

QUARTERLY REPORT

(The Second Quarter of the 74th Term)

From July 1, 2021 to September 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.....	4
III. Status of the Submitting Company	5
1. Status of Shares, etc.	5
(1) Total Number of Shares, etc.	5
(2) Status of Stock Acquisition Rights, etc.	5
(3) Status of Exercise of Moving Strike Convertible Bonds, etc.	5
(4) Changes in the Number of Shares Issued and Outstanding, Capital Stock, etc.	5
(5) Status of Major Shareholders.....	6
(6) Status of Voting Rights.....	8
2. Status of Directors and Officers	8
IV. Status of Accounting	9
1. Quarterly Consolidated Financial Statements	10
(1) Quarterly Consolidated Balance Sheets.....	10
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	12
[Quarterly Consolidated Statements of Income].....	12
[Quarterly Consolidated Statements of Comprehensive Income].....	13
(3) Quarterly Consolidated Statements of Cash Flows	14
2. Other.....	23
PART II. INFORMATION ON GUARANTY COMPANIES, ETC. OF THE SUBMITTING COMPANY	24
[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:	November 12, 2021
Quarterly accounting period:	The Second Quarter of the 74 th Term (From July 1, 2021 to September 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 rd term consolidated cumulative second quarter	74 th term consolidated cumulative second quarter	73 rd term
Accounting period	From April 1, 2020 to September 30, 2020	From April 1, 2021 to September 30, 2021	From April 1, 2020 to March 31, 2021
Net sales (Millions of yen)	22,203	21,744	46,439
Ordinary income (Millions of yen)	1,347	2,287	3,578
Profit attributable to owners of the parent (Millions of yen)	853	1,745	2,160
Comprehensive income (Millions of yen)	1,291	1,798	3,808
Net assets (Millions of yen)	49,174	47,407	47,444
Total assets (Millions of yen)	69,153	68,828	67,257
Net income per share(Yen)	25.67	52.38	64.94
Fully diluted net income per share (Yen)	25.63	52.34	64.84
Equity ratio (%)	67.2	67.6	68.8
Cash flows from operating activities (Millions of yen)	△1,481	2,867	610
Cash flows from investing activities (Millions of yen)	△1,154	1,889	1,567
Cash flows from financing activities (Millions of yen)	△1,172	△2,132	△5,703
Cash and cash equivalents at the end of period (Millions of yen)	10,851	14,352	11,488

Term	73 rd term consolidated second quarter	74 th term consolidated second quarter
Accounting period	From July 1, 2020 to September 30, 2020	From July 1, 2021 to September 30, 2021
Net income per share (Yen)	12.78	29.07

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 second quarter and the current consolidated second 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 second 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 second 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 second 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 second quarter remained in a difficult situation because the state of emergency was extended and economic activities were limited due to the spread of the novel coronavirus (COVID-19). As for the outlook for the future course, there are some hopeful signs such as an increase in vaccination coverage of anti-COVID-19 measures and lifting of the state of emergency, but it remains uncertain because of an increasing downside risk to corporate performance such as rise in crude oil and raw material prices.

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 second quarter showed, due to a decrease in sales of industrial application structural materials and a steady increase in sales of electronic materials, net sales of 21,744 million yen (representing a 2.1% decrease as compared with the year-earlier quarter), an operating income of 2,048 million yen (representing a 49.0% increase as compared with the year-earlier quarter), an ordinary income of 2,287 million yen (representing a 69.7% increase as compared with the year-earlier quarter) and a profit attributable to owners of the parent of 1,745 million yen (representing a 104.5% 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 1,980,305 thousand yen and operating income, ordinary income and income before income taxes decreased by 30,773 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 in the current consolidated cumulative second 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 15,342 million yen (a 2.9% increase as compared with the year-earlier quarter) due to a steady increase in sales of materials for flexible printed circuit boards (the amount of orders received decreased by 3.5% and the production output increased by 10.3% as compared with the year-earlier quarter on a non-consolidated basis of the Submitting Company), while the segment income or loss recorded an income of 1.839million yen (a 37.5% increase as compared with the year-earlier quarter)

b. Industrial application structural materials segment

In the industrial application structural materials segment, net sales were 3,368 million yen (a 22.5% 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 an income of 362 million yen (a 24.0% decrease as compared with the year-earlier quarter).

c. Electrical insulating materials segment

In the electrical insulating materials segment, net sales were 1,244 million yen (a 7.6% increase as compared with the year-earlier quarter) due to an increase in sales of insulating materials for heavy electrical

machinery, while the segment income or loss recorded an income of 138 million yen (a 103.7% increase as compared with the year-earlier quarter).

d. Display materials segment

In the display materials segment, net sales were 1,571 million yen (a 17.9% 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 an income of 366 million yen (a 612.0% increase as compared with the year-earlier quarter).

e. Other (other businesses)

In other businesses, net sales were 218 million yen (a 52.0% decrease as compared with the year-earlier quarter), while the segment income was 95 million yen (a 29.0% decrease 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 second quarter were 68,828 million yen, an increase of 1,570 million yen compared with the end of the previous year. This was due largely to an increase of 1,082 million yen in merchandise and finished goods and an increase of 1,026 million yen in raw materials and supplies.

Total liabilities as of the end of the current consolidated cumulative second quarter were 21,420 million yen, an increase of 167 million yen compared with the end of the previous year. This was due largely to an increase of 661 million yen in notes and accounts payable - trade and an increase of 542 million yen in income taxes payable.

Total net assets as of the end of the current consolidated cumulative second quarter were 47,407 million yen, a decrease of 37 million yen compared with the end of the previous year.

(2) Status of Cash Flows

Cash and cash equivalents (hereinafter referred to as the "Funds") as of the end of the current consolidated second quarter amounted to 14,352 million yen, increasing 3,500 million yen, or 32.3%, as compared with the end of the previous consolidated second quarter.

The following is the status of each cash flow category during the current consolidated cumulative second quarter and the key factors of such status.

(Cash flows from operating activities)

Funds earned from operating activities were 2,867 million yen (a 1,481 million yen disbursed for the previous consolidated fiscal year). This was due largely to an increase in the Funds comprising the postings of 2,527 million yen in income before income taxes, 1,052 million yen in depreciation as well as a decrease in the Funds comprising 2,233 million yen in increase in inventories.

(Cash flows from investing activities)

Funds earned from investing activities were 1,889 million yen (a 1,154 million yen disbursed for the previous consolidated fiscal year). This was due largely to an increase in the Funds comprising proceeds from withdrawal of time deposits of 1,460 million yen and proceeds from sales of investment securities of 1,455 million yen.

(Cash flows from financing activities)

Funds disbursed for financing activities were 2,132 million yen (an 81.9% increase as compared with the year-earlier quarter). This was due largely to a decrease in the Funds comprising the payment of 1,293 million yen in cash dividends and the expenditure of 779 million yen in payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation.

(3) Management Policy, Management Strategy, etc.

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

(4) 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.

(5) 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 second quarter.

(6) Research and Development Activities

The Group's total expenses for research and development activities incurred in the current consolidated cumulative second quarter amounted to 922 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 second quarter.

3. Agreements with Managerial Implications, etc.

In the current consolidated second 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 second quarter (As of September 30, 2021)	Number of shares issued and outstanding as of the filing date of this Quarterly Report (As of November 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	33,590,324	33,590,324	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	33,590,324	33,590,324	---	---

- Note:
- The number of shares issued through the exercise of stock acquisition rights in the period from November 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".
 - The Company disposed of 23,435 shares of treasury stock for restricted stock compensation as of July 21, 2021 upon a resolution by the Board of Directors on June 25, 2021.
 - 23,435 shares out of shares issued and outstanding as of the filing date of this Quarterly Report are by contribution in kind (20,997 thousand yen of monetary compensation claims) when treasury stock was disposed of for restricted stock compensation.

(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
August 31, 2021 (See Note)	△900,000	33,590,324	—	7,629,915	—	6,741,906

Note: This is due to the retirement of treasury stock.

(5) Status of Major Shareholders

As of September 30, 2021

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	5,734,200	17.17
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	1,691,700	5.06
INTERTRUST TRUSTEES (CAYMAN) LIMITED AS TRUSTEE OF JAPAN-UP UNIT TRUST (Standing Proxy: Tachibana Securities Co. Ltd.)	190 ELGIN AVENUE, GEORGE TOWN, GRAND CAYMAN, KY1-9005, CAYMAN ISLANDS (13-14 NihonbashiKayabacho 1-chome, Chuo-ku, Tokyo)	1,476,900	4.42
Mitsubishi Gas Chemical Company, Inc.	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,472,166	4.41
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, GEORGE TOWN, GRAND CAYMAN KY1-9005, CAYMAN ISLANDS (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	956,700	2.86
Arisawa Kenko Ltd.	11-44, Nishishiro-cho 3-chome, Joetsu-shi, Niigata	834,338	2.49
The Hachijuni Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	178-8, Nakagoshō Okada, Nagano-shi, Nagano (11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo)	660,930	1.98
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing Proxy: Citibank Japan Ltd.)	Palisades West 6300, Bee Cave Road Building One, Austin, TX 78746 US (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	631,082	1.89
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	1.88
The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account and Mitsubishi Electric Corporation account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	530,536	1.58
Total	---	14,617,455	43.79

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. Treasury stock excluded from the total number of shares issued and outstanding does not include 88,900 shares of the Company which a trust account for employee stock ownership plan holds.

2. 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)."

3. Though it is described in the Amendment 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 September 30, 2021. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Amendment Report on Bulk Holding are as follows:

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

4. Though it is described in the Amendment Report on Bulk Holding available for public inspection as of December 20, 2018 that BlackRock Japan Co., Ltd. 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 September 30, 2021. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Report on Bulk Holding are as follows:

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

5. Though it is described in the Amendment 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 September 30, 2021. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Report on Bulk Holding are as follows:

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

6. Though it is described in the Amendment Report on Bulk Holding available for public inspection as of October 2, 2020 that Nippon Value Investors KK hold the shares described below as of September 30, 2020, the Company has confirmed no beneficial ownerships of the number of shares as of September 30, 2021. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Report on Bulk Holding are as follows:

Bulk Holders : Nippon Value Investors KK
Address : 8-1 Marunouchi 1 chome, Chiyoda-ku, Tokyo
Number of shareholdings etc. : 1,421,500
Holding ratio of share certificates etc. : 3.91%

7. Though it is described in the Amendment Report on Bulk Holding available for public inspection as of June 7, 2021 that Strategic Capital, Inc. hold the shares described below as of June 2, 2021, the Company has confirmed no beneficial ownerships of the number of shares as of September 30, 2021. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Report on Bulk Holding are as follows:

Bulk Holders : Strategic Capital, Inc.
Address : 14-15, Higashi 3 chome, Shibuya-ku, Tokyo
Number of shareholdings etc. : 2,964,700
Holding ratio of share certificates etc. : 8.60%

(6) Status of Voting Rights

1) Shares issued and outstanding

As of September 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 212,900	---	---
Shares with full voting rights (Other) (See Note 1)	Common stock 33,306,000	333,060	---
Shares constituting less than one full unit (See Note 2)	Common stock 71,424	---	---
Number of shares issued and outstanding	33,590,324	---	---
Total number of voting rights held by shareholders	---	333,060	---

Note:1. 88,900 shares of the Company which a trust account for employee stock ownership plan holds (the number of voting rights: 889 units) and 500 shares held in the name of Japan Securities Depository Center, Inc. (the number of voting rights: 5 units) are included in the row "Shares with full voting rights (Other)".

2. 9 shares of treasury stock are included in the row "Shares constituting less than one full unit".

2) Treasury Stock, etc.

As of September 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	212,900	---	212,900	0.63
Total	---	212,900	---	212,900	0.63

Note: 88,900 shares of the Company which a trust account for employee stock ownership plan holds are not included in the column "Under own name".

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 second quarter (From July 1, 2021 to September 30, 2021) and the current consolidated cumulative second quarter (From April 1, 2021 to September 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 second quarter (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	13,215,508	13,161,073
Notes and accounts receivable-trade	16,766,218	—
Notes, accounts receivable-trade and contract assets	—	17,196,140
Securities	1,242,430	2,284,767
Merchandise and finished goods	3,896,377	4,978,459
Work in process	2,175,632	2,234,270
Raw materials and supplies	3,026,247	4,052,756
Income taxes receivable	1,415,974	—
Other	778,645	800,839
Allowance for doubtful accounts	△161,830	△132,083
Total current assets	42,355,204	44,576,224
Non-current assets		
Property, plant and equipment	13,217,395	13,306,093
Intangible assets	244,870	253,356
Investments and other assets		
Investment securities	10,666,038	9,839,819
Other	788,832	868,126
Allowance for doubtful accounts	△14,923	△15,539
Total investments and other assets	11,439,946	10,692,406
Total non-current assets	24,902,213	24,251,856
Total assets	67,257,417	68,828,080

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated second quarter (As of September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,657,426	7,318,910
Current portion of bonds	36,800	36,800
Short-term loans payable	3,606,087	3,905,621
Current portion of long-term loans payable	182,724	182,724
Income taxes payable	277,821	819,885
Provision for bonuses	535,756	655,909
Provision for directors' bonuses	3,870	2,178
Other	2,817,772	2,642,601
Total current liabilities	14,118,258	15,564,629
Non-current liabilities		
Bonds payable	54,400	36,000
Long-term loans payable	3,761,507	4,008,647
Provision for share-based remuneration	—	19,452
Net defined benefit liability	607,032	581,242
Asset retirement obligations	89,466	91,324
Other	1,181,934	1,119,124
Total non-current liabilities	5,694,340	5,855,791
Total liabilities	19,812,598	21,420,421
Net assets		
Shareholders' equity		
Capital stock	7,623,638	7,629,915
Capital surplus	4,403,396	3,971,325
Retained earnings	33,374,092	32,938,543
Treasury stock	△1,159,364	△299,919
Total shareholders' equity	44,241,763	44,239,864
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,569,049	1,337,445
Deferred gains or losses on hedges	△8,237	△4,254
Foreign currency translation adjustment	486,242	960,189
Remeasurements of defined benefit plans	△3,959	3,556
Total accumulated other comprehensive income	2,043,095	2,296,936
Subscription rights to shares	193,962	183,373
Non-controlling interests	965,997	687,484
Total net assets	47,444,819	47,407,659
Total liabilities and net assets	67,257,417	68,828,080

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

[Quarterly Consolidated Statements of Income]

[Consolidated cumulative second quarter]

(Thousands of yen)

	Previous consolidated cumulative second quarter (From April 1, 2020 to September 30, 2020)	Current consolidated cumulative second quarter (From April 1, 2021 to September 30, 2021)
Net sales	22,203,695	21,744,712
Cost of sales	18,486,327	17,055,141
Gross profit	3,717,368	4,689,570
Selling, general and administrative expenses	* 2,342,126	* 2,640,857
Operating income	1,375,241	2,048,713
Non-operating income		
Interest income	148,698	94,145
Dividends income	50,910	39,520
Gain on redemption of investment securities	21,199	101,189
Other	124,004	149,092
Total non-operating income	344,812	383,946
Non-operating expenses		
Interest expenses	54,147	56,448
Rent expenses	44,313	41,648
Other	273,895	47,461
Total non-operating expenses	372,355	145,558
Ordinary income	1,347,698	2,287,101
Extraordinary income		
Gain on sales of non-current assets	—	1,298
Gain on sales of investment securities	—	226,398
Other	26,431	43,094
Total extraordinary income	26,431	270,791
Extraordinary losses		
Loss on retirement of non-current assets	6,793	12,246
Provision for share-based remuneration	—	14,098
Other	—	4,053
Total extraordinary losses	6,793	30,398
Income before income taxes	1,367,336	2,527,494
Income taxes	411,729	713,386
Profit	955,607	1,814,108
Profit attributable to non-controlling interests	101,942	68,273
Profit attributable to owners of the parent	853,665	1,745,834

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated cumulative second quarter]

(Thousands of yen)

	Previous consolidated cumulative second quarter (From April 1, 2020 to September 30, 2020)	Current consolidated cumulative second quarter (From April 1, 2021 to September 30, 2021)
Profit	955,607	1,814,108
Other comprehensive income		
Valuation difference on available-for-sale securities	533,739	△231,595
Deferred gains or losses on hedges	3,287	3,982
Foreign currency translation adjustment	△237,964	191,193
Remeasurements of defined benefit plans	36,471	7,515
Share of other comprehensive income of entities accounted for using equity method	568	13,210
Total other comprehensive income	336,103	△15,693
Comprehensive income	1,291,711	1,798,415
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,297,997	1,999,675
Comprehensive income attributable to non-controlling interests	△6,286	△201,260

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated cumulative second quarter (From April 1, 2020 to September 30, 2020)	Current consolidated cumulative second quarter (From April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Income before income taxes	1,367,336	2,527,494
Depreciation	1,001,911	1,052,170
Share-based compensation expenses	32,393	25,092
Gain on reversal of subscription rights to shares	△26,431	△43,094
Increase (△ decrease) in allowance for doubtful accounts	13,859	△21,682
Increase (△ decrease) in provision for bonuses	△43,022	120,153
Increase (△ decrease) in provision for product warranties	△1	△39
Increase (△ decrease) in provision for directors' bonuses	△2,543	△1,692
Increase (△ decrease) in provision for share-based remuneration	—	19,452
Increase (△ decrease) in net defined benefit liability	34,592	△14,975
Loss (△ gain) on redemption of investment securities	24,209	△99,764
Interest and dividends income	△199,608	△133,665
Subsidy income	—	△28,226
Interest expenses	54,147	56,448
Foreign exchange losses (△ gains)	86,004	△61,162
Share of (△ profit) loss of entities accounted for using equity method	39,991	△238
Loss (△ gain) on sales of short-term and long-term investment securities	—	△222,344
Loss (△ gain) on sales of non-current assets	—	△1,298
Loss on retirement of property, plant and equipment	712	6,645
Decrease (△ increase) in notes and accounts receivable-trade	696,277	333,086
Decrease (△ increase) in inventories	△991,765	△2,233,961
Increase (△ decrease) in notes and accounts payable-trade	△77,199	496,080
Increase (△ decrease) in accrued consumption taxes	△222,039	△17,513
Decrease (△ increase) in other assets	△193,353	70,968
Increase (△ decrease) in other liabilities	32,259	△204,433
Subtotal	1,627,729	1,623,501
Interest and dividends income received	215,039	148,501
Interest expenses paid	△90,224	△70,130
Proceeds from subsidy income	—	28,226
Income taxes (paid) refund	△3,233,587	1,137,813
Net cash provided by (used in) operating activities	△1,481,043	2,867,912

	(Thousands of yen)	
	Previous consolidated cumulative second quarter (From April 1, 2020 to September 30, 2020)	Current consolidated cumulative second quarter (From April 1, 2021 to September 30, 2021)
Cash flows from investing activities		
Payments into time deposits	△478,489	—
Proceeds from withdrawal of time deposits	200,000	1,460,600
Purchase of securities	△900,000	—
Proceeds from sales of securities	900,000	—
Purchase of property, plant and equipment	△788,318	△882,873
Proceeds from sales of property, plant and equipment	—	1,298
Purchase of intangible assets	△36,720	△36,602
Purchase of investment securities	△497,421	△102,918
Proceeds from sales of investment securities	458,033	1,455,717
Payments of loans receivable	△19,000	—
Collection of loans receivable	4,510	4,510
Decrease (△increase) in other investments	2,571	△10,324
Net cash provided by (used in) investing activities	△1,154,833	1,889,408
Cash flows from financing activities		
Net increase (△ decrease) in short-term loans payable	△141,144	126,916
Proceeds from long-term loans payable	593,706	519,377
Repayments of long-term loans payable	△384,452	△476,362
Repayments of lease obligations	△32,815	△39,858
Redemption of bonds	△18,400	△18,400
Payments for long-term accounts payable - other	△52,988	△31,094
Proceeds from issuance of common stock	12,360	10,612
Purchase of treasury stock	△173	△82,836
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	△779,045
Cash dividends paid	△992,745	△1,293,664
Cash dividends paid to non-controlling interests	△155,966	△68,154
Net cash provided by (used in) financing activities	△1,172,618	△2,132,510
Effect of exchange rate change on cash and cash equivalents	△66,199	238,997
Net increase (△ decrease) in cash and cash equivalents	△3,874,695	2,863,808
Cash and cash equivalents at beginning of period	14,725,985	11,488,288
Cash and cash equivalents at end of period	* 10,851,289	* 14,352,096

[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 second quarter, sales decreased by 1,980,305 thousand yen, cost of sales decreased by 1,949,532 thousand yen, and operating income, ordinary income and income before income taxes decreased by 30,773 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 second 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 second 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 Income)

* Major items under selling, general and administrative expenses and their respective amounts are as follows.

(Thousands of yen)

	Previous consolidated cumulative second quarter (From April 1, 2020 to September 30, 2020)	Current consolidated cumulative second quarter (From April 1, 2021 to September 30, 2021)
Salaries, benefits and bonuses	703,502	851,979
Provision for bonuses	118,474	151,066
Provision for directors' bonuses	2,250	2,178
Retirement benefit expenses	42,942	35,803
Provision of allowance for doubtful accounts	17,942	3,835

(Notes Related to Quarterly Consolidated Statements of Cash Flows)

* The correlation between the balance of cash and cash equivalents at the end of the current consolidated second quarter and the amounts shown for the corresponding items on the quarterly consolidated balance sheets is as follows.

(Thousands of yen)

	Previous consolidated cumulative second quarter (From April 1, 2020 to September 30, 2020)	Current consolidated cumulative second quarter (From April 1, 2021 to September 30, 2021)
Cash and deposits	11,040,030	13,161,073
Time deposits with a deposit term of more than three months	△903,489	△735,760
Securities (Money management fund)	714,748	1,926,782
Cash and cash equivalents	10,851,289	14,352,096

(Notes Related to Shareholders' Equity, etc.)

I Previous consolidated cumulative second quarter (From April 1, 2020 to September 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 second quarter (From April 1, 2021 to September 30, 2021)

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

2. Dividends whose record date belongs to the current consolidated cumulative second quarter but whose effective date is subsequent to the end of the current consolidated cumulative second quarter

(Resolution)	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
Board of Directors' Meeting of October 28, 2021	Common stock	166,887	5.00	September 30, 2021	December 2, 2021	Retained earnings

Note: "Total amount of dividends" includes dividends of 444 thousand yen on the Company's shares which a trust account for employee stock ownership plan holds.

3. Significant changes in the amount of shareholders' equity

The Company terminated 900,000 shares as of August 31, 2021 upon a resolution by the Board of Directors held on July 29, 2021. As a result, the retained earnings and the treasury stock decreased by 918,310 thousand yen respectively in the current consolidated cumulative second quarter, and the retained earnings amounted to 32,938,543 thousand yen and the treasury stock to 299,919 thousand yen as of the end of the current consolidated second quarter.

(Segment Information, etc.)

[Segment Information]

I Previous consolidated cumulative second quarter (From April 1, 2020 to September 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	14,915,327	4,343,397	1,156,852	1,333,137	21,748,714	454,981	22,203,695
Inter-segment sales or transfers	—	—	—	—	—	417,951	417,951
Total	14,915,327	4,343,397	1,156,852	1,333,137	21,748,714	872,932	22,621,646
Segment income or loss (Δ)	1,337,718	476,594	67,945	51,407	1,933,666	134,753	2,068,419

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	1,933,666
Income in the category "Other"	134,753
Elimination of inter-segment transactions	49
Unallocated corporate expenses (See Note)	△666,686
Adjustment of inventories	△26,540
Operating income shown on the quarterly consolidated statements of income	1,375,241

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 second quarter (From April 1, 2021 to September 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	15,342,174	3,368,208	1,244,599	1,571,438	21,526,420	218,291	21,744,712
Inter-segment sales or transfers	—	—	—	—	—	415,842	415,842
Total	15,342,174	3,368,208	1,244,599	1,571,438	21,526,420	634,134	22,160,555
Segment income	1,839,473	362,226	138,434	366,016	2,706,150	95,613	2,801,763

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	2,706,150
Income in the category "Other"	95,613
Elimination of inter-segment transactions	8,095
Unallocated corporate expenses (See Note)	△736,930
Adjustment of inventories	△24,214
Operating income shown on the quarterly consolidated statements of income	2,048,713

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 1,254,869 thousand yen, sales of industrial application structural materials decreased by 639,898 thousand yen, the segment income or loss decreased by 37,855 thousand yen, sales of electrical insulating materials decreased by 6,762 thousand yen, the segment income or loss increased by 7 thousand yen, sales of display materials decreased by 78,774 thousand yen, and the segment income or loss decreased by 7,074 thousand yen.

(For Revenue Recognition)

Information on the breakdown of revenue from contracts with customers

Current consolidated cumulative second quarter (From April 1, 2021 to September 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	15,342,174	1,602,446	1,244,599	1,331,934	19,521,154	218,291	19,739,446
Goods transferred over time	—	1,765,762	—	239,504	2,005,266	—	2,005,266
Revenue from contracts with customers	15,342,174	3,368,208	1,244,599	1,571,438	21,526,420	218,291	21,744,712
Other revenue	—	—	—	—	—	—	—
Net sales to external customers	15,342,174	3,368,208	1,244,599	1,571,438	21,526,420	218,291	21,744,712

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 second quarter (From April 1, 2020 to September 30, 2020)	Current consolidated cumulative second quarter (From April 1, 2021 to September 30, 2021)
(1) Net income per share	25.67 yen	52.38yen
(Basis of calculation)		
Profit attributable to owners of the parent (Thousands of yen)	853,665	1,745,834
Amount not attributable to common stockholders (Thousands of yen)	---	---
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	853,665	1,745,834
Average number of shares of common stock during the period	33,251,980	33,332,128
(2) Fully diluted net income per share	25.63yen	52.34yen
(Basis of calculation)		
Adjustment of profit attributable to owners of the parent (Thousands of yen)	---	---
Increase in the number of shares of common stock	54,261	25,252
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: The Company's shares which are shown as treasury share in shareholders' equity and which a trust account for employee stock ownership plan holds are included in the number of treasury share excluded in the calculation of the average number of shares of common stock during the period when net income (or loss) per share is calculated (- shares for the previous consolidated cumulative second quarter and 24,446 shares for the current consolidated cumulative second quarter).

(Significant subsequent events)

(Major capital investment)

The Company passed a resolution at the Board of Directors' Meeting held on October 28, 2021 that ThinFlex Corporation, a consolidated subsidiary in Taiwan (hereinafter referred to as "ThinFlex") will make an investment in facility expansion and reinforcement in a base in China.

1. Overview of capital investment

New production line will be established at TopFlex Corporation, a wholly-owned subsidiary of ThinFlex, to tap into the growth of flexible printed circuit boards business in Asia centering around Greater China.

First, we plan to start its operation in the second half of 2023 and then enhance the facilities gradually.

2. Amount of capital investment

The investment amount is planned to be 2,200 million yen for the fiscal year 2022 and 3,500 million yen in total together with an amount for subsequent enhancement.

3. Future outlook

As the operation is expected to start in the second half of 2023, the impact on the business results for the fiscal year ending on March 31, 2022 will be minimal.

2. Other

The Company passed a resolution as below on the current interim dividends at the Board of Directors' Meeting held on October 28, 2021.

(1) Total amount of interim dividends	166,887 thousand yen
(2) Interim dividends per share	5.00 yen
(3) Effective date and payment commencement date	December 2, 2021

Note:1. Payment will be made to the shareholders listed or recorded on the shareholder registry as of September 30, 2021.

2. The above total amount of the interim dividends includes dividends of 444 thousand yen on the Company's shares which a trust account for employee stock ownership plan holds.

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

No applicable matter.

Independent Auditors' Quarterly Review Report

November 12, 2021

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

Ernst & Young ShinNihon LLC
Niigata office

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

Eishi Daikoku
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 second quarter (From July 1, 2021 to September 30, 2021) and the consolidated cumulative second quarter (From April 1, 2021 to September 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, quarterly consolidated statements of cash flows 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 September 30, 2021 as well as the results of their operations and the status of their cash flows in the consolidated cumulative second quarter ended September 30, 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 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.