

# **FINANCIAL REPORT**

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

**Business Year from April 1, 2019 to March 31, 2020**  
(The 72<sup>nd</sup> Term)

**(TRANSLATION)**

**ARISAWA MFG. CO., LTD.**

E01152

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Company name (Japanese):	<i>Kabushiki-Kaisha Arisawa Seisakusho</i>
Company name (English):	Arisawa Mfg. Co., Ltd.
Name and title of representative:	Yuta Arisawa, President and Representative Director
Location of head office:	5-5, Minami-honcho 1-chome, Joetsu-shi, Niigata
Telephone number:	(025) 524-5126
Contact person:	Shuichi Kubota, General Manager, Accounting Department
Place of contact:	5-5, Minami-honcho 1-chome, Joetsu-shi, Niigata
Telephone number:	(025) 524-5126
Contact person:	Shuichi Kubota, General Manager, Accounting Department
Places where copies of this Financial Report are made available for public inspection:	Arisawa Mfg. Co., Ltd., Tokyo Branch Office (12-5, Yanagibashi 2-chome, Taito-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

## PART I. INFORMATION ON THE BUSINESS

### I. General Conditions of Business

#### 1. Changes in Principal Management Indicators, etc.

##### (1) Consolidated Management Indicators, etc.

Term	68 <sup>th</sup> term	69 <sup>th</sup> term	70 <sup>th</sup> term	71 <sup>st</sup> term	72 <sup>nd</sup> term
Closing month	March 2016	March 2017	March 2018	March 2019	March 2020
Net sales (Millions of yen)	37,228	34,451	40,909	44,728	45,970
Ordinary income or loss (Δ) (Millions of yen)	3,510	2,690	4,044	4,297	2,783
Profit or loss (Δ) attributable to owners of the parent (Millions of yen)	2,702	2,037	3,453	2,861	212
Comprehensive income (Millions of yen)	1,067	1,821	4,498	2,200	△117
Net assets (Millions of yen)	47,602	48,551	52,493	53,462	49,018
Total assets (Millions of yen)	60,983	63,808	72,382	73,096	71,709
Net assets per share (Yen)	1,263.29	1,290.93	1,378.16	1,397.78	1,387.76
Net income or loss (Δ) per share (Yen)	76.02	57.20	96.35	79.15	6.14
Fully diluted net income per share (Yen)	75.58	57.06	95.51	78.70	6.12
Equity ratio (%)	73.8	72.2	68.6	69.3	64.3
Return on equity (%)	6.0	4.5	7.2	5.7	0.4
Price earnings ratio (Times)	7.6	13.7	10.2	10.0	130.7
Cash flows from operating activities (Millions of yen)	4,548	3,419	2,181	2,893	4,837
Cash flows from investing activities (Millions of yen)	△1,771	△1,671	△471	△3,304	6,580
Cash flows from financing activities (Millions of yen)	△3,540	419	△59	△576	△4,431
Cash and cash equivalents at the end of period (Millions of yen)	4,901	7,026	8,829	7,718	14,725
Number of employees (Parenthesized figures indicate the average number of temporary employees not included in the total)	1,285 (189)	1,305 (139)	1,426 (295)	1,432 (313)	1,454 (294)

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

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

Term	68 <sup>th</sup> term	69 <sup>th</sup> term	70 <sup>th</sup> term	71 <sup>st</sup> term	72 <sup>nd</sup> term
Closing month	March 2016	March 2017	March 2018	March 2019	March 2020
Net sales (Millions of yen)	25,793	23,410	28,503	29,269	31,635
Ordinary income or loss (Δ) (Millions of yen)	2,542	1,898	2,451	2,602	2,365
Net income or loss (Δ) (Millions of yen)	2,219	1,516	2,503	1,947	6,792
Capital stock (Millions of yen)	7,294	7,317	7,458	7,541	7,594
Number of shares issued and outstanding (Thousands of shares)	35,611	35,679	36,024	36,226	36,381
Net assets (Millions of yen)	32,759	33,852	36,138	36,571	38,931
Total assets (Millions of yen)	40,102	42,643	46,195	45,688	51,535
Net assets per share (Yen)	916.79	944.94	999.83	1,005.76	1,166.03
Dividend per share (Yen) (Parenthesized figures indicate the amount of interim dividend per share included in the total)	23.00 (—)	20.00 (—)	34.00 (—)	30.00 (—)	30.00 (—)
Net income or loss (Δ) per share (Yen)	62.43	42.59	69.83	53.87	195.86
Fully diluted net income per share (Yen)	62.06	42.48	69.22	53.56	195.28
Equity ratio (%)	81.4	79.0	78.0	79.7	75.2
Return on equity (%)	6.7	4.6	7.2	5.4	18.1
Price earnings ratio (Times)	9.2	18.4	14.1	14.7	4.1
Dividend payout ratio (%)	36.8	47.0	48.7	55.7	15.3
Number of employees (Parenthesized figures indicate the average number of temporary employees not included in the total)	583 (101)	589 (69)	592 (99)	602 (119)	614 (134)
Shareholders' gross yield (%) (Comparative Indicator : dividend-included TOPIX (Tokyo Stock Price Index) )	58.1 (89.2)	80.1 (102.3)	103.2 (118.5)	87.4 (112.5)	91.2 (101.8)
Highest share price (Yen)	1,095	827	1,349	1,350	1,148
Lowest share price (Yen)	511	482	695	655	680

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

2. "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. 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).
- October 2019
  - Sold all shares of Polatechno Co., Ltd. excluding it from the affiliate companies accounted for under equity method.

### 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

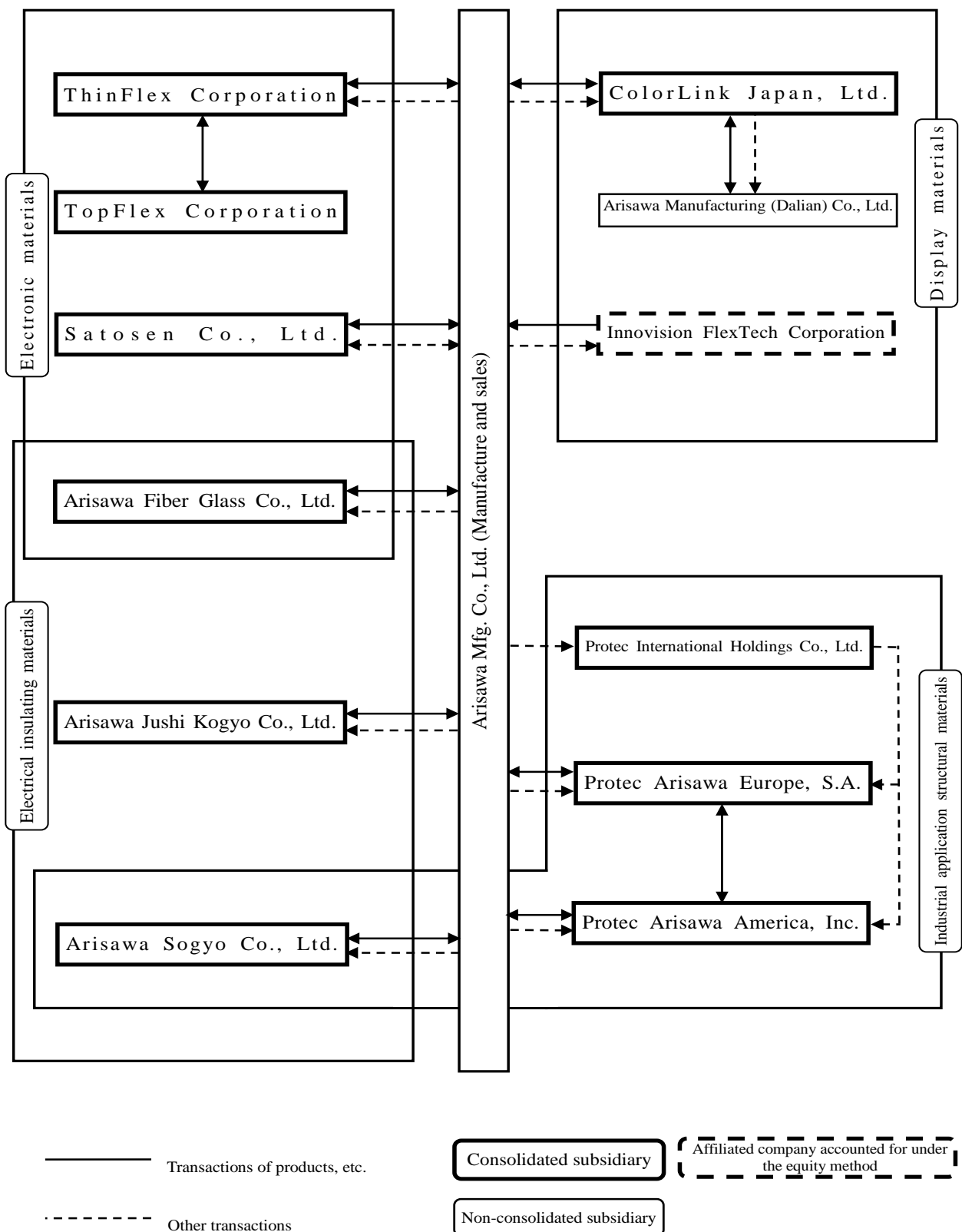
The Company manufactures and sells 3D display filters, etc. for use as display materials. ColorLink Japan, Ltd., a subsidiary, manufactures and sells special optical films, with Arisawa Manufacturing (Dalian) Co., Ltd. also conducting the post-process operations for such special optical films. Innovision 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 Taiwan dollar)	Electronic materials	52.3	Supply of raw materials as well as sales of products related to electronic materials, Concurrent directorship
ThinFlex Technology Corporation (B.V.I.) (See Note 2)	British Virgin Islands	15,710 (Thousands of US dollar)	Electronic materials	100.0 (100.0)	---
TopFlex Corporation (See Note 2 and Note 5)	Kunshan City, P.R. China	17,000 (Thousands of US dollar)	Electronic materials	100.0 (100.0)	Sales of electronic material products
Satosen Co., Ltd.	Osaka-shi, Osaka	99,540	Electronic materials	100.0	Leasing of land Concurrent directorship
Arisawa Fiber Glass Co., Ltd. (See Note 2)	Joetsu-shi, Niigata	100,000	Electronic materials, Electrical insulating materials	100.0	Consignment manufacture of glass fiber fabrics related to electronic materials and electrical insulating materials, Leasing of buildings and manufacturing equipment, Financial support, Concurrent directorship
Protec International Holdings Co., Ltd.	Joetsu-shi, Niigata	101,830	Industrial application structural materials	100.0	Financial support, Concurrent directorship
Protec Arisawa Europe, S.A.	Munguia, Spain	1,670 (Thousands of euro)	Industrial application structural materials	100.0 (100.0)	Financial support, Concurrent directorship
Protec Arisawa America, Inc.	Vista, CA, U.S.A.	3,200 (Thousands of US dollar)	Industrial application structural materials	100.0 (100.0)	Financial support, Concurrent directorship
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)					
Innovision FlexTech Corporation	Kaohsiung City, Taiwan	263,516 (Thousands of 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	6,788,175
(2) Ordinary income	151,140
(3) Net income	133,546
(4) Net assets	1,737,346
(5) Total assets	6,999,366

## 5. Status of Employees

### (1) Status of Consolidated Group

(As of March 31, 2020)

Segment name	Number of employees	
Electronic materials	838	(141)
Industrial application structural materials	290	(79)
Electrical insulating materials	128	(18)
Display materials	125	(24)
Total of reportable segments	1,381	(262)
Other	35	(21)
Unallocated (Common)	38	(11)
Total	1,454	(294)

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, 2020)

Number of employees	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
614 (134)	43.0	19.3	5,827

Segment name	Number of employees	
Electronic materials	333	(65)
Industrial application structural materials	122	(44)
Electrical insulating materials	70	(11)
Display materials	51	(3)
Total of reportable segments	576	(123)
Unallocated (Common)	38	(11)
Total	614	(134)

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, 2020 stands at 479 members.

## II. Status of Business

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

The Company and our corporate Group, ever since its initiation, have 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. Along with the globalization of markets and the rapid diversification of needs, we will strive to further differentiate technologies as well as improve quality and productivity, thereby creating corporate value.

As the change in needs is expected in some parts of business due to the impact of spread of the new corona virus, we will promote the development of new products and business development.

Note that 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, along with the improvement of capital efficiency, enhance shareholder value of the Company by means of enhancing customer satisfaction, accelerating new product development and improving profitability through thorough cost reduction.

#### (2) Mid- to Long-Term Management Strategies

Our corporate group aims to work on technological innovation and product development while consistently fulfilling users’ needs and realize its sound survival and sustainable growth, thereby increasing its mid- to long-term corporate value. Specifically, to maintain and expand the revenue base of existing business, we implement strategic investments in new business that maximizes the synergy effect with existing business and has a high profitability of capital besides improving and expanding productivity and investing in the development of new products that anticipate user’s needs.

- 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 work to further expand sales of new products utilizing our unique optical technology primarily in the fields of medical applications 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) Business and Financial Tasks to be Preferentially Addressed

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
- We implement strategic investments in new business that maximizes the synergy effect with existing business and has a high profitability of capital.

It should be noted that our corporate group has an adequate liquid fund and there is no hindrance to the continuation of business activities while the impact of the new corona virus infection continues. Although a fall in some demand is expected in segments such as industrial application structural materials segment that deals with the materials for aircraft in the future, we expect that our corporate group as a whole will stay solid including the mainstay electronic materials segment. If it takes time to settle the situation, the impact may be greater than we expect, but we will implement the above measures promptly while paying close attention to market conditions and ensure our sound survival and sustainable growth.

(4) Objective Indicators, etc. for Judgement on the Status of Achievement of Managerial Goals

The target 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.

Note that we are in the process of formulating a medium-term management plan. We will disclose the plan as soon as it is formulated, but the objective indicators, etc. for judgement on the status of achievement of managerial goals are subject to change.

## 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 major risks that the corporate managers recognize may have a significant impact on the consolidated financial position, business results and cash flows of the consolidated companies are as follows.

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 information equipment manufacturers, electronic component manufacturers, industrial electronic device manufacturers, etc., and fluctuations in demand for these electronic devices 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.

### (7) The Impact of the Spread of the New Corona Virus Infection

The new corona virus infection is being contained, but the disruption of supply chain and production activities and the negative impact on the domestic economy and markets, etc. may affect the results of operation of our Group if the infection is prolonged or spreads again.

Note that the impact of the infection on our Group business is not significant in production and limited in sales. We expect that the effect on the results of operation will vary depending on the timing of the containment of the infection in the future, and the forecast of business results for the fiscal year ending on March 31, 2021 is set range. The case of the virus contained early (until the end of September 2020) is set as the upper limit of the range, and the case of it not contained (until the end of March 2021) is set as the lower limit of the range. We will announce the forecast of business results as soon as its outlook is available.

Our Group gives first priority to the safety and health of all the stakeholders and implements not only the infection prevention measures thoroughly in accordance with the administrative guidelines to prevent the further spread of the infection but also the measures such as prohibition of business trips and visitors in principle with an effective utilization of teleconference system, implementation of telework (working from home), an opening of a satellite office, etc.

## 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 uncertain due to the spread of the new corona virus infection after January in addition to the impact of the trade friction caused by the US trade policy and the slowdown of the Chinese economy, 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 45,970 million yen (representing a 2.8% increase as compared with the previous consolidated fiscal year), an operating income of 2,762 million yen (representing a 11.5% decrease as compared with the previous consolidated fiscal year), an ordinary income of 2,783 million yen (representing a 35.2% decrease as compared with the previous consolidated fiscal year) and a profit attributable to owners of the parent of 212 million yen (representing a 92.6% 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 29,765 million yen, representing a 3.5% increase as compared with the previous consolidated fiscal year due to a steady increase in 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 10.1% to 18,728 million yen, and the production output increased by 9.4%, 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 2,331 million yen (representing a 11.0% decrease as compared with the previous consolidated fiscal year).

#### Industrial application structural materials

In the industrial application structural materials segment, due to an increase in sales of aircraft interior materials, net sales 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-related sales, net sales were 2,984 million yen, representing a 4.6% decrease as compared with the previous consolidated fiscal year, while the segment income or loss recorded an income of 366 million yen (representing a 14.9% decrease as compared

with the previous consolidated fiscal year).

#### Display materials

In the display materials segment, due to a steady increase in sales of 3D imaging-related materials and a decrease in sales of polarization control optical components of ColorLink Japan Ltd., net sales were 3,427 million yen, representing a 7.4% decrease as compared with the previous consolidated fiscal year, while the segment income or loss recorded an income of 235 million yen (representing a 104.8% increase as compared with the previous consolidated fiscal year).

#### Other (other businesses)

In other businesses, net sales were 818 million yen, representing a 11.3% increase as compared with the previous consolidated fiscal year, while the segment income or loss recorded an income of 222 million yen (representing a 15.2% increase as compared with the previous consolidated fiscal year).

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

#### ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as the “Funds”) as of the end of the current consolidated fiscal year were 14,725 million yen, representing a year-on-year increase of 7,007 million yen, or 90.8%.

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 4,837 million yen, representing a 67.2% increase as compared with the previous consolidated fiscal year. This was due largely to an increase in the Funds comprising 3,122 million yen in income before income taxes and 1,982 million yen in depreciation, etc. as well as a decrease in the Funds comprising 1,561 million yen in Increase in notes and accounts receivable, etc.

##### (Cash flows from investing activities)

Funds disbursed for investing activities were 6,580 million yen (3,304 million yen disbursed for the previous consolidated fiscal year). This was due largely to an increase of 8,981 million yen from sales of shares of subsidiaries and associates, etc.

##### (Cash flows from financing activities)

Funds disbursed from financing activities were 4,431 million yen, representing a 668.3% increase as compared with the previous consolidated fiscal year. This was due largely to a decrease of 3,200 million yen for purchase of treasury shares, 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, 2019 to March 31, 2020) (Millions of yen)	Comparison with the previous consolidated fiscal year (%)
Electronic materials	29,765	3.5
Industrial application structural materials	8,974	6.9
Electrical insulating materials	2,984	△4.6
Display materials	3,427	△7.4
Total of reportable segments	45,151	2.6
Other	818	11.3
Total	45,970	2.8

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, 2018 to March 31, 2019)		Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Sumitomo Shoji Chemicals Co., Ltd.	5,664	12.7	5,381	11.7

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

In the current consolidated fiscal year, we worked for the continuous growth of existing business by making the capital expenditures for improvement and expansion of production capacity mainly related to our mainstay electronic materials. At the same time, we continued an aggressive effort for the market expansion and the growth of our Group by developing new products that anticipated changes in markets 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, electrical insulating materials, and display materials, we look forward to further growth and we will continue to develop new products and to increase profitability.

Meanwhile, in the course of the current consolidated fiscal year, the new corona virus infection spread and has not been entirely contained as of this moment. Its impact is described in "II. Status of Business Factors 1. Management Policy, Management Environment and Tasks to be Addressed." Also, factors that may give material impact to operating results of our Group are described in "II. Status of Business 2. Business Risks, etc.", so please refer to it.

Analysis of financial position and operating results in the current consolidated fiscal year of our Group is as follows.

1) Analysis of Financial Conditions

(Assets)

Total assets as of the end of the current consolidated fiscal year were 71,709 million yen (73,096 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year decrease of 1,386 million yen, or 1.9%.

Balance of total current assets as of the end of the current consolidated fiscal year was 42,722 million yen (35,577 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 7,145 million yen, or 20.1%. This was due largely to an increase of 6520 million yen in cash and deposits by the share transfer, etc. of Polatechno Co., Ltd., which was an affiliate company.

Balance of total non-current assets as of the end of the current consolidated fiscal year was 28,986 million yen (37,518 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year decrease of 8,531 million yen, or 22.7%. This was due largely to a decrease of 8935 million yen in investment securities by the share transfer of Polatechno Co., Ltd., which was an affiliate company.

(Liabilities)

Total liabilities as of the end of the current consolidated fiscal year were 22,691 million yen (19,633 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 3,057 million yen, or 15.6%.

Balance of total current liabilities as of the end of the current consolidated fiscal year was 18,425 million yen (16,172 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 2,252 million yen, or 13.9%. This was due largely to an increase of 3127 million yen in income taxes payable, etc. by the profit from sales of shares of Polatechno Co., Ltd.

Balance of total non-current liabilities as of the end of the current consolidated fiscal year was 4,265 million yen (3,461 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year decrease of 804 million yen, or 23.2%. This was due largely to an increase of 1,302 million yen in long-term loans payable.

(Net assets)

Total net assets as of the end of the current consolidated fiscal year were 49,018 million yen (53,462 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 4,443 million yen, or 8.3%. This was due largely to an increase of 3200 million yen by the acquisition of treasury stock.

## 2) Analysis of Results of Operations

### (Net sales)

Net sales for the current consolidated fiscal year were 45,970 million yen (44,728 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 1,241 million yen, or 2.8%. Cost of sales was 38,224 million yen (36,607 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 1,616 million yen and signifying a 1.3 percentage point deterioration in the ratio of cost of sales to 83.1% our thoroughgoing efforts to cut costs.

As a result, gross profit was 7,745 million yen (8,121 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 375 million yen and signifying a 1.3 percentage point decrease in the ratio of gross profit to 16.9%.

### (Operating income or loss)

Total selling, general and administrative expenses for the current consolidated fiscal year were 4,983 million yen (5,001 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 17 million yen and signifying a 0.4 percentage point decrease in the ratio of selling, general and administrative expenses to 10.8% in our thoroughgoing efforts to cut costs.

As a result, operating income was 2,762 million yen (3,119 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 357 million yen and signifying a 1.0 percentage point decrease in the ratio of operating profit to 6.0%.

### (Ordinary income or loss)

Total non-operating income for the current consolidated fiscal year was 745 million yen (1,508 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 762 million yen. This was due largely to the posting of 327 million yen in interest income. Total non-operating expenses were 724 million yen (330 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 393 million yen. This was due largely to the posting of 138 million yen in loss on redemption of investment securities and 134 million yen in foreign exchange losses.

As a result, ordinary income was 2,783 million yen (4,297 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 1,514 million yen and signifying a 3.5 percentage point decrease in the ratio of ordinary profit to 6.1%.

### (Income or loss before income taxes)

Total extraordinary income for the current consolidated fiscal year was 1,310 million yen (113 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 1,197 million yen. This was due largely to the posting of 1,294 million yen in gain on sales of investment securities. Total extraordinary losses were 971 million yen (194 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 776 million yen. This was due largely to an increase of 379 million yen in impairment loss and 248 million yen in loss on valuation of investment securities.

As a result, income before income taxes was 3,122 million yen (4,215 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 1,093 million yen and signifying a 2.6 percentage point decrease in the ratio of profit before income taxes to 6.8%.

### (Profit or loss attributable to owners of the parent)

Total income taxes for the current consolidated fiscal year were 2,678 million yen (1,066 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 1,612 million yen. As the bottom line, profit attributable to owners of the parent for the current consolidated fiscal year was 212 million yen (2,861 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 2,648 million yen and signifying a 5.9 percentage point decrease in the ratio of profit attributable to owners of the parent to 0.5%.

ii) Details of Analyses and Study Regarding Cash Flows and Information on Financial Resources for Capital and Liquidity of Funds

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, 2019)	Current consolidated fiscal year (As of March 31, 2020)
Equity ratio (%)	69.3	64.3
Equity ratio on a mark-to-market basis (%)	39.3	37.2
Ratio of interest-bearing liabilities to cash flows (Years)	2.7	1.7
Interest coverage ratio (Times)	34.2	76.5

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

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

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

Interest coverage ratio: Operating cash flows / Interest paid

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.

1) 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".

2) 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 6.0% (representing a 1.0 point deterioration as compared with the previous year) and the Return on Assets is 0.3% (representing a 3.6% point deterioration as compared with the previous year). We intend to continue further improvement of such indicators.

iii) Significant Accounting Estimates and Assumptions Used in Making Such 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. (1) Consolidated Financial Statements Notes ", 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.

This application shows an impairment loss of 475 million yen as extraordinary losses in manufacturing facilities (including land, buildings, etc.) of the consolidated subsidiaries in the current consolidated fiscal year.

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.

This study shows an impairment loss of goodwill of 175 million yen, and there is no balance of goodwill as of the end of the current consolidated fiscal year.

Note that the impact of the new corona virus infection is described in “Additional Information” of “V. Status of Accounting 1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements Notes.”

#### **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. Protec Arisawa Europe, S.A., Protec Arisawa America, Inc. 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 179 employees involved in research and development activities, and our total research and development expenses incurred in the current consolidated fiscal year amounted to 2,074 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**

Further sophistication of electronic devices typified by smartphones is under way as density of electronic circuits are increasing due to miniaturization. Along with this miniaturization, insulation reliability under environment harsher than before is required for coverlays and adhesive sheets to protect circuits. In order to deal with this challenge, by means of our original technology for resin composition, we developed the products excellent in insulation reliability with the highest standard in the industry. Now the evaluation of them for certification is being conducted by our customers.

###### **- In-car electronic materials**

Further adoption of materials for flexible printed circuit boards is under consideration for the purpose of weight reduction and downsizing of electronic materials in automobiles that are being electrified. Flexible copper-clad boards laminated with thick copper foil are necessary in circuit boards to support high current. Those could not be produced in the conventional manufacturing facilities, but now can be produced with stable quality by improving the facilities with our original idea. Now the evaluation of them for certification is being conducted by our customers.

As IC (integrated circuit) power modules to be installed become more miniaturized and energy saving, high heat dissipating adhesive sheets are necessary to dissipate the heat generated by IC effectively. We have a wide variety of adhesive sheets excellent in insulation reliability and heat dissipation property, and their adoption is expanding. Now we are working on the further improvement of heat dissipation property.

Research and development expenses incurred with respect to electronic materials amounted to 1,367 million yen.

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

###### **- Materials for aircrafts**

In recent years, weight of aircrafts has been reduced with light and strong carbon-fiber components for the purpose of improving fuel efficiency. Woven fabrics used with carbon fiber are adopted for main structural members for aircrafts such as fuselages, wings, etc., wall materials of airframe's interior combined with the flame-retardant feature by means of our unique technology for resin compounding, and carbon-fiber honeycomb components for partition materials and main structural members.

Demand for aircrafts is expected twice as much as today at around 2040, and the Company is promoting the

development of technology for further weight reduction while suppressing costs by way of our original weaving technology and fire retardation technology.

- Disaster prevention related structural members

As natural disasters such as floods, earthquakes, and typhoons occur more frequently, buildings and structural members are being reinforced and disaster-prevention measures are being taken. CFRP cured using carbon-fiber as reinforcement fiber and impregnated with special resin is authorized for reinforcement of structural members and disaster prevention, and demand for it is increasing.

The Company satisfies demand of our customers and delivers our products by utilizing our integrated manufacturing technique from weaving to coating to make full use of special resin. In order to save lives and minimize damage caused by disasters, we will also concentrate on this field and continue with development of materials to contribute to society.

- Water treatment FRP pressure vessels

Our FRP pressure vessels have been used widely for water treatment such as seawater desalination. Especially demand for non-draining is increasing for environmental loading reduction in recent years. The Company successfully developed high pressure vessels of high reliability used for its system with our consolidated subsidiaries, Protec Arisawa Europe, S.A. and Protec Arisawa America, Inc. We will work on developing products to contribute to water resources and environmental loading reduction.

Research and development expenses incurred with respect to composite materials amounted to 335 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.

Until now, they are increasingly adopted for the use of ophthalmology and brain surgery in addition to endoscopic surgery. We will start to develop new products considering expansion to remote medical care and remote construction with the development of 5G high-speed communication technology in the future. Research and development expenses incurred with respect to display materials amounted to 343 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 2,168 million yen in the current consolidated fiscal year.

The principal component of our capital investment in the current consolidated fiscal year was 1,474 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, 2020

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 <sup>2</sup> )	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,	411,334	101,174	55,202 (18,240)	38,762	25,281	631,755	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	2,257,624	1,144,324	292,057 (114,611)	—	175,911	3,869,918	427 (107)
Nakadahara-Nishi Factory (Joetsu-shi, Niigata)	Industrial application structural materials, Display materials	Industrial application structural materials, Display materials manufacturing facilities	192,892	1,003,931	362,485 (34,515)	—	17,607	1,576,916	56 (3)
Head Office (Joetsu-shi, Niigata)	Head office (Common)	Other facilities	641,179	6,213	103,504 (29,209)	—	47,533	798,431	32 (11)
Tokyo Branch Office (Taito-ku, Tokyo)	Electronic materials, Industrial application structural materials, Electrical insulating materials, Display materials, Other, Head office (Common)	Other facilities	140,920	3,307	298,820 (577)	4,177	23,656	470,881	40 (—)

## (2) Domestic Subsidiaries

As of March 31, 2020

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 <sup>2</sup> )	Lease assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	
Satosan Co., Ltd.	--- (Osaka-shi, Osaka)	Electronic materials,	Electronic materials manufacturing	148,886	0	291,900 (4,373)	—	391	441,178	86 (54)
Arisawa Fiber Glass Co., Ltd.	--- (Joetsu-shi, Niigata)	Electronic materials, Electrical insulating materials	Electronic materials manufacturing facilities, Electrical insulating materials manufacturing facilities	263,501	206,851	117,197 (34,706)	64,801	5,304	657,656	81 (22)
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	235,398	43,550	252,604 (42,229)	—	15,085	546,639	106 (34)
Arisawa Jushi Kogyo Co., Ltd.	--- (Kawaguchi-shi, Saitama)	Electrical insulating materials	Electrical insulating materials manufacturing facilities	54,154	64,896	31,561 (2,407)	—	11,708	162,321	19 (2)
ColorLink Japan, Ltd.	--- (Joetsu-shi, Niigata)	Display materials	Display materials manufacturing facilities	88,637	0	43,158 (4,109)	—	269	132,064	74 (21)

## (3) Overseas Subsidiaries

As of March 31, 2020

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 <sup>2</sup> )	Lease assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	
ThinFlex Corporation	--- (Kaohsiung County, Taiwan)	Electronic materials	Electronic materials manufacturing facilities	1,111,112	1,075,894	-	442,616 (See Note 4)	247,747	2,877,371	228 (—)
TopFlex Corporation	--- (Kunshan City, P.R. China)	Electronic materials	Electronic materials manufacturing facilities	235,360	115,926	-	40,644 (See Note 4)	13,820	405,753	139 (—)
Protec Arisawa Europe, S.A.	--- (Munguia, Spain)	Industrial application structural materials	Industrial application structural materials manufacturing facilities	83,489	144,986	29,163 (8,891)	-	8,450	266,089	73 (26)
Protec Arisawa America, Inc.	--- (Vista, CA, U.S.A.)	Industrial application structural materials	Industrial application structural materials manufacturing facilities	8,044	50,922	-	-	29,193	88,160	37 (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, 21 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.
4. The land-use rights, 331,424 thousand yen (39,265m<sup>2</sup>) and 40,644 thousand yen (30,136m<sup>2</sup>), are included in the lease assets of ThinFlex Corporation and TopFlex Corporation.
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.	Myoko-shi, Niigata	Electronic materials	Electronic materials manufacturing facilities	194,000	—	Own funds	April2020	October2020	—

- 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, 2020)	Number of shares issued and outstanding as of the filing date of the Financial Report (As of June 26, 2020)	Name of financial instruments exchange where the shares are listed or authorized financial instruments firms association where the shares are registered	Remarks
Common stock	36,381,524	36,383,024	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	36,381,524	36,383,024	---	---

Note: The number of shares issued through the exercise of stock acquisition rights in the period from June 1, 2020 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 Companies Act were as follows.

Date of resolution	June 26, 2015	June 24, 2016
Category and number of persons to whom stock acquisition rights shall be granted	5 directors of the Company, 176 employees of the Company, and 21 directors and employees of subsidiaries of the Company	5 directors of the Company, 187 employees of the Company, and 14 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	1,538 [1,525]	1,558 [1,533]
Class, contents and number of shares subject to stock acquisition rights	Common stock 153,800 [152,500]	Common stock 155,800 [153,300]
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	867 (See Note 1)	536 (See Note 1)
Exercise period for stock acquisition rights ※	July 1, 2017 through June 30, 2020	July 1, 2018 through June 30, 2021
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) ※	Issuance price 1,035 Amount credited to equity capital 518	Issuance price 634 Amount credited to equity capital 317
Conditions for the exercise of stock acquisition rights ※2	(See Note 2)	
Matters concerning the transfer of stock acquisition rights	Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	
Matters concerning the grant of stock acquisition rights in connection with acts of reorganization	(See Note 3)	

Date of resolution	June 28, 2017	June 28, 2018
Category and number of persons to whom stock acquisition rights shall be granted	5 directors of the Company, 194 employees of the Company, and 10 directors and employees of subsidiaries of the Company	5 directors of the Company, 211 employees of the Company, and 11 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	3,086 [3,061]	3,284 [3,254]
Class, contents and number of shares subject to stock acquisition rights	Common stock 308,600 [306,100]	Common stock 328,400 [325,400]
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	1,004 (See Note 1)	1,104 (See Note 1)
Exercise period for stock acquisition rights ※	July 1, 2019 through June 30, 2022	July 1, 2020 through June 30, 2023
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) ※	Issuance price 1,035 Amount credited to equity capital 518	Issuance price 1,272 Amount credited to equity capital 636
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 27, 2019	June 25, 2020
Category and number of persons to whom stock acquisition rights shall be granted	4 directors of the Company, 208 employees of the Company, and 14 directors and employees of subsidiaries of the Company	4 directors of the Company, 147 employees of the Company, and 13 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	3,260 [3,230]	3,268
Class, contents and number of shares subject to stock acquisition rights	Common stock 326,000 [323,000]	Common stock 326,800
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	922 (See Note 1)	Undecided (See Note 1 and 4)
Exercise period for stock acquisition rights ※	July 1, 2021 through June 30, 2024	July 1, 2022 through June 30, 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 1,090 Amount credited to equity capital 545	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, 2020). 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, 2020), 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. But as for the resolution of June 25, 2020, being a director or an employee of the Company or a director or an employee of a subsidiary of the Company
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, 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
From April 1, 2019 to March 31, 2020 (See Note)	155,300	36,381,524	52,333	7,594,026	52,402	6,706,017

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

- In the period from April 1, 2020 to May 31, 2020, the number of shares issued and outstanding increased by 1,500 shares, and the amount of capital stock and that of legal capital surplus increased by 475 thousand yen respectively, all through the exercise of stock acquisition rights.

## (5) Status of Shareholder Categories

As of March 31, 2020

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	—	29	28	90	84	8	8,381	8,620	—
Number of shares held (Units except as otherwise noted)	—	122,452	9,018	35,467	61,484	92	134,547	363,060	75,524
Ratio of the number of shares held (%)	—	33.73	2.48	9.77	16.93	0.03	37.06	100.00	—

- Note:
1. Out of 3,135,830 shares of treasury stock, 31,358 units are included in the column “Individuals and others”, and 30 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, 2020

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	3,816,700	11.48
Mitsubishi Gas Chemical Company, Inc. (See Note 3)	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,472,166	4.42
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	1,435,800	4.31
INTERTRUST TRUSTEES(CAYMAN)LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	190 ELGIN AVENUE, GERGE TOWN, GRAND CAYMAN KY1-9005, CAYMAN ISLANDS 15-1, Konan 2-chome, Minato-ku, Tokyo	1,245,300	3.74
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	3.01
Arisawa Kenko Ltd.	11-44, Nishishiro-cho 3-chome, Joetsu-shi, Niigata	834,338	2.5
JAPAN SECURITIES FINANCE CO., LTD.	2-10, Kayaba-cho 1-chome, Chuo-ku, Tokyo	750,000	2.25
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)	719,982	2.16
Japan Trustee Services Bank, Ltd. (Trust account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	640,100	1.92
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	1.89
Total	---	12,544,219	37.73

Note: 1. The ratio of the number of shares held to the total number of shares issued (except for treasury stock) is displayed with the numbers truncating the numbers beyond the third decimal point.

2. Apart from the above, there is the treasury stock of 3,135,830 shares that the Company holds.

3. 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)."

4. 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, 2020. 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

5. 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, 2020. 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

6. 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, 2020. 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 and one joint holder thereof  
Address : 2-5-1 Atago, Minato-ku, Tokyo  
Number of shareholdings etc. : 1,090,300  
Holding ratio of share certificates etc. : 3.01

7. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of August 15, 2019 that Strategic Capital, Inc. hold the shares described below as of August 7, 2019, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2020. 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 : Strategic Capital, Inc.  
Address : 3-14-15, Higashi, Shibuya-ku, Tokyo  
Number of shareholdings etc. : 2,279,500  
Holding ratio of share certificates etc. : 6.29

8. Though it is described in the Report on Bulk Holding available for public inspection as of December 3, 2019 that Nippon Value Investors KK hold the shares described below as of November 29, 2019, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2020. 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. : 1,822,500  
Holding ratio of share certificates etc. : 5.02



(7) Status of Voting Rights

1) Shares issued and outstanding

As of March 31, 2020

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 3,135,800	---	---
Shares with full voting rights (Other) (See Note 1)	Common stock 33,170,200	331,702	---
Shares constituting less than one full unit (See Note 2)	Common stock 75,524	---	---
Number of shares issued and outstanding	36,381,524	---	---
Total number of voting rights held by shareholders	---	331,702	---

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

2) Treasury Stock, etc.

As of March 31, 2020

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	3,135,800	---	3,135,800	8.61
Total	---	3,135,800	---	3,135,800	8.61

## 2. Status of Acquisition of Treasury Stock, etc.

[Classes of Stock, etc.]

Acquisition of common stock under the provisions of Article 155, item 3 of the Companies Act and 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

Acquisition of common stock under the provisions of Article 155, item 3 of the Companies Act

Category	Number of shares	Total amount (Yen)
Resolution of the Board of Directors (August 27, 2019) (Acquisition period: August 28, 2019 to March 24, 2019)	3,600,000	3,200,000,000
Acquisition of treasury stock prior to the current business year	—	—
Treasury stock acquired during the current business year	3,128,300	3,199,887,301
Total remaining shares with voting rights and total value	471,700	112,699
Ratio of unexercised shares as of the end of the current business year (%)	13.1	0.0
Treasury stock acquired during the current period	—	—
Ratio of unexercised shares as of the filing date (%)	13.1	0.0

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

Acquisition under the provisions of Article 155, item 7 of the Companies Act

Category	Number of shares	Total amount (Yen)
Treasury stock acquired during the current business year	152	145,774
Treasury stock acquired during the current period	—	—

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, 2020 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	3,135,830	---	3,135,830	---

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, 2020 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. We will invest for the maintenance and expansion of profitability base of existing business as well as for a strategic investment in new business, and also implement a stable and positive distribution, specifically a two-story of 20 yen of fixed dividend per share and performance-linked dividend. As for an acquisition of treasury stock, we will respond flexibly in total consideration of business environment, financial conditions, etc. and aim at a total return ratio of 60% or more.

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 488.6%.

A resolution was passed at the Board of Directors' Meeting of August 27, 2019 to set 3,600,000 shares as an upper limit of the total acquisition share and 3,200 million yen as an upper limit of the total acquisition cost, and we acquired treasury stocks of 3,128,300 shares and total 3,199 million yen by October 30, 2019.

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 25, 2020	997,370	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 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 or extraordinary meetings of the Board of Directors as well as the regular 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 regular 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 three (3) 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 whistle-blower 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.

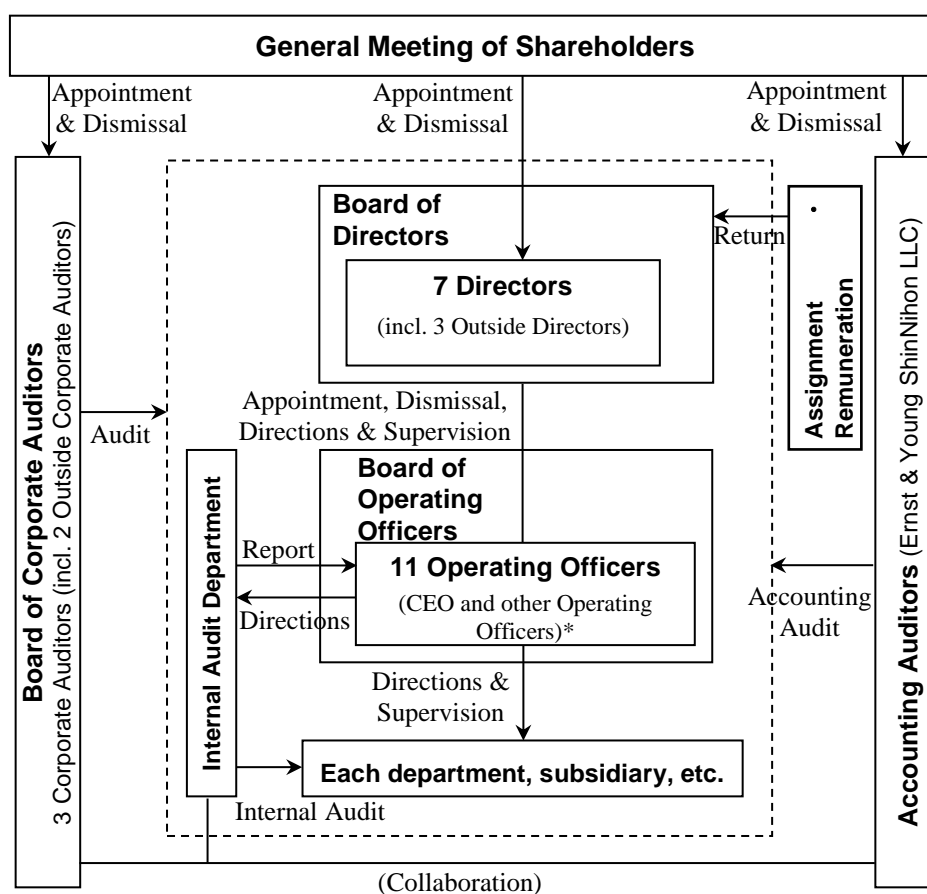
j. System to ensure credibility of financial reporting

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.

10) Basic Policy for the Control of Kabushiki-Kaisha

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

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

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

b. Efforts to prevent inappropriate persons from controlling the Company's financial and business policymaking

The Company resolved at the Board of Directors' Meeting of May 30, 2019 not to continue the protective measures to address largescale acquisitions of the Company's shares (Takeover defensive measures)

that would expire as of the end of the 71st Ordinary General Meeting of Shareholders held on June 27, 2019.

Since then, we carefully considered measures to increase the corporate value and the common interests of the shareholders including new ways against inappropriate acquisition, etc. that would impair the corporate value. From now on, as we make an effort to maximize the corporate value more than ever, we intend to oppose to purchases that would impair the corporate value by increasing the transparency of management decision process with the making of a medium-term management plan that sets forth the improvement of profitability capital efficiency.

- c. Amendment to the provisions of Articles of Incorporation with regard to the protective measures to address large-scale acquisitions of the Company's shares (Takeover defensive measures)

The Company resolved at the 72nd Ordinary General Meeting of Shareholders held on June 25, 2020 to delete the Articles of Incorporation Chapter 7 Takeover Defense Measures (the Introduction of Takeover Defense Measures) Article 41 regarding takeover defense measures. Note that we will work on an adequate collection of information and its disclosure in a timely and appropriately manner to secure the Company's corporate value and the common interests of the shareholders when a large-scale purchase of the Company's shares is made.



## (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 CEO	Yuta Arisawa	July 25, 1969	<p>April 1992 Joined Mitsubishi Electric Corporation</p> <p>February 2002 Joined JPMorgan Securities Japan Co., Ltd.</p> <p>August 2003 Joined the Company</p> <p>April 2007 Assistant General Manager, Manufacturing Dept.</p> <p>April 2009 Operating Officer of the Company</p> <p>June 2010 Director and Senior Operating Officer of the Company</p> <p>June 2011 Director and Senior Managing Operating Officer of the Company</p> <p>June 2014 President, Representative Director of the Company</p> <p>June 2015 Chief Operating Officer (COO) of the Company</p> <p>June 2017 Chief Executive Officer (CEO) of the Company (Current)</p>	See Note 4	90,730
Director Division Chief, Electrical Insulating and Composite Materials Business Div.	Yoshihiko Toda	January 24, 1958	<p>March 1981 Joined the Company</p> <p>July 1996 General Manager, Tokyo Branch Office</p> <p>June 2008 President and Representative Director of Arisawa Jushi Kogyo Co., Ltd. (Current)</p> <p>June 2008 Operating Officer of the Company</p> <p>June 2014 Director and Senior Operating Officer of the Company</p> <p>May 2017 President and Representative Director of Arisawa Fiber Glass Co., Ltd. (Current)</p> <p>June 2017 Director and Senior Managing Operating Officer of the Company (Current)</p>	See Note 4	50,967
Director Senior Operating Officer supervising Electronic Materials Sales Dept.; Division Chief, Electronic Materials Business Div.	Osamu Nakajima	June 5, 1965	<p>April 1989 Joined Mitsui &amp; Co., Ltd.</p> <p>May 2011 Department Manager, Solar Business Div., Functional Chemicals Business Unit of Mitsui &amp; Co., Ltd.</p> <p>April 2013 Department Manager, Advanced Materials Div., Functional Chemicals Business Unit of Mitsui &amp; Co., Ltd.</p> <p>July 2014 Department Manager, Business Development Div., Basic Chemicals Business Unit of Mitsui &amp; Co., Ltd.</p> <p>October 2015 Joined the Company as Operating Officer</p> <p>June 2016 Director and Senior Operating Officer of the Company (Current)</p>	See Note 4	15,090
Director Senior Operating Officer supervising Manufacturing and Administration Dept.; Division Chief, Manufacturing Engineering Div., General Affairs and Analysis Center	Hidetaka Nonami	May 30, 1958	<p>April 1983 Joined Toshiba Corporation</p> <p>April 2000 Vice President of Toshiba America Business Solutions, Inc.</p> <p>April 2003 General Manager, MFP Business Division, Document Processing &amp; Telecommunication System Company of TOSHIBA TEC CORPORATION</p> <p>April 2011 General Manager, Emerging Countries Division, Global Solutions Business Group of TOSHIBA TEC CORPORATION</p> <p>June 2012 Vice President, Chief Marketing Executive, Global Solutions Business Group of TOSHIBA TEC CORPORATION</p> <p>April 2015 Vice President, Deputy Managing Director, Printing Solutions Business Group of TOSHIBA TEC CORPORATION</p> <p>July 2016 Audit &amp; Supervisory Board Member of TOSHIBA TEC CORPORATION</p> <p>September 2016 Joined the Company as Assistant Division Chief, Administration Division</p> <p>September 2016 Operating Officer, Deputy Division Chief, Administration Division; in charge of General Affairs Dept., Manufacturing Engineering Dept. and Quality Assurance Dept. of the Company</p> <p>June 2017 Director and Senior Operating Officer of the Company (Current)</p>	See Note 4	2,119

Title	Name	Date of birth	Career summary	Term	Number of shares of the Company held
Director	Yutaka Tsukahara	December 21, 1945	<p>April 1968 Joined Fuji Heavy Industries Ltd. (currently Subaru Corporation)</p> <p>June 1999 Vice President and Senior General Manager, Japan Sales &amp; Marketing Div. of Fuji Heavy Industries Ltd.</p> <p>June 2001 Senior Vice President and Chief General Manager, Japan Region, Subaru Sales &amp; Marketing Div. of Fuji Heavy Industries Ltd.</p> <p>June 2003 Senior Vice President and Chief General Manager, Subaru Product &amp; Portfolio Planning Div. of Fuji Heavy Industries Ltd.</p> <p>May 2005 President and Representative Director of Tokyo Subaru Inc.</p> <p>June 2017 Director of the Company (Current)</p>	See Note 4	2,000
Director	Koji Nakamura	August 15, 1948	<p>April 1973 Joined Mitsui &amp; Co., Ltd.</p> <p>April 2004 Managing Officer; Chief Operating Officer of Synthetic Resins and Inorganic Chemicals Business Unit</p> <p>April 2006 Executive Managing Officer; Chief Operating Officer of Chemicals Business Unit II</p> <p>April 2009 Senior Executive Managing Officer; Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit</p> <p>March 2011 Retired as Senior Executive Managing Officer</p> <p>August 2011 Audit &amp; Supervisory Board Member, SANKO Co., Ltd. (current)</p> <p>August 2016 Outside Director, Sanko Gosei Ltd. (current)</p> <p>June 2020 Director of the Company (Current)</p>	See Note 5	---
Director	Kazuo Abiko	January 22, 1947	<p>November 1978 Joined Associated Press</p> <p>May 1985 Deputy General Manager of Tokyo Studio</p> <p>July 2001 President, Foreign Correspondents' Club of Japan</p> <p>April 2004 General Manager of Tokyo Bureau, Associated Press</p> <p>July 2007 General Manager for Northeast Asia</p> <p>February 2010 Advisor</p> <p>July 2018 Auditor, Foreign Correspondents' Club of Japan (current)</p> <p>June 2020 Director of the Company (Current)</p>	See Note 5	---
Full-time Corporate Auditor	Koji Ohta	February 9, 1955	<p>March 1973 Joined the Company</p> <p>July 2002 Group Leader, Accounting Group, General Affairs Dept.</p> <p>July 2004 General Manager, General Affairs Dept.</p> <p>June 2012 Full-time Corporate Auditor of the Company (Current)</p>	See Note 6	1,921
Corporate Auditor	Koichiro Tanaka	July 6, 1965	<p>October 1987 Joined Tohmatsu Aoki &amp; Sanwa (presently Deloitte Touche Tohmatsu LLC)</p> <p>March 1991 Registered as Certified Public Accountant</p> <p>August 1998 Resident Representative of Dalian Office, U.S. Deloitte Touche Tohmatsu (Office Head)</p> <p>September 2002 Managing Director of the Japanese Operations Department in South China of Shenzhen Office in China, Deloitte Touche Tohmatsu Limited</p> <p>December 2003 Director and Executive Officer; Partner supervising China Business and in charge of Public Communication, Corporate Finance Department of Deloitte Touche Tohmatsu (presently Deloitte Tohmatsu Financial Advisory LLC)</p> <p>June 2014 Retired from Deloitte Touche Tohmatsu LLC</p> <p>July 2014 Established Tanaka Sogo Accountant Office, Representative Director (current)</p> <p>March 2017 Outside Corporate Auditor, ODAWARA ENGINEERING CO., LTD. (current)</p> <p>June 2018 Auditor, Japan Automobile Research Institute (current)</p> <p>June 2020 Corporate Auditor of the Company (Current)</p>	See Note 6	1,000
Corporate Auditor	Koichi Yokota	March 3, 1970	<p>November 1996 Registered as Certified Public Tax Accountant</p> <p>April 2003 Director, Takada Branch of Kanto-Shinetsu Certified Public Tax Accountant's Association</p> <p>January 2004 Head, Yokota Accountant Office (current)</p> <p>April 2019 General Manager, Takada Branch of Kanto-Shinetsu Certified Public Tax Accountant's Association (current)</p> <p>June 2020 Corporate Auditor of the Company (Current)</p>	See Note 6	---
					Total: 163,827

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 2020 through the said stock ownership plan is yet to be confirmed as of the filing date of this Financial Report (June 26, 2020), the number of shares beneficially owned by each of the persons listed above as of May 31, 2020 is stated.

2. Among the Directors, Yutaka Tsukahara, Koji Nakamura and Kazuo Abiko 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, Koichiro Tanaka and Koichi Yokota 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 25, 2020 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2021.
6. From the closing of the Ordinary General Meeting of Shareholders held on June 25, 2020 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2024.
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 General Affairs Dept. and Human Capital Dept.; Deputy Division Chief, Administration Div.
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: Hiroshi Hayatsu as a substitute for Koji Ohta, Full-time Corporate Auditor, and Hideyuki Baba as a substitute for the Outside Corporate Auditors, i.e. Koichiro Tanaka and Koichi Yokota. 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
Hiroshi Hayatsu	March 13, 1957	April 1975 Joined the Company April 2001 Leader of Information System Group May 2010 General Manager of Human Capital Dept. April 2012 General Manager of General Affairs Dept. March 2017 Resigned from the Company	1 year	1,767
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

- 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.
- While Koji Nakamura, an Outside Director, is a former senior executive managing officer of Mitsui & Co., Ltd., the said person is no longer involved in execution of the said company's business. Moreover, 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
- There is no capital relationship, business relationship or any other interests existing between Kazuo Abiko, 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.
- As described in "1) Directors and Officers", the number of the Company's shares owned by Koichiro Tanaka, an Outside Corporate Auditor, is minimal. Therefore, there is no capital relationship, business relationship or any other interests existing between Koichiro Tanaka, an Outside Corporate Auditor, and the Company, and we believe there is no possibility of conflict of interest between the said person as an Outside Corporate Auditor and the general shareholders of the Company.
- Koichi Yokota, an Outside Corporate Auditor, is a head of Yokota Accountant Office, and there is no capital relationship, business relationship or any other interests existing between the said office or person and the Company, and we believe there is no possibility of conflict of interest between the said person as an Outside Corporate Auditor and the general shareholders of the Company.

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 three (3) 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 Yutaka Tsukahara, Koji Nakamura and Kazuo Abiko, as well as the Outside Corporate Auditor Koichiro Tanaka and Koichi Yokota 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 regular 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.

The meetings of the Board of Corporate Auditors were held eight times for the current business year, and the attendance records of each auditor is as follows.

Name	The Number of Meetings	The Number of Attendances
Koji Ohta	Eight (8) times	Eight (8) times
Koichi Sakai	Eight (8) times	Eight (8) times
Shinjiro Kawai	Eight (8) times	Eight (8) times

The main issues for consideration by the Board of Corporate Auditors are an audit plan, an audit approach and assignment, important matters regarding the audit during the period, other matters regarding an execution of the Auditors, etc.

Note that activities of the Full-time Corporate Auditor are to understand and report to the Board of Corporate Auditors the status of the Company and the content of audit by attending at the meetings of the Board of Directors and other important meetings and exchanging information with the internal audit division, the accounting auditors, etc.

#### 2) Status of Internal Audit

As the internal audit division, three (3) 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. Continuous Audit Period

From 1985 on

This is as far as the Company could find with its investigation, and it might be before the above.

c. CPA who executed the audit work

Akira Igarashi

Eishi Daikoku

d. 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 Six (6) certified public accountants and eleven (11) others.

e. Policy and reason for the selection of Audit Corporation

The Board of Corporate Auditors examines whether Accounting Auditors maintain an independent standpoint and conduct an appropriate audit and decides on the suitability of reappointment to ensure appropriateness and credibility of financial reporting based on the evaluation in accordance with the following "Policy on Decisions on Dismissal or Non-reappointment of the Accounting Auditors" and the evaluative standard established by the Board of Corporate Auditors. As a result of that, it decided that it was unnecessary not to reappoint the above Audit Corporation.

(Policy on Decisions on Dismissal or Non-reappointment of the Accounting Auditor)

If the accounting auditors is found to fall under each item of Article 340, paragraph 1 of the Companies Act, our Board of Corporate Auditors dismisses the accounting auditors based on the unanimous approval from the Board of Corporate Auditors.

Besides that, if it deems it necessary because there is difficulty to conduct an appropriate audit due to an occurrence of causes, etc. to impair an independence and appropriateness of Audit Corporation, the Board of Corporate Auditors decides on and suggests at the General Meeting of Shareholders details of a resolution regarding dismissal or non-reappointment of the accounting auditors.

f. 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

##### 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	35,100	—	36,350	—
Consolidated subsidiaries	—	—	—	—
Total	35,100	—	36,350	—

##### b. Remuneration of the same network (Ernst & Young) as Auditing Certified Public Accountants (except for a.)

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	35,100	—	36,350	—
Consolidated subsidiaries	—	—	—	—
Total	35,100	—	36,350	—

##### c. Details of other significant remuneration for audit and attestation services

No applicable matter

##### d. 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.

##### e. 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 basic fixed remuneration, performance-based remuneration and stock option remuneration. We calculate annual remuneration, according to their positions concerning the basic 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.

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 based on performance of each division.

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 62nd 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 26, 2020) 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 Assignment and Remuneration Advisory Committee is set up as an advisory body to the Board of Directors.

A chairman of the Assignment and 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.

The Board of Directors will deliberate and determine, in accordance with the contents of return from the Assignment and 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. Note that an individual amount of remuneration is an amount of remuneration with performance-based remuneration for the inside directors except President added.



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)	177,926	167,468	10,458	5
Corporate Auditors (excluding Outside Corporate Auditors)	13,032	13,032	—	1
Outside Directors and Outside Corporate Auditors	13,152	13,152	—	4

(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 2018. And the amounts which were paid evenly during the fiscal year of 2019 are stated above.

## (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 2020, the Company verified status of shareholding, risk returns, importance of business and comprehensive meaning of shareholding, with respect to all shares (23 stock names) held as Cross-shareholdings, and decided to sell the shares of total three (3) stock names, which are one (1) stock name that was judged to have no meaning of shareholding and two (2) stock names that were decided to be sold during the current period.

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	12	1,838,032

(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	—	—	—
Stock other than unlisted stock	—	—	—

(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	—	—
Stock other than unlisted stock	5	70,520

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)		
Mitsubishi Gas Chemical Company, Inc.	333,000	333,000	Purpose of shareholding: As the said company's group is a main customer of electronic materials products, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : (Note)2	Yes
	391,608	525,807		
Mitsubishi Electric Corporation	275,000	275,000	Purpose of shareholding: As the said company's group is a main customer of electronic materials products, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : (Note)2	Yes
	367,125	391,187		
Fujikura Ltd.	823,500	823,500	Purpose of shareholding: As the said company's group is a main customer of electronic materials products, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : (Note)2	Yes
	257,755	343,399		
The Hachijuni Bank, Ltd.	581,113	581,113	Purpose of shareholding: As the said bank is a source of fund and provider of financial services, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : (Note)2	Yes
	227,215	266,730		

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	278,400	297,400	Purpose of shareholding: It is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts by establishing business relations with the introduction of the said company's inspection technology, etc. Quantitative effect of shareholding : As a result of verifying the reasonableness of holding, we intend to sell the shares because of its poor effectiveness. Note that we sold part of them in the current business year.	No
	204,624	551,379		
NOK Corporation	132,700	132,700	Purpose of shareholding: As the said company's group is a main customer of electronic materials products, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : (Note)2	Yes
	158,311	228,642		
Daishi Hokuetsu Financial Group, Inc.	49,962	49,962	Purpose of shareholding: As the said bank is a source of fund and provider of financial services, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : (Note)2	No (Note)3
	118,060	156,131		
Kaneka Corporation	30,000	30,000	Purpose of shareholding: As the said bank is a source of fund and provider of financial services, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : (Note)2	Yes
	77,700	124,350		

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)		
Mitsubishi UFJ Financial Group, Inc.	62,420	62,420	Purpose of shareholding: As the said bank is a source of fund and provider of financial services, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : (Note)2	No (Note)4
	25,155	34,331		
Sumitomo Corporation	6,655	6,655	Purpose of shareholding: As the said group is a main customer of electronic materials products and a vender of raw materials, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : (Note)2	No (Note)5
	8,245	10,188		
Broadcasting System of Niigata Inc.	1,800	1,800	Purpose of shareholding: It is for the maintenance and strengthening of relations with local businesses and the improvement of future corporate value through information collection and mutual efforts. Quantitative effect of shareholding : As a result of verifying the reasonableness of holding, we intend to sell the shares at a proper time because of its poor effectiveness.	No
	2,061	1,944		
Kobe Steel, Ltd.	515	515	Purpose of shareholding: As the said company's group is a vender of main raw materials, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : As a result of verifying the reasonableness of holding, we intend to sell the shares at a proper time because of its poor effectiveness.	No
	172	427		
Toshiba Corporation	—	10,255	As a result of verifying the reasonableness of holding, we sold all the shares in the current business year.	No
	—	36,148		
Mizuho Financial Group, Inc.	—	18,283	As a result of verifying the reasonableness of holding, we sold all the shares in the current business year.	No
	—	3,131		

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)		
Nishishiba Electric Co., Ltd.	—	17,600	As a result of verifying the reasonableness of holding, we sold all the shares in the current business year.	No
	—	2,305		
Tohoku Electric Power Co., Inc.	—	104	As a result of verifying the reasonableness of holding, we sold all the shares in the current business year.	No
	—	146		

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

- 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".
- 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.
- 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.
- 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).

(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, 2019 to March 31, 2020) and its financial statements for the current business year (From April 1, 2019 to March 31, 2020) 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, 2019)		Current consolidated fiscal year (As of March 31, 2020)	
<b>Assets</b>				
<b>Current assets</b>				
Cash and deposits	*2	8,193,697	*2	14,714,069
Notes and accounts receivable-trade	*4	16,127,374		17,697,085
Securities		1,401,188		1,558,445
Merchandise and finished goods		4,012,943		3,083,432
Work in process		1,941,748		2,017,729
Raw materials and supplies		3,378,698		3,177,428
Other		1,190,214		1,059,764
Allowance for doubtful accounts		△668,052		△585,049
Total current assets		35,577,813		42,722,906
<b>Non-current assets</b>				
<b>Property, plant and equipment</b>				
Buildings and structures		19,427,835		20,082,654
Accumulated depreciation		△13,845,280		△14,210,115
Buildings and structures, net	*2	5,582,555	*2	5,872,538
Machinery, equipment and vehicles		29,125,791		29,537,558
Accumulated depreciation		△25,210,271		△25,575,578
Machinery, equipment and vehicles, net	*2	3,915,519	*2	3,961,980
Land	*2	1,949,718	*2	1,877,655
Construction in progress		121,693		291,586
Other		2,400,451		3,022,196
Accumulated depreciation		△1,971,483		△2,100,819
Other, net	*2	428,967	*2	921,376
Total property, plant and equipment		11,998,454		12,925,137
<b>Intangible assets</b>				
Goodwill		219,309		—
Other		175,923		225,017
Total intangible assets		395,233		225,017
<b>Investments and other assets</b>				
Investment securities	*1	23,142,852	*1	14,207,192
Long-term loans receivable		218,024		214,352
Net defined benefit asset		15,289		16,579
Deferred tax assets		535,679		861,196
Other	*2	1,356,575	*2	674,765
Allowance for doubtful accounts		△143,823		△137,662
Total investments and other assets		25,124,598		15,836,423
Total non-current assets		37,518,286		28,986,578
Total assets		73,096,100		71,709,484



(Thousands of yen)

		Previous consolidated fiscal year (As of March 31, 2019)		Current consolidated fiscal year (As of March 31, 2020)
<b>Liabilities</b>				
<b>Current liabilities</b>				
Notes and accounts payable-trade	*4	6,105,195		6,916,079
Current portion of bonds		36,800		36,800
Short-term loans payable	*2, *3	5,394,122	*2, *3	4,866,202
Current portion of long-term loans payable	*2	779,820	*2	187,669
Lease obligations		17,535		60,138
Income taxes payable		300,788		3,428,200
Provision for bonuses		510,407		570,517
Provision for directors' bonuses		3,957		4,793
Other	*4	3,024,295		2,355,419
<b>Total current liabilities</b>		<b>16,172,921</b>		<b>18,425,820</b>
<b>Non-current liabilities</b>				
Bonds payable		128,000		91,200
Long-term loans payable	*2	1,265,465	*2	2,567,816
Lease obligations		13,201		391,672
Deferred tax liabilities		1,074,271		236,866
Net defined benefit liability		626,885		738,606
Asset retirement obligations		92,502		92,310
Other		260,723		147,024
<b>Total non-current liabilities</b>		<b>3,461,049</b>		<b>4,265,495</b>
<b>Total liabilities</b>		<b>19,633,971</b>		<b>22,691,316</b>
<b>Net assets</b>				
<b>Shareholders' equity</b>				
Capital stock		7,541,693		7,594,026
Capital surplus		6,653,615		6,706,017
Retained earnings		35,130,363		34,256,590
Treasury stock		△4,764		△3,204,797
<b>Total shareholders' equity</b>		<b>49,320,907</b>		<b>45,351,837</b>
<b>Accumulated other comprehensive income</b>				
Valuation difference on available-for-sale securities		745,120		448,970
Deferred gains or losses on hedges		443		△1,311
Foreign currency translation adjustment		707,571		478,798
Remeasurements of defined benefit plans		△147,916		△141,260
<b>Total accumulated other comprehensive income</b>		<b>1,305,219</b>		<b>785,197</b>
Share acquisition rights		144,419		166,148
Non-controlling interests		2,691,582		2,714,984
<b>Total net assets</b>		<b>53,462,129</b>		<b>49,018,167</b>
<b>Total liabilities and net assets</b>		<b>73,096,100</b>		<b>71,709,484</b>

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, 2018 to March 31, 2019)		Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)	
Net sales		44,728,243		45,970,001
Cost of sales	*1, *2	36,607,194	*1, *2	38,224,015
Gross profit		8,121,049		7,745,986
Selling, general and administrative expenses				
Freightage and packing expenses		713,508		718,576
Salaries and allowances		1,407,937		1,524,596
Provision for bonuses		104,273		128,247
Provision for directors' bonuses		3,957		4,793
Provision for retirement benefits		69,002		76,213
Provision of allowance for doubtful accounts		61,311		5,888
Other		2,641,496		2,525,606
Total selling, general and administrative expenses	*1	5,001,486	*1	4,983,921
Operating income		3,119,562		2,762,064
Non-operating income				
Interest income		336,000		327,172
Dividends income		101,318		104,317
Share of profit of entities accounted for using equity method		558,090		—
Foreign exchange gains		160,081		—
Rent income		141,079		115,153
Other		212,414		199,348
Total non-operating income		1,508,984		745,991
Non-operating expenses				
Interest expenses		81,880		97,422
Loss on redemption of investment securities		62,541		138,830
Foreign exchange losses		—		134,442
Rent expenses		63,473		93,113
Provision of allowance for doubtful accounts		48,687		97,760
Other		74,307		163,233
Total non-operating expenses		330,890		724,804
Ordinary income		4,297,655		2,783,251
Extraordinary income				
Gain on sales of non-current assets	*3	33,719	*3	265
Gain on sales of investment securities		65,010	*4	1,294,172
Other		14,374		16,422
Total extraordinary income		113,104		1,310,859
Extraordinary losses				
Impairment loss	*5	96,725	*5	475,811
Impairment loss of goodwill		—	*5	175,447
Loss on valuation of investment securities		45,000		293,587
Other		53,231		26,828
Total extraordinary losses		194,956		971,674
Income before income taxes		4,215,803		3,122,437
Income taxes – current		862,516		3,698,729
Income taxes – deferred		204,008		△1,020,085
Total income taxes		1,066,525		2,678,644
Profit		3,149,278		443,792
Profit attributable to non-controlling interests		287,899		231,000
Profit attributable to owners of the parent		2,861,378		212,792

[Consolidated Statements of Comprehensive Income]

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Profit	3,149,278	443,792
Other comprehensive income		
Valuation difference on available-for-sale securities	△469,322	△296,163
Deferred gains or losses on hedges	443	△1,755
Foreign currency translation adjustment	△384,361	△134,015
Remeasurements of defined benefit plans, net of tax	22,493	△27,799
Share of other comprehensive income of entities accounted for using equity method	△117,745	△101,311
Total other comprehensive income	* △948,493	* △561,044
Comprehensive income	2,200,785	△117,251
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,047,009	△307,229
Comprehensive income attributable to non-controlling interests	153,776	189,977

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

Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	7,541,693	6,653,615	35,130,363	△4,764	49,320,907
Changes of items during the period					
Issuance of new shares	52,333	52,402			104,735
Dividends from surplus			△1,086,565		△1,086,565
Profit attributable to owners of the parent			212,792		212,792
Purchase of treasury stock				△3,200,033	△3,200,033
Net changes of items other than shareholders' equity					
Total changes of items during the period	52,333	52,402	△873,773	△3,200,033	△3,969,070
Balance at end of current period	7,594,026	6,706,017	34,256,590	△3,204,797	45,351,837

	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	745,120	443	707,571	△147,916	1,305,219	144,419	2,691,582	53,462,129
Changes of items during the period								
Issuance of new shares								104,735
Dividends from surplus								△1,086,565
Profit attributable to owners of the parent								212,792
Purchase of treasury stock								△3,200,033
Net changes of items other than shareholders' equity	△296,149	△1,755	△228,773	6,656	△520,021	21,729	23,401	△474,890
Total changes of items during the period	△296,149	△1,755	△228,773	6,656	△520,021	21,729	23,401	△4,443,961
Balance at end of current period	448,970	△1,311	478,798	△141,260	785,197	166,148	2,714,984	49,018,167

## 4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Income before income taxes	4,215,803	3,122,437
Depreciation	1,901,582	1,982,964
Impairment loss	96,725	475,811
Impairment loss of goodwill	—	175,447
Amortization of goodwill	58,482	43,861
Share-based compensation expenses	53,638	55,402
Increase (decrease) in provision for product warranties	△82	79
Increase (decrease) in provision for bonuses	△87,853	60,109
Increase (decrease) in provision for directors' bonuses	△1,999	836
Increase (decrease) in allowance for doubtful accounts	109,999	103,649
Increase (decrease) in net defined benefit liability	55,693	71,720
Interest and dividends income	△437,318	△431,489
Interest expenses	81,880	97,422
Foreign exchange losses (gains)	△21,172	10,569
Share of (profit) loss of entities accounted for using equity method	△558,090	52,281
Loss (gain) on sales of investment securities	△64,987	△1,291,341
Loss on compensation for damage	3,876	—
Loss (gain) on valuation of investment securities	45,000	293,587
Loss (gain) on redemption of investment securities	△12,096	82,394
Loss (gain) on sales of non-current assets	△33,719	△265
Loss on retirement of property, plant and equipment	20,107	6,637
Gain on reversal of share acquisition rights	△7,341	△16,422
Loss (gain) on change in equity	△7,033	—
Decrease (increase) in notes and accounts receivable-trade	△517,924	△1,561,941
Decrease (increase) in inventories	△682,445	1,034,154
Increase (decrease) in notes and accounts payable-trade	△588,527	799,562
Increase (decrease) in accrued consumption taxes	36,330	201,531
Decrease (increase) in other assets	135,546	△332,592
Other, net	—	△5,185
Increase (decrease) in other liabilities	44,988	△114,813
Subtotal	3,839,063	4,916,408
Interest and dividends income received	603,579	619,083
Interest expenses paid	△84,622	△63,256
Income taxes (paid) refund	△1,460,756	△634,236
Proceeds from insurance income	87,807	—
Compensation for damage paid	△91,683	—
Net cash provided by (used in) operating activities	2,893,387	4,837,999

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Cash flows from investing activities		
Payments into time deposits	△100,000	△200,000
Proceeds from withdrawal of time deposits	3,000	210,000
Purchase of securities	—	△200,000
Purchase of property, plant and equipment	△2,758,365	△2,771,975
Proceeds from sales of property, plant and equipment	38,574	397
Purchase of intangible assets	△43,057	△105,378
Purchase of investment securities	△1,929,842	△1,032,333
Proceeds from sales of investment securities	1,476,584	1,421,883
Proceeds from sales of shares of subsidiaries and associates	—	9,215,040
Payments of loans receivable	△55,049	△22,000
Collection of loans receivable	33,500	19,877
Decrease (increase) in other investments	30,463	44,677
Net cash provided by (used in) investing activities	△3,304,192	6,580,188
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,295,491	△548,879
Proceeds from long-term loans payable	917,500	1,908,898
Repayments of long-term loans payable	△1,341,230	△1,223,318
Repayments of lease obligations	△20,968	△52,153
Payments for long-term accounts payable - other	△115,173	△115,173
Redemption of bonds	△36,800	△36,800
Proceeds from issuance of common shares	137,338	87,484
Purchase of treasury stock	△296	△3,200,033
Cash dividends paid	△1,221,488	△1,085,016
Cash dividends paid to non-controlling interests	△191,154	△166,575
Net cash provided by (used in) financing activities	△576,781	△4,431,566
Effect of exchange rate change on cash and cash equivalents	△123,536	20,680
Net increase (decrease) in cash and cash equivalents	△1,111,123	7,007,302
Cash and cash equivalents at beginning of period	8,829,805	7,718,682
Cash and cash equivalents at end of period	*1 7,718,682	*1 14,725,985

[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.,

(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: one ( )

Names of major affiliated companies:

Innovision FlexTech Corporation

All shares of Polatechno Co., Ltd. were sold in the third quarter consolidated fiscal period, and so it has been excluded from the scope of application of equity method.

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

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

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

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

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



#### 4. Matters concerning accounting policies

##### (1) Valuation standards and valuation methods for important assets

###### 1) Securities

Available-for-sale securities

Securities with available fair market values:

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

Securities with no available fair market value:

Stated at average cost.

###### 2) Derivative financial instruments

Stated at fair value method

###### 3) Inventories

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

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

Raw materials and supplies:

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

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

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

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

The useful life mostly falls within the ranges shown below:

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

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

###### 2) Intangible assets (excluding lease assets)

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

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.

(Changes in Accounting Policies)

<Application of IFRS 16 (Lease)>

IFRS 16 "Lease" (Published in January, 2016) (hereinafter "IFRS 16") has been applied to the IFRS-applied subsidiaries of our Group since the current consolidated fiscal year. In applying IFRS 16, we adopted the method allowed as provisional measures where cumulative influence of application of this Standards is recognized on the commencement date of such application.

Regarding the lease on the side of lessee which was classified into operating lease by applying IAS 17 in the past, right-of-use assets and lease liability were recognized on the commencement date of such application.

A part of assets included in "Other" in "Investments and other assets" is transferred to right-of-use assets.

Along with the application of this Standards, Consolidated Balance Sheets show that "Other" in "Property, plant and equipment," "Lease obligations" in "Current liabilities" and "Lease obligations" in "Non-current liabilities" increased respectively by 372,069 thousand yen, 31,077 thousand yen and 302,416 thousand yen, while "Other" in "Investments and other assets" decreased by 40,644 thousand yen.

The influence on gain and loss in the consolidated financial statements due to these changes was slight.

(Accounting Standards etc. not yet applied)

1. Accounting standard, etc. for revenue recognition

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No.29, March 30, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Guidance No.30, March 30, 2020)

(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.

2. Accounting standard, etc. for calculating fair value

- "Accounting Standard for Calculating Fair Value" (Accounting Standards Board of Japan Statement No.30, July 4, 2019)
- "Accounting Standard for Inventories" (Accounting Standards Board of Japan Statement No.9, July 4, 2019)
- "Accounting Standard for Financial Instruments"(Accounting Standards Board of Japan Statement No.10, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Calculating Fair Value" (Accounting Standards Board of Japan Guidance No.31, July 4, 2019)
- "Implementation Guidance on Disclosure of Fair Value, etc. of Financial Instruments" (Accounting Standards Board of Japan Guidance No.19, March 30, 2020))

(1) Overview

Considering that the International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) established almost the same content of the detailed guidance (IFRS 13 “Fair Value Measurement” in International Financial Reporting Standards (IFRS) and Topic 820 “Fair Value Measurement” in Accounting Standards Codification in Generally Accepted Accounting Principles (US-GAAP)), Accounting Standards Board of Japan took measures to ensure consistency between the Japanese standards and international accounting standards and issued “Accounting Standard for Calculating Fair Value,” etc.

A basic policy for establishing the accounting standard for calculating fair value by Accounting Standards Board of Japan is said to basically incorporate all of the provisions of IFRS 13 from the perspective of facilitating comparability among financial statements of domestic and foreign companies by using a unified calculation method and to set forth other handling of each items with consideration for the practices that have been carried out in Japan up to now to the extent that they do not impair comparability.

(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 Calculating Fair Value,” etc. on the consolidated financial statements is currently under evaluation.

3. “Accounting Standard for Disclosure of Accounting Estimates”(Accounting Standards Board of Japan Statement No.31, March 30, 2020)

(1) Overview

Accounting standard for disclosure of accounting estimates (hereinafter referred to as “this accounting standard”) was developed and issued by Accounting Standards Board of Japan because a request has been made to consider requiring disclosure of information that is highly useful to users of financial statements as explanatory notes information under Japanese standards regarding “Major Sources of Estimation Uncertainty” which is required to be disclosed under International Accounting Standards (IAS) 1 “Presentation of Financial Statements” (hereinafter referred to as IAS 1), 125 issued by the International Accounting Standards Board (IASB) in 2003.

A basic policy on the development of this accounting standard by Accounting Standards Board of Japan is not to expand individual explanatory notes but for a company to decide a specific disclosure content in terms of a disclosure purpose after showing principles (a purpose of disclosure) and to use the provision of IAS 1, 125 as a reference for its development.

(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, 2020.

4. “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections”  
(Accounting Standards Board of Japan Statement No.24, March 30, 2020)

(1) Overview

In response to the recommendation to consider the enhancement of the explanatory notes information regarding “Accounting Principles and Procedures Adopted in the Case Where the Provisions of Related Accounting Standards are Unclear,” the Accounting Standards Board of Japan released the revised standards as the Accounting Standard for Disclosure of Accounting Policies, Accounting Changes and Error Corrections after making the necessary amendments.

Note that, in order to enhance the explanatory information regarding “Accounting Principles and Procedures Adopted in the Case Where the Provisions of Related Accounting Standards are Unclear,” the provision in the Commentary on Business Accounting Principles (Note 1-2) is to be succeeded so as not to affect the practice that has been done in the case where the related accounting standards are clearly defined.

(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, 2020.

(Changes in Presentation)

<Consolidated Statements of Income>

1. "Rent income", which was presented as part of "Other" in "Non-operating income" in the previous consolidated fiscal year, is separately stated effective from the current consolidated fiscal year due to a rise in percentage of the pertinent amount to more than ten hundredths (10/100) of the aggregate amount of 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, 335,942 thousand yen of "Other", listed within "Non-operating income" in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified into the combination of 141,079 thousand yen of "Rent income" and 212,414 thousand yen of "Other".
2. "Loss on retirement of non-current assets", which was separately stated within "Extraordinary losses" in the previous consolidated fiscal year, is presented as part of "Other" effective from the current consolidated fiscal year due to a fall in quantitative materiality. 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, 53,231 thousand yen of "Loss on retirement of non-current assets", listed within "Extraordinary losses" in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified as part of "Other".

(Additional information)

(Accounting estimates)

Taking into account the fact that the scale and extent of the impact of the new coronavirus infection on the Group's business will vary from business to business, we have established a range for the fiscal year ending March 31, 2021, assuming the upper limit of the range in the case of an early containment (by the end of September 2020) and the lower limit of the range in the case of no containment (by the end of March 2021). Based on the anticipated impacts and assumptions, we have reviewed our accounting estimates such as the recoverability of our deferred tax assets and impairment of non-current assets, and have determined that none of these have a material impact at this time. However, depending on future convergence and the impact on the economy, the financial statements after the next consolidated fiscal year could be materially affected.

(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, 2019)	Current consolidated fiscal year (As of March 31, 2020)
Investment securities (Stock)	8,541,034	362,552

\*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, 2019)	Current consolidated fiscal year (As of March 31, 2020)
Cash and deposits	14,440 ( --- )	53,373 ( --- )
Buildings and structures	4,030,250 ( 2,919,738 )	3,908,335 ( 2,979,833 )
Machinery, equipment and vehicles	1,151,387 ( 823,701 )	1,390,535 ( 1,176,164 )
Property, plant and equipment (Other)	34,726 ( 34,726 )	138,129 ( 97,484 )
Land	500,217 ( 199,190 )	558,408 ( 199,190 )
Investments and other assets (Other)	43,090 ( --- )	14,560 ( --- )
Total	5,774,111 ( 3,977,357 )	6,063,341 ( 4,452,673 )

Secured liabilities are as follows.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2019)	Current consolidated fiscal year (As of March 31, 2020)
Short-term loans payable	1,112,202 ( 200,000 )	870,349 ( --- )
Current portion of long-term loans payable	779,820 ( 714,848 )	187,669 ( 133,332 )
Long-term loans payable	154,665 ( --- )	911,898 ( 813,890 )
Total	2,046,687 ( 914,848 )	1,969,916 ( 947,222 )

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

\*3 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, 2019)	Current consolidated fiscal year (As of March 31, 2020)
Aggregate overdraft limit	6,300,000	6,300,000
Drawdowns	465,000	---
Balance of unexecuted loans	5,835,000	6,300,000

\*4 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 previous consolidated fiscal year falls on a bank holiday, the following notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the consolidated fiscal year are included in their respective balances as of the end of the consolidated fiscal year.

	Previous consolidated fiscal year (As of March 31, 2019)	Current consolidated fiscal year (As of March 31, 2020)
Notes and accounts receivable-trade	66,950	—
Notes and accounts payable-trade	130,679	—
Current liabilities and others (Notes payable-facilities, Electronically recorded obligations-non-operating)	51,206	—

(Thousands of yen)

(Notes Related to Consolidated Statements of Income)

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

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
	2,001,978	2,074,050

(Thousands of yen)

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

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
	71,661	195,328

(Thousands of yen)

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

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Buildings and structures	1,591	—
Machinery, equipment and vehicles	32,127	265

(Thousands of yen)

\*4 The gain on sale of investment securities is due mainly to the sale of all shares of Polatechno Co., Ltd., which was the affiliate company.

\*5 Impairment loss

Previous 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 previous consolidated fiscal year.

Location	Usage	Type	Impairment loss (Thousands of yen)
Joetsu-shi, Niigata	Display materials manufacturing facilities	Buildings and structures; machinery, equipment and vehicles; land; etc.	96,725

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.

Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)

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

Location	Usage	Type	Impairment loss (Thousands of yen)
Satosen Co., Ltd. (Osaka-shi, Osaka)	Electronic materials manufacturing facilities	Buildings and structures; machinery, equipment and vehicles; land; Construction in progress; etc.; Goodwill.	544,569
ColorLink Japan, Ltd. (Joetsu-shi, Niigata)	Display materials manufacturing facilities	Buildings and structures; machinery, equipment and vehicles; Construction in progress; etc.	106,689

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.

As for the electronic materials manufacturing facilities assets, due to the goodwill and business assets of Satosen Co., Ltd., which is a consolidated subsidiary of the Company, having been below the plan established at the time of the acquisition of the shares, the Company devalued the full amount of the unamortized balance of the goodwill and the carrying amount of the business assets to their recoverable amount because excess earning power cannot be expected as a result of our reviewing the future business plan, and 544,569 thousand yen, was recorded as an impairment loss in extraordinary losses. The said aggregate amount consists of 42,991 thousand yen of buildings and structures, 189,543 thousand yen of machinery, equipment and vehicles, 97,100 thousand yen of land, 12,659 thousand yen of construction in progress, 26,826 thousand yen of others and 175,447 thousand yen of goodwill.

The recoverable amount 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.

As for the display materials manufacturing facilities assets, due to the profit arising from operating activities continuing negative and having little potential for a future earnings recovery at Satosen Co., Ltd., which is a consolidated subsidiary of the Company, the Company devalued their carrying amount to its recoverable amount and 106,689 thousand yen was recorded as an impairment loss in extraordinary losses. The said aggregate amount consists of 2,996 thousand yen of buildings and structures, 79,616 thousand yen of machinery, equipment and vehicles, 4,909 thousand yen of construction in progress and 19,167 thousand yen of others.



Note that a carrying amount is measured according to value in use, but it is assessed according to memorandum value because future cash flow is negative.

(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, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Valuation difference on available-for-sale securities:		
Amount arising in the current fiscal year	△600,380	△762,472
Reclassification adjustment	△74,903	336,337
Before tax effects	△675,284	△426,134
Tax effects	205,961	129,971
Valuation difference on available-for-sale securities	△469,322	△296,163
Deferred gains or losses on hedges:		
Amount arising in the current fiscal year	668	△1,975
Reclassification adjustment	—	△668
Before tax effects	668	△2,643
Tax effects	△224	887
Deferred gains or losses on hedges	443	△1,755
Foreign currency translation adjustment:		
Amount arising in the current fiscal year	△384,361	△134,015
Remeasurements of defined benefit plans, net of tax:		
Amount arising in the current fiscal year	△6,561	△89,285
Reclassification adjustment	38,925	49,285
Before tax effects	32,364	△39,999
Tax effects	△9,871	12,199
Remeasurements of defined benefit plans, net of tax	22,493	△27,799
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising in the current fiscal year	△117,745	△101,311
Total other comprehensive income	△948,493	△561,044

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

Previous 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

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

Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)

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)	36,226,224	155,300	—	36,381,524
Total	36,226,224	155,300	—	36,381,524
Treasury stock				
Common stock (See Note 2)	7,378	3,128,452	—	3,135,830
Total	7,378	3,128,452	—	3,135,830

- Note: 1. The increase of 155,300 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 3,128,452 shares in the number of shares of treasury stock (common stock) is due to an increase of 3,128,300 shares resulting from the acquisition of treasury stocks by a resolution of the Board of Directors and an increase of 152 shares resulting from the 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	---	---	---	---	---	166,148
Total		---	---	---	---	---	166,148

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

(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 25, 2020	Common stock	997,370	Retained earnings	30.00	March 31, 2020	June 26, 2020

(Notes Related to Consolidated Statements of Cash Flows)

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

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Cash and deposits	8,193,697	14,714,069
Time deposits with a deposit term of more than three months	△635,000	△625,000
Securities (Money management fund)	159,984	636,915
Cash and cash equivalents	7,718,682	14,725,985

2 The details of material non-cash transactions

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

There are no material non-cash transactions.

Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)

IFRS 16 has been applied to the overseas subsidiaries of our Group from the current consolidated fiscal year, and the amount shown as the assets and liabilities related to finance lease transactions at the beginning of the current consolidated fiscal year was 360,097 thousand yen.

(Notes Related to Lease Transactions)

(As lessee)

Finance lease transactions

1. Finance lease transactions that entail transfer of title

1) Details of lease assets

Property, plant and equipment

Boiler-related facilities 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.

2. Finance lease transactions that do not entail transfer of title and the right-of-use assets at the IFRS 16-applied subsidiaries of our Group

1) Details of lease assets

Property, plant and equipment

Land and 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, 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.

Current consolidated fiscal year (As of March 31, 2020)

(Thousands of yen)

	Amount shown on consolidated balance sheets	Fair value	Difference
(1) Cash and deposits	14,714,069	14,714,069	—
(2) Notes and accounts receivable—trade	17,697,085	17,697,085	—
(3) Securities and investment securities	14,997,974	14,997,974	—
Total assets	47,409,129	47,409,129	—
(1) Notes and accounts payable—trade	6,916,079	6,916,079	—
(2) Short-term loans payable	4,866,202	4,866,202	—
(3) Income taxes payable	3,428,200	3,428,200	—
(4) Long-term loans payable (*1)	2,755,485	2,755,723	238
Total liabilities	17,965,967	17,966,206	238

(\*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, 2019)	Current consolidated fiscal year (As of March 31, 2020)
Unlisted stock, etc.	606,152	767,663

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, 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

Current consolidated fiscal year (As of March 31, 2020) (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	14,706,430	—	—	—
Notes and accounts receivable—trade	17,697,085	—	—	—
Securities and investment securities				
Available-for-sale securities with a maturity date				
(1) Government bonds, local government bonds, etc.	108,830	—	—	—
(2) Corporate bonds	691,143	4,736,027	3,330,979	1,163,033
(3) Other	13,603	501,725	217,660	442,281
Total	33,217,092	5,237,752	3,548,639	1,605,315

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, 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	—

Current consolidated fiscal year (As of March 31, 2020)

(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	4,866,202	—	—	—	—	—
Long-term loans payable	187,669	182,724	1,566,226	307,422	237,836	273,606
Total	5,053,871	182,724	1,566,226	307,422	237,836	273,606

(Notes Related to Securities)

1. Available-for-sale securities

Previous 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.



## Current consolidated fiscal year (As of March 31, 2020)

(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	1,318,938	491,590	827,348
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	—	—	—
	2) Corporate bonds	6,067,484	5,641,373	426,110
	3) Other	464,759	439,434	25,325
	(3) Other	—	—	—
	Subtotal	7,851,182	6,572,398	1,278,784
Those whose amount shown on consolidated balance sheets does not exceed the acquisition cost	(1) Equity Shares	519,093	576,624	△57,530
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	109,004	124,237	△15,233
	2) Corporate bonds	4,487,652	4,922,242	△434,589
	3) Other	354,524	401,895	△47,370
	(3) Other	1,676,516	1,750,861	△74,345
	Subtotal	7,146,791	7,775,861	△629,069
Total		14,997,974	14,348,259	649,715

Note: As shares of unlisted stock, etc. (shown in the amount of 405,111 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, 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

## Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)

(Thousands of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Equity Shares	70,229	32,474	—
(2) Bonds			
1) Government bonds, local government bonds, etc.	—	—	—
2) Corporate bonds	1,228,836	54,574	117,474
3) Other	14,635	1,861	—
(3) Other	108,182	63	24,249
Total	1,421,883	88,973	141,724

### 3. Securities subject to impairment

An impairment of available-for-sale securities totalling 45,000 thousand yen was made in the previous consolidated fiscal year.

An impairment of available-for-sale securities totalling 283,586 thousand yen and shares of subsidiaries 10,000 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

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

Statement is omitted as it is not material.

Current consolidated fiscal year (As of March 31, 2020)

Statement is omitted as it is not material.

##### 2. Derivatives transactions subject to hedge accounting

Currency-related transactions

Previous 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)
Deferral hedge accounting	Forward foreign exchange transactions Short open position U.S. dollar	Anticipated transactions in foreign currencies	352,295	—	668
Designated hedge accounting for forward foreign exchange, etc.	Forward foreign exchange transactions Short open position U.S. dollar	Accounts receivable	230,877	—	(See Note 2)
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, 2020)

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)
Deferral hedge accounting	Forward foreign exchange transactions Short open position U.S. dollar	Anticipated transactions in foreign currencies	407,631	—	△1,975
Designated hedge accounting for forward foreign exchange, etc.	Forward foreign exchange transactions Short open position U.S. dollar	Accounts receivable	42,186	—	(See Note 2)
Total			449,817	—	△1,975

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.

(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

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
	(Thousands of yen)	
Balance of retirement benefit obligations at the beginning of year	4,391,542	4,493,421
Service cost	278,091	279,087
Interest cost	13,049	13,374
Actuarial differences generated	34,675	△2,985
Retirement benefits paid	△223,937	△198,848
Increase resulting from acquisition of a consolidated subsidiary	—	—
Balance of retirement benefit obligations at the end of year	4,493,421	4,584,049

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

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Balance of plan assets at the beginning of year	3,787,985	3,866,535
Expected return on plan assets	37,879	38,665
Actuarial differences generated	28,114	△92,271
Employer contributions	226,635	227,257
Retirement benefits paid	△214,079	△194,744
Balance of plan assets at the end of year	3,866,535	3,845,442

## (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, 2019)	Current consolidated fiscal year (As of March 31, 2020)
Retirement benefit obligations under the funded plans	4,458,088	4,547,412
Plan assets	△3,866,535	△3,845,442
	591,552	701,969
Retirement benefit obligations under the unfunded plans	35,333	36,637
Net amount of liability and asset shown on consolidated balance sheets	626,885	738,606
Net defined benefit liability	626,885	738,606
Net amount of liability and asset shown on consolidated balance sheets	626,885	738,606

## (4) Amount of retirement benefit expenses and components thereof

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Service cost	278,091	279,087
Interest cost	13,049	13,374
Expected return on plan assets	△37,879	△38,665
Recognized actuarial loss	38,925	49,285
Retirement benefit expenses incurred under defined benefit scheme	292,186	303,082

## (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, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Actuarial differences	△32,364	39,999

(6) Remeasurements of defined benefit plans

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

	Previous consolidated fiscal year (As of March 31, 2019)	Current consolidated fiscal year (As of March 31, 2020)
Unrecognized actuarial differences	△163,252	△203,252

Note: The figures stated above only cover the Company and its consolidated subsidiaries, while the amount shown as remeasurements of defined benefit plans for the previous consolidated fiscal year 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, 2019)	Current consolidated fiscal year (As of March 31, 2020)
Life insurance company general accounts	50%	52%
Trust bank special accounts	25%	24%
Life insurance company special accounts	25%	24%
Total	100%	100%

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

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

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

(8) Matters concerning actuarial assumptions

Major actuarial assumptions

	Previous consolidated fiscal year (As of March 31, 2019)	Current consolidated fiscal year (As of March 31, 2020)
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 72,407 thousand yen for the previous consolidated fiscal year (From April 1, 2018 to March 31, 2019) and 77,281 thousand yen for the current consolidated fiscal year (From April 1, 2019 to March 31, 2020).

(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, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Share-based compensation expenses in cost of sales and selling, general and administrative expenses	53,638	55,402

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

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Gain on reversal of share acquisition rights	7,341	16,422

### 3. Outline and scale of stock options and changes

#### (1) Outline of stock options

	Directors' retirement bonuses stock option in 2005	Directors' remuneration stock option in 2014	Employees, etc. stock option in 2014
Category and number of grantees	6 directors of the Company	16 directors of the Company	163 employees and advisors of the Company, and 10 directors and employees of subsidiaries of the Company
Number of stock options (See Note)	39,700 shares of common stock	93,000 shares of common stock	216,500 shares of common stock
Grant date	August 1, 2005	August 18, 2014	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 18, 2014 through June 30, 2016)	1 year and 11 months (August 18, 2014 through June 30, 2016)
Exercise period	August 1, 2005 through July 31, 2025	July 1, 2016 through June 30, 2019	July 1, 2016 through June 30, 2019

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

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

	Directors' remuneration stock option in 2018	Employees, etc. stock option in 2018	Directors' remuneration stock option in 2019
Category and number of grantees	5 directors of the Company	211 employees and advisors of the Company, and 11 directors and employees of subsidiaries of the Company	4 directors of the Company
Number of stock options (See Note)	75,000 shares of common stock	257,300 shares of common stock	55,000 shares of common stock
Grant date	August 16, 2018	August 16, 2018	August 16, 2019
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, 2018 through June 30, 2020)	1 year and 11 months (August 16, 2018 through June 30, 2020)	1 year and 11 months (August 16, 2019 through June 30, 2021)
Exercise period	July 1, 2020 through June 30, 2023	July 1, 2020 through June 30, 2023	July 1, 2021 through June 30, 2024

	Employees, etc. stock option in 2019
Category and number of grantees	208 employees and advisors of the Company, and 14 directors and employees of subsidiaries of the Company
Number of stock options (See Note)	271,000 shares of common stock
Grant date	August 16, 2019
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.
Requisite service period	1 year and 11 months (August 16, 2019 through June 30, 2021)
Exercise period	July 1, 2021 through June 30, 2024

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, 2020) 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	Directors' remuneration stock option in 2014	Employees, etc. 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	20,800	73,300
Vested	—	—	—
Exercised	27,100	—	17,800
Forfeited	—	20,800	55,500
Exercisable	—	—	—

	Directors' remuneration stock option in 2015	Employees, etc. stock option in 2015	Directors' remuneration stock option in 2016
Before vested (Shares)			
At the end of the previous consolidated fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vested (Shares)			
At the end of the previous consolidated fiscal year	61,000	146,400	45,200
Vested	—	—	—
Exercised	21,800	23,800	7,200
Forfeited	—	8,000	—
Exercisable	39,200	114,600	38,000

	Employees, etc. stock option in 2016	Directors' remuneration stock option in 2017	Employees, etc. stock option in 2017
Before vested (Shares)			
At the end of the previous consolidated fiscal year	—	75,000	235,200
Granted	—	—	—
Forfeited	—	—	100
Vested	—	75,000	235,100
Outstanding	—	—	—
After vested (Shares)			
At the end of the previous consolidated fiscal year	183,400	—	—
Vested	—	75,000	235,100
Exercised	57,600	—	—
Forfeited	8,000	—	1,500
Exercisable	117,800	75,000	233,600

	Directors' remuneration stock option in 2018	Employees, etc. stock option in 2018	Directors' remuneration stock option in 2019
Before vested (Shares)			
At the end of the previous consolidated fiscal year	75,000	255,900	—
Granted	—	—	55,000
Forfeited	—	2,500	—
Vested	—	—	—
Outstanding	75,000	253,400	55,000
After vested (Shares)			
At the end of the previous consolidated fiscal year	—	—	—
Vested	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Exercisable	—	—	—

	Employees, etc. stock option in 2019
Before vested (Shares)	
At the end of the previous consolidated fiscal year	—
Granted	271,000
Forfeited	—
Vested	—
Outstanding	271,000
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	Directors' remuneration stock option in 2014	Employees, etc. stock option in 2014
Exercise price (Yen)	1	741	741
Average stock price at the time of exercise (Yen)	905	—	834
Fair value at the grant date (Yen)	—	182	182

	Directors' remuneration stock option in 2015	Employees, etc. stock option in 2015	Directors' remuneration stock option in 2016
Exercise price (Yen)	867	867	536
Average stock price at the time of exercise (Yen)	1,019	998	855
Fair value at the grant date (Yen)	168	168	98

	Employees, etc. stock option in 2016	Directors' remuneration stock option in 2017	Employees, etc. stock option in 2017
Exercise price (Yen)	536	1,004	1,004
Average stock price at the time of exercise (Yen)	981	—	—
Fair value at the grant date (Yen)	98	188	188

	Directors' remuneration stock option in 2018	Employees, etc. stock option in 2018	Directors' remuneration stock option in 2019
Exercise price (Yen)	1,104	1,104	922
Average stock price at the time of exercise (Yen)	—	—	—
Fair value at the grant date (Yen)	168	168	168

	Employees, etc. stock option in 2019
Exercise price (Yen)	922
Average stock price at the time of exercise (Yen)	—
Fair value at the grant date (Yen)	168

#### 4. Method of estimating fair value of stock options

Method of estimating fair value of directors' remuneration stock option in 2019 and employees, etc. stock option in 2019 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 2019	Employees, etc. stock option in 2019
Stock price volatility (See Note 1)	36.85%	36.85%
Expected life (See Note 2)	3 years and 6 months	3 years and 6 months
Expected dividends (See Note 3)	30.00 yen per share	30.00 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 2016 to August 2019.
  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, 2019.
  4. Japanese government bond yield for the period corresponding to the expected life.

#### 5. Method of estimating the number of stock options vested

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

#### (Notes Related to Tax Effect Accounting)

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

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2019)	Current consolidated fiscal year (As of March 31, 2020)
Deferred tax assets		
Impairment loss	360,984	491,994
Tax loss carry-forward (See Note)	253,410	357,974
Loss on valuation of investment securities	323,623	297,674
Allowance for doubtful accounts	248,824	224,413
Loss on valuation of inventories	148,971	201,938
Provision for bonuses	157,705	176,244
Other	618,106	701,708
Deferred tax assets subtotal	2,111,626	2,451,948
Valuation allowance related to Tax loss carry-forward (See Note)	△228,827	△357,974
Valuation allowance related to the total of deductible temporary differences etc.	△939,734	△937,718
Valuation allowance subtotal	△1,168,562	△1,295,692
Deferred tax assets total	943,064	1,156,256
Deferred tax liabilities		
Retained earnings of subsidiaries and associates	△969,860	△213,045
Valuation difference on available-for-sale securities	△328,569	△207,105
Reserve for advanced depreciation of non-current assets	△86,357	△55,631
Other	△96,869	△56,143
Deferred tax liabilities total	△1,481,656	△531,926
Net amount of deferred tax assets (liabilities)	△538,591	624,329

Note: Amount of Tax loss carry-forward and deferred tax assets thereof by maturity date of carryforward  
 Previous 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.

Current consolidated fiscal year (As of March 31, 2020) (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	—	57,096	283,538	357,974
Valuation allowance	—	—	△17,338	—	△57,096	△283,538	△357,974
Deferred tax assets	—	—	—	—	—	—	—

(※) "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, 2019)	Current consolidated fiscal year (As of March 31, 2020)
Normal effective statutory tax rate	30.5%	30.5%
(Adjustments)		
Items permanently excluded from taxable income	△2.4%	△3.1%
Difference in tax rates with overseas subsidiaries	△2.0%	△2.8%
Special tax deductions	△1.3%	△2.7%
Amendment for consolidation of loss (gain) on sales of shares of subsidiaries and associates	—	50.1%
Valuation allowance	△1.4%	4.4%
Dividends income eliminated in consolidation	3.0%	3.7%
Impairment loss of goodwill	—	1.7%
Retained earnings of subsidiaries and associates	1.6%	1.2%
Other	△2.7%	2.8%
Effective income tax rate after tax effect accounting	25.3%	85.8%

(Notes Related to Asset Retirement Obligations)

Asset retirement obligations that are recorded in the consolidated balance sheets

(1) Outline of asset retirement obligations

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

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

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

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

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Balance at the beginning of year	92,837	92,502
Adjustment due to lapse of time	164	168
Increase resulting from acquisition of a consolidated subsidiary	—	—
Other increase or decrease ( $\Delta$ : decrease)	$\Delta$ 500	$\Delta$ 360
Balance at the end of year	92,502	92,310

(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 preregs for aircraft, pultrusion molded products and FRP ski sheets, etc. "Electrical insulating materials business" produces glass cloth, glass tapes and preregs 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.

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, 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.

Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)

(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	29,765,050	8,974,588	2,984,156	3,427,412	45,151,206	818,794	45,970,001
Inter-segment sales or transfers	—	—	—	—	—	796,455	796,455
Total	29,765,050	8,974,588	2,984,156	3,427,412	45,151,206	1,615,250	46,766,457
Segment income	2,331,392	1,475,260	366,888	235,241	4,408,782	222,173	4,630,955
Segment assets	28,747,464	9,329,352	3,185,554	3,062,923	44,325,294	1,309,738	45,635,032
Other							
Depreciation	1,449,803	180,468	84,873	142,537	1,857,683	21,168	1,878,851
Investment in companies accounted for under the equity method	—	—	—	217,982	217,982	—	217,982
Increase in property, plant and equipment and intangible assets	1,548,869	193,481	142,372	219,016	2,103,740	2,636	2,106,376

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	43,992,670	45,151,206
Net sales in the category "Other"	1,510,331	1,615,250
Elimination of inter-segment transactions	△774,757	△796,455
Net sales shown on the consolidated financial statements	44,728,243	45,970,001

(Thousands of yen)

Income	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	4,559,852	4,408,782
Income in the category "Other"	192,791	222,173
Elimination of inter-segment transactions	△105,450	△92,405
Amortization of goodwill	△58,482	△43,861
Unallocated corporate expenses (See Note)	△1,443,860	△1,707,227
Adjustment of inventories	△25,287	△25,396
Operating income shown on the consolidated financial statements	3,119,562	2,762,064

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	50,873,325	44,325,294
Assets in the category "Other"	1,229,002	1,309,738
Elimination of claims to administrative departments of the head office	△453,463	△673,953
Unallocated corporate assets (See Note)	21,472,523	26,773,801
Adjustment of inventories	△25,287	△25,396
Total assets shown on the consolidated financial statements	73,096,100	71,709,484

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	1,782,860	1,857,683	21,999	21,168	96,722	104,112	1,901,582	1,982,964
Increase in property, plant and equipment and intangible assets	2,353,593	2,103,740	6,703	2,636	183,553	167,555	2,543,849	2,273,932

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]

Previous 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

Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)

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	29,765,050	8,974,588	2,984,156	3,427,412	818,794	45,970,001

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	P.R. China	Other country or region	Total
19,588,099	13,572,138	12,809,763	45,970,001

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
9,289,124	2,916,654	719,358	12,925,137

### 3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Relevant segment
Sumitomo Shoji Chemicals Co., Ltd.	5,381,162	Electronic materials business

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

Previous 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
Impairment loss of goodwill	—	—	—	—	—	—	—

Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Unallocated/ Eliminated	Total
Impairment loss	369,122	—	—	106,689	—	—	475,811
Impairment loss of goodwill	175,447	—	—	—	—	—	175,447

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

Previous 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

Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Unallocated/ Eliminated	Total
Amortization in the year	43,861	—	—	—	—	—	43,861
Balance at the end of year	—	—	—	—	—	—	—

Note: An impairment loss of goodwill of 175,447 thousand yen is shown as extraordinary losses in electronic materials.

[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, 2018 to March 31, 2019)

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 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 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.

Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)

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	Yuta Arisawa	—	—	Representative Director and Chief Executive Officer of the Company	0.24% directly held	—	Exercise of the right of stock option	11,964	—	—

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, 2015.

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

2. Notes with respect to parent or important affiliated companies

(1) Information on parent

No applicable matter.

(2) Condensed financial information on important affiliated companies

No applicable matter.

## (Per Share Information)

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Net assets per share	1,397.78 yen	1,387.76 yen
Net income per share	79.15 yen	6.14 yen
Fully diluted net income per share	78.70 yen	6.12 yen

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

	Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Net income per share		
Profit attributable to owners of the parent (Thousands of yen)	2,861,378	212,792
Amount not attributable to common stockholders (Thousands of yen)	---	---
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	2,861,378	212,792
Average number of shares of common stock during the year	36,150,184	34,682,121
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	208,623	103,772
(Number of shares subject to stock acquisition rights included in the figure above)	(208,623)	(103,772)
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	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); 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.	Eight (8) types of stock acquisition rights: Resolution at the Board of Directors' Meeting of June 26, 2015 (39,200 shares); Resolution at the Ordinary General Meeting of Shareholders of June 26, 2015 (114,600 shares); Resolution at the Board of Directors' Meeting of June 28, 2017 (75,000 shares); Resolution at the Ordinary General Meeting of Shareholders of June 28, 2017 (233,600 shares); Resolution at the Board of Directors' Meeting of June 28, 2018 (75,000 shares); Resolution at the Ordinary General Meeting of Shareholders of June 28, 2018 (253,400 shares); Resolution at the Board of Directors' Meeting of June 27, 2019 (55,000 shares); and Resolution at the Ordinary General Meeting of Shareholders of June 27, 2019 (271,000 shares). For details, see IV. Status of the Submitting Company - 1. Status of Shares, etc. - (2) Status of Stock Acquisition Rights, etc.

## (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
Satosen Co., Ltd.	First series unsecured bond (Private placement bond)	March 31, 2017	70,000 (20,000)	50,000 (20,000)	0.21	None	April 15, 2022
Satosen Co., Ltd.	Second series unsecured bond (Private placement bond)	April 28, 2017	94,800 (16,800)	78,000 (16,800)	0.25	None	May 24, 2024
Total	—	—	164,800 (36,800)	128,000 (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	26,800	16,800	10,800

## [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	5,394,122	4,866,202	1.05	---
Current portion of long-term loans payable	779,820	187,669	0.37	---
Current portion of lease obligations	17,535	60,138	4.01	---
Long-term loans payable (excluding the current portion)	1,265,465	2,567,816	0.9	2021 to 2025
Lease obligations (excluding the current portion)	13,201	391,672	3.10	2021 to 2038
Other interest-bearing liabilities Current portion of long-term accounts payable - other	115,173	99,170	1.64	---
Other interest-bearing liabilities Long-term accounts payable - other (excluding the current portion)	155,155	55,985	1.61	2021 to 2022
Total	7,740,472	8,228,653	—	---

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	182,724	1,566,226	307,422	237,836
Lease obligations	48,870	51,359	51,685	48,661
Long-term accounts payable - other	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)	10,547,117	22,599,910	34,327,306	45,970,001
Income before income taxes (Thousands of yen)	593,277	1,437,402	2,851,888	3,122,437
Profit attributable to owners of the parent (Thousands of yen)	250,373	△894,114	△118,692	212,792
Net income per share (Yen)	6.91	△24.81	△3.38	6.14

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (Yen)	6.91	△31.93	23.20	9.97



## 2. Financial Statements, etc.

### (1) Financial Statements

#### 1) Balance Sheets

(Thousands of yen)

		Previous business year (As of March 31, 2019)		Current business year (As of March 31, 2020)
<b>Assets</b>				
Current assets				
Cash and deposits		3,806,291		9,554,448
Notes receivable-trade	*2, *5	443,288	*2	352,251
Accounts receivable-trade	*2	8,662,769	*2	9,754,950
Electronically recorded monetary claims- operating		76,272		197,923
Securities		1,300,765		1,457,995
Merchandise and finished goods		2,439,805		2,051,510
Work in process		1,079,682		1,176,573
Raw materials and supplies		1,323,743		1,335,720
Prepaid expenses		46,116		67,823
Accrued income	*2	151,078	*2	98,727
Short-term loans receivable from subsidiaries and associates		1,476,197		1,352,654
Other	*2	547,912	*2	591,535
Allowance for doubtful accounts		△518,819		△509,459
Total current assets		20,835,103		27,482,656
Non-current assets				
Property, plant and equipment				
Buildings	*1	3,799,000	*1	3,698,498
Structures	*1	312,873	*1	322,974
Machinery and equipment	*1	2,202,800	*1	2,409,985
Vehicles		18,025		21,335
Tools, furniture and fixtures	*1	170,988	*1	214,155
Land	*1	1,376,078	*1	1,376,078
Lease assets		2,202		107,740
Construction in progress		85,112		83,285
Total property, plant and equipment		7,967,081		8,234,053

(Thousands of yen)

	Previous business year (As of March 31, 2019)	Current business year (As of March 31, 2020)
Intangible assets		
Software	31,634	73,202
Other	9,895	9,755
Total intangible assets	41,530	82,958
Investments and other assets		
Investment securities	13,648,094	12,928,949
Shares of subsidiaries and associates	2,866,952	2,072,296
Long-term loans receivable	132,706	6,764
Long-term prepaid expenses	19,157	175,605
Deferred tax assets	237,010	523,583
Other	80,833	42,298
Allowance for doubtful accounts	△139,603	△13,166
Total investments and other assets	16,845,150	15,736,331
Total non-current assets	24,853,762	24,053,343
Total assets	45,688,866	51,535,999
Liabilities		
Current liabilities		
Notes payable-trade	*2, *5 223,893	*2 160,725
Accounts payable-trade	*2 3,161,070	*2 4,101,207
Electronically recorded obligations-operating	*2, *5 1,507,061	*2 1,219,342
Short-term loans payable	*1, *4 965,000	*1, *4 500,000
Current portion of long-term loans payable	*1 714,848	*1 133,332
Accounts payable-other	*2 629,354	*2 679,359
Accrued expenses	89,864	94,241
Income taxes payable	118,157	3,135,959
Unearned revenue	1,596	1,584
Lease obligations	603	19,637
Deposits received	27,034	27,740
Provision for bonuses	345,792	365,997
Other	*5 781,332	197,581
Total current liabilities	8,565,608	10,636,709

(Thousands of yen)

	Previous business year (As of March 31, 2019)	Current business year (As of March 31, 2020)
Non-current liabilities		
Long-term loans payable	—	*1 813,890
Provision for retirement benefits	428,299	498,716
Provision for loss on guarantees	—	451,058
Lease obligations	1,527	89,256
Asset retirement obligations	28,652	28,820
Other	92,961	86,059
Total non-current liabilities	551,441	1,967,801
Total liabilities	9,117,050	12,604,511
Net assets		
Shareholders' equity		
Capital stock	7,541,693	7,594,026
Capital surplus		
Legal capital surplus	6,653,615	6,706,017
Total capital surplus	6,653,615	6,706,017
Retained earnings		
Legal retained earnings	748,262	748,262
Other retained earnings		
Reserve for advanced depreciation of non-current assets	18,324	17,066
General reserve	18,020,000	19,020,000
Retained earnings brought forward	2,705,677	7,413,243
Total retained earnings	21,492,264	27,198,572
Treasury stock	△4,764	△3,204,797
Total shareholders' equity	35,682,808	38,293,819
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	744,588	471,520
Total valuation and translation adjustments	744,588	471,520
Share acquisition rights	144,419	166,148
Total net assets	36,571,816	38,931,487
Total liabilities and net assets	45,688,866	51,535,999

## 2) Statements of Income

(Thousands of yen)

	Previous business year (From April 1, 2018 to March 31, 2019)		Current business year (From April 1, 2019 to March 31, 2020)	
Net sales	*1	29,269,122	*1	31,635,474
Cost of sales	*1	25,092,404	*1	27,168,243
Gross profit		4,176,717		4,467,230
Selling, general and administrative expenses	*1,*2	2,643,712	*1,*2	2,839,985
Operating income		1,533,005		1,627,245
Non-operating income				
Interest and dividends income	*1	825,078	*1	782,379
Foreign exchange gains		142,935		—
Rent income	*1	250,132	*1	239,284
Other	*1	164,081	*1	174,889
Total non-operating income		1,382,227		1,196,552
Non-operating expenses				
Interest expenses		4,349	*1	7,917
Commission for purchase of treasury shares		—		63,997
Loss on redemption of investment securities		62,541		138,830
Rent expenses		168,684		204,959
Provision of allowance for doubtful accounts		59,410		—
Other		17,274		42,130
Total non-operating expenses		312,259		457,836
Ordinary income		2,602,974		2,365,961
Extraordinary income				
Gain on sales of non-current assets		800		3,917
Gain on sales of investment securities		65,010	*3	9,013,608
Other		15,109		16,422
Total extraordinary income		80,920		9,033,948
Extraordinary losses				
Loss on valuation of investment securities		—	*1,*4	933,586
Impairment loss		96,725		—
Provision for loss on guarantees		—	*1,*5	451,058
Provision of allowance for doubtful accounts		—	*1,*6	60,000
Other		55,886		26,300
Total extraordinary losses		152,611		1,470,946
Income before income taxes		2,531,282		9,928,964
Income taxes-current		559,485		3,302,828
Income taxes-deferred		24,377		△166,737
Total income taxes		583,862		3,136,090
Net income		1,947,419		6,792,873

3) Statements of Changes in Shareholders' Equity and Other Net Assets  
Previous business year (From April 1, 2018 to March 31, 2019)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings				
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total 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

Current business year (From April 1, 2019 to March 31, 2020)

(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	7,541,693	6,653,615	6,653,615	748,262	18,324	18,020,000	2,705,677	21,492,264
Changes of items during the period								
Issuance of new shares	52,333	52,402	52,402					
Reversal of reserve for advanced depreciation of non-current assets					△1,258		1,258	—
Dividends from surplus							△1,086,565	△1,086,565
Net income (loss)							6,792,873	6,792,873
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	52,333	52,402	52,402	—	△1,258	1,000,000	4,707,566	5,706,308
Balance at end of current period	7,594,026	6,706,017	6,706,017	748,262	17,066	19,020,000	7,413,243	27,198,572

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury stock	Total shareholder s' 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	△4,764	35,682,808	744,588	—	744,588	144,419	36,571,816
Changes of items during the period							
Issuance of new shares		104,735					104,735
Reversal of reserve for advanced depreciation of non-current assets		—					—
Dividends from surplus		△1,086,565					△1,086,565
Net income (loss)		6,792,873					6,792,873
Provision of general reserve		—					—
Purchase of treasury stock	△3,200,033	△3,200,033					△3,200,033
Net changes of items other than shareholders' equity			△273,067	—	△273,067	21,729	△251,338
Total changes of items during the period	△3,200,033	2,611,010	△273,067	—	△273,067	21,729	2,359,671
Balance at end of current period	△3,204,797	38,293,819	471,520	—	471,520	166,148	38,931,487

[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.

(4) Provision for loss on guarantees

In order to prepare for loss on guarantees, etc., the estimated amount of losses is shown, taking into account the financial conditions, etc. of guaranteed parties.

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)

<Balance Sheets>

“Lease obligations”, which was presented as part of “Other” in “Current liabilities” 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, 781,936 thousand yen of “Other”, listed within “Current liabilities” in the balance sheets for the previous business year, has been reclassified into the combination of 603 thousand yen of “Lease obligations” and 781,332 thousand yen of “Other”.

<Statements of Income>

1. “Gain on sales of non-current assets”, which was presented as part of “Other” in “Extraordinary income” in the previous business year, is separately stated effective from the current business year due to a rise in quantitative materiality. In order to reflect such change in presentation, a reclassification has been made in the financial statements for the previous business year. As a result, 15,910 thousand yen of “Other”, listed within “Extraordinary income” in the statements of income for the previous business year, has been reclassified into the combination of 800 thousand yen of “Gain on sales of non-current assets” and 15,109 thousand yen of “Other”.
2. “Loss on retirement of non-current assets”, which was separately stated within “Extraordinary losses” in the previous business year, is presented as part of “Other” in “Extraordinary losses” effective from the current business year due to a fall 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, 55,886 thousand yen of “Loss on retirement of non-current assets”, listed within “Extraordinary losses” in the statements of income for the previous business year, has been reclassified as part of “Other”.

(Additional Information)

(Accounting Estimates)

Taking into account the fact that the scale and extent of the impact of the new coronavirus infection on the Company's business will vary from business to business, we have established a range for the fiscal year ending March 31, 2021, assuming the upper limit of the range in the case of an early containment (by the end of September 2020) and the lower limit of the range in the case of no containment (by the end of March 2021). Based on the anticipated impact and assumptions, we have reviewed our accounting estimates such as the recoverability of our deferred tax assets and impairment of non-current assets and determined that none of these have a material impact at this time. However, depending on future convergence and the impact on the economy, the financial statements after the next business year could be materially affected.

(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, 2019)		Current business year (As of March 31, 2020)	
Buildings	2,772,572	(2,772,572)	2,741,807	(2,741,807)
Structures	147,166	(147,166)	238,025	(238,025)
Machinery and equipment	823,701	(823,701)	1,176,164	(1,176,164)
Tools, furniture and fixtures	34,726	(34,726)	97,484	(97,484)
Land	266,508	(199,190)	266,508	(199,190)
Total	4,044,674	(3,977,357)	4,519,990	(4,452,673)

Secured liabilities

(Thousands of yen)

	Previous business year (As of March 31, 2019)		Current business year (As of March 31, 2020)	
Short-term loans payable	200,000	(200,000)	—	(—)
Current portion of long-term loans payable	714,848	(714,848)	133,332	(133,332)
Long-term loans payable	—	(—)	813,890	(813,890)
Total	914,848	(914,848)	947,222	(947,222)

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, 2019)	Current business year (As of March 31, 2020)
Short-term monetary receivables	543,681	749,940
Short-term monetary payables	1,033,372	1,159,101

\*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, 2019)	Current business year (As of March 31, 2020)
Satosan Co., Ltd. (Loan guarantee)	870,000	648,941
Protec Arisawa Europe, S.A. (Product warranty)	62,438	14,162
Protec Arisawa America, Inc. (Product warranty)	35,977	35,277

\*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, 2019)	Current business year (As of March 31, 2020)
Aggregate overdraft limit	6,300,000	6,300,000
Drawdowns	465,000	—
Balance of unexecuted loans	5,835,000	6,300,000

\*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 previous 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, 2019)	Current business year (As of March 31, 2020)
Notes receivable - trade	38,712	—
Notes payable - trade	13,681	—
Electronically recorded obligations - operating	163,301	—
Current liabilities and others (Notes payable-facilities, Electronically recorded obligations-non-operating)	50,789	—

(Notes Related to Statements of Income)

\*1 Volume of transactions with associated companies

(Thousands of yen)

	Previous business year (From April 1, 2018 to March 31, 2019)	Current business year (From April 1, 2019 to March 31, 2020)	to
Gross operating transaction volume			
Net sales	2,414,854	2,554,293	
Value of goods laid in	3,974,801	4,174,155	
Gross non-operating transaction volume	590,656	1,719,259	

\*2 Approximately 47% of the amount of selling, general and administrative expenses recorded for the previous business year falls under selling expenses, while the remaining 46% falls under general and administrative expenses. Approximately 53% of the amount of selling, general and administrative expenses recorded for the current business year falls under selling expenses, while the remaining 54% falls under general and administrative expenses. The major items of selling, general and administrative expenses and their respective amounts are as follows.

	Previous business year (From April 1, 2018 to March 31, 2019)	Current business year (From April 1, 2019 to March 31, 2020)
Salaries and allowances	565,347	645,359
Provision for bonuses	71,336	82,642
Retirement benefit expenses	56,159	63,358
Freightage and packing expenses	722,648	745,435
Depreciation	73,368	70,969
Other	1,154,850	1,232,219

\*3 Gain on sales of investment securities

Gain on sales of investment securities shown in the current business year is due mainly to the sale of all shares of Polatechno Co., Ltd., which was the affiliate company.

\*4 Loss on valuation of investment securities

Loss on valuation of 649,999 thousand yen on shares of Satosen Co., Ltd., which is a consolidated subsidiary of the Company, is included.

\*5 Provision for loss on guarantees

The estimated amount of losses is shown as provision for loss on guarantees, taking into account the financial conditions, etc. of a guaranteed party, Satosen Co., Ltd., which is a consolidated subsidiary of the Company.

\*6 Provision of allowance for doubtful accounts

An estimated uncollectible amount of receivables to Satosen Co., Ltd., which is a consolidated subsidiary of the Company, is shown as allowance for doubtful accounts.

(Notes Related to Securities)

Equity stakes in subsidiaries and affiliated companies

Previous 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

Current business year (As of March 31, 2020)

(Thousands of yen)

Category	Amount shown on balance sheets	Fair value	Difference
Equity stakes in subsidiaries	1,116,334	3,884,328	2,767,994

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, 2019)	Current business year (As of March 31, 2020)
Equity stakes in subsidiaries	1,295,582	735,582
Equity stakes in affiliated companies	221,130	220,380

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, 2019)	Current business year (As of March 31, 2020)
Deferred tax assets		
Loss on valuation of investment securities	224,046	422,296
Impairment loss	359,926	329,930
Allowance for doubtful accounts	200,832	160,989
Accrued enterprise tax	22,440	159,238
Provision for retirement benefits	130,631	152,108
Provision for loss on guarantees	—	137,572
Provision for bonuses	105,466	111,629
Other	267,277	248,423
Deferred tax assets subtotal	1,310,621	1,722,189
Valuation allowance	△737,702	△982,532
Deferred tax assets total	572,919	739,656
Deferred tax liabilities		
Valuation difference on available-for-sale securities	△326,761	△206,926
Reserve for advanced depreciation of non-current assets	△8,041	△8,041
Asset retirement obligations	△1,105	△1,105
Deferred tax liabilities total	△335,909	△216,073
Net amount of deferred tax liabilities	237,010	523,583

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, 2019)	Current business year (As of March 31, 2020)
Normal effective statutory tax rate (Adjustments)	30.5%	Notes are omitted as the difference between the normal effective statutory tax rate and the effective income tax rate after tax effect accounting is less than five hundredths (5/100) of the normal effective statutory tax rate.
Items permanently excluded from taxable income	△4.1%	
Valuation allowance	△3.7%	
Special tax deductions	△1.8%	
Items permanently excluded from tax-deductible expenses	1.9%	
Other	0.3%	
Effective income tax rate after tax effect accounting	23.1%	

(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	3,799,000	170,784	1,498	269,787	3,698,498	10,828,416
	Structures	312,873	49,287	357	38,827	322,974	1,177,753
	Machinery and equipment	2,202,800	922,089	17,328	697,575	2,409,985	20,773,922
	Vehicles	18,025	15,552	0	12,242	21,335	190,722
	Tools, furniture and fixtures	170,988	133,918	16	90,734	214,155	1,472,062
	Land	1,376,078	—	—	—	1,376,078	—
	Lease assets	2,202	114,283	—	8,745	107,740	11,584
	Construction in progress	85,112	1,647,777	1,649,605	—	83,285	—
	Total property, plant and equipment	7,967,081	3,053,693	1,668,807	1,117,913	8,234,053	34,454,462
Intangible assets	Software	31,634	55,401	—	13,833	73,202	—
	Other	9,895	—	—	140	9,755	—
	Total intangible assets	41,530	55,401	—	13,974	82,958	—

Note: 1. Key components of the increase in the current period are as follows.

(Thousands of yen)

Machinery and equipment	Electronic materials manufacturing facilities	736,990
	Display materials manufacturing facilities	150,345
	Electrical insulating materials manufacturing facilities	21,522
Construction in progress	Electronic materials manufacturing facilities	1,103,924
	Unallocated corporate assets	233,104
	Display materials manufacturing facilities	182,265

2. Key components of the decrease in the current period are as follows.

(Thousands of yen)

Construction in progress	Transfer to the main account	1,402,342
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[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	658,422	520,975	656,772	522,625
Provision for bonuses	345,792	365,997	345,792	365,997
Provision for loss on guarantees	—	451,058	—	451,058

## (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: <a href="http://www.arisawa.co.jp/japanese/koukoku.html">http://www.arisawa.co.jp/japanese/koukoku.html</a>
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, 2018 to March 31, 2019 (The 71<sup>st</sup> Term)  
Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2019.
- (2) Internal Control Report and documents attached thereto  
Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2019.
- (3) Quarterly Report and Confirmation Letter  
(The First Quarter of the 72<sup>nd</sup> Term) (From April 1, 2019 to June 30, 2019)  
Submitted to the Director-General of the Kanto Local Finance Bureau on August 9, 2019.  
(The Second Quarter of the 72<sup>nd</sup> Term) (From July 1, 2019 to September 30, 2019)  
Submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2019.  
(The Third Quarter of the 72<sup>nd</sup> Term) (From October 1, 2019 to December 31, 2019)  
Submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2020.
- (4) Extraordinary Report  
Submitted to the Director-General of the Kanto Local Finance Bureau on July 1, 2019.  
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 August 27, 2019.  
This is an Extraordinary Report under the provisions of Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. (Events that have a marked impact on the analyses of consolidated financial position, business results and cash flows).
- (5) Amendment Report of Extraordinary Report  
Submitted to the Director-General of the Kanto Local Finance Bureau on August 19, 2019.  
This is an Amendment Report of Extraordinary Report related to the Extraordinary Report submitted on June 27, 2019 (Issuance of stock acquisition rights as employees, etc. stock options).

(6) Share Buyback Report

Reporting Period (From August 1, 2019 to August 31, 2019)

Submitted to the Director-General of the Kanto Local Finance Bureau on September 13, 2019

Reporting Period (From September 1, 2019 to September 30, 2019)

Submitted to the Director-General of the Kanto Local Finance Bureau on October 15, 2019

Reporting Period (From October 1, 2019 to October 31, 2019)

Submitted to the Director-General of the Kanto Local Finance Bureau on November 15, 2019

Reporting Period (From November 1, 2019 to November 30, 2019)

Submitted to the Director-General of the Kanto Local Finance Bureau on December 13, 2019

Reporting Period (From December 1, 2019 to December 31, 2019)

Submitted to the Director-General of the Kanto Local Finance Bureau on January 10, 2020

Reporting Period (From January 1, 2020 to January 31, 2020)

Submitted to the Director-General of the Kanto Local Finance Bureau on February 7, 2020

Reporting Period (From February 1, 2020 to February 29, 2020)

Submitted to the Director-General of the Kanto Local Finance Bureau on March 9, 2020

Reporting Period (From March 1, 2020 to March 31, 2020)

Submitted to the Director-General of the Kanto Local Finance Bureau on April 14, 2020

**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 25, 2020

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

Ernst & Young ShinNihon LLC  
Niigata office

Akira Igarashi [Seal]  
Designated Limited Liability Partner and Engagement Partner,  
Certified Public Accountant

Eishi Daikoku [Seal]  
Designated Limited Liability Partner and Engagement Partner,  
Certified Public Accountant

<Audit of Financial Statements>

Audit Opinion

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, 2019 to March 31, 2020, 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.

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, 2020 as well as the results of their operations and their status of cash flows for the consolidated fiscal year ended March 31, 2020 in accordance with the corporate accounting standards generally accepted in Japan.

Basis for the Audit Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibility in the auditing standards is stated in "The Responsibility of Auditors in the Consolidated Financial Statements Audit." We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the code of professional ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management and Corporate Auditors and Board of Corporate Auditors 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.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements based on the going concern assumption and disclosing the items regarding the going concern assumption in accordance with the corporate accounting standards generally accepted in Japan if such items are required to be disclosed.

Responsibility of Corporate Auditors and Board of Corporate Auditors is to monitor the execution of Directors' duties in the improvement and operation of the financial reporting process.

Responsibility of Auditors in the Consolidated Financial Statements Audit

Responsibility of auditors is to express an opinion on the consolidated financial statements from an independent standpoint in the auditors' report based on our audit by obtaining reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error. Material misstatement is judged to be material if it is likely to

occur due to fraud or error and, individually or in aggregation, is reasonably expected to have an impact on decisions made by users of the consolidated financial statements.

Auditors make professional judgements and conduct the followings with an attitude of professional skepticism through an auditing process in accordance with the auditing standards generally accepted in Japan.

- We identify and assess a risk of material misstatement due to fraud or error. We also design and conduct the audit procedures that address the risk of material misstatement. The selection and application of the audit procedures depend on the auditor's judgment. In addition, we obtain sufficient and appropriate audit evidence to provide a basis for our audit opinion.
- In making such risk assessments, the auditors review internal controls relevant to the audits in order to design audit procedures that are appropriate under the circumstances, while it is not the objective of an audit of the consolidated financial statements to express an opinion on the effectiveness of the entity's internal control.
- We evaluate the accounting policies adopted by the management and appropriateness of their methods of application as well as reasonableness of the accounting estimates made by the management and validity of related notes.
- We conclude whether it is appropriate for the management to prepare the consolidated financial statements with the going concern assumption and, based on the obtained audit evidence, whether a material uncertainty regarding events or conditions that may cast significant doubt on the going concern assumption exists. If a material uncertainty regarding the going concern assumption exists, it is required to promote awareness to the notes in the consolidated financial statements in the auditors' report, or if the notes regarding a material uncertainty in the consolidated financial statements are inappropriate, it is required to express an opinion with exceptive items to the consolidated financial statements. Conclusion by the auditors is based on the audit evidence obtained by the day of the audit report, but a company may not be able to exist as the going concern depending on future events or conditions.
- We evaluate not only whether the presentation and notes of the consolidated financial statements are in accordance with generally accepted accounting principles but also whether the presentation, structure, and contents of the consolidated financial statements including related notes as well as the consolidated financial statements properly present underlying transactions and accounting events.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion about the consolidated financial statements. The auditors are responsible for instruction, supervision, and execution of audits regarding the consolidated financial statements. The auditors assume responsibility for an audit opinion all by themselves.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on the scope of a planned audit and its timing of conduct, material audit findings including material weaknesses of internal control identified in the audit process, and other matters required by the auditing standards.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on that they complied with the code of professional ethics on independence in Japan, matters that are reasonably believed to have an impact on the auditors' independence, and the details of safeguards if those are implemented to remove or mitigate inhibitors.

#### <Audit of Internal Control>

##### Audit Opinion

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, 2020 of Arisawa Mfg. Co., Ltd.

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, 2020, 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.

##### Basis for the Audit Opinion

We conducted an internal control audit in accordance with the auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibility in the auditing standards for internal control over financial reporting is stated in "Responsibility of the Auditors in Internal Control." We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the code of professional ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibility of Management and Corporate Auditors and Board of Corporate Auditors 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.

Responsibility of Corporate Auditors and Board of Corporate Auditors is to monitor and verify the status of improvement and operation of the internal control system for financial reporting.

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 in Internal Control Audit

Our responsibility is to express an opinion on the internal control report from an independent standpoint by obtaining reasonable assurance about material misstatement in the internal control report based on our internal control audit.

The auditors make professional judgements and conduct the followings with an attitude of professional skepticism through an auditing process in accordance with the auditing standards for internal control over financial reporting generally accepted in Japan.

- We conduct audit 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.
- We evaluate 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 obtain sufficient and appropriate audit evidence about the results of evaluating internal control over financial reporting stated in the internal control report. The auditors are responsible for instruction, supervision, and execution of audits regarding the internal control report. The auditors assume responsibility for an audit opinion all by themselves.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on the scope of a planned internal control audit and its timing of conduct, the results of exercising the internal control audit, material weaknesses identified in internal control to be disclosed, the results of their correction, and other matters required by the auditing standards of internal control.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on that they complied with the code of professional ethics on independence in Japan, matters that are reasonably believed to have an impact on the auditors' independence, and the details of safeguards if those are implemented to remove or mitigate inhibitors.

## Interest

There exists no special interest between the Company and its consolidated subsidiaries 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.

## Independent Auditors' Report

June 25, 2020

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

Ernst & Young ShinNihon LLC  
Niigata office

Akira Igarashi [Seal]  
Designated Limited Liability Partner and Engagement Partner,  
Certified Public Accountant

Eishi Daikoku [Seal]  
Designated Limited Liability Partner and Engagement Partner,  
Certified Public Accountant

### Audit Opinion

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 72<sup>nd</sup> business year from April 1, 2019 to March 31, 2020, 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.

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, 2020 and the results of its operations for the business year ended March 31, 2020 in accordance with the corporate accounting standards generally accepted in Japan.

### Basis for the Audit Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibility in the auditing standards is stated in "Responsibility of the Auditors in Financial Statements Audit." We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the code of professional ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibility of Management and Corporate Auditors and Board of Corporate Auditors 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.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements based on the going concern assumption and disclosing the items regarding the going concern assumption in accordance with the corporate accounting standards generally accepted in Japan if such items are required to be disclosed.

Responsibility of Corporate Auditors and Board of Corporate Auditors is to monitor the execution of Directors' duties in the improvement and operation of the financial reporting process.

### Responsibility of Auditors in Financial Statements Audit

Responsibility of auditors is to express an opinion on the financial statements from an independent standpoint in the auditors' report based on our audit by obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Material misstatement is judged to be material if it is likely to occur due to fraud or error and, individually or in aggregation, is reasonably expected to have an impact on decisions made by users of the consolidated financial statements.

The auditors make professional judgements and conduct the followings with an attitude of professional skepticism through an auditing process in accordance with the auditing standards generally accepted in Japan.

- We identify and assess a risk of material misstatement due to fraud or error. We also design and conduct the audit procedures that address the risk of material misstatement. The selection and application of the audit procedures depend on the auditor's judgment. In addition, we obtain sufficient and appropriate audit evidence to provide a basis for our audit opinion.
- In making such risk assessments, the auditors review internal controls relevant to the audits in order to design audit procedures that are appropriate under the circumstances, while it is not the objective of an audit of the financial statements to express an

opinion on the effectiveness of the entity's internal control.

- We evaluate the accounting policies adopted by the management and appropriateness of their methods of application as well as reasonableness of the accounting estimates made by the management and validity of related notes.
- We conclude whether it is appropriate for the management to prepare the financial statements with the going concern assumption and whether a material uncertainty regarding events or conditions that may cast significant doubt on the going concern assumption exists based on the obtained audit evidence. If a material uncertainty regarding the going concern assumption exists, it is required to promote awareness to the notes in the financial statements in the auditors' report, or if the notes regarding a material uncertainty in the financial statements are inappropriate, it is required to express an opinion with exceptive items to the financial statements. Conclusion by the auditors is based on the audit evidence obtained by the day of the audit report, but a company may not be able to exist as a going concern depending on future events or conditions.
- We evaluate not only whether the presentation and notes of the financial statements are in accordance with generally accepted accounting principles in Japan but also whether the presentation, structure, and contents of the financial statements including related notes as well as the financial statements properly present underlying transactions and accounting events.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on the scope of a planned audit and its timing of conduct, material audit findings including material weaknesses of internal control identified in the audit process, and other matters required by the auditing standards.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on that they complied with the code of professional ethics on independence in Japan, matters that are reasonably believed to have an impact on the auditors' independence, and the details of safeguards if those are implemented to remove or mitigate inhibitors.

#### 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.  
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