Shareholding

1) Criterion and attitude for segmentation of investment stock

Regarding segmentation of investment stock held for purposes of pure investment and held for purposes other than pure investment, we separate purposes of making a profit through value change of stock or dividends on stock as "purposes of pure investment " from the other purposes as "purposes other than pure investment".

2) Investment stock held for purposes other than pure investment

a. Policy on holding, Method of verifying the reasonableness of holding, and Verified matters by the Board of Directors, etc., regarding appropriateness of holding individual stock names

(1) Policy on holding

Regarding investment stock held by the Company for purposes other than pure investment (hereinafter referred to as "Cross-shareholdings"), shares, etc. of business partners, etc. may be acquired and held if it is judged that such acquisition will contribute to the enhancement of corporate value of the Company over the mid-and-long-term in terms of facilitation and reinforcement, etc. of building stable and long-term business relations, business collaboration or cooperative business activities with the said business partners. We will verify effectiveness of holding, etc. in terms of mid-and-long-term economic rationality as well as maintenance and strengthening of comprehensive relationship. And such validation will be reported to the Board of Directors. If any stock names are judged, through the verification, to have no reasonableness of holding, we will sell off such stocks and reduce the shareholdings.

(2) Method of verifying the reasonableness of shareholding

Regarding all Cross-shareholdings held, the Board of Directors yearly gives comprehensive consideration to quantitative analysis of transaction performances and returns, etc. through shareholdings, qualitative analysis of status of business relations based on the policy on shareholding, strategic background of acquisition, etc. , as well as risk of shareholding, etc., and then verifies and evaluates the propriety of such shareholding.

Following items are verified through the quantitative analysis:

- 1) whether dividend earning rate is worth capital cost or not
- 2) annual amount of transaction, amount of profits
- 3) profit or loss from valuation of stock

(3) Verified matters by the Board of Directors, etc. regarding the propriety of holding individual stock names

At the Board of Directors held in March of 2019, the Company verified status of shareholding, risk returns, importance of business and comprehensive meaning of shareholding, with respect to all shares (27 stock names) held as Cross-shareholdings, and decided to sell off shares of two (2) stock names which were judged to have no meaning of shareholding or poor meaning thereof.

b. Number of stock names and amount shown on balance sheets

	Number of stock names (Stock names)	Aggregate amount of the amount shown on balance sheets (Thousands of yen)
Unlisted stock	11	52,217
Stock other than unlisted stock	16	2,676,252

(Stock names whose number of shares increased in the current business year)

	Number of stock names (Stock names)	Aggregate amount of acquisition price associated with increase in number of shares (Thousands of yen)	Reason for increase in number of shares
Unlisted stock	1	36,600	To build stable and long-term business relations, business collaboration, and to obtain market/technical information
Stock other than unlisted stock	1	541,342	(same as above)

(Stock names whose number of shares decreased in the current business year)

	Number of stock names (Stock names)	Aggregate amount of acquisition price associated with decrease in number of shares (Thousands of yen)
Unlisted stock	1	—
Stock other than unlisted stock	—	—

c. Information regarding the number of shares for each stock name of Specified Investment Stock and Deemed Shareholding, as well as the amount shown on balance sheets, etc.

Specified Investment Stock				
Stock name	Current business year	Previous business year	Purpose of shareholding, quantitative effect of shareholding, and reason for increase in number of shares	Holding shares of the Company
	Number of shares held	Number of shares held		
	Amount shown on balance sheets (Thousands of yen)	Amount shown on balance sheets (Thousands of yen)		
ViSCO Technologies Corporation	297,400	322,400	Purpose of shareholding: Building of cooperative relationship Quantitative effect of shareholding : (Note) 2	No
	551,379	1,194,492		
Mitsubishi Gas Chemical Company, Inc.	333,000	333,000	Purpose of shareholding: Maintaining and strengthening business relationship Quantitative effect of shareholding : (Note) 2	Yes
	525,807	848,817		
Mitsubishi Electric Corporation	275,000	275,000	Purpose of shareholding: Maintaining and strengthening business relationship Quantitative effect of shareholding : (Note) 2	Yes
	391,187	467,912		
Fujikura Ltd.	823,500	—	Purpose of shareholding: Maintaining and strengthening business relationship Quantitative effect of shareholding : (Note) 2 Reason for increase in number of shares : New acquisition for strengthening cooperation of business	Yes
	343,399	—		
The Hachijuni Bank, Ltd.	581,113	581,113	Purpose of shareholding: Maintaining and strengthening banking relationship Quantitative effect of shareholding : (Note) 2	Yes
	266,730	331,234		
NOK Corporation	132,700	132,700	Purpose of shareholding: Maintaining and strengthening business relationship Quantitative effect of shareholding : (Note) 2	Yes
	228,642	274,158		
Daishi Hokuetsu Financial Group, Inc.	49,962	—	Purpose of shareholding: Maintaining and strengthening banking relationship Quantitative effect of shareholding : (Note) 2 Reason for increase in number of shares : (Note) 3	No (Note)4
	156,131	—		
The Daishi Bank, Ltd.	—	45,080	Purpose of shareholding: Maintaining and strengthening banking relationship Quantitative effect of shareholding : (Note) 2	Yes
	—	211,876		
Kaneka Corporation	30,000	150,000	Purpose of shareholding: Maintaining and strengthening business relationship Quantitative effect of shareholding : (Note) 2	Yes
	124,350	158,250		

Toshiba Corporation	10,255	102,550	Purpose of shareholding: Maintaining and strengthening business relationship Quantitative effect of shareholding : (Note) 2	No
	36,148	31,585		
Mitsubishi UFJ Financial Group, Inc.	62,420	62,420	Purpose of shareholding: Maintaining and strengthening banking relationship Quantitative effect of shareholding : (Note) 2	No (Note)5
	34,331	43,506		
The Hokuetsu Bank, Ltd.	—	9,764	Purpose of shareholding: Maintaining and strengthening banking relationship Quantitative effect of shareholding : (Note) 2	Yes
	—	22,652		
Sumitomo Corporation	6,655	6,655	Purpose of shareholding: Maintaining and strengthening business relationship Quantitative effect of shareholding : (Note) 2	No (Note)6
	10,188	11,919		
Mizuho Financial Group, Inc.	18,283	18,283	Purpose of shareholding: Maintaining and strengthening banking relationship Quantitative effect of shareholding : (Note) 2	No
	3,131	3,499		
Nishishiba Electric Co., Ltd.	17,600	17,600	Purpose of shareholding: Maintaining and strengthening business relationship Quantitative effect of shareholding : (Note) 2	No
	2,305	3,027		
Broadcasting System of Niigata Inc.	1,800	1,800	Purpose of shareholding: Strengthening relationship with regional companies Quantitative effect of shareholding : (Note) 2	No
	1,944	1,656		
Kobe Steel, Ltd.	515	515	Purpose of shareholding: Maintaining and strengthening business relationship Quantitative effect of shareholding : (Note) 2	No
	427	548		
Tohoku Electric Power Co., Inc.	104	104	Purpose of shareholding: Maintaining and strengthening business relationship Quantitative effect of shareholding : (Note) 2	No
	146	147		

(Note) 1. "—" shows that there is no shareholding of the stock name

2. Because of the difficulty in stating quantitative effect of shareholding, method of verifying the reasonableness of shareholding is stated. The method of verifying is as stated above in "(2) Method of verifying the reasonableness of shareholding" of "a. Policy on holding, Method of verifying the reasonableness of holding, and Verified matters by the Board of Directors, etc., regarding appropriateness of holding individual stock names".
3. The Daishi Bank, Ltd. and The Hokuetsu Bank, Ltd. established, as of October 1, 2018, Daishi Hokuetsu Financial Group, Inc. as the joint holding company by means of a stock transfer. 1 share of common stock in the joint holding company is issued for each 1 share of common stock in The Daishi Bank, Ltd. and 0.5 shares of common stock in the joint holding company are issued for each 1 share of common stock in The Hokuetsu Bank, Ltd.
4. Daishi Hokuetsu Financial Group, Inc. holds no shares of the Company, while The Daishi Bank, Ltd. and The Hokuetsu Bank, Ltd., group companies of the said Group, hold shares of the Company.
5. Mitsubishi UFJ Financial Group, Inc. holds no shares of the Company, while MUFG Bank, Ltd., a group company of the said Group, holds shares of the Company.
6. Sumitomo Corporation holds no shares of the Company, while Sumitomo Shoji Chemicals Co., Ltd., a group company of the said Corporation, holds shares of the Company.

Deemed Shareholding

No applicable matter.

3) Investment stock held for purposes of pure investment

Category	Current business year		Previous business year	
	Number of stock names (Stock name)	Aggregate amount of the amount shown on balance sheets (Thousands of yen)	Number of stock names (Stock name)	Aggregate amount of the amount shown on balance sheets (Thousands of yen)
Unlisted stock	—	—	—	—
Stock other than unlisted stock	—	—	—	—

Category	Current business year		
	Aggregate amount of Dividends income (Thousands of yen)	Aggregate amount of loss on sales (Thousands of yen)	Aggregate amount of loss on valuation (Thousands of yen)
Unlisted stock	—	—	—
Stock other than unlisted stock	—	—	—

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).

Among comparison information contained in the consolidated financial statements of the current consolidated fiscal year (from April 1, 2018 to March 31, 2019), the information relating to Article 15-5, Paragraph 2-2 and Article 15, Paragraph 3 of the Regulations for Consolidated Financial Statements amended by "Cabinet Office Ordinance on the Partial Revision of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements " (Cabinet Office Ordinance No. 7, March 23, 2018 ; hereinafter referred to as the " Revision Ordinance") is prepared, in accordance with Article 3, Paragraph 2 of Supplementary Provisions of the Revision Ordinance, based on the Regulations for Consolidated Financial Statements before amendment.

(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, 2018 to March 31, 2019) and its financial statements for the current business year (From April 1, 2018 to March 31, 2019) 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, 2018)		Current consolidated fiscal year (As of March 31, 2019)	
Assets				
Current assets				
Cash and deposits	*2	9,123,877	*2	8,193,697
Notes and accounts receivable-trade	*6	15,947,189	*6	16,127,374
Securities		1,180,101		1,401,188
Merchandise and finished goods		3,915,375		4,012,943
Work in process		1,898,096		1,941,748
Raw materials and supplies		2,951,263		3,378,698
Other		1,328,865		1,190,214
Allowance for doubtful accounts		△562,185		△668,052
Total current assets		35,782,583		35,577,813
Non-current assets				
Property, plant and equipment				
Buildings and structures		19,379,174		19,427,835
Accumulated depreciation		△13,602,300		△13,845,280
Buildings and structures, net	*2	5,776,874	*2	5,582,555
Machinery, equipment and vehicles		28,849,087		29,125,791
Accumulated depreciation		△25,353,015		△25,210,271
Machinery, equipment and vehicles, net	*2	3,496,072	*2	3,915,519
Land	*2	1,836,200	*2	1,949,718
Construction in progress		95,996		121,693
Other		2,350,493		2,400,451
Accumulated depreciation		△1,919,982		△1,971,483
Other, net	*2	430,511	*2	428,967
Total property, plant and equipment		11,635,655		11,998,454
Intangible assets				
Goodwill		277,791		219,309
Other		172,949		175,923
Total intangible assets		450,740		395,233
Investments and other assets				
Investment securities	*1	23,365,824	*1	23,142,852
Long-term loans receivable		218,734		218,024
Net defined benefit asset		11,731		15,289
Deferred tax assets		491,956		535,679
Other	*2	602,142	*2	1,356,575
Allowance for doubtful accounts		△176,835		△143,823
Total investments and other assets		24,513,554		25,124,598
Total non-current assets		36,599,950		37,518,286
Total assets		72,382,533		73,096,100

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2018)		Current consolidated fiscal year (As of March 31, 2019)	
Liabilities				
Current liabilities				
Notes and accounts payable-trade	*6	6,794,393	*6	6,105,195
Current portion of bonds		36,800		36,800
Short-term loans payable	*2, *5	4,242,472	*2, *5	5,394,122
Current portion of long-term loans payable	*2	864,130	*2	779,820
Lease obligations		18,230		17,535
Income taxes payable		930,529		300,788
Provision for bonuses		598,261		510,407
Provision for directors' bonuses		5,956		3,957
Other	*6	2,491,726	*6	3,024,295
Total current liabilities		15,982,499		16,172,921
Non-current liabilities				
Bonds payable		164,800		128,000
Long-term loans payable	*2	1,642,485	*2	1,265,465
Lease obligations		33,691		13,201
Deferred tax liabilities		1,011,591		1,074,271
Net defined benefit liability		603,556		626,885
Asset retirement obligations		92,837		92,502
Other		357,334		260,723
Total non-current liabilities		3,906,295		3,461,049
Total liabilities		19,888,795		19,633,971
Net assets				
Shareholders' equity				
Capital stock		7,458,242		7,541,693
Capital surplus		6,570,209		6,653,615
Retained earnings		33,493,564		35,130,363
Treasury stock		△4,467		△4,764
Total shareholders' equity		47,517,548		49,320,907
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		1,214,473		745,120
Deferred gains or losses on hedges		—		443
Foreign currency translation adjustment		1,081,810		707,571
Remeasurements of defined benefit plans		△176,694		△147,916
Total accumulated other comprehensive income		2,119,588		1,305,219
Share acquisition rights		127,640		144,419
Non-controlling interests		2,728,960		2,691,582
Total net assets		52,493,738		53,462,129
Total liabilities and net assets		72,382,533		73,096,100

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, 2017 to March 31, 2018)		Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)	
Net sales		40,909,534		44,728,243
Cost of sales	*1, *2	32,730,617	*1, *2	36,607,194
Gross profit		8,178,916		8,121,049
Selling, general and administrative expenses				
Freightage and packing expenses		707,496		713,508
Salaries and allowances		1,293,438		1,407,937
Provision for bonuses		113,388		104,273
Provision for directors' bonuses		5,956		3,957
Provision for retirement benefits		55,169		69,002
Provision of allowance for doubtful accounts		52,607		61,311
Other		2,323,315		2,641,496
Total selling, general and administrative expenses	*1	4,551,372	*1	5,001,486
Operating income		3,627,543		3,119,562
Non-operating income				
Interest income		310,701		336,000
Dividends income		92,786		101,318
Share of profit of entities accounted for using equity method		463,698		558,090
Foreign exchange gains		—		160,081
Other		335,942		353,494
Total non-operating income		1,203,130		1,508,984
Non-operating expenses				
Interest expenses		76,466		81,880
Loss on redemption of investment securities		84,446		62,541
Foreign exchange losses		170,966		—
Rent expenses		83,031		63,473
Provision of allowance for doubtful accounts		311,796		48,687
Other		59,534		74,307
Total non-operating expenses		786,241		330,890
Ordinary income		4,044,433		4,297,655
Extraordinary income				
Gain on sales of non-current assets	*3	3,268	*3	33,719
Gain on sales of investment securities		743,019		65,010
Other		105,523		14,374
Total extraordinary income		851,812		113,104
Extraordinary losses				
Impairment loss	*4	26,028	*4	96,725
Loss on retirement of non-current assets		13,579		53,231
Loss on sales of investment securities		40,202		—
Loss on valuation of investment securities		63,595		45,000
Other		7,307		—
Total extraordinary losses		150,712		194,956
Income before income taxes		4,745,532		4,215,803
Income taxes – current		1,199,341		862,516
Income taxes – deferred		△205,044		204,008
Total income taxes		994,296		1,066,525
Profit		3,751,236		3,149,278
Profit attributable to non-controlling interests		297,508		287,899
Profit attributable to owners of the parent		3,453,727		2,861,378

[Consolidated Statements of Comprehensive Income]

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 20178)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Profit	3,751,236	3,149,278
Other comprehensive income		
Valuation difference on available-for-sale securities	271,773	△469,322
Deferred gains or losses on hedges	△5,153	443
Foreign currency translation adjustment	491,053	△384,361
Remeasurements of defined benefit plans, net of tax	2,861	22,493
Share of other comprehensive income of entities accounted for using equity method	△13,356	△117,745
Total other comprehensive income	* 747,179	* △948,493
Comprehensive income	4,498,416	2,200,785
(Breakdown)		
Comprehensive income attributable to owners of the parent	4,004,414	2,047,009
Comprehensive income attributable to non-controlling interests	494,001	153,776

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

Previous 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			3,453,727		3,453,727
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	2,753,245	△576	3,035,062
Balance at end of current period	7,458,242	6,570,209	33,493,564	△4,467	47,517,548

	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								3,453,727
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	273,807	10,324	550,686	△15,651	372,339	3,942,437
Balance at end of current period	1,214,473	—	1,081,810	△176,694	2,119,588	127,640	2,728,960	52,493,738

Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	7,458,242	6,570,209	33,493,564	△4,467	47,517,548
Changes of items during the period					
Issuance of new shares	83,450	83,406			166,857
Dividends from surplus			△1,224,579		△1,224,579
Profit attributable to owners of the parent			2,861,378		2,861,378
Purchase of treasury stock				△296	△296
Net changes of items other than shareholders' equity					
Total changes of items during the period	83,450	83,406	1,636,799	△296	1,803,359
Balance at end of current period	7,541,693	6,653,615	35,130,363	△4,764	49,320,907

	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	1,214,473	—	1,081,810	△176,694	2,119,588	127,640	2,728,960	52,493,738
Changes of items during the period								
Issuance of new shares								166,857
Dividends from surplus								△1,224,579
Profit attributable to owners of the parent								2,861,378
Purchase of treasury stock								△296
Net changes of items other than shareholders' equity	△469,352	443	△374,238	28,778	△814,369	16,778	△37,378	△834,968
Total changes of items during the period	△469,352	443	△374,238	28,778	△814,369	16,778	△37,378	968,390
Balance at end of current period	745,120	443	707,571	△147,916	1,305,219	144,419	2,691,582	53,462,129

4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Income before income taxes	4,745,532	4,215,803
Depreciation	1,715,300	1,901,582
Impairment loss	26,028	96,725
Amortization of goodwill	14,620	58,482
Share-based compensation expenses	42,636	53,638
Increase (decrease) in provision for product warranties	△44	△82
Increase (decrease) in provision for bonuses	131,882	△87,853
Increase (decrease) in provision for directors' bonuses	2,383	△1,999
Increase (decrease) in allowance for doubtful accounts	352,842	109,999
Increase (decrease) in net defined benefit liability	36,012	55,693
Interest and dividends income	△403,488	△437,318
Interest expenses	76,466	81,880
Foreign exchange losses (gains)	△81,697	△21,172
Share of (profit) loss of entities accounted for using equity method	△463,698	△558,090
Loss (gain) on sales of investment securities	△702,816	△64,987
Loss on compensation for damage	—	3,876
Loss (gain) on valuation of investment securities	63,595	45,000
Loss (gain) on redemption of investment securities	42,556	△12,096
Loss (gain) on sales of non-current assets	△3,268	△33,719
Loss on retirement of property, plant and equipment	7,299	20,107
Gain on reversal of share acquisition rights	△2,054	△7,341
Loss (gain) on change in equity	△46,229	△7,033
Other extraordinary loss (income)	△49,932	—
Decrease (increase) in notes and accounts receivable-trade	△2,663,182	△517,924
Decrease (increase) in inventories	△2,152,410	△682,445
Increase (decrease) in notes and accounts payable-trade	1,375,862	△588,527
Increase (decrease) in accrued consumption taxes	△35,911	36,330
Decrease (increase) in other assets	66,227	135,546
Increase (decrease) in other liabilities	277,931	44,988
Subtotal	2,372,440	3,839,063
Interest and dividends income received	562,878	603,579
Interest expenses paid	△84,476	△84,622
Income taxes (paid) refund	△726,094	△1,460,756
Proceeds from insurance income	—	87,807
Compensation for damage paid	—	△91,683
Other revenue	57,240	—
Net cash provided by (used in) operating activities	2,181,988	2,893,387

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Cash flows from investing activities		
Payments into time deposits	—	△100,000
Proceeds from withdrawal of time deposits	226,918	3,000
Purchase of property, plant and equipment	△1,700,551	△2,758,365
Proceeds from sales of property, plant and equipment	6,392	38,574
Purchase of intangible assets	△29,580	△43,057
Purchase of investment securities	△1,418,992	△1,929,842
Proceeds from sales of investment securities	2,987,494	1,476,584
Proceeds from liquidation of subsidiaries	31,096	—
Payments of loans receivable	△172,342	△55,049
Collection of loans receivable	156,772	33,500
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△549,365	—
Decrease (increase) in other investments	△9,302	30,463
Net cash provided by (used in) investing activities	△471,462	△3,304,192
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	911,107	1,295,491
Proceeds from long-term loans payable	690,400	917,500
Repayments of long-term loans payable	△913,848	△1,341,230
Repayments of lease obligations	△22,156	△20,968
Payments for long-term accounts payable - other	△116,665	△115,173
Redemption of bonds	—	△36,800
Proceeds from issuance of common shares	226,159	137,338
Purchase of treasury stock	△576	△296
Cash dividends paid	△712,054	△1,221,488
Cash dividends paid to non-controlling interests	△121,662	△191,154
Net cash provided by (used in) financing activities	△59,296	△576,781
Effect of exchange rate change on cash and cash equivalents	262,416	△123,536
Net increase (decrease) in cash and cash equivalents	1,913,646	△1,111,123
Cash and cash equivalents at beginning of period	7,026,200	8,829,805
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	△110,040	—
Cash and cash equivalents at end of period	* 8,829,805	* 7,718,682

[Notes]

(Important Matters Underlying Preparation of Consolidated Financial Statements)

1. Matters concerning scope of consolidation

(1) Number of consolidated subsidiaries: eleven (11)

Names of major consolidated subsidiaries:

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

Protec Arisawa Japan Co., Ltd., which was a consolidated subsidiary in the previous consolidated fiscal year, is excluded from the scope of consolidation because it was absorbed by the Company as of August 1, 2018.

(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

(2) As the non-consolidated subsidiaries (Arisawa Manufacturing (Dalian) Co., Ltd. and three (3) other companies) and the affiliated companies (Ryoyu Industrial Corporation and one (1) 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)

In addition, technology-related assets are amortized over the economic useful life (8 years).

3) Lease assets

Lease assets related to finance lease transactions that entail transfer of title

Depreciation and amortization is based on the same method as applied to self-owned non-current assets.

Lease assets related to finance lease transactions that do not entail transfer of title

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)

- "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)

(Change associated with the application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018, hereinafter referred to as "Partial Amendments to Tax Effect Accounting Standard") has been applied since the start of the current consolidated fiscal year. Accordingly, presentation method was changed, and therefore, "Deferred tax assets" is presented in the category of "Investments and other assets" and "Deferred tax liabilities" is presented in the category of "Non-current liabilities", as well as "Notes Related to Tax Effect Accounting" is changed.

Consequently, in the Consolidated Balance Sheets of the previous consolidated fiscal year, 584,907 thousand yen of "Deferred tax assets" of "Current assets" is included in 491,956 thousand yen of "Deferred tax assets" of "Investments and other assets", and 85 thousand yen of "Deferred tax liabilities" of "Current liabilities" is included in 1,011,591 thousand yen of "Deferred tax liabilities" of "Non-Current liabilities" for presentation.

Deferred tax assets and deferred tax liabilities of same taxable entities are offset and presented; accordingly, total assets decreased by 451,909 thousand yen as compared with those before the change.

Details stated in Annotation (Note 8) (except for the total amount of Valuation allowance) and (Note 9) of "Accounting Standard for Tax Effect Accounting" which are set forth in Section 3~5 of Partial Amendments to Tax Effect Accounting Standard are added to "Notes Related to Tax Effect Accounting". Those of the said details, however, which are related to the previous consolidated fiscal year, are not stated in accordance with the transitional handling set forth in Section 7 of Partial Amendments to Tax Effect Accounting Standard.

<Consolidated Statements of Income>

1. “Rent income”, which was separately stated within “Non-operating income” 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 non-operating 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, 159,403 thousand yen of “Rent income”, listed within “Non-operating income” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified as part of “Other”

2. “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. 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, 20,886 thousand yen of “Other”, listed within “Extraordinary losses” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified into the combination of 13,579 thousand yen of “Loss on retirement of non-current assets” and 7,307 thousand yen 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, 2018)	Current consolidated fiscal year (As of March 31, 2019)
Investment securities (Stock)	8,277,856	8,541,034

*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, 2018)	Current consolidated fiscal year (As of March 31, 2019)
Cash and deposits	37,789 (---)	14,440 (---)
Buildings and structures	4,336,644 (3,190,575)	4,030,250 (2,919,738)
Machinery, equipment and vehicles	1,608,767 (1,160,304)	1,151,387 (823,701)
Property, plant and equipment (Other)	56,188 (56,188)	34,726 (34,726)
Land	500,923 (199,190)	500,217 (199,190)
Investments and other assets (Other)	47,580 (---)	43,090 (---)
Total	6,587,892 (4,606,259)	5,774,111 (3,977,357)

Secured liabilities are as follows.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2018)	Current consolidated fiscal year (As of March 31, 2019)
Short-term loans payable	1,284,843 (300,000)	1,112,202 (200,000)
Current portion of long-term loans payable	825,300 (767,328)	779,820 (714,848)
Long-term loans payable	927,485 (714,848)	154,665 (---)
Total	3,037,628 (1,782,176)	2,046,687 (914,848)

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, 2018)	Current consolidated fiscal year (As of March 31, 2019)
Innovision FlexTech Corporation	43,800	—

*4 Balance of discounted notes and accounts receivable

	Previous consolidated fiscal year (As of March 31, 2018)	Current consolidated fiscal year (As of March 31, 2019)
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, 2018)	Current consolidated fiscal year (As of March 31, 2019)
Aggregate overdraft limit	6,300,000	6,300,000
Drawdowns	790,000	465,000
Balance of unexecuted loans	5,510,000	5,835,000

*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.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2018)	Current consolidated fiscal year (As of March 31, 2019)
Notes and accounts receivable-trade	49,502	66,950
Notes and accounts payable-trade	144,191	130,679
Current liabilities and others (Notes payable-facilities, Electronically recorded obligations-non-operating)	40,343	51,206

(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

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
	1,971,169	2,001,978

*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.

(Thousands of yen)

Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
△79,106	71,661

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

(Thousands of yen)

Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Buildings and structures	—
Machinery, equipment and vehicles	3,268
	1,591
	32,127

*4 Impairment loss

Previous 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 previous 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.

Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)

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, 96,725 thousand yen, was recorded as an impairment loss in extraordinary losses. The said aggregate amount consists of 52,349 thousand yen of buildings and structures, 30,979 thousand yen of machinery, equipment and vehicles, 10,653 thousand yen of land and 2,742 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, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Valuation difference on available-for-sale securities:		
Amount arising in the current fiscal year	985,771	△600,380
Reclassification adjustment	△594,730	△74,903
Before tax effects	391,041	△675,284
Tax effects	△119,267	205,961
Valuation difference on available-for-sale securities	271,773	△469,322
Deferred gains or losses on hedges:		
Amount arising in the current fiscal year	—	668
Reclassification adjustment	△7,437	—
Before tax effects	△7,437	668
Tax effects	2,283	△224
Deferred gains or losses on hedges	△5,153	443
Foreign currency translation adjustment:		
Amount arising in the current fiscal year	491,053	△384,361
Remeasurements of defined benefit plans, net of tax:		
Amount arising in the current fiscal year	△9,768	△6,561
Reclassification adjustment	13,926	38,925
Before tax effects	4,158	32,364
Tax effects	△1,296	△9,871
Remeasurements of defined benefit plans, net of tax	2,861	22,493
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising in the current fiscal year	△13,356	△117,745
Total other comprehensive income	747,179	△948,493

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

Previous 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

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, 2018	Common stock	1,224,579	Retained earnings	34.00	March 31, 2018	June 29, 2018

Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)

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)	36,024,124	202,100	—	36,226,224
Total	36,024,124	202,100	—	36,226,224
Treasury stock				
Common stock (See Note 2)	7,084	294	—	7,378
Total	7,084	294	—	7,378

- Note: 1. The increase of 202,100 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 294 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	---	---	---	---	---	144,419
Total		---	---	---	---	---	144,419

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, 2018	Common stock	1,224,579	34.00	March 31, 2018	June 29, 2018

(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 27, 2019	Common stock	1,086,565	Retained earnings	30.00	March 31, 2019	June 28, 2019

(Notes Related to Consolidated Statements of Cash Flows)

* 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, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Cash and deposits	9,123,877	8,193,697
Time deposits with a deposit term of more than three months	△538,000	△635,000
Securities (Money management fund)	243,927	159,984
Cash and cash equivalents	8,829,805	7,718,682

(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, 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.

Current consolidated fiscal year (As of March 31, 2019)

(Thousands of yen)

	Amount shown on consolidated balance sheets	Fair value	Difference
(1) Cash and deposits	8,193,697	8,193,697	—
(2) Notes and accounts receivable—trade	16,127,374	16,127,374	—
(3) Securities and investment securities	23,937,888	20,929,013	△3,008,874
Total assets	48,258,961	45,250,086	△3,008,874
(1) Notes and accounts payable—trade	6,105,195	6,105,195	—
(2) Short-term loans payable	5,394,122	5,394,122	—
(3) Income taxes payable	300,788	300,788	—
(4) Long-term loans payable (*1)	2,045,285	2,044,710	△574
Total liabilities	13,845,391	13,844,816	△574

(*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, 2018)	Current consolidated fiscal year (As of March 31, 2019)
Unlisted stock, etc.	522,287	606,152

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, 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

Current consolidated fiscal year (As of March 31, 2019)

(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	8,188,402	—	—	—
Notes and accounts receivable—trade	16,127,374	—	—	—
Securities and investment securities				
Available-for-sale securities with a maturity date				
(1) Government bonds, local government bonds, etc.	—	110,990	—	—
(2) Corporate bonds	1,227,014	3,923,792	3,947,170	1,326,149
(3) Other	13,873	367,654	379,890	345,696
Total	25,556,665	4,402,436	4,327,060	1,671,845

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, 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

Current consolidated fiscal year (As of March 31, 2019)

(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	5,394,122	—	—	—	—	—
Long-term loans payable	779,820	417,657	49,392	792,112	6,304	—
Total	6,173,942	417,657	49,392	792,112	6,304	—

(Notes Related to Securities)

1. Available-for-sale securities

Previous 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.

Current consolidated fiscal year (As of March 31, 2019)

(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	2,298,522	813,727	1,484,794
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	—	—	—
	2) Corporate bonds	5,727,589	5,255,153	472,436
	3) Other	473,047	452,208	20,839
	(3) Other	574,181	551,790	22,391
	Subtotal	9,073,340	7,072,879	2,000,461
Those whose amount shown on consolidated balance sheets does not exceed the acquisition cost	(1) Equity Shares	377,730	575,829	△198,098
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	110,367	124,416	△14,048
	2) Corporate bonds	5,168,251	5,790,808	△622,557
	3) Other	347,163	401,895	△54,731
	(3) Other	720,319	756,216	△35,896
	Subtotal	6,723,832	7,649,165	△925,332
Total		15,797,173	14,722,045	1,075,128

Note: As shares of unlisted stock, etc. (shown in the amount of 205,832 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, 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

Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)

(Thousands of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Equity Shares	69,697	65,010	0
(2) Bonds			
1) Government bonds, local government bonds, etc.	—	—	—
2) Corporate bonds	1,388,342	71,877	63,823
3) Other	14,635	1,861	—
(3) Other	1,728	—	22
Total	1,474,403	138,748	63,845

3. Securities subject to impairment

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

An impairment of available-for-sale securities totalling 45,000 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, 2018)

No applicable matter.

Current consolidated fiscal year (As of March 31, 2019)

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	583,172	—	668
Total			583,172	—	668

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, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Balance of retirement benefit obligations at the beginning of year	4,134,272	4,391,542
Service cost	268,528	278,091
Interest cost	12,323	13,049
Actuarial differences generated	46,431	34,675
Retirement benefits paid	△83,603	△223,937
Increase resulting from acquisition of a consolidated subsidiary	13,590	—
Balance of retirement benefit obligations at the end of year	4,391,542	4,493,421

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

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Balance of plan assets at the beginning of year	3,576,160	3,787,985
Expected return on plan assets	35,761	37,879
Actuarial differences generated	36,663	28,114
Employer contributions	223,004	226,635
Retirement benefits paid	△83,603	△214,079
Balance of plan assets at the end of year	3,787,985	3,866,535

(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, 2018)	Current consolidated fiscal year (As of March 31, 2019)
Retirement benefit obligations under the funded plans	4,349,942	4,458,088
Plan assets	△3,787,985	△3,866,535
	561,956	591,552
Retirement benefit obligations under the unfunded plans	41,599	35,333
Net amount of liability and asset shown on consolidated balance sheets	603,556	626,885
Net defined benefit liability	603,556	626,885
Net amount of liability and asset shown on consolidated balance sheets	603,556	626,885

(4) Amount of retirement benefit expenses and components thereof

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Service cost	268,528	278,091
Interest cost	12,323	13,049
Expected return on plan assets	△35,761	△37,879
Recognized actuarial loss	13,926	38,925
Retirement benefit expenses incurred under defined benefit scheme	259,016	292,186

(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, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Actuarial differences	△4,158	△32,364

(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, 2018)	Current consolidated fiscal year (As of March 31, 2019)
Unrecognized actuarial differences	△195,616	△163,252

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, 2018)	Current consolidated fiscal year (As of March 31, 2019)
Life insurance company general accounts	51%	50%
Trust bank special accounts	25%	25%
Life insurance company special accounts	24%	25%
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, 2018)	Current consolidated fiscal year (As of March 31, 2019)
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 60,334 thousand yen for the previous consolidated fiscal year (From April 1, 2017 to March 31, 2018) and 72,407 thousand yen for the current consolidated fiscal year (From April 1, 2018 to March 31, 2019).

(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, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Share-based compensation expenses in cost of sales and selling, general and administrative expenses	42,636	53,638

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

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Gain on reversal of share acquisition rights	2,054	7,341

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 2013	Directors' remuneration stock option in 2014
Category and number of grantees	6 directors of the Company	163 employees and advisors of the Company, and 9 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	203,100 shares of common stock	93,000 shares of common stock
Grant date	August 1, 2005	August 16, 2013	August 18, 2014
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, 2013 through June 30, 2015)	1 year and 11 months (August 18, 2014 through June 30, 2016)
Exercise period	August 1, 2005 through July 31, 2025	July 1, 2015 through June 30, 2018	July 1, 2016 through June 30, 2019

	Employees, etc. stock option in 2014	Directors' remuneration stock option in 2015	Employees, etc. stock option in 2015
Category and number of grantees	163 employees and advisors of the Company, and 10 directors and employees of subsidiaries of the Company	5 directors of the Company	176 employees and advisors of the Company, and 20 directors and employees of subsidiaries of the Company
Number of stock options (See Note)	216,500 shares of common stock	78,000 shares of common stock	241,400 shares of common stock
Grant date	August 18, 2014	August 17, 2015	August 17, 2015
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 18, 2014 through June 30, 2016)	1 year and 11 months (August 17, 2015 through June 30, 2017)	1 year and 11 months (August 17, 2015 through June 30, 2017)
Exercise period	July 1, 2016 through June 30, 2019	July 1, 2017 through June 30, 2020	July 1, 2017 through June 30, 2020

	Directors' remuneration stock option in 2016	Employees, etc. stock option in 2016	Directors' remuneration stock option in 2017
Category and number of grantees	5 directors of the Company	187 employees and advisors of the Company, and 14 directors and employees of subsidiaries of the Company	5 directors of the Company
Number of stock options (See Note)	73,000 shares of common stock	234,000 shares of common stock	75,000 shares of common stock
Grant date	August 16, 2016	August 16, 2016	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 17, 2016 through June 30, 2018)	1 year and 11 months (August 16, 2017 through June 30, 2019)
Exercise period	July 1, 2018 through June 30, 2021	July 1, 2018 through June 30, 2021	July 1, 2019 through June 30, 2022

	Employees, etc. stock option in 2017	Directors' remuneration stock option in 2018	Employees, etc. stock option in 2018
Category and number of grantees	194 employees and advisors of the Company, and 10 directors and employees of subsidiaries of the Company	5 directors of the Company	211 employees and advisors of the Company, and 11 directors and employees of subsidiaries of the Company
Number of stock options (See Note)	235,300 shares of common stock	75,000 shares of common stock	257,300 shares of common stock
Grant date	August 16, 2017	August 16, 2018	August 16, 2018
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, 2017 through June 30, 2019)	1 year and 11 months (August 16, 2018 through June 30, 2020)	1 year and 11 months (August 16, 2018 through June 30, 2020)
Exercise period	July 1, 2019 through June 30, 2022	July 1, 2020 through June 30, 2023	July 1, 2020 through June 30, 2023

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, 2019) 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 2013	Directors' remuneration stock option in 2014
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	27,100	53,700	47,400
Vested	—	—	—
Exercised	—	16,100	26,600
Forfeited	—	37,600	—
Exercisable	27,100	—	20,800

	Employees, etc. stock option in 2014	Directors' remuneration stock option in 2015	Employees, etc. stock option in 2015
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	115,100	61,000	196,500
Vested	—	—	—
Exercised	40,000	—	44,800
Forfeited	1,800	—	5,300
Exercisable	73,300	61,000	146,400

	Directors' remuneration stock option in 2016	Employees, etc. stock option in 2016	Directors' remuneration stock option in 2017
Before vested (Shares)			
At the end of the previous consolidated fiscal year	73,000	231,900	75,000
Granted	—	—	—
Forfeited	—	—	—
Vested	73,000	231,900	—
Outstanding	—	—	75,000
After vested (Shares)			
At the end of the previous consolidated fiscal year	—	—	—
Vested	73,000	231,900	—
Exercised	27,800	46,800	—
Forfeited	—	1,700	—
Exercisable	45,200	183,400	—

	Employees, etc. stock option in 2017	Directors' remuneration stock option in 2018	Employees, etc. stock option in 2018
Before vested (Shares)			
At the end of the previous consolidated fiscal year	235,200	—	
Granted	—	75,000	257,300
Forfeited	—	—	1,400
Vested	—	—	—
Outstanding	235,200	75,000	255,900
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 2013	Directors' remuneration stock option in 2014
Exercise price (Yen)	1	569	741
Average stock price at the time of exercise (Yen)	—	1,219	1,263
Fair value at the grant date (Yen)	—	159	182

	Employees, etc. stock option in 2014	Directors' remuneration stock option in 2015	Employees, etc. stock option in 2015
Exercise price (Yen)	741	867	867
Average stock price at the time of exercise (Yen)	1,160	—	1,188
Fair value at the grant date (Yen)	182	168	168

	Directors' remuneration stock option in 2016	Employees, etc. stock option in 2016	Directors' remuneration stock option in 2017
Exercise price (Yen)	536	536	1,004
Average stock price at the time of exercise (Yen)	965	996	—
Fair value at the grant date (Yen)	98	98	188

	Employees, etc. stock option in 2017	Directors' remuneration stock option in 2018	Employees, etc. stock option in 2018
Exercise price (Yen)	1,004	1,104	1,104
Average stock price at the time of exercise (Yen)	—	—	—
Fair value at the grant date (Yen)	188	168	168

4. Method of estimating fair value of stock options

Method of estimating fair value of directors' remuneration stock option in 2018 and employees, etc. stock option in 2018 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 2018	Employees, etc. stock option in 2018
Stock price volatility (See Note 1)	37.42%	37.42%
Expected life (See Note 2)	3 years and 6 months	3 years and 6 months
Expected dividends (See Note 3)	34.00 yen per share	34.00 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 2015 to August 2018.
 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, 2018.
 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

	Previous consolidated fiscal year (As of March 31, 2018)	(Thousands of yen) Current consolidated fiscal year (As of March 31, 2019)
Deferred tax assets		
Impairment loss	386,449	360,984
Loss on valuation of investment securities	326,938	323,623
Tax loss carry-forward (See Note)	289,158	253,410
Allowance for doubtful accounts	204,677	248,824
Provision for bonuses	185,018	157,705
Loss on valuation of inventories	142,657	148,971
Other	731,236	618,106
Deferred tax assets subtotal	2,266,135	2,111,626
Valuation allowance related to Tax loss carry-forward (See Note)	—	△228,827
Valuation allowance related to the total of deductible temporary differences etc.	—	△939,734
Valuation allowance subtotal	△1,126,479	△1,168,562
Deferred tax assets total	1,139,656	943,064
Deferred tax liabilities		
Retained earnings of subsidiaries and associates	△903,239	△969,860
Valuation difference on available-for-sale securities	△534,550	△328,569
Reserve for advanced depreciation of non-current assets	△118,452	△86,357
Other	△103,049	△96,869
Deferred tax liabilities total	△1,659,290	△1,481,656
Net amount of deferred tax assets (liabilities)	△519,634	△538,591

Note: Amount of Tax loss carry-forward and deferred tax assets thereof by maturity date of carryforward
Current consolidated fiscal year (As of March 31, 2019) (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 year and within four years	Due after four year and within five years	Due after five years	Total
Tax loss carry-forward (※)	—	—	—	17,338	—	236,072	253,410
Valuation allowance	—	—	—	△17,338	—	△211,489	△228,827
Deferred tax assets	—	—	—	—	—	24,582	24,582

(※) "Tax loss carry-forward" indicates the amount multiplied by Normal effective statutory tax rate.

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, 2018)	Current consolidated fiscal year (As of March 31, 2019)
Normal effective statutory tax rate	30.5%	30.5%
(Adjustments)		
Share of profit of entities accounted for using equity method	△3.0%	△4.0%
Items permanently excluded from taxable income	△1.7%	△2.4%
Difference in tax rates with overseas subsidiaries	△2.9%	△2.0%
Valuation allowance	△6.3%	△1.4%
Special tax deductions	△2.1%	△1.3%
Dividends income eliminated in consolidation	2.1%	3.0%
Retained earnings of subsidiaries and associates	2.4%	1.6%
Items permanently excluded from tax-deductible expenses	0.7%	0.8%
Other	1.3%	0.5%
Effective income tax rate after tax effect accounting	21.0%	25.3%

(Business Combinations)

1. Finalization of provisional accounting for business combinations

Provisional accounting was conducted in the previous consolidated fiscal year for the business combination with Satosen Co., Ltd., which was effected on November 30, 2017. Such provisional accounting has been finalized in this current consolidated fiscal year.

Due to such finalization of the provisional accounting, important revision of the initially allocated amount of acquisition price is reflected on the comparative information described in Consolidated Financial Statements for the current consolidated fiscal year.

As a result, the amount of goodwill which was calculated provisionally is revised, due to the said finalization of accounting, from 355,527 thousand yen to 292,412 thousand yen, a decrease of 63,115 thousand yen. Such decrease of goodwill is due to the respective increases of 95,039 thousand yen in "Other" of "Intangible assets", and of 31,923 thousand yen in "Other" of "Non-current assets"

At the end of the previous consolidated fiscal year, goodwill decreased by 59,959 thousand yen, and "Other" of "Intangible assets" increased by 92,069 thousand yen, "Deferred tax liabilities" of "Non-current assets" increased by 30,925 thousand yen, respectively.

Regarding the Consolidated Statements of Income of the previous consolidated fiscal year, "Operating income", "Ordinary income" and "Income before income taxes" respectively increased by 185 thousand yen, while "Profit" and "Profit attributable to owners of the parent" respectively increased by 1,183 thousand yen.

(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

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Balance at the beginning of year	57,448	92,837
Adjustment due to lapse of time	161	164

(Thousands of yen)

Increase resulting from acquisition of a consolidated subsidiary	36,100	—
Other increase or decrease (Δ : decrease)	Δ 872	Δ 500
Balance at the end of year	92,837	92,502

(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.

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.

Segment Information of the previous consolidated fiscal year is based on the amounts reflecting important review of initial allocated amount of the acquisition cost, due to completion of provisional accounting treatment concerning the business combination.

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, 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)	3,113,123	1,109,805	608,213	△55,614	4,775,528	240,672	5,016,201
Segment assets	27,026,311	7,974,210	3,413,591	10,924,722	49,338,835	1,454,461	50,793,297
Other							
Depreciation	1,198,412	175,801	78,369	145,435	1,598,018	25,512	1,623,531
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	989,560	136,411	36,201	49,642	1,211,815	11,103	1,222,918

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, 2018 to March 31, 2019)

(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	28,770,006	8,395,152	3,127,617	3,699,894	43,992,670	735,573	44,728,243
Inter-segment sales or transfers	—	—	—	—	—	774,757	774,757
Total	28,770,006	8,395,152	3,127,617	3,699,894	43,992,670	1,510,331	45,503,001
Segment income	2,620,863	1,393,245	430,901	114,841	4,559,852	192,791	4,752,643
Segment assets	28,191,582	8,187,279	3,224,618	11,269,843	50,873,325	1,229,002	52,102,328
Other							
Depreciation	1,397,503	170,987	83,532	130,836	1,782,860	21,999	1,804,859
Investment in companies accounted for under the equity method	—	—	—	8,021,428	8,021,428	—	8,021,428
Increase in property, plant and equipment and intangible assets	1,958,890	168,807	81,738	144,156	2,353,593	6,703	2,360,296

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	40,195,778	43,992,670
Net sales in the category "Other"	1,556,851	1,510,331
Elimination of inter-segment transactions	△ 843,096	△ 774,757
Net sales shown on the consolidated financial statements	40,909,534	44,728,243

(Thousands of yen)

Income	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	4,775,528	4,559,852
Income in the category "Other"	240,672	192,791
Elimination of inter-segment transactions	△ 98,443	△ 105,450
Amortization of goodwill	△ 14,620	△ 58,482
Unallocated corporate expenses (See Note)	△ 1,239,914	△ 1,443,860
Adjustment of inventories	△ 35,678	△ 25,287
Operating income shown on the consolidated financial statements	3,627,543	3,119,562

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	49,338,835	50,873,325
Assets in the category "Other"	1,454,461	1,229,002
Elimination of claims to administrative departments of the head office	△ 694,241	△ 453,463
Unallocated corporate assets (See Note)	22,319,156	21,472,523
Adjustment of inventories	△ 35,678	△ 25,287
Total assets shown on the consolidated financial statements	72,382,533	73,096,100

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	1,598,018	1,782,860	25,512	21,999	91,768	96,722	1,715,300	1,901,582
Increase in property, plant and equipment and intangible assets	1,211,815	2,353,593	11,103	6,703	95,706	183,553	1,318,625	2,543,849

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, 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

II Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)

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	28,770,006	8,395,152	3,127,617	3,699,894	735,573	44,728,243

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	P.R. China	Other country or region	Total
20,775,148	13,236,723	10,716,371	44,728,243

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
9,495,215	1,759,191	744,046	11,998,454

3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Relevant segment
Sumitomo Shoji Chemicals Co., Ltd.	5,664,735	Electronic materials business

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

Previous 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

Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Unallocated/ Eliminated	Total
Impairment loss	—	—	—	96,725	—	—	96,725

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

Previous 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	14,620	—	—	—	—	—	14,620
Balance at the end of year	277,791	—	—	—	—	—	277,791

Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Unallocated/ Eliminated	Total
Amortization in the year	58,482	—	—	—	—	—	58,482
Balance at the end of year	219,309	—	—	—	—	—	219,309

[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, 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.

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	0.87% directly held	—	Exercise of the right of stock option	11,930	—	—

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

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

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	28,547,953	28,759,146
Total non-current assets	10,973,065	12,182,134
Total current liabilities	3,862,594	3,565,807
Total non-current liabilities	430,031	557,454
Total net assets	35,228,393	36,818,019
Net sales	21,201,867	20,903,068
Income before income taxes	2,749,134	2,462,163
Profit attributable to owners of the parent	2,036,316	2,018,580

(Per Share Information)

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Net assets per share	1,378.16yen	1,397.78 yen
Net income per share	96.35 yen	79.15 yen
Fully diluted net income per share	95.51 yen	78.70 yen

Note: 1. Net assets per share, Net income per share and Fully diluted net income per share in the previous consolidated fiscal year are calculated according to the monetary amount reflecting adjustments of the purchase price allocation following the determination of the provisional accounting treatment related to business combinations.

2. 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, 2017 to March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 to March 31, 2019)
Net income per share		
Profit attributable to owners of the parent (Thousands of yen)	3,453,727	2,861,378
Amount not attributable to common stockholders (Thousands of yen)	---	---
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	3,453,727	2,861,378
Average number of shares of common stock during the year	35,846,832	36,150,184
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	314,832	208,623
(Number of shares subject to stock acquisition rights included in the figure above)	(314,832)	(208,623)
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, 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>	<p>Six (6) 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 (146,400 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). Resolution at the Board of Directors' Meeting of June 28, 2018 (75,000 shares); and Resolution at the Ordinary General Meeting of Shareholders of June 28, 2018 (255,900 shares). 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)	70,000 (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)	94,800 (16,800)	0.25	None	May 24, 2024
Total	—	—	201,600 (36,800)	164,800 (36,800)	—	—	—

Note: 1. The parenthesized figures represent the outstanding balance of redemptions due within 1 year.

2. 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	26,800	16,800

[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	4,242,472	5,394,122	1.24	---
Current portion of long-term loans payable	864,130	779,820	0.17	---
Current portion of lease obligations	18,230	17,535	2.19	---
Long-term loans payable (excluding the current portion)	1,642,485	1,265,465	1.39	2020 to 2023
Lease obligations (excluding the current portion)	33,691	13,201	3.02	2020 to 2020
Other interest-bearing liabilities Current portion of long-term accounts payable - other	125,523	115,173	1.66	---
Other interest-bearing liabilities Long-term accounts payable - other (excluding the current portion)	270,328	155,155	1.63	2020 to 2023
Total	7,196,861	7,740,472	—	---

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	417,657	49,392	792,112	6,304
Lease obligations	12,043	410	457	290
Long-term accounts payable - other	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)	10,961,088	22,707,154	34,696,479	44,728,243
Income before income taxes (Thousands of yen)	1,308,454	2,661,748	3,616,478	4,215,803
Profit attributable to owners of the parent (Thousands of yen)	858,291	1,775,233	2,411,146	2,861,378
Net income per share (Yen)	23.80	49.16	66.73	79.15

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (Yen)	23.80	25.37	17.58	12.44

Note: Provisional accounting treatment concerning the business combination was completed during the third quarter consolidated fiscal period, and therefore, quarterly information items relating to the first quarter and the second quarter indicate numerical numbers that are reflecting important review of initial allocated amount of the acquisition cost, due to such completion of provisional accounting treatment.

2. Financial Statements, etc.

(1) Financial Statements

1) Balance Sheets

(Thousands of yen)

	Previous business year (As of March 31, 2018)		Current business year (As of March 31, 2019)	
Assets				
Current assets				
Cash and deposits		4,393,050		3,806,291
Notes receivable-trade	*2, *5	439,054	*2, *5	443,288
Accounts receivable-trade	*2	8,756,848	*2	8,662,769
Electronically recorded monetary claims- operating	*5	131,959	*5	76,272
Securities		1,080,611		1,300,765
Merchandise and finished goods		2,531,491		2,439,805
Work in process		1,052,474		1,079,682
Raw materials and supplies		1,044,991		1,323,743
Prepaid expenses		73,325		46,116
Accrued income	*2	148,773	*2	151,078
Short-term loans receivable from subsidiaries and associates		1,677,411		1,476,197
Other	*2	614,555	*2	547,912
Allowance for doubtful accounts		△460,749		△518,819
Total current assets		21,483,799		20,835,103
Non-current assets				
Property, plant and equipment				
Buildings	*1	3,935,761	*1	3,799,000
Structures	*1	304,800	*1	312,873
Machinery and equipment	*1	1,656,081	*1	2,202,800
Vehicles		15,243		18,025
Tools, furniture and fixtures	*1	165,263	*1	170,988
Land	*1	1,262,302	*1	1,376,078
Lease assets		860		2,202
Construction in progress		56,674		85,112
Total property, plant and equipment		7,396,987		7,967,081

(Thousands of yen)

	Previous business year (As of March 31, 2017)	Current business year (As of March 31, 2018)
Intangible assets		
Software	27,879	31,634
Other	10,036	9,895
Total intangible assets	37,915	41,530
Investments and other assets		
Investment securities	14,238,124	13,648,094
Shares of subsidiaries and associates	2,866,952	2,866,952
Long-term loans receivable	162,598	132,706
Long-term prepaid expenses	41,735	19,157
Deferred tax assets	53,813	237,010
Other	83,041	80,833
Allowance for doubtful accounts	△169,864	△139,603
Total investments and other assets	17,276,402	16,845,150
Total non-current assets	24,711,304	24,853,762
Total assets	46,195,103	45,688,866
Liabilities		
Current liabilities		
Notes payable-trade	*2, *5 1,192,678	*2, *5 223,893
Accounts payable-trade	*2 2,543,243	*2 3,161,070
Electronically recorded obligations-operating	*2, *5 1,432,628	*2, *5 1,507,061
Short-term loans payable	*1, *4 790,000	*1, *4 965,000
Current portion of long-term loans payable	*1 767,328	*1 714,848
Accounts payable-other	*2 600,491	*2 629,354
Accrued expenses	101,516	89,864
Income taxes payable	675,358	118,157
Unearned revenue	1,596	1,596
Deposits received	23,319	27,034
Provision for bonuses	415,000	345,792
Other	*5 327,966	*5 781,936
Total current liabilities	8,871,127	8,565,608

(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	*1 714,848	—
Provision for retirement benefits	366,340	428,299
Lease obligations	272	1,527
Asset retirement obligations	28,487	28,652
Other	75,394	92,961
Total non-current liabilities	1,185,342	551,441
Total liabilities	10,056,469	9,117,050
Net assets		
Shareholders' equity		
Capital stock	7,458,242	7,541,693
Capital surplus		
Legal capital surplus	6,570,209	6,653,615
Total capital surplus	6,570,209	6,653,615
Retained earnings		
Legal retained earnings	748,262	748,262
Other retained earnings		
Reserve for advanced depreciation of non-current assets	19,633	18,324
General reserve	17,020,000	18,020,000
Retained earnings brought forward	2,981,528	2,705,677
Total retained earnings	20,769,424	21,492,264
Treasury stock	△4,467	△4,764
Total shareholders' equity	34,793,408	35,682,808
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,217,584	744,588
Total valuation and translation adjustments	1,217,584	744,588
Share acquisition rights	127,640	144,419
Total net assets	36,138,633	36,571,816
Total liabilities and net assets	46,195,103	45,688,866

2) Statements of Income

(Thousands of yen)

	Previous business year (From April 1, 2017 to March 31, 2018)		Current business year (From April 1, 2018 to March 31, 2019)	
Net sales	*1	28,503,870	*1	29,269,122
Cost of sales	*1	24,016,541	*1	25,092,404
Gross profit		4,487,328		4,176,717
Selling, general and administrative expenses	*1,*2	2,543,020	*1,*2	2,643,712
Operating income		1,944,308		1,533,005
Non-operating income				
Interest and dividends income	*1	724,446	*1	825,078
Foreign exchange gains		—		142,935
Rent income	*1	252,105	*1	250,132
Other	*1	135,949	*1	164,081
Total non-operating income		1,112,501		1,382,227
Non-operating expenses				
Interest expenses		3,602		4,349
Loss on redemption of investment securities		84,446		62,541
Foreign exchange losses		173,902		—
Rent expenses		166,251		168,684
Provision of allowance for doubtful accounts		175,316		59,410
Other		1,845		17,274
Total non-operating expenses		605,364		312,259
Ordinary income		2,451,445		2,602,974
Extraordinary income				
Gain on sales of investment securities		743,019		65,010
Other		59,294		15,910
Total extraordinary income		802,313		80,920
Extraordinary losses				
Loss on retirement of non-current assets		9,428		55,886
Impairment loss		26,028		96,725
Other		20		—
Total extraordinary losses		35,476		152,611
Income before income taxes		3,218,282		2,531,282
Income taxes-current		866,927		559,485
Income taxes-deferred		△151,854		24,377
Total income taxes		715,073		583,862
Net income		2,503,208		1,947,419

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

Previous 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	127,640	36,138,633

Current business year (From April 1, 2018 to March 31, 2019)

(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	7,458,242	6,570,209	6,570,209	748,262	19,633	17,020,000	2,981,528	20,769,424
Changes of items during the period								
Issuance of new shares	83,450	83,406	83,406					
Reversal of reserve for advanced depreciation of non-current assets					△1,308		1,308	—
Dividends from surplus							△1,224,579	△1,224,579
Net income (loss)							1,947,419	1,947,419
Provision of general reserve						1,000,000	△1,000,000	—
Purchase of treasury stock								
Net changes of items other than shareholders' equity								
Total changes of items during the period	83,450	83,406	83,406	—	△1,308	1,000,000	△275,851	722,840
Balance at end of current period	7,541,693	6,653,615	6,653,615	748,262	18,324	18,020,000	2,705,677	21,492,264

	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	△4,467	34,793,408	1,217,584	—	1,217,584	127,640	36,138,633
Changes of items during the period							
Issuance of new shares		166,857					166,857
Reversal of reserve for advanced depreciation of non-current assets		—					—
Dividends from surplus		△1,224,579					△1,224,579
Net income (loss)		1,947,419					1,947,419
Provision of general reserve		—					—
Purchase of treasury stock	△296	△296					△296
Net changes of items other than shareholders' equity			△472,996	—	△472,996	16,778	△456,218
Total changes of items during the period	△296	889,400	△472,996	—	△472,996	16,778	433,182
Balance at end of current period	△4,764	35,682,808	744,588	—	744,588	144,419	36,571,816

[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

Lease assets related to finance lease transactions that entail transfer of title

Depreciation and amortization is based on the same method as applied to self-owned non-current assets.

Lease assets related to finance lease transactions that do not entail transfer of title

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)

(Change associated with the application of " Partial Amendments to Accounting Standard for Tax Effect Accounting")

Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018, hereinafter referred to as "Partial Amendments to Tax Effect Accounting Standard") has been applied since the start of the current business year. Accordingly, presentation method was changed, and therefore, "Deferred tax assets" is presented in the category of "Investments and other assets" and "Deferred tax liabilities" is presented in the category of "Non-current liabilities".

Consequently, 354,759 thousand yen of "Deferred tax assets" of "Current assets" in the Balance Sheets of the previous business year is shown as 53,813 thousand yen of "Deferred tax assets" of "Investments and other assets", after offsetting against 300,945 thousand yen of "Deferred tax liabilities" of "Non-Current liabilities"; accordingly, total assets decreased by 300,945 thousand yen as compared with those before the change.

<Statements of Income>

"Loss on redemption of investment securities", 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, 86,292 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 84,446 thousand yen of "P Loss on redemption of investment securities" and 1,845 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

(Thousands of yen)

	Previous business year (As of March 31, 2018)		Current business year (As of March 31, 2019)	
Buildings	3,021,950	(3,021,950)	2,772,572	(2,772,572)
Structures	168,624	(168,624)	147,166	(147,166)
Machinery and equipment	1,160,304	(1,160,304)	823,701	(823,701)
Tools, furniture and fixtures	56,188	(56,188)	34,726	(34,726)
Land	266,508	(199,190)	266,508	(199,190)
Total	4,673,576	(4,606,259)	4,044,674	(3,977,357)

Secured liabilities

(Thousands of yen)

	Previous business year (As of March 31, 2018)		Current business year (As of March 31, 2019)	
Short-term loans payable	300,000	(300,000)	200,000	(200,000)
Current portion of long-term loans payable	767,328	(767,328)	714,848	(714,848)
Long-term loans payable	714,848	(714,848)	—	(—)
Total	1,782,176	(1,782,176)	914,848	(914,848)

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, 2018)	Current business year (As of March 31, 2019)
Short-term monetary receivables	842,283	543,681
Short-term monetary payables	581,185	1,033,372

*3 Guarantee liabilities

Accounts borrowed from financial institutions of associated companies and Guarantee liabilities for performance guarantee

(Thousands of yen)

	Previous business year (As of March 31, 2018)	Current business year (As of March 31, 2019)
Satosan Co., Ltd. (Loan guarantee)	799,368	870,000
Protec Arisawa Europe, S.A. (Product warranty)	84,845	62,438
Protec Arisawa America, Inc. (Product warranty)	23,710	35,977
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.

(Thousands of yen)

	Previous business year (As of March 31, 2018)	Current business year (As of March 31, 2019)
Aggregate overdraft limit	6,300,000	6,300,000
Drawdowns	790,000	465,000
Balance of unexecuted loans	5,510,000	5,835,000

*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.

(Thousands of yen)

	Previous business year (As of March 31, 2018)	Current business year (As of March 31, 2019)
Notes receivable - trade	22,321	38,712
Electronically recorded monetary claims - operating	4,637	—
Notes payable - trade	3,321	13,681
Electronically recorded obligations - operating	106,975	163,301
Current liabilities and others (Notes payable-facilities, Electronically recorded obligations-non-operating)	40,343	50,789

(Notes Related to Statements of Income)

*1 Volume of transactions with associated companies	(Thousands of yen)	
	Previous business year (From April 1, 2017 to March 31, 2018)	Current business year (From April 1, 2018 to March 31, 2019)
Gross operating transaction volume		
Net sales	2,465,376	2,414,854
Value of goods laid in	4,116,745	3,974,801
Gross non-operating transaction volume	498,747	590,656

*2 Approximately 49% of the amount of selling, general and administrative expenses recorded for the previous business year falls under selling expenses, while the remaining 47% falls under general and administrative expenses. Approximately 51% of the amount of selling, general and administrative expenses recorded for the current business year falls under selling expenses, while the remaining 53% 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, 2017 to March 31, 2018)	Current business year (From April 1, 2018 to March 31, 2019)
Salaries and allowances	532,210	565,347
Provision for bonuses	78,933	71,336
Retirement benefit expenses	45,638	56,159
Freightage and packing expenses	762,609	722,648
Depreciation	63,221	73,368
Other	1,060,407	1,154,850

(Notes Related to Securities)

Equity stakes in subsidiaries and affiliated companies

Previous 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

Current business year (As of March 31, 2019) (Thousands of yen)

Category	Amount shown on balance sheets	Fair value	Difference
Equity stakes in subsidiaries	1,116,334	5,324,372	4,208,038
Equity stakes in affiliated companies	233,905	5,131,840	4,897,934
Total	1,350,239	10,456,212	9,105,973

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, 2018)	Current business year (As of March 31, 2019)
Equity stakes in subsidiaries	1,295,582	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, 2018)	Current business year (As of March 31, 2019)
Deferred tax assets		
Impairment loss	385,433	359,926
Loss on valuation of investment securities	275,034	224,046
Allowance for doubtful accounts	192,337	200,832
Provision for retirement benefits	111,733	130,631
Provision for bonuses	126,575	105,466
Loss on valuation of inventories	61,020	57,488
Other	279,253	232,230
Deferred tax assets subtotal	1,431,387	1,310,621
Valuation allowance	△832,094	△737,702
Deferred tax assets total	599,292	572,919
Deferred tax liabilities		
Valuation difference on available-for-sale securities	△534,335	△326,761
Reserve for advanced depreciation of non-current assets	△8,616	△8,041
Asset retirement obligations	△1,170	△1,105
Other	△1,357	—
Deferred tax liabilities total	△545,479	△335,909
Net amount of deferred tax liabilities	53,813	237,010

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 (Adjustments)	30.5%	30.5%
Items permanently excluded from taxable income	△2.5%	△4.1%
Valuation allowance	△4.4%	△3.7%
Special tax deductions	△2.8%	△1.8%
Items permanently excluded from tax-deductible expenses	0.8%	1.9%
Other	0.6%	0.3%
Effective income tax rate after tax effect accounting	22.2%	23.1%

(Business combinations)

Notes to business combinations by acquisition

Notes hereof are omitted as the same details 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	3,935,761	199,907	67,427 (50,881)	269,241	3,799,000	10,614,410
	Structures	304,800	45,770	1,688 (1,467)	36,008	312,873	1,142,997
	Machinery and equipment	1,656,081	1,154,466	31,071 (30,484)	576,675	2,202,800	20,786,432
	Vehicles	15,243	14,746	1,855 (495)	10,109	18,025	186,750
	Tools, furniture and fixtures	165,263	88,684	5,558 (2,742)	77,401	170,988	1,408,879
	Land	1,262,302	124,430	10,653 (10,653)	—	1,376,078	—
	Lease assets	860	2,005	—	663	2,202	2,838
	Construction in progress	56,674	1,807,124	1,778,686	—	85,112	—
	Total property, plant and equipment	7,396,987	3,437,134	1,896,941 (96,725)	970,099	7,967,081	34,142,309
Intangible assets	Software	27,879	17,421	—	13,665	31,634	—
	Other	10,036	—	—	140	9,895	—
	Total intangible assets	37,915	17,421	—	13,806	41,530	—

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 | 976,298 |
| | Display materials manufacturing facilities | 75,973 |
| | Electrical insulating materials manufacturing facilities | 58,233 |
| Construction in progress | Electronic materials manufacturing facilities | 1,228,289 |
| | Unallocated corporate assets | 356,597 |
| | Display materials manufacturing facilities | 115,043 |

[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	630,613	658,422	630,613	658,422
Provision for bonuses	415,000	345,792	415,000	345,792

(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, 2017 to March 31, 2018 (The 70th Term)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 29, 2018.
- (2) Internal Control Report and documents attached thereto
Submitted to the Director-General of the Kanto Local Finance Bureau on June 29, 2018.
- (3) Quarterly Report and Confirmation Letter
(The First Quarter of the 71th Term) (From April 1, 2018 to June 30, 2018)
Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2018.
(The Second Quarter of the 71th Term) (From July 1, 2018 to September 30, 2018)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2018.
(The Third Quarter of the 71th Term) (From October 1, 2018 to December 31, 2018)
Submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2019.
- (4) Extraordinary Report
Submitted to the Director-General of the Kanto Local Finance Bureau on July 2, 2018.
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 directors' remuneration stock options).
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 employees, etc. stock options).
Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2019.
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 employees, etc. stock options).
- (5) Amendment Report of Extraordinary Report
Submitted to the Director-General of the Kanto Local Finance Bureau on August 17, 2018.
This is an Amendment Report of Extraordinary Report related to the Extraordinary Report submitted on June 28, 2018 (Issuance of stock acquisition rights as directors' remuneration stock options).
Submitted to the Director-General of the Kanto Local Finance Bureau on August 17, 2018.
This is an Amendment Report of Extraordinary Report related to the Extraordinary Report submitted on June 28, 2018 (Issuance of stock acquisition rights as employees, etc. stock options).

**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 26, 2019

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

Akira Igarashi [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, 2018 to March 31, 2019, 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, 2019 as well as the results of their operations and their status of cash flows for the consolidated fiscal year ended March 31, 2019 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, 2019 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, 2019, 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 26, 2019

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

Akira Igarashi [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 71st business year from April 1, 2018 to March 31, 2019, 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, 2019 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.