

# **QUARTERLY REPORT**

(The First Quarter of the 74<sup>th</sup> Term)

From April 1, 2021 to June 30, 2021

(TRANSLATION)

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

## TABLE OF CONTENTS

Page Number

Cover Page	
PART I. INFORMATION ON THE BUSINESS .....	1
I. General Conditions of Business .....	1
1. Changes in Principal Management Indicators, etc. ....	1
2. Description of Business.....	1
II. Status of Business .....	2
1. Business Risks, etc. ....	2
2. Analyses of Consolidated Financial Position, Business Results and Cash Flows by the Corporate Managers.....	2
3. Agreements with Managerial Implications, etc.....	3
III. Status of the Submitting Company .....	4
1. Status of Shares, etc. ....	4
(1) Total Number of Shares, etc. ....	4
(2) Status of Stock Acquisition Rights, etc. ....	4
(3) Status of Exercise of Moving Strike Convertible Bonds, etc. ....	4
(4) Changes in the Number of Shares Issued and Outstanding, Capital Stock, etc. ....	4
(5) Status of Major Shareholders.....	4
(6) Status of Voting Rights.....	5
2. Status of Directors and Officers .....	5
IV. Status of Accounting .....	6
1. Quarterly Consolidated Financial Statements .....	7
(1) Quarterly Consolidated Balance Sheets.....	7
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	9
[Quarterly Consolidated Statements of Income].....	9
[Quarterly Consolidated Statements of Comprehensive Income].....	10
2. Other.....	16
PART II. INFORMATION ON GUARANTY COMPANIES, ETC. OF THE SUBMITTING COMPANY .....	17
[Independent Auditors' Quarterly Review Report]	

## Cover Page

Document to be filed:	Quarterly Report
Statutory basis:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	August 10, 2021
Quarterly accounting period:	The First Quarter of the 74 <sup>th</sup> Term (From April 1, 2021 to June 30, 2021)
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, Operating Officer supervising, Accounting Department
Place of contact:	5-5, Minami-honcho 1-chome, Joetsu-shi, Niigata
Telephone number:	(025) 524-5126
Contact person:	Shuichi Kubota, Operating Officer supervising, Accounting Department
Places where copies of this Quarterly 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.

Term	73 <sup>rd</sup> term consolidated cumulative first quarter	74 <sup>th</sup> term consolidated cumulative first quarter	73 <sup>rd</sup> term
Accounting period	From April 1, 2020 to June 30, 2020	From April 1, 2021 to June 30, 2021	From April 1, 2020 to March 31, 2021
Net sales (Millions of yen)	10,597	10,785	46,439
Ordinary income (Millions of yen)	732	1,060	3,578
Profit attributable to owners of the parent (Millions of yen)	428	777	2,160
Comprehensive income (Millions of yen)	727	807	3,808
Net assets (Millions of yen)	48,766	46,474	47,444
Total assets (Millions of yen)	69,083	67,764	67,257
Net income per share (Yen)	12.89	23.31	64.94
Fully diluted net income per share (Yen)	12.87	23.28	64.84
Equity ratio (%)	66.5	67.3	68.8

- 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. “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No.29, March 31, 2020), etc. have been applied from the beginning of the current consolidated fiscal first quarter. Principal Management Indicators, etc. for the current consolidated cumulative first quarter are shown after application of the said Accounting Standards, etc.

#### 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 first 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 first 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 first quarter.

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No.29, March 31, 2020), etc. have been applied from the current consolidated fiscal first quarter.

#### (1) Financial Position and Operating Results

##### 1) Operating Results

The Japanese economy in the current consolidated cumulative first quarter has been greatly affected by stagnant economic activities due to the spreading of the new corona virus infection (COVID-19). Moreover, although vaccination has started as anti-COVID-19 measures, uncertainty about the future is strong amid the situation where it is unable to predict the timing for the spread of the new corona virus infection to be contained, and it is concerned that the effect on corporate performance is 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 first quarter showed, due to a steady increase in sales of electronic materials, net sales of 10,785 million yen (representing a 1.8% increase as compared with the year-earlier quarter), an operating income of 1,032 million yen (representing a 37.9% increase as compared with the year-earlier quarter), an ordinary income of 1,060 million yen (representing a 44.8% increase as compared with the year-earlier quarter) and a profit attributable to owners of the parent of 777 million yen (representing a 81.3% increase as compared with the year-earlier quarter).

Along with the application of Accounting Standard for Revenue Recognition, compared to a conventional method, sales decreased by 1,030,756 thousand yen and operating income, ordinary income and income before income taxes decreased by 14,706 thousand yen respectively. For details, refer to “IV. Status of Accounting - 1. Quarterly Consolidated Financial Statements - [Notes] - (Changes in Accounting Policies)”.

Business results with respect to each segment are as follows.

Note that the method for measuring the income or loss of business segments was changed from the current consolidated fiscal first quarter. For details, refer to “IV. Status of Accounting - 1. Quarterly Consolidated Financial Statements - [Notes] - (Segment Information, etc.)”.

##### a. Electronic materials segment

In the electronic materials segment, net sales were 7,664 million yen, representing a 11.2% increase as compared with the year-earlier quarter, due to a steady increase in sales of materials for flexible printed circuit boards, etc. (the amount of orders received increased by 0.9%, and the production output increased by 11.5%, as compared with the year-earlier quarter on a non-consolidated basis of the Submitting Company), while the segment income or loss recorded a segment income of 959 million yen (a 24.8% increase as compared with the year-earlier quarter).

##### b. Industrial application structural materials segment

In the industrial application structural materials segment, net sales (consisting mainly of the sales of filament winding molded products as well as honeycomb panels and prepregs for aircraft) were 1,627 million yen, representing a 27.0% decrease as compared with the year-earlier quarter, due to a decrease in sales of materials for aircraft, while the segment income or loss recorded a segment income of 173 million yen (a 24.7% decrease as compared with the year-earlier quarter).

##### c. Electrical insulating materials segment

In the electrical insulating materials segment, net sales (consisting mainly of the sales of prepregs and glass cloth for electrical insulation) were 592 million yen, representing a 5.3% 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 or loss recorded a segment income of 54 million yen (a 14.6% increase as compared with the year-earlier quarter).

d. Display materials segment

In the display materials segment, net sales (consisting mainly of the sales of 3D imaging-related materials) were 769 million yen, representing a 33.9% increase as compared with the year-earlier quarter, due to an increase in sales of polarization control optical components of ColorLink Japan, Ltd., while the segment income or loss recorded a segment income of 205 million yen (a segment income of 2 million yen for the year-earlier quarter).

e. Other (other businesses)

In other businesses, net sales were 131 million yen, representing a 52.5% decrease as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 55 million yen (a 0.9% decrease as compared with the year-earlier quarter).

2) Financial Position

Total assets as of the end of the current consolidated cumulative first quarter were 67,764 million yen, an increase of 507 million yen compared with the end of the previous year. This was due largely to an increase of 489 million yen in merchandise and finished goods and an increase of 452 million yen in raw materials and supplies, a decrease of 517 million yen in cash and deposits.

Total liabilities as of the end of the current consolidated cumulative first quarter were 21,290 million yen, an increase of 1,478 million yen compared with the end of the previous year. This was due largely to an increase of 574 million yen in short-term loans payable (including current portion of long-term loans payable), an increase of 333 million yen in provision for bonuses and an increase of 224 million yen in notes and accounts payable - trade.

Total net assets as of the end of the current consolidated cumulative first quarter were 46,474 million yen, a decrease of 970 million yen compared with the end of the previous year. This was due largely to a decrease of 482 million yen in retained earnings and a decrease of 432 million yen in capital surplus.

(2) Management Policy, Management Strategy, etc.

There was no significant change, during the current consolidated cumulative first 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.

(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 first quarter.

(5) Research and Development Activities

The Group's total expenses for research and development activities incurred in the current consolidated cumulative first quarter amounted to 439 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 first quarter.

**3. Agreements with Managerial Implications, etc.**

In the current consolidated first 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 first quarter (As of June 30, 2021)	Number of shares issued and outstanding as of the filing date of this Quarterly Report (As of August 10, 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	34,490,324	34,490,324	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	34,490,324	34,490,324	---	---

Note: The number of shares issued through the exercise of stock acquisition rights in the period from August 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 April 1, 2021 to June 30, 2021 (See Note 1)	19,800	34,490,324	6,276	7,629,915	6,276	6,741,906

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

##### (5) Status of Major Shareholders

As the current quarterly accounting period is the first 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 first 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 (March 31, 2021).

### 1) Shares issued and outstanding

As of June 30, 2021

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 1,136,100	---	---
Shares with full voting rights (Other) (See Note 1)	Common stock 33,262,700	332,627	---
Shares constituting less than one full unit (See Note 2)	Common stock 71,724	---	---
Number of shares issued and outstanding	34,470,524	---	---
Total number of voting rights held by shareholders	---	332,627	---

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

### 2) Treasury Stock, etc.

As of June 30, 2021

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	1,136,100	---	1,136,100	3.29
Total	---	1,136,100	---	1,136,100	3.29

## 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 first quarter (From April 1, 2021 to June 30, 2021) and the current consolidated cumulative first quarter (From April 1, 2021 to June 30, 2021) 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, 2021)	Current consolidated first quarter (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	13,215,508	12,697,649
Notes and accounts receivable-trade	16,766,218	—
Notes, accounts receivable-trade and contract assets	—	17,049,610
Securities	1,242,430	1,398,297
Merchandise and finished goods	3,896,377	4,385,793
Work in process	2,175,632	2,175,414
Raw materials and supplies	3,026,247	3,478,974
Income taxes receivable	1,415,974	1,415,974
Other	778,645	706,182
Allowance for doubtful accounts	△161,830	△158,372
Total current assets	42,355,204	43,149,524
Non-current assets		
Property, plant and equipment	13,217,395	13,377,264
Intangible assets	244,870	237,035
Investments and other assets		
Investment securities	10,666,038	10,245,859
Other	788,832	769,857
Allowance for doubtful accounts	△14,923	△14,600
Total investments and other assets	11,439,946	11,001,117
Total non-current assets	24,902,213	24,615,417
Total assets	67,257,417	67,764,941

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated first quarter (As of June 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	6,657,426	6,882,215
Current portion of bonds	36,800	36,800
Short-term loans payable	3,606,087	3,792,537
Current portion of long-term loans payable	182,724	570,724
Income taxes payable	277,821	425,335
Provision for bonuses	535,756	869,676
Provision for directors' bonuses	3,870	975
Other	2,817,772	2,878,159
Total current liabilities	14,118,258	15,456,423
Non-current liabilities		
Bonds payable	54,400	36,000
Long-term loans payable	3,761,507	3,957,499
Net defined benefit liability	607,032	594,030
Asset retirement obligations	89,466	91,312
Other	1,181,934	1,155,501
Total non-current liabilities	5,694,340	5,834,344
Total liabilities	19,812,598	21,290,767
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,623,638	7,629,915
Capital surplus	4,403,396	3,971,325
Retained earnings	33,374,092	32,891,213
Treasury stock	△1,159,364	△1,159,372
Total shareholders' equity	44,241,763	43,333,081
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,569,049	1,428,055
Deferred gains or losses on hedges	△8,237	△8,115
Foreign currency translation adjustment	486,242	825,948
Remeasurements of defined benefit plans	△3,959	△201
Total accumulated other comprehensive income	2,043,095	2,245,686
Subscription rights to shares	193,962	169,152
Non-controlling interests	965,997	726,252
Total net assets	47,444,819	46,474,173
Total liabilities and net assets	67,257,417	67,764,941

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

[Quarterly Consolidated Statements of Income]

[Consolidated cumulative first quarter]

(Thousands of yen)

	Previous consolidated cumulative first quarter (From April 1, 2020 to June 30, 2020)	Current consolidated cumulative first quarter (From April 1, 2021 to June 30, 2021)
Net sales	10,597,738	10,785,102
Cost of sales	8,661,599	8,449,150
Gross profit	1,936,138	2,335,951
Selling, general and administrative expenses	1,187,234	1,302,972
Operating income	748,904	1,032,979
Non-operating income		
Interest income	75,622	47,871
Dividends income	44,182	36,273
Gain on redemption of investment securities	4,368	34,309
Other	39,048	36,262
Total non-operating income	163,222	154,716
Non-operating expenses		
Interest expenses	29,157	28,481
Foreign exchange losses	58,851	45,474
Loss on redemption of investment securities	38,697	—
Other	52,740	53,133
Total non-operating expenses	179,447	127,089
Ordinary income	732,678	1,060,606
Extraordinary income		
Gain on sales of non-current assets	—	1,478
Gain on reversal of share acquisition rights	1,399	37,409
Total extraordinary income	1,399	38,887
Extraordinary losses		
Loss on retirement of non-current assets	4,138	4,166
Total extraordinary losses	4,138	4,166
Income before income taxes	729,939	1,095,327
Income taxes	251,184	268,535
Profit	478,755	826,791
Profit attributable to non-controlling interests	50,118	49,571
Profit attributable to owners of the parent	428,636	777,220

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated cumulative first quarter]

(Thousands of yen)

	Previous consolidated cumulative first quarter (From April 1, 2020 to June 30, 2020)	Current consolidated cumulative first quarter (From April 1, 2021 to June 30, 2021)
Profit	478,755	826,791
Other comprehensive income		
Valuation difference on available-for-sale securities	569,862	△140,994
Deferred gains or losses on hedges	1,417	122
Foreign currency translation adjustment	△338,533	108,914
Remeasurements of defined benefit plans	18,235	3,757
Share of other comprehensive income of entities accounted for using equity method	△2,353	9,194
Total other comprehensive income	248,628	△19,005
Comprehensive income	727,383	807,786
(Breakdown)		
Comprehensive income attributable to owners of the parent	825,697	979,812
Comprehensive income attributable to non-controlling interests	△98,313	△172,025

[Notes]

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No.29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. have been applied from the beginning of the current consolidated fiscal first quarter and the Company recognizes revenue at the amount expected to be received in exchange for goods or services when control of the promised goods or services is transferred to customers.

As a result, for transactions where the role of the Company falls under an agent of sales of products to customers, the total amount of considerations received from customers have previously been recognized as revenue, but the method has been changed to recognize revenue at the net amount, subtracting the amount paid to third parties from the total amount of considerations. In addition, with regard to buy-sell transactions in which the Company provides parts to suppliers with compensation and bears a repurchase obligation, the amount equivalent to the ending inventory of the provided parts retained by suppliers are recognized as liabilities pertaining to buy-sell transactions. Furthermore, with regard to buy-sell transactions in which the Company purchases parts from suppliers and bears a sell-back obligation, sales and cost of goods sold have previously been recorded at the time of sell-back to suppliers of parts, but the method has been changed to recognize only the net amount equivalent to processing cost as revenue. Moreover, for sales to some customers, in connection with transfer of control over assets to customers over time, the method of recognizing revenue over time according to the progress of manufacture was adopted.

For the application of the Revenue Recognition Accounting Standard, etc., the Company complies with the transitional treatment set forth in the proviso of paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects resulting from retroactive application of the new accounting policy before the beginning of the current consolidated fiscal first quarter were added to or subtracted from retained earnings at the beginning of the current consolidated fiscal first quarter and the new accounting policy has been applied from the beginning balance; provided, however, that by applying the method set forth in paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy has not been retroactively applied to contracts for which almost all revenue has been recognized in accordance with the previous treatment before the beginning of the current consolidated fiscal first quarter. With respect to contract amendments which were made before the beginning of the current consolidated fiscal first quarter, accounting treatment was made under the terms of contract after all contract amendments were reflected by applying the method set forth in paragraph 86, item (1) of the Revenue Recognition Accounting Standard and the cumulative effects were added to or subtracted from retained earnings at the beginning of the current consolidated fiscal first quarter.

As a result, in the current consolidated cumulative first quarter, sales decreased by 1,030,756 thousand yen, cost of sales decreased by 1,016,049 thousand yen, and operating income, ordinary income and income before income taxes decreased by 14,706 thousand yen respectively. The balance of retained earnings at the beginning of the current quarter increased by 39,939 thousand yen.

As the Revenue Recognition Accounting Standard, etc. have been applied, “notes and accounts receivable” indicated in “current assets” in the consolidated balance sheet for the previous consolidated fiscal year is presented in “notes receivable, accounts receivable and contract assets” from the current consolidated fiscal first quarter. In accordance with the transitional treatment set forth in paragraph 89-2 of the Revenue Recognition Accounting Standards, reclassification has not been made by the new presentation method regarding the previous consolidated fiscal year. In addition, in accordance with the transitional treatment set forth in paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan Statement No. 12, March 31, 2020), the information related to the breakdown of the revenue from contracts with customers for the previous consolidated cumulative first quarter was not stated.

(Application of Accounting Standard for Fair Value Measurement, etc.)

“Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Standard”), etc. have been applied from the beginning of the current consolidated fiscal first quarter. In accordance with the transitional treatment set forth in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of the “Accounting Standard for

Financial Instruments” (Accounting Standards Board of Japan Statement No. 10, July 4, 2019), the new accounting policy set forth in the Fair Value Measurement Standard, etc. was applied prospectively. There is no impact due to this application.

(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 first quarter.

(Additional information)

< Accounting estimates >

There was no material change in assumptions and accounting estimates including the timing of the containment of the new corona virus infection, etc. stated in the Financial Report for the previous business year.

(Notes Related to Quarterly Consolidated Statements of Cash Flows)

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

	Previous consolidated cumulative first quarter (From April 1, 2020 to June 30, 2020)	Current consolidated cumulative first quarter (From April 1, 2021 to June 30, 2021)
Depreciation	486,462	518,219

(Thousands of yen)

(Notes Related to Shareholders' Equity, etc.)

I Previous consolidated cumulative first quarter (From April 1, 2020 to June 30, 2020)

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

II Current consolidated cumulative first quarter (From April 1, 2021 to June 30, 2021)

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, 2021	Common stock	1,300,039	39.00	March 31, 2021	June 28, 2020	Retained earnings

(Segment Information, etc.)

[Segment Information]

I Previous consolidated cumulative first quarter (From April 1, 2020 to June 30, 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	6,890,091	2,231,013	625,577	575,207	10,321,889	275,849	10,597,738
Inter-segment sales or transfers	—	—	—	—	—	203,767	203,767
Total	6,890,091	2,231,013	625,577	575,207	10,321,889	479,616	10,801,506
Segment income	768,601	229,779	47,326	2,626	1,048,334	55,823	1,104,158

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	1,048,334
Income in the category “Other”	55,823
Elimination of inter-segment transactions	2,230
Unallocated corporate expenses (See Note)	△334,670
Adjustment of inventories	△22,814
Operating income shown on the quarterly consolidated statements of income	748,904

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.



II Current consolidated cumulative first quarter (From April 1, 2021 to June 30, 2021)

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	7,664,109	1,627,799	592,168	769,940	10,654,017	131,084	10,785,102
Inter-segment sales or transfers	—	—	—	—	—	205,543	205,543
Total	7,664,109	1,627,799	592,168	769,940	10,654,017	336,627	10,990,645
Segment income	959,309	173,085	54,241	205,851	1,392,488	55,305	1,447,793

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	1,392,488
Income in the category “Other”	55,305
Elimination of inter-segment transactions	4,426
Unallocated corporate expenses (See Note)	△394,719
Adjustment of inventories	△24,521
Operating income shown on the quarterly consolidated statements of income	1,032,979

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.

4. Information concerning changes, etc. in reportable segments

As stated in Changes in Accounting Policies, the Revenue Recognition Accounting Standard, etc. have been applied from the beginning of the current consolidated fiscal first quarter and the accounting method for Revenue Recognition was changed. Accordingly, the method for measuring the income or loss of business segments was changed.

As a result, compared to a conventional method, sales of electronic materials decreased by 602,081 thousand yen, sales of industrial application structural materials decreased by 230,967 thousand yen, the segment income or loss decreased by 17,572 thousand yen, sales of electrical insulating materials decreased by 4,588 thousand yen, the segment income or loss increased by 4,666 thousand yen, sales of display materials decreased by 193,118 thousand yen, and the segment income or loss decreased by 1,799 thousand yen.

## (For Revenue Recognition)

Information on the breakdown of revenue from contracts with customers

Current consolidated cumulative first quarter (From April 1, 2021 to June 30, 2021)

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Goods transferred at a point in time	7,664,109	1,207,824	592,168	535,495	9,999,596	131,084	10,130,681
Goods transferred over time	—	419,975	—	234,445	654,421	—	654,421
Revenue from contracts with customers	7,664,109	1,627,799	592,168	769,940	10,654,017	131,084	10,785,102
Other revenue	—	—	—	—	—	—	—
Net sales to external customers	7,664,109	1,627,799	592,168	769,940	10,654,017	131,084	10,785,102

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.

## (Per Share Information)

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

	Previous consolidated cumulative first quarter (From April 1, 2020 to June 30, 2020)	Current consolidated cumulative first quarter (From April 1, 2021 to June 30, 2021)
(1) Net income per share	12.89 yen	23.31yen
(Basis of calculation)		
Profit attributable to owners of the parent (Thousands of yen)	428,636	777,220
Amount not attributable to common stockholders (Thousands of yen)	—	—
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	428,636	777,220
Average number of shares of common stock during the period	33,247,643	33,340,548
(2) Fully diluted net income per share	12.87yen	23.28yen
(Basis of calculation)		
Adjustment of profit attributable to owners of the parent (Thousands of yen)	---	---
Increase in the number of shares of common stock	51,190	47,689
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	---	---

(Significant Subsequent Events)

(Cancellation of treasury stock)

The Company resolved to cancel treasury stock at the Board of Directors' Meeting of July 29, 2021 under the provisions of Article 178 of the Companies Act.

1. The reason for the cancellation: enhancing shareholder returns and improving capital efficiency
2. Class of shares to be cancelled: the Company's common stock
3. Number of shares to be cancelled: 900,000 shares (2.61% out of the total number of shares issued and outstanding before the cancellation)
4. Scheduled date of the cancellation: August 31, 2021

(Note)

The total number of shares issued and outstanding after the cancellation is 33,590,324 shares (including treasury stock).

**2. Other**

No applicable matter.

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

No applicable matter.

## **Independent Auditors' Quarterly Review Report**

August 10, 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 first quarter (From April 1, 2021 to June 30, 2021) and the consolidated cumulative first quarter (From April 1, 2021 to June 30, 2021) of the consolidated fiscal year from April 1, 2021 to March 31, 2022, 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 June 30, 2021 and the results of their operations in the consolidated cumulative first quarter ended June 30, 2021 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.

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- 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.