

QUARTERLY REPORT

(The Third Quarter of the 73rd Term)

From October 1, 2020 to December 31, 2020

(TRANSLATION)

ARISAWA MFG. CO., LTD.

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PART I. INFORMATION ON THE BUSINESS

I. General Conditions of Business

1. Changes in Principal Management Indicators, etc.

Term	72 nd term consolidated cumulative third quarter	73 rd term consolidated cumulative third quarter	72 nd term
Accounting period	From April 1, 2019 to December 31, 2019	From April 1, 2020 to December 31, 2020	From April 1, 2019 to March 31, 2020
Net sales (Millions of yen)	34,327	34,606	45,970
Ordinary income (Millions of yen)	2,221	2,290	2,783
Profit (or loss (Δ)) attributable to owners of the parent (Millions of yen)	Δ118	1,380	212
Comprehensive income (Millions of yen)	Δ22	2,146	Δ117
Net assets (Millions of yen)	49,091	50,063	49,018
Total assets (Millions of yen)	71,537	69,553	71,709
Net income (or loss (Δ)) per share (Yen)	Δ3.38	41.50	6.14
Fully diluted net income per share (Yen)	—	41.43	6.12
Equity ratio (%)	64.7	67.8	64.3

Term	72 nd term consolidated third quarter	73 rd term consolidated third quarter
Accounting period	From October 1, 2019 to December 31, 2019	From October 1, 2020 to December 31, 2020
Net income per share (Yen)	23.20	15.83

- Note: 1. As Arisawa Mfg. Co., Ltd. (hereinafter referred to as either the “Company” or the “Submitting Company”, as the case may be) prepares the quarterly consolidated financial statements, the changes in principal management indicators, etc. of the Submitting Company are not stated above.
2. Consumption tax, etc. are not included in the amount of net sales.
3. Diluted net income per share in the 72nd term consolidated cumulative third quarter is not stated above due to net loss per share, though potential share exists.

2. Description of Business

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

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

II. Status of Business

1. Business Risks, etc.

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

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

Matters stated concerning the future in the text are based on judgments made as of the end of the current consolidated third quarter.

(1) Financial Position and Operating Results

1) Operating Results

The Japanese economy in the current consolidated cumulative third quarter fell into an extremely difficult situation due to the stagnant economic activities caused by the spread of the new corona virus infection (COVID-19). It also remained uncertain because the containment of the new corona virus infection (COVID-19) could not be predicted and it was concerned that the effect on the economy was prolonged. Under such circumstances, the results of operations of our group (the Company, its consolidated subsidiaries and the companies accounted for under the equity method) for the current consolidated cumulative third quarter showed net sales of 34,606 million yen (representing a 0.8% increase as compared with the year-earlier quarter), an operating income of 2,223 million yen (representing an 7.0% increase as compared with the year-earlier quarter), an ordinary income of 2,290 million yen (representing a 3.1% increase as compared with the year-earlier quarter) and a profit attributable to owners of the parent of 1,380 million yen (loss attributable to owners of the parent of 118 million yen in the year-earlier quarter).

Business results with respect to each segment are as follows.

a. Electronic materials segment

In the electronic materials segment, net sales were 23,752 million yen (a 5.7% increase as compared with the year-earlier quarter) due to a steady increase in sales of our mainstay product, i.e. materials for flexible printed circuit boards (the amount of orders received increased by 2.4%, and the production output increased by 10.5%, as compared with the year-earlier quarter on a non-consolidated basis of the Submitting Company), while the segment income was 2,197 million yen (a 13.6% increase as compared with the year-earlier quarter) due to an increase in sales.

b. Industrial application structural materials segment

In the industrial application structural materials segment, net sales were 6,451 million yen (a 0.1% decrease as compared with the year-earlier quarter) due to a decrease in sales of materials for aircraft and the sales launch of in-car materials, while the segment income was 639 million yen (a 33.6% decrease as compared with the year-earlier quarter) due to a decrease in sales of materials for aircraft, etc.

c. Electrical insulating materials segment

In the electrical insulating materials segment, net sales were 1,732 million yen (a 23.7% decrease as compared with the year-earlier quarter) due to a decrease in sales of insulating materials for heavy electrical machinery, while the segment income was 121 million yen (a 51.1% decrease as compared with the year-earlier quarter) due to a decrease in sales.

d. Display materials segment

In the display materials segment, net sales were 2,042 million yen (a 20.6% decrease as compared with the year-earlier quarter) due to a decrease in sales of polarization control optical components by ColorLink Japan Ltd., etc., while the segment income was 123 million yen (a 18.3% decrease as compared with the year-earlier quarter) due to a decrease in sales.

e. Other (other businesses)

In other businesses, net sales were 627 million yen, representing a 14.3% increase as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 174 million yen (a 19.3% increase as compared with the year-earlier quarter).

It should also be noted that the amounts of net sales, orders received, etc. stated in this section do not

include consumption tax, etc.

2) Financial Position

Total assets as of the end of the current consolidated cumulative third quarter were 69,553 million yen, a decrease of 2,156 million yen compared with the end of the previous year. This was largely due to the sales of investment securities, which resulted in an increase of 1,327 million yen in cash and deposits and a decrease of 4,034 million yen in investment securities.

Total liabilities as of the end of the current consolidated cumulative third quarter were 19,489 million yen, a decrease of 3,201 million yen compared with the end of the previous year. This was due largely to a decrease of 3,238 million yen in income taxes payable.

Total net assets as of the end of the current consolidated cumulative third quarter were 50,063 million yen, an increase of 1,045 million yen compared with the end of the previous year. This was due largely to an increase of 611 million yen in valuation difference on available-for-sale securities.

(2) Management Policy, Management Strategy, etc.

There was no significant change, during the current consolidated cumulative third quarter, in the management policy, management strategy, etc. set by our Group.

(3) Accounting Estimates and Assumptions Used in Making Such Estimates

There was no material change in a statement of the accounting estimates and assumptions used in making such estimates in "Analyses of Consolidated Financial Position, Business Results and Cash Flows by the Corporate Managers" stated in the Financial Report for the previous business year.

Note that the accounting estimates in connection with the spread of the new corona virus infection (COVID-19) in the current consolidated cumulative third quarter is described in "IV. Status of Accounting - 1. Quarterly Consolidated Financial Statements - [Notes] – Additional information".

(4) Business and Financial Tasks to be Preferentially Addressed

There was no material change in business and financial tasks to be preferentially addressed by our Group in the current consolidated cumulative third quarter.

(5) Research and Development Activities

The Group's total expenses for research and development activities incurred in the current consolidated cumulative third quarter amounted to 1,436 million yen.

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

3. Agreements with Managerial Implications, etc.

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

III. Status of the Submitting Company

1. Status of Shares, etc.

(1) Total Number of Shares, etc.

1) Total number of shares

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

2) Shares issued and outstanding

Class	Number of shares issued and outstanding as of the end of the third quarter (As of December 31, 2020)	Number of shares issued and outstanding as of the filing date of this Quarterly Report (As of February 12, 2021)	Name of financial instruments exchange where the shares are listed or authorized financial instruments firms association where the shares are registered	Remarks
Common stock	34,428,424	34,432,424	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	34,428,424	34,432,424	---	---

Note: The number of shares issued through the exercise of stock acquisition rights in the period from February 1, 2021 to the filing date of this Quarterly Report is not included in the column "Number of shares issued and outstanding as of the filing date of this Quarterly Report".

(2) Status of Stock Acquisition Rights, etc.

1) Details of Stock Option Scheme

No applicable matter.

2) 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 October 1, 2020 to November 30, 2020 (See Note 1)	4,000	36,406,424	1,268	7,602,621	1,268	6,714,612
November 30, 2020 (See Note 2)	△2,000,000	34,406,424	—	7,602,621	—	6,714,612
From December 1, 2020 to December 31, 2020 (See Note 1)	22,000	34,428,424	6,974	7,609,595	6,974	6,721,586

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

2 This is due to the retirement of treasury stock.

3 In the period from January 1, 2021 to January 31, 2021, the number of shares issued and outstanding increased by 4,000 shares, and the amount of capital stock and that of legal capital surplus increased by 1,268 thousand yen respectively, all through the exercise of stock acquisition rights.

(5) Status of Major Shareholders

As the current quarterly accounting period is the third quarter, there is no matter to be stated.

(6) Status of Voting Rights

Since the “Status of Voting Rights” as of the end of the current third quarter cannot be stated herein as the relevant entries in the shareholder registry have yet to be confirmed, it is stated based on the shareholder registry as of the most recent record date (September 30, 2020).

1) Shares issued and outstanding

As of December 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 3,136,000	---	---
Shares with full voting rights (Other)	Common stock 33,192,400	331,924	---
Shares constituting less than one full unit	Common stock 74,024	---	---
Number of shares issued and outstanding	36,402,424	---	---
Total number of voting rights held by shareholders	---	331,924	---

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. 29 shares of treasury stock are included in the row “Shares constituting less than one full unit”.

3. The number of shares issued and outstanding was 34,428,424 shares as of December 31, 2020 due to the retirement of 2,000,000 shares of treasury stock as of November 30, 2020.

2) Treasury Stock, etc.

As of December 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	3,136,000	---	3,136,000	8.61
Total	---	3,136,000	---	3,136,000	8.61

Note: 2,000,000 shares of treasury stock were retired as of November 30, 2020, and the number of treasury stock was 1,136,000 shares (the ratio of the number of shares held to the number of shares issued and outstanding is 3.30%) as of the end of the current third quarter.

2. Status of Directors and Officers

No applicable matter.

IV. Status of Accounting

1. Method of Preparation of Quarterly Consolidated Financial Statements

The quarterly consolidated financial statements of the Company are prepared in compliance with the “Regulations for Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

2. Certification of Audit

The Company received a quarterly review of its quarterly consolidated financial statements for the current consolidated third quarter (From October 1, 2020 to December 31, 2020) and the current consolidated cumulative third quarter (From April 1, 2020 to December 31, 2020) conducted by Ernst & Young ShinNihon LLC under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

1. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated third quarter (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	14,714,069	16,041,174
Notes and accounts receivable-trade	17,697,085	* 17,262,247
Securities	1,558,445	945,933
Merchandise and finished goods	3,083,432	3,351,412
Work in process	2,017,729	2,215,073
Raw materials and supplies	3,177,428	3,274,045
Other	1,059,764	1,916,964
Allowance for doubtful accounts	△585,049	△146,462
Total current assets	42,722,906	44,860,388
Non-current assets		
Property, plant and equipment	12,925,137	13,232,961
Intangible assets	225,017	229,919
Investments and other assets		
Investment securities	14,207,192	10,172,811
Other	1,766,893	1,206,530
Allowance for doubtful accounts	△137,662	△149,390
Total investments and other assets	15,836,423	11,229,951
Total non-current assets	28,986,578	24,692,832
Total assets	71,709,484	69,553,221

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated third quarter (As of December 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,916,079	* 6,743,172
Current portion of bonds	36,800	36,800
Short-term loans payable	4,866,202	4,685,748
Current portion of long-term loans payable	187,669	182,724
Income taxes payable	3,428,200	189,231
Provision for bonuses	570,517	261,540
Provision for directors' bonuses	4,793	3,375
Other	2,415,558	* 2,956,874
Total current liabilities	18,425,820	15,059,466
Non-current liabilities		
Bonds payable	91,200	54,400
Long-term loans payable	2,567,816	2,828,791
Net defined benefit liability	738,606	709,787
Asset retirement obligations	92,310	91,498
Other	775,563	745,754
Total non-current liabilities	4,265,495	4,430,232
Total liabilities	22,691,316	19,489,698
Net assets		
Shareholders' equity		
Capital stock	7,594,026	7,609,595
Capital surplus	6,706,017	6,721,586
Retained earnings	34,256,590	32,593,755
Treasury stock	△3,204,797	△1,159,226
Total shareholders' equity	45,351,837	45,765,711
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	448,970	1,060,667
Deferred gains or losses on hedges	△1,311	1,553
Foreign currency translation adjustment	478,798	396,425
Remeasurements of defined benefit plans	△141,260	△86,553
Total accumulated other comprehensive income	785,197	1,372,093
Subscription rights to shares	166,148	181,736
Non-controlling interests	2,714,984	2,743,982
Total net assets	49,018,167	50,063,523
Total liabilities and net assets	71,709,484	69,553,221

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

[Quarterly Consolidated Statements of Income]

[Consolidated cumulative third quarter]

(Thousands of yen)

	Previous consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)	Current consolidated cumulative third quarter (From April 1, 2020 to December 31, 2020)
Net sales	34,327,306	34,606,706
Cost of sales	28,415,924	28,818,193
Gross profit	5,911,381	5,788,512
Selling, general and administrative expenses	3,833,508	3,564,820
Operating income	2,077,873	2,223,692
Non-operating income		
Interest income	239,325	218,168
Dividends income	100,368	87,694
Subsidy income	12,499	119,592
Other	210,010	134,189
Total non-operating income	562,204	559,645
Non-operating expenses		
Interest expenses	71,129	82,095
Foreign exchange losses	93,450	192,813
Other	253,589	218,076
Total non-operating expenses	418,168	492,985
Ordinary income	2,221,909	2,290,351
Extraordinary income		
Gain on sales of non-current assets	262	515
Gain on sales of securities	1,271,030	320,704
Other	14,244	26,628
Total extraordinary income	1,285,537	347,848
Extraordinary losses		
Impairment loss	448,357	—
Impairment loss of goodwill	175,447	—
Loss on sales of investment securities	2,894	313,624
Other	28,859	12,018
Total extraordinary losses	655,558	325,642
Income before income taxes	2,851,888	2,312,556
Income taxes	2,796,074	655,999
Profit	55,813	1,656,557
Profit attributable to non-controlling interests	174,506	276,254
Profit (or loss(△)) attributable to owners of the parent	△118,692	1,380,302

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated cumulative third quarter]

(Thousands of yen)

	Previous consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)	Current consolidated cumulative third quarter (From April 1, 2020 to December 31, 2020)
Profit	55,813	1,656,557
Other comprehensive income		
Valuation difference on available-for-sale securities	236,177	611,662
Deferred gains or losses on hedges	△443	2,865
Foreign currency translation adjustment	△227,935	△179,795
Remeasurements of defined benefit plans	25,690	54,707
Share of other comprehensive income of entities accounted for using equity method	△111,385	139
Total other comprehensive income	△77,897	489,579
Comprehensive income	△22,083	2,146,137
(Breakdown)		
Comprehensive income attributable to owners of the parent	△134,097	1,967,198
Comprehensive income attributable to non-controlling interests	112,014	178,938

[Notes]

(Particular accounting treatments applied in preparation of quarterly consolidated financial statements)

<Calculation of tax expenses>

Tax expenses are calculated by multiplying the quarterly income before income taxes by an estimated effective tax rate. Such effective tax rate is reasonably estimated after applying tax effect accounting to the income before income taxes for the consolidated fiscal year including the current consolidated third quarter.

(Additional information)

< Accounting estimates >

We supposed the establishment of the ranges that include the case of an early containment (by the end of September 2020) in connection with the assumptions on the impact of the new coronavirus infection (COVID-19) described in the additional information in the Financial Report for the previous consolidated fiscal year. However, based on the infection status, we changed part of the assumptions, supposing that the impact will continue at least throughout the current consolidated fiscal year. Note that there was no material change in the accounting estimates for the current consolidated cumulative third quarter.

(Notes Related to Quarterly Consolidated Balance Sheets)

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

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

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated third quarter (As of December 31, 2020)
Notes and accounts receivable-trade	—	36,028
Notes and accounts payable-trade	—	128,857
Current liabilities and others (Notes payable - non-operating, Electronically recorded obligations-non-operating)	—	86,740

(Notes Related to Quarterly Consolidated Statements of Cash Flows)

Quarterly consolidated statements of cash flows for the current consolidated cumulative third quarter were not prepared. In this regard, the amounts of depreciation (including amortization of intangible assets except for goodwill) and amortization of goodwill for the previous and current consolidated cumulative third quarters are as follows.

	Previous consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)	Current consolidated cumulative third quarter (From April 1, 2020 to December 31, 2020)
Depreciation	1,457,908	1,537,612
Amortization of goodwill	43,861	—

(Notes Related to Shareholders' Equity, etc.)

I Previous consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)

1. Dividends paid

(Resolution)	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders of June 27, 2019	Common stock	1,086,565	30.00	March 31, 2019	June 28, 2019	Retained earnings

2. Significant changes in the amount of shareholders' equity

The Company bought back 3,128,300 shares upon a resolution by the Board of Directors held on August 27th, 2019. As a result, the treasury stock increased 3,199,887 thousand yen in the current consolidated cumulative third quarter and amounted to 3,204,787 thousand yen as of the end of the current consolidated third quarter.

II Current consolidated cumulative third quarter (From April 1, 2020 to December 31, 2020)

1. Dividends paid

(Resolution)	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders of June 25, 2020	Common stock	997,370	30.00	March 31, 2020	June 26, 2020	Retained earnings

2. Significant changes in the amount of shareholders' equity

The Company terminated 2,000,000 shares upon a resolution by the Board of Directors held on October 29, 2020. As a result, the retained earnings and the treasury stock decreased by 2,045,767 thousand yen respectively in the current consolidated cumulative third quarter, and the retained earnings amounted to 32,593,755 thousand yen and the treasury stock to 1,159,226 thousand yen as of the end of the current consolidated third quarter.

(Segment Information, etc.)

[Segment Information]

I Previous consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)

1. Information on the amount of net sales and income or loss with respect to each reportable segment

(Thousands of yen)

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

Note: The column "Other" represents business operations that do not fall under any of the reportable segments and includes the related goods sales, the logistics-related operations and other businesses, etc.

2. Difference between the aggregate amount of income or loss of reportable segments and the pertinent amount shown on the quarterly consolidated statements of income as well as the key components of such difference (Matters concerning difference adjustment)

(Thousands of yen)

Income	Amount
Total of reportable segments	3,296,780
Income in the category "Other"	146,501
Elimination of inter-segment transactions	△65,556
Amortization of goodwill	△43,861
Unallocated corporate expenses (See Note)	△1,227,826
Adjustment of inventories	△28,163
Operating income shown on the quarterly consolidated statements of income	2,077,873

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

3. Information on impairment loss on non-current assets or goodwill, etc. with respect to each reportable segment

(Significant impairment losses on non-current assets)

In the electronic materials segment, with respect to the assets (including goodwill) in which investments could not be expected to recover due to a downturn in profitability, the Company devalued their carrying amount to its recoverable amount and showed the relevant amount of its loss to extraordinary losses as impairment losses.

In the display materials segment, with respect to the assets in which profit arising from operating activities continues negative, the Company devalued their carrying amount to its memorandum value and showed the relevant amount of its loss to extraordinary losses as impairment losses.

In this regard, the amount of the relevant impairment losses shown in the previous consolidated cumulative third quarter is 539,702 thousand yen in the electronic materials segment and 84,101 thousand yen in the display materials segment.

(Material change of the amount of goodwill)

In the electronic materials segment, the impairment loss of goodwill is shown, so the amount of goodwill decreased. In this regard, the decreased amount of goodwill by the said event was 175,447 thousand yen in the previous consolidated cumulative third quarter.

II Current consolidated cumulative third quarter (From April 1, 2020 to December 31, 2020)

1. Information on the amount of net sales and income or loss with respect to each reportable segment

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Net sales							
Net sales to external customers	23,752,728	6,451,804	1,732,151	2,042,551	33,979,235	627,470	34,606,706
Inter-segment sales or transfers	—	—	—	—	—	619,086	619,086
Total	23,752,728	6,451,804	1,732,151	2,042,551	33,979,235	1,246,556	35,225,792
Segment income	2,197,614	639,393	121,293	123,054	3,081,355	174,727	3,256,082

Note: The column “Other” represents business operations that do not fall under any of the reportable segments and includes the related goods sales, the logistics-related operations and other businesses, etc.

2. Difference between the aggregate amount of income or loss of reportable segments and the pertinent amount shown on the quarterly consolidated statements of income as well as the key components of such difference (Matters concerning difference adjustment)

(Thousands of yen)

Income	Amount
Total of reportable segments	3,081,355
Income in the category “Other”	174,727
Elimination of inter-segment transactions	2,707
Unallocated corporate expenses (See Note)	△1,016,334
Adjustment of inventories	△18,763
Operating income shown on the quarterly consolidated statements of income	2,223,692

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

3. Information on impairment loss on non-current assets or goodwill, etc. with respect to each reportable segment

No applicable matter.

(Per Share Information)

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

	Previous consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)	Current consolidated cumulative third quarter (From April 1, 2020 to December 31, 2020)
(1) Net income (or loss) per share (△)	△3.38 yen	41.50 yen
(Basis of calculation)		
Profit (or loss) attributable to owners of the parent (△) (Thousands of yen)	△118,692	1,380,302
Amount not attributable to common stockholders (Thousands of yen)	—	—
Profit (or loss) attributable to owners of the parent pertaining to common stock (△) (Thousands of yen)	△118,692	1,380,302
Average number of shares of common stock during the period	35,159,633	33,258,817
(2) Fully diluted net income per share	---	41.43 yen
(Basis of calculation)		
Adjustment of profit attributable to owners of the parent (Thousands of yen)	---	---
Increase in the number of shares of common stock	---	55,761
Outline of dilutive shares that were not included in the calculation of fully diluted net income per share due to a lack of dilutive effect and also underwent a significant change after the end of the previous consolidated fiscal year	---	---

Note: Diluted net income per share in the previous term consolidated cumulative third quarter is not stated above due to net loss per share, though potential share exists.

(Significant Subsequent Events)

(Additional acquisition of the subsidiary's shares through the tender offer, etc.)

The Company passed a resolution at the Board of Directors' Meeting held on December 2, 2020 of the additional acquisition through the tender offer based on the law of Taiwan for the shares of ThinFlex Corporation, a consolidated subsidiary of the Company (hereinafter referred to as "Taiwan Tender Offer"), and conducted Taiwan Tender Offer from December 8, 2020 and ended it on January 26, 2021.

Note that the terms and conditions of Taiwan Tender Offer were established and the acquisition procedure is in progress.

1. Summary of business combination

(1) Name and business description of the combined entity

Name of the combined entity: ThinFlex Corporation

Business description: Production and sales of flexible printed circuit boards, etc.

(2) Date of business combination

Acquisition through the tender offer: January 26, 2021 (Deemed acquisition date: January 1, 2021)

(3) Legal form of business combination

Share acquisition in exchange for cash

(4) Company name after business combination

No change has been made.

(5) Ratio of voting rights of subsidiary's shares after the additional acquisition

Ratio of voting rights before the business combination: 52.3%

Ratio of voting rights after the tender offer: 84.5%

2. Acquisition cost of additionally acquired subsidiary's shares and breakdown by type of consideration

Consideration for acquisition	Cash	4,324,082 thousand yen
		<hr/>
Acquisition cost		4,324,082 thousand yen

3. Summary of accounting treatments to be implemented

Based on "Accounting Standard for Business Combination" (Accounting Standards Board of Japan Statement No. 21, January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan, Guidance on Accounting Standards No. 10, January 16, 2019), it will be treated as transactions under common control, etc.

2. Other

No applicable matter.

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

No applicable matter.

Independent Auditors' Quarterly Review Report

February 12, 2021

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

Conclusion of Auditors

We have conducted, under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, a quarterly review of the quarterly consolidated financial statements of Arisawa Mfg. Co., Ltd. listed in the "Status of Accounting" for the consolidated third quarter (From October 1, 2020 to December 31, 2020) and the consolidated cumulative third quarter (From April 1, 2020 to December 31, 2020) of the consolidated fiscal year from April 1, 2020 to March 31, 2021, consisting of the quarterly consolidated balance sheets, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income and notes.

In our quarterly review, no matter has come to our attention that causes us to believe that the above quarterly consolidated financial statements do not fairly present, in any material respect, the financial conditions of Arisawa Mfg. Co., Ltd. and its consolidated subsidiaries as of December 31, 2020 and the results of their operations in the consolidated cumulative third quarter ended December 31, 2020 in accordance with the standards for preparation of quarterly consolidated financial statements generally accepted in Japan.

Basis for the Conclusion of Auditors

We conducted our quarterly review in accordance with the quarterly review standards generally accepted in Japan. Our responsibility in the quarterly review standards is stated in "The Responsibility of Auditors in the Quarterly Review Report of the Quarterly Consolidated Financial Statements." 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 evidence we have obtained provides a basis for our conclusion.

Responsibility of Management and Corporate Auditors and Board of Corporate Auditors for the Quarterly Consolidated Financial Statements

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

In preparing the quarterly consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the quarterly consolidated financial statements based on the going concern assumption and disclosing the items regarding the going concern assumption in accordance with the standards for preparation of quarterly consolidated financial statements 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.

The Responsibility of Auditors in the Quarterly Review Report of the Quarterly Consolidated Financial Statements. Responsibility of auditors is to express a conclusion on the quarterly consolidated financial statements from an independent standpoint in the quarterly review report based on our quarterly review.

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

- We principally make inquiries to the management, the persons responsible for financial and accounting matters, etc. applying analytical procedures and conducting other quarterly review procedures. The quarterly review procedures are less exhaustive than the procedures for annual financial statement audits conducted in accordance with the audit

standards generally accepted in Japan.

- If we deem that there is a material uncertainty regarding events or conditions that may cast significant doubt matters on the going concern assumption, we conclude whether the quarterly consolidated financial statements are found to contain any matters that would lead one to believe that those are not fairly presented in accordance with the standards for preparation of quarterly consolidated financial statements generally accepted in Japan based on the evidence we obtain. Moreover, if a material uncertainty regarding the going concern assumption exists, it is required to promote awareness to the notes in the quarterly consolidated financial statements in the quarterly review report, or if the notes regarding a material uncertainty in the quarterly consolidated financial statements are inappropriate, it is required to express a qualified conclusion or a negative conclusion to the quarterly consolidated financial statements. Conclusion by the auditors is based on the audit evidence obtained by the day of the quarterly review 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 quarterly consolidated financial statements are found to contain any matters that would lead one to believe that those are not in accordance with the standards for preparation of quarterly consolidated financial statements generally accepted in Japan but also whether the presentation, structure, and contents of the quarterly consolidated financial statements including related notes as well as the quarterly consolidated financial statements are found to contain any matters that would lead one to believe that those do not fairly present underlying transactions and accounting events.

- We obtain evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion about the quarterly consolidated financial statements. The auditors are responsible for instruction, supervision, and execution of quarterly review regarding the quarterly 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 quarterly review and its timing of conduct, and material quarterly review findings.

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 as well as 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.

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