



Closing Announcement of Third Quarter of the Fiscal Year Ending March 31, 2020 [Japanese Standards] (Consolidated)

February 6, 2020

Name of Listed Company: Arisawa Mfg. Co., Ltd. Listed on the Tokyo Stock Exchange
 Code No.: 5208 (URL <http://www.arisawa.co.jp/>)
 Representative: Representative Director and CEO: Yuta Arisawa
 Contact Person: Operating Officer,
 Corporate Planning Department: Takeshi Masuda TEL: 025-524-7101
 Scheduled Date of Submitting Financial Report: February 14, 2020
 Scheduled Date of Commencement of Dividend Payment: ---
 Whether supplementary explanation materials for the closing are prepared: No
 Whether explanation meeting is held for the closing: No

(Indicated by rounding off an amount less than 1 million yen)

1. Consolidated Results in Third Quarter of the Fiscal Year Ending March 31, 2020 (From April 1, 2019 to December 31, 2019)

(1) Consolidated Operating Results

(% indication shows the increase or decrease rate from the same period in the previous year)

	Sales		Operating profit		Ordinary profit		Net profit attributable to owners of the parent	
	(million yen)	%	(million yen)	%	(million yen)	%	(million yen)	%
Third Quarter of the Fiscal Year Ending March 31, 2020	34,327	△1.1	2,077	△21.6	2,221	△39.0	△118	---
Third Quarter of the Fiscal Year Ended March 31, 2019	34,696	14.4	2,648	0.5	3,644	14.1	2,411	△9.2

(Note) Comprehensive income: Third Quarter of the Fiscal Year Ending March 31, 2020: △22 million yen (--- %)
 Third Quarter of the Fiscal Year Ended March 31, 2019: 1,530 million yen (△67.5%)

	Net profit per share		Fully diluted net profit per share	
	(Yen, Sen)		(Yen, Sen)	
Third Quarter of the Fiscal Year Ending March 31, 2020	△3.38		---	
Third Quarter of the Fiscal Year Ended March 31, 2019	66.73		66.29	

(2) Consolidated Financial Conditions

	Total assets		Net assets		Net worth ratio		Net asset per share	
	(million yen)		(million yen)		%		(Yen, Sen)	
Third Quarter of the Fiscal Year Ending March 31, 2020	71,537		49,091		64.7		1,393.18	
Fiscal Year Ended March 31, 2019	73,096		53,462		69.3		1,397.78	

(Reference) Net worth: Third Quarter of the Fiscal Year Ending March 31, 2020: 46,298 million yen
 Fiscal Year Ended March 31, 2019: 50,626 million yen

2. Status of Dividends

	Annual dividends				
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	End of year	Annual
	(Yen, Sen)		(Yen, Sen)	(Yen, Sen)	(Yen, Sen)
Fiscal Year Ended March 31, 2019	---		0.00	---	30.00
Fiscal Year Ending March 31, 2020	---		0.00	---	
Fiscal Year Ending March 31, 2020 (Forecast)				30.00	30.00

(Note) Existence of adjustment from the most recently announced dividend forecast: Yes

For details, please refer to the "Notice of Adjustment of the Full-year Dividend Forecast," released as of this day (February 6, 2020).

3. Expected Consolidated Results for Fiscal Year Ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(% indication shows the increase or decrease rate from the previous period)

	Sales		Operating profit		Ordinary profit		Net profit attributable to owners of the parent		Net profit per share
	(million yen)	%	(million yen)	%	(million yen)	%	(million yen)	%	
Full Year	45,700	2.2	2,750	△11.8	2,800	△34.8	450	△84.3	13.54

(Note) Existence of adjustment from the most recently announced forecast of business results: Yes

For details, please refer to the "Notice of Adjustment of Forecast of Consolidated Business Results for the Full Year," released as of this day (February 6, 2020).

* Notes

(1) Changes in material subsidiaries during the current consolidated cumulative period (changes in specified subsidiaries accompanying changes in scope of consolidation): None
 New: --- (Company Name:) Exclusion: --- (Company Name:)

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

(3) Changes in accounting policy, changes in accounting estimates and restatement

- 1) Changes in accounting policy in connection with the amendment of accounting standards, etc.: Yes
- 2) Changes in accounting policy other than 1) above: None
- 3) Changes in accounting estimate: None
- 4) Restatement: None

(4) Number of outstanding shares (common stocks)

1) Number of outstanding shares at the end of year (including treasury stocks):	3Q of Fiscal Year Ending March 31, 2020:	36,367,924 shares	Fiscal Year Ended March 31, 2019:	36,226,224 shares
2) Number of treasury stocks at the end of year:	3Q of Fiscal Year Ending March 31, 2020:	3,135,820 shares	Fiscal Year Ended March 31, 2019:	7,378 shares
3) Average number of shares during the year (cumulative quarter)	3Q of Fiscal Year Ending March 31, 2020:	35,159,633 shares	3Q of Fiscal Year Ended March 31, 2019:	36,134,606 shares

* The quarterly closing announcement is not subject to quarterly review by a certified public accountant or an audit corporation.

* Explanation about Appropriate Use of the Forecast of Business Results and other Matters to be Noted

Description regarding the future such as the forecast of business results stated in this material is based on information which the Company has currently obtained and certain assumptions that the Company determines to be reasonable, although actual results may significantly differ from the forecast depending on various factors.

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1. Qualitative Information concerning Current Quarterly Closing Announcement

(1) Explanation about Business Results

For the Japanese economy in the current consolidated cumulative third quarter, uncertainties continue to linger due to the ongoing trade friction brought on by trade policy in the U.S., concerns over monetary policy, and a slowdown in the Chinese economy, etc.

Under such circumstances, for the business results in the current third quarter cumulative period of the Company Group (the Company, consolidated subsidiaries and companies to which the equity method is applied), sales were 34,327 million (a decrease of 1.1% as compared with the same period in the previous year). For profit and loss, operating profit was ¥2,077 million (a decrease of 21.6% as compared with the same period in the previous year) and ordinary profit was ¥2,221 million (a decrease of 39.0% as compared with the same period in the previous year) and the quarterly net loss attributable to owners of the parent was ¥118 million (quarterly net profit attributable to owners of the parent of ¥2,411 million in the same period in the previous year).

Quarterly net loss attributable to owners of the parent was due to recorded current third quarter tax expenses for sale of the shares of Polatechno Co., Ltd., which was an affiliated company to which the equity method was applied, and in addition, due to recorded loss on impairment of ¥624 million as extraordinary losses in the electronic materials and display materials segments.

In the electronic materials segment, as profitability lowered in connection with changes in the market and business environment for the rigid printed circuit boards business, which are manufactured and sold by Satosen Co., Ltd., a consolidated subsidiary, future expected earnings were reviewed based on the most recent business plan, and as a result, loss was recorded due to the book value of fixed assets being reduced to a recoverable value. Impairment of goodwill was also recorded.

In the display materials segment, as the formation of a market for new business, which was expected in the field of devices utilizing polarization by ColorLink Japan, Ltd., a consolidated subsidiary, has developed more slowly than expected and profitability has lowered, future expected earnings were reviewed based on the most recent business plan, and as a result, loss was recorded due to the book value of fixed assets being reduced to a recoverable value.

Business results of each segment were as follows.

(Electronic materials)

While steady progress has been made in sales of flexible printed circuit board materials, due to a decrease in sales of rigid printed circuit boards by Satosen Co., Ltd., etc., sales were ¥22,477 million, a decrease of ¥154 million as compared with the same period in the previous year (0.7% as compared with the same period in the previous year). Operating profit was, due to a decrease in sales of rigid printed circuit boards, ¥1,935 million, a decrease of ¥304 million as compared with the same period in the previous year (13.6% as compared with the same period in the previous year).

(Industrial application structural materials)

While steady progress has been made in sales of aircraft materials, due to a decrease in sales of pressure vessels for water treatment, etc., sales were ¥6,457 million, a slight increase of ¥166 million as compared with the same period in the previous year (2.7% as compared with the same period in the previous year). Operating profit was, due to a decrease in sales of pressure vessels for water treatment, ¥962 million, a decrease of ¥77 million as compared with the same period in the previous year (7.5% as compared with the same period in the previous year).

(Electric insulation materials)

Due to a decrease in infrastructure-related sales, sales were ¥2,269 million, a decrease of ¥137 million as compared with the same period in the previous year (5.7% as compared with the same period in the previous year). Operating profit was, due to a decrease in sales, ¥248 million, a decrease of ¥96 million

as compared with the same period in the previous year (27.9% as compared with the same period in the previous year).

(Display materials)

While steady progress has been made in sales of 3D-related materials, due to a decrease in sales of devices utilizing polarization by ColorLink Japan, Ltd., sales were ¥2,573 million, a decrease of ¥213 million as compared with the same period in the previous year (7.6% as compared with the same period in the previous year). Operating profit was, as a result of offsetting the decrease in profit from devices utilizing polarization by profit from 3D-related materials, ¥150 million, an increase of ¥57 million as compared with the same period in the previous year (61.8% as compared with the same period in the previous year).

(Other)

Sales were ¥549 million, a decrease of ¥30 million as compared with the same period in the previous year (5.3% as compared with the same period in the previous year). Operating profit was ¥146 million, a decrease of ¥5 million as compared with the same period in the previous year (3.3% as compared with the same period in the previous year).

(2) Explanation about Financial Conditions

Total assets at the end of the current consolidated third quarter were ¥71,537 million, a decrease of ¥1,559 million as compared with the end of the previous consolidated fiscal year. This was mainly due to the transfer of the shares of Polatechno Co., Ltd., which was an affiliated company, and acquisition of treasury stock, and cash and deposits increased by ¥5,897 million and investment securities decreased by ¥8,047 million. Liabilities were ¥22,445 million, an increase of ¥2,811 million as compared with the end of the previous consolidated fiscal year. This was mainly due to an increase in corporate income tax, etc., payable of ¥3,016 million. Net assets were ¥49,091 million, a decrease of ¥4,370 million as compared with the end of the previous consolidated fiscal year. This was mainly due to acquisition of treasury stock of ¥3,200 million and a decrease in earned surplus of ¥1,205 million, etc.

(3) Explanation about Future Forecast Information, including Forecast of Consolidated Business Results

Forecast of business results for the full-year of the fiscal year ending March 31, 2020, which was announced on November 7, 2019, shall be adjusted as follows.

Adjustment of forecasted figures of consolidated business results for the full-year of the fiscal year ending March 31, 2020

(From April 1, 2019 to March 31, 2020)

	Sales (million yen)	Operating profit (million yen)	Ordinary profit (million yen)	Net profit attributable to owners of the parent (million yen)	Net profit per share (yen)
Previously announced forecast (A)	45,600	3,050	3,200	1,050	30.56
This forecast adjustment (B)	45,700	2,750	2,800	450	13.54
Increase or decrease (B-A)	100	△300	△400	△600	
Increase or decrease ratio (%)	0.2	△9.8	△12.5	△57.1	
(Reference) Results of the previous year (Fiscal Year Ended March 31, 2019)	44,728	3,119	4,297	2,861	79.15

For consolidated business results for the full-year of the fiscal year ending March 31, 2020, we expect that, while sales will progress about the same as the previous forecast, as profit of Satosen Co., Ltd., a consolidated subsidiary, is deteriorating in the electronic materials segment, operating profit and ordinary profit will be lower than the previous forecast. We also expect that net profit attributable to owners of the parent will be lower than the previous forecast due to a recorded loss on impairment of two consolidated subsidiaries (Satosen Co., Ltd. and ColorLink Japan, Ltd.) in the current third quarter.

As the impact from the novel coronavirus on business results is uncertain at present, this has not been included in this forecast of business results.

(Note) The above forecast of business results are based on information obtained by the Company and certain assumptions determined to be reasonable, although actual results may vary significantly depending on various factors in the future.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (As of March 31, 2019)	Current Consolidated Third Quarter (As of December 31, 2019)
Assets		
Current Assets		
Cash and deposits	8,193,697	14,091,061
Notes and accounts receivable	16,127,374	17,429,954
Securities	1,401,188	1,487,631
Merchandise and finished goods	4,012,943	3,167,019
Work-in-progress	1,941,748	2,103,815
Raw materials and stores	3,378,698	3,284,280
Other	1,190,214	1,173,460
Allowance for doubtful accounts	△668,052	△623,707
Total Current Assets	35,577,813	42,113,516
Fixed Assets		
Tangible fixed assets	11,998,454	12,940,964
Intangible fixed assets		
Goodwill	219,309	---
Other	175,923	204,538
Total intangible fixed assets	395,233	204,538
Investments and other assets		
Investment securities	23,142,852	15,095,000
Other	2,125,569	1,198,456
Allowance for doubtful accounts	△143,823	△15,446
Total investments and other assets	25,124,598	16,278,010
Total Fixed Assets	37,518,286	29,423,512
Total Assets	73,096,100	71,537,028

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (As of March 31, 2019)	Current Consolidated Third Quarter (As of December 31, 2019)
Liabilities		
Current Liabilities		
Notes and accounts payable	6,105,195	6,409,212
Short-term borrowings	5,394,122	5,501,509
Current portion of long-term borrowings	779,820	189,814
Bonds to be redeemed within a year	36,800	36,800
Corporate income tax, etc., payable	300,788	3,316,797
Reserve for bonuses	510,407	272,688
Reserve for officers' bonuses	3,957	4,093
Other	3,041,830	3,055,110
Total Current Liabilities	16,172,921	18,786,025
Fixed Liabilities		
Bonds payable	128,000	91,200
Long-term borrowings	1,265,465	1,962,785
Net defined benefit liabilities	626,885	644,434
Asset retirement obligations	92,502	91,858
Other	1,348,196	869,355
Total Fixed Liabilities	3,461,049	3,659,633
Total Liabilities	19,633,971	22,445,659
Net Assets		
Shareholders' equity		
Capital	7,541,693	7,588,111
Capital surplus	6,653,615	6,700,102
Earned surplus	35,130,363	33,925,105
Treasury stock	△4,764	△3,204,787
Total shareholders' equity	49,320,907	45,008,532
Accumulated other comprehensive income		
Valuation difference on other securities	745,120	981,306
Deferred hedge profit or loss	443	---
Foreign currency translation adjustments	707,571	396,277
Accumulated adjustment for retirement benefits	△147,916	△87,770
Total accumulated other comprehensive income	1,305,219	1,289,813
New share subscription rights	144,419	156,001
Non-controlling interest	2,691,582	2,637,021
Total Net Assets	53,462,129	49,091,369
Total Liabilities and Net Assets	73,096,100	71,537,028

(2) Quarterly Consolidated Profit and Loss Statement and Consolidated Statement of Comprehensive Income
 (Quarterly Consolidated Profit and Loss Statement)
 (Consolidated Cumulative Third Quarter)

(Unit: thousand yen)

	Previous Consolidated Cumulative Third Quarter (From April 1, 2018 to December 31, 2018)	Current Consolidated Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)
Sales	34,696,479	34,327,306
Cost of Goods Sold	28,307,028	28,415,924
Gross Profit on Sales	6,389,450	5,911,381
Selling, General and Administrative Expenses	3,740,685	3,833,508
Operating Profit	2,648,765	2,077,873
Non-operating Income		
Interest income	247,878	239,325
Dividend income	97,087	100,368
Investment profit by equity method	538,963	---
Other	399,547	222,510
Total Non-operating Income	1,283,475	562,204
Non-operating Expenses		
Interest expenses	62,692	71,129
Foreign currency exchange loss	---	93,450
Transfer to allowance for doubtful accounts	85,712	---
Other	139,597	253,589
Total Non-operating Expenses	288,001	418,168
Ordinary Profit	3,644,240	2,221,909
Extraordinary Profits		
Profit on sale of fixed assets	34,125	262
Profit on sale of investment securities	65,010	1,271,030
Other	13,546	14,244
Total Extraordinary Profits	112,681	1,285,537
Extraordinary Losses		
Loss on impairment	---	448,357
Loss on impairment of goodwill	---	175,447
Compensation for damages	91,683	---
Other	48,759	31,753
Total Extraordinary Losses	140,443	655,558
Net profit before taxes, etc.	3,616,478	2,851,888
Corporate income tax, etc.	982,186	2,796,074
Net profit	2,634,291	55,813
Net profit attributable to non-controlling interests	223,144	174,506
Net profit attributable to owners of the parent or net loss attributable to owners of the parent (Δ)	2,411,146	Δ 118,692

(Quarterly Consolidated Statement of Comprehensive Income)
(Consolidated Cumulative Third Quarter)

(Unit: thousand yen)

	Previous Consolidated Cumulative Third Quarter (From April 1, 2018 to December 31, 2018)	Current Consolidated Cumulative Third Quarter (From April 1, 2019 to December 31, 2019)
Net profit	2,634,291	55,813
Other comprehensive income		
Valuation difference on other securities	△913,898	236,177
Deferred hedge profit or loss	1,707	△443
Foreign currency translation adjustments	△188,103	△227,935
Adjustment for retirement benefits	20,289	25,690
Share of other comprehensive income of companies to which equity method is applied	△24,089	△111,385
Total other comprehensive income	△1,104,094	△77,897
Comprehensive income	1,530,197	△22,083
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,374,383	△134,097
Comprehensive income attributable to non- controlling interests	155,813	112,014

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Assumptions on a Going Concern)

No applicable matter.

(Explanatory Note in Case of Significant Changes in the Amount of Shareholders' Equity)

The Company acquired treasury stock of 3,128,300 shares by a resolution of the Board of Directors held as of August 27, 2019. As a result, treasury stock increased by ¥3,199,887 thousand in the current consolidated cumulative third quarter, and treasury stock was ¥3,204,787 thousand at the end of the current consolidated cumulative third quarter.

(Changes in the Scope of Consolidation or Scope of Application of the Equity Method)

(Material Changes in the Scope of Application of the Equity Method)

As all the shares of Polatechno Co., Ltd. were sold in the current cumulative third quarter, the said company was excluded from the scope of application of the equity method.

(Application of Accounting Particular to Preparation of Consolidated Quarterly Financial Statements)

(Calculation of tax expenses)

For tax expenses, the effective tax rate is reasonably estimated after application of tax effect accounting for net profit before taxes in the consolidated fiscal year including the current consolidated third quarter and these are calculated by multiplying the quarterly net profit before taxes by the estimated effective tax rate.

(Changes in Accounting Policy)

(Application of IFRS No. 16 (Lease))

Subsidiaries of the Company Group to which IFRS applies have applied IFRS No. 16 "Lease" (published in January 2016) (hereinafter referred to as "IFRS No. 16") from the consolidated first quarter. In application of IFRS No. 16, we adopted the method of recognizing the cumulative impact by application of these Standards as of the date of commencement of application, which is permitted as a transitional measure.

For lease as a lessee which was previously classified into operating lease by applying IAS No. 17, right-of-use assets and lease liabilities are recognized as of the date of commencement of application.

Some assets, which were included in other amount of investments and other assets were transferred to right-of-use assets.

In connection with application of these Standards, in the Quarterly Consolidated Balance Sheet, tangible fixed assets of ¥363,384 thousand, other amount of current liabilities of ¥32,919 thousand and fixed liabilities of ¥292,273 thousand increased respectively and other amount of investments and other assets of ¥39,675 thousand decreased.

Impact by the above change on profit and loss for the current consolidated cumulative third quarter is minor.

(Segment Information, etc.)

[Segment Information]

I. Previous consolidated cumulative third quarter (From April 1, 2018 to December 31, 2018)

1. Information about the amount of sales and profit/loss by reportable segment

(Unit: thousand yen)

	Reportable segment					Other (Note)	Total
	Electronic materials	Industrial application structural materials	Electric insulation materials	Display materials	Total		
Sales							
Sales to external customers	22,632,723	6,291,123	2,406,831	2,786,181	34,116,860	579,619	34,696,479
Intersegment sales or transfers	---	---	---	---	---	594,710	594,710
Total	22,632,723	6,291,123	2,406,831	2,786,181	34,116,860	1,174,330	35,291,190
Segment profit	2,240,316	1,040,188	344,258	93,068	3,717,831	151,577	3,869,408

Note: The category "Other" means business segments which are not included in the reportable segments and includes related goods sales, logistics related businesses and other businesses, etc.

2. Difference between the total amount of profit/loss of reportable segments and the amount shown in the quarterly consolidated profit and loss statement and major details for the difference (matters concerning difference adjustment)

(Unit: thousand yen)

Profit	Amount
Total of reportable segments	3,717,831
Profit in category "Other"	151,577
Elimination of intersegment transactions	△81,160
Amortization of goodwill	△43,861
Expenses of entire company (Note)	△1,071,575
Adjustment of inventories	△24,045
Operating profit in quarterly consolidated profit and loss statement	2,648,765

Note: Expenses of the entire company are mainly general and administrative expenses not attributable to reportable segments.

3. Information about loss on impairment of fixed assets or goodwill, etc., by reportable segment

No applicable matter.

II. Current consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)

1. Information about the amount of sales and profit/loss by reportable segment

(Unit: thousand yen)

	Reportable segment					Other (Note)	Total
	Electronic materials	Industrial application structural materials	Electric insulation materials	Display materials	Total		
Sales							
Sales to external customers	22,477,949	6,457,995	2,269,187	2,573,141	33,778,273	549,032	34,327,306
Intersegment sales or transfers	---	---	---	---	---	594,321	594,321
Total	22,477,949	6,457,995	2,269,187	2,573,141	33,778,273	1,143,353	34,921,627
Segment profit	1,935,317	962,654	248,190	150,617	3,296,780	146,501	3,443,281

Note: The category "Other" means business segments which are not included in the reportable segments and includes related goods sales, logistics related businesses and other businesses, etc.

2. Difference between the total amount of profit/loss of reportable segments and the amount shown in the quarterly consolidated profit and loss statement and major details for the difference (matters concerning difference adjustment)

(Unit: thousand yen)

Profit	Amount
Total of reportable segments	3,296,780
Profit in category "Other"	146,501
Elimination of intersegment transactions	△65,556
Amortization of goodwill	△43,861
Expenses of entire company (Note)	△1,227,826
Adjustment of inventories	△28,163
Operating profit in quarterly consolidated profit and loss statement	2,077,873

Note: Expenses of the entire company are mainly general and administrative expenses not attributable to reportable segments.

3. Information about loss on impairment of fixed assets or goodwill, etc., by reportable segment
(Material Loss on Impairment of Fixed Assets)

In the "Electronic Materials" segment, for the assets (including goodwill) in which investment cannot be expected to be recovered due to a decrease in profitability, the book value was reduced to a recoverable value and the decrease was recorded in extraordinary losses as loss on impairment.

In the "Display Materials" segment, for assets for which profit and loss from operating activities continues to be negative, the book value was reduced to the memorandum value and the decrease was recorded in extraordinary losses as loss on impairment.

In this regard, the recorded amount of loss on impairment was ¥539,702 thousand in the "Electronic Materials" segment and ¥84,101 thousand in the "Display Materials" segment in the current consolidated cumulative third quarter.

(Material Changes in the Amount of Goodwill)

In the "Electronic Materials" segment, as loss on impairment of goodwill was recorded, the amount of goodwill decreased. In this regard, the decrease in goodwill due to the above event was ¥175,447 thousand in the current consolidated cumulative third quarter.