

# **QUARTERLY REPORT**

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

From October 1, 2021 to December 31, 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 .....	4
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:	February 14, 2022
Quarterly accounting period:	The Third Quarter of the 74 <sup>th</sup> Term (From October 1, 2021 to December 31, 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 third quarter	74 <sup>th</sup> term consolidated cumulative third quarter	73 <sup>rd</sup> term
Accounting period	From April 1, 2020 to December 31, 2020	From April 1, 2021 to December 31, 2021	From April 1, 2020 to March 31, 2021
Net sales (Millions of yen)	34,606	32,663	46,439
Ordinary income (Millions of yen)	2,290	3,155	3,578
Profit attributable to owners of the parent (Millions of yen)	1,380	2,971	2,160
Comprehensive income (Millions of yen)	2,146	2,359	3,808
Net assets (Millions of yen)	50,063	46,843	47,444
Total assets (Millions of yen)	69,553	68,668	67,257
Net income per share (Yen)	41.50	89.18	64.94
Fully diluted net income per share (Yen)	41.43	89.13	64.84
Equity ratio (%)	67.8	67.9	68.8

Term	73 <sup>rd</sup> term consolidated third quarter	74 <sup>th</sup> term consolidated third quarter
Accounting period	From October 1, 2020 to December 31, 2020	From October 1, 2021 to December 31, 2021
Net income per share (Yen)	15.83	36.81

- 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 third quarter and the current consolidated third 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 third quarter.

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

## II. Status of Business

### 1. Business Risks, etc.

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

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

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

“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 third quarter remained uncertain and unpredictable due to the emergence of new coronavirus variants, although it showed signs that the severe situation may ease as a result of the progress made in the number of vaccinations in response to COVID-19 infections.

Under such circumstances, the results of operations of our group (the Company, its consolidated subsidiaries and the companies accounted for under the equity method) for the current consolidated cumulative third quarter showed net sales of 32,663 million yen (representing a 5.6% decrease as compared with the year-earlier quarter), an operating income of 2,803 million yen (representing a 26.1% increase as compared with the year-earlier quarter), an ordinary income of 3,155 million yen (representing a 37.8% increase as compared with the year-earlier quarter) and a profit attributable to owners of the parent of 2,971 million yen (representing a 115.3% 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 2,818,100 thousand yen and operating income, ordinary income and income before income taxes decreased by 11,331 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 third 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 22,831 million yen (a 3.9% decrease as compared with the year-earlier quarter) due to a decrease in sales of our mainstay product, i.e. materials for flexible printed circuit boards caused by a short supply of parts (the amount of orders received decreased by 6.7%, and the production output increased by 1.9%, as compared with the year-earlier quarter on a non-consolidated basis of the Submitting Company), while the segment income was 2,373 million yen (a 8.0% increase as compared with the year-earlier quarter) due to an increase in sales.

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

In the industrial application structural materials segment, net sales were 5,210 million yen (a 19.2% decrease as compared with the year-earlier quarter) due to a decrease in sales of materials for aircraft, while the segment income was 659 million yen (a 3.1% increase as compared with the year-earlier quarter) due to a change in the composition of products.

##### c. Electrical insulating materials segment

In the electrical insulating materials segment, net sales were 1,949 million yen (a 12.5% 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 was 242 million yen (a 99.5% increase as compared with the year-earlier quarter).

d. Display materials segment

In the display materials segment, net sales were 2,358 million yen (a 15.5% increase as compared with the year-earlier quarter) due to an increase in sales of polarization control optical components by ColorLink Japan Ltd., etc., while the segment income was 629 million yen (a 411.6% increase as compared with the year-earlier quarter) due to an increase in sales of 3D materials and an improvement in performance of ColorLink Japan Ltd.

e. Other (other businesses)

In other businesses, net sales were 314 million yen, representing a 49.9% decrease as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 132 million yen (a 24.4% 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 third quarter were 68,668 million yen, an increase of 1,411 million yen compared with the end of the previous year. This was largely due to an increase of 1,305 million yen in raw materials and supplies.

Total liabilities as of the end of the current consolidated cumulative third quarter were 21,825 million yen, an increase of 2,012 million yen compared with the end of the previous year. This was due largely to an increase of 1,838 million yen in short-term loans payable (including current portion of long-term loans payable).

Total net assets as of the end of the current consolidated cumulative third quarter were 46,843 million yen, a decrease of 601 million yen compared with the end of the previous year. This was due largely to a decrease of 1,399 million yen in capital surplus.

(2) Management Policy, Management Strategy, etc.

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

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

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

(4) Business and Financial Tasks to be Preferentially Addressed

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

(5) Research and Development Activities

The Group's total expenses for research and development activities incurred in the current consolidated cumulative third quarter amounted to 1,421 million yen.

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

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

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

### III. Status of the Submitting Company

#### 1. Status of Shares, etc.

##### (1) Total Number of Shares, etc.

###### 1) Total number of shares

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

###### 2) Shares issued and outstanding

Class	Number of shares issued and outstanding as of the end of the third quarter (As of December 31, 2021)	Number of shares issued and outstanding as of the filing date of this Quarterly Report (As of February 14, 2022)	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: 1 The number of shares issued through the exercise of stock acquisition rights in the period from February 1, 2022 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 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. 3 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
From October 1, 2021 to December 31, 2021	—	33,590,324	—	7,629,915	—	6,741,906

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

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

##### (6) Status of Voting Rights

Since the "Status of Voting Rights" as of the end of the current third quarter cannot be stated herein as the relevant entries in the shareholder registry have yet to be confirmed, it is stated based on the shareholder registry as of the most recent record date (September 30, 2021).

1) Shares issued and outstanding

As of December 31, 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 December 31, 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 third quarter (From October 1, 2021 to December 31, 2021) and the current consolidated cumulative third quarter (From April 1, 2021 to December 31, 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 third quarter (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	13,215,508	13,461,083
Notes and accounts receivable-trade	16,766,218	* —
Notes, accounts receivable-trade and contract assets	—	* 17,211,833
Securities	1,242,430	1,889,441
Merchandise and finished goods	3,896,377	4,699,638
Work in process	2,175,632	1,954,714
Raw materials and supplies	3,026,247	4,331,690
Income taxes receivable	1,415,974	—
Other	778,645	1,300,061
Allowance for doubtful accounts	△161,830	△11,756
Total current assets	42,355,204	44,836,707
Non-current assets		
Property, plant and equipment	13,217,395	13,634,962
Intangible assets	244,870	290,022
Investments and other assets		
Investment securities	10,666,038	9,073,810
Other	788,832	912,729
Allowance for doubtful accounts	△14,923	△79,674
Total investments and other assets	11,439,946	9,906,865
Total non-current assets	24,902,213	23,831,850
Total assets	67,257,417	68,668,558

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated third quarter (As of December 31, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	6,657,426	* 6,381,266
Current portion of bonds	36,800	26,800
Short-term loans payable	3,606,087	4,818,853
Current portion of long-term loans payable	182,724	808,461
Income taxes payable	277,821	957,993
Provision for bonuses	535,756	266,456
Provision for directors' bonuses	3,870	3,537
Other	2,817,772	* 3,363,155
<b>Total current liabilities</b>	<b>14,118,258</b>	<b>16,626,524</b>
<b>Non-current liabilities</b>		
Bonds payable	54,400	27,600
Long-term loans payable	3,761,507	3,504,412
Provision for share-based remuneration	—	24,645
Net defined benefit liability	607,032	567,453
Asset retirement obligations	89,466	91,702
Other	1,181,934	983,106
<b>Total non-current liabilities</b>	<b>5,694,340</b>	<b>5,198,920</b>
<b>Total liabilities</b>	<b>19,812,598</b>	<b>21,825,445</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	7,623,638	7,629,915
Capital surplus	4,403,396	3,003,598
Retained earnings	33,374,092	33,996,990
Treasury stock	△1,159,364	△299,684
<b>Total shareholders' equity</b>	<b>44,241,763</b>	<b>44,330,820</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,569,049	1,266,027
Deferred gains or losses on hedges	△8,237	△3,902
Foreign currency translation adjustment	486,242	1,024,006
Remeasurements of defined benefit plans	△3,959	7,314
<b>Total accumulated other comprehensive income</b>	<b>2,043,095</b>	<b>2,293,445</b>
Subscription rights to shares	193,962	192,131
Non-controlling interests	965,997	26,715
<b>Total net assets</b>	<b>47,444,819</b>	<b>46,843,113</b>
<b>Total liabilities and net assets</b>	<b>67,257,417</b>	<b>68,668,558</b>

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

[Quarterly Consolidated Statements of Income]

[Consolidated cumulative third quarter]

(Thousands of yen)

	Previous consolidated cumulative third quarter (From April 1, 2020 to December 31, 2020)	Current consolidated cumulative third quarter (From April 1, 2021 to December 31, 2021)
Net sales	34,606,706	32,663,855
Cost of sales	28,818,193	25,842,854
Gross profit	5,788,512	6,821,001
Selling, general and administrative expenses	3,564,820	4,017,995
Operating income	2,223,692	2,803,005
Non-operating income		
Interest income	218,168	142,089
Dividends income	87,694	73,901
Other	253,781	376,757
Total non-operating income	559,645	592,748
Non-operating expenses		
Interest expenses	82,095	88,509
Rent expenses	66,332	62,424
Foreign exchange losses	192,813	—
Other	151,744	89,161
Total non-operating expenses	492,985	240,094
Ordinary income	2,290,351	3,155,659
Extraordinary income		
Gain on sales of non-current assets	515	7,471
Gain on sales of securities	320,704	737,947
Other	26,628	45,919
Total extraordinary income	347,848	791,337
Extraordinary losses		
Loss on retirement of non-current assets	12,018	28,500
Provision for share-based remuneration	—	14,098
Loss on sales of investment securities	313,624	—
Other	—	4,053
Total extraordinary losses	325,642	46,653
Income before income taxes	2,312,556	3,900,344
Income taxes	655,999	839,254
Profit	1,656,557	3,061,089
Profit attributable to non-controlling interests	276,254	89,920
Profit attributable to owners of the parent	1,380,302	2,971,168

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated cumulative third quarter]

(Thousands of yen)

	Previous consolidated cumulative third quarter (From April 1, 2020 to December 31, 2020)	Current consolidated cumulative third quarter (From April 1, 2021 to December 31, 2021)
Profit	1,656,557	3,061,089
Other comprehensive income		
Valuation difference on available-for-sale securities	611,662	△302,971
Deferred gains or losses on hedges	2,865	4,334
Foreign currency translation adjustment	△179,795	△430,880
Remeasurements of defined benefit plans	54,707	11,273
Share of other comprehensive income of entities accounted for using equity method	139	16,643
Total other comprehensive income	489,579	△701,600
Comprehensive income	2,146,137	2,359,489
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,967,198	3,221,518
Comprehensive income attributable to non-controlling interests	178,938	△862,029

[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 third quarter, sales decreased by 2,818,100 thousand yen, cost of sales decreased by 2,806,768 thousand yen, and operating income, ordinary income and income before income taxes decreased by 11,331 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 third 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 third 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 Balance Sheets)

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

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

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated third quarter (As of December 31, 2021)
Notes, accounts receivable-trade and contract assets	—	38,310
Notes and accounts payable-trade	—	152,336
Current liabilities and others (Notes payable - non-operating, Electronically recorded obligations-non-operating)	—	10,008

(Notes Related to Quarterly Consolidated Statements of Cash Flows)

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

	(Thousands of yen)
	Previous consolidated cumulative third quarter (From April 1, 2020 to December 31, 2020)
	Current consolidated cumulative third quarter (From April 1, 2021 to December 31, 2021)
Depreciation	1,537,612
	1,599,527

(Notes Related to Shareholders' Equity, etc.)

I Previous consolidated cumulative third quarter (From April 1, 2020 to December 31, 2020)

1. Dividends paid

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

2. Significant changes in the amount of shareholders' equity

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

II Current consolidated cumulative third quarter (From April 1, 2021 to December 31, 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 earnings
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" under a resolution at the Board of Directors' Meeting of October 28, 2021 includes dividends of 444 thousand yen on the Company's shares which a trust account for employee stock ownership plan holds.

2. 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 third quarter, and the retained earnings amounted to 33,996,990 thousand yen and the treasury stock to 299,684 thousand yen as of the end of the current consolidated third quarter.

(Segment Information, etc.)

[Segment Information]

I Previous consolidated cumulative third quarter (From April 1, 2020 to December 31, 2020)

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

(Thousands of yen)

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

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

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

(Thousands of yen)

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

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

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

No applicable matter.

II Current consolidated cumulative third quarter (From April 1, 2021 to December 31, 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	22,831,479	5,210,840	1,949,002	2,358,326	32,349,648	314,207	32,663,855
Inter-segment sales or transfers	—	—	—	—	—	628,951	628,951
Total	22,831,479	5,210,840	1,949,002	2,358,326	32,349,648	943,158	33,292,807
Segment income	2,373,950	659,374	242,033	629,568	3,904,926	132,062	4,036,988

Note: The column "Other" represents business operations that do not fall under any of the reportable segments and includes the

related goods sales, the logistics-related operations and other businesses, etc.

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

(Thousands of yen)

Income	Amount
Total of reportable segments	3,904,926
Income in the category "Other"	132,062
Elimination of inter-segment transactions	11,305
Unallocated corporate expenses (See Note)	△1,214,126
Adjustment of inventories	△31,162
Operating income shown on the quarterly consolidated statements of income	2,803,005

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 1,707,382 thousand yen, sales of industrial application structural materials decreased by 486,471 thousand yen, the segment income or loss decreased by 36,146 thousand yen, sales of electrical insulating materials decreased by 12,193 thousand yen, sales of display materials decreased by 612,053 thousand yen, and the segment income or loss increased by 24,814 thousand yen.

(For Revenue Recognition)

Information on the breakdown of revenue from contracts with customers

Current consolidated cumulative third quarter (From April 1, 2021 to December 31, 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	22,831,479	2,351,906	1,949,002	1,473,843	28,606,230	314,207	28,920,438
Goods transferred over time	—	2,858,934	—	884,482	3,743,417	—	3,743,417
Revenue from contracts with customers	22,831,479	5,210,840	1,949,002	2,358,326	32,349,648	314,207	32,663,855
Other revenue	—	—	—	—	—	—	—
Net sales to external customers	22,831,479	5,210,840	1,949,002	2,358,326	32,349,648	314,207	32,663,855

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 third quarter (From April 1, 2020 to December 31, 2020)	Current consolidated cumulative third quarter (From April 1, 2021 to December 31, 2021)
(1) Net income per share	41.50 yen	89.18 yen
(Basis of calculation)		
Profit attributable to owners of the parent (Thousands of yen)	1,380,302	2,971,168
Amount not attributable to common stockholders (Thousands of yen)	—	—
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	1,380,302	2,971,168
Average number of shares of common stock during the period	33,258,817	33,317,569
(2) Fully diluted net income per share	41.43 yen	89.13 yen
(Basis of calculation)		
Adjustment of profit attributable to owners of the parent (Thousands of yen)	---	---
Increase in the number of shares of common stock	55,761	17,843
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 third quarter and 45,972 shares for the current consolidated cumulative third quarter).

(Significant Subsequent Events)

No applicable matter.

## 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 was 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**

February 14, 2022

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 third quarter (From October 1, 2021 to December 31, 2021) and the consolidated cumulative third quarter (From April 1, 2021 to December 31, 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 December 31, 2021 and the results of their operations in the consolidated cumulative third quarter ended December 31, 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.

---

Note: 1. An original of the above 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.