

QUARTERLY REPORT

(The First Quarter of the 70th Term)

From April 1, 2017 to June 30, 2017

(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. Agreements with Managerial Implications, etc.....	2
3. Analysis of Financial Conditions, Results of Operations and Status of Cash Flows	2
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) Details of Rights Plan	5
(5) Changes in the Number of Shares Issued and Outstanding, Capital Stock, etc.	5
(6) Status of Major Shareholders.....	5
(7) Status of Voting Rights.....	6
2. Status of Directors and Officers	6
IV. Status of Accounting	7
1. Quarterly Consolidated Financial Statements	8
(1) Quarterly Consolidated Balance Sheets.....	8
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	10
[Quarterly Consolidated Statements of Income].....	10
[Quarterly Consolidated Statements of Comprehensive Income].....	11
2. Other.....	15
PART II. INFORMATION ON GUARANTY COMPANIES, ETC. OF THE SUBMITTING COMPANY	16
[Independent Auditors' Quarterly Review Report]	

Cover Page

Document to be filed:	Quarterly Report
Statutory basis:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	August 10, 2017
Quarterly accounting period:	The First Quarter of the 70 th Term (From April 1, 2017 to June 30, 2017)
Company name (Japanese):	<i>Kabushiki-Kaisha Arisawa Seisakusho</i>
Company name (English):	Arisawa Mfg. Co., Ltd.
Name and title of representative:	Yuta Arisawa, President and Representative Director
Location of head office:	5-5, Minami-honcho 1-chome, Joetsu-shi, Niigata
Telephone number:	(025) 524-5126
Contact person:	Shuichi Kubota, General Manager, Accounting Department
Place of contact:	5-5, Minami-honcho 1-chome, Joetsu-shi, Niigata
Telephone number:	(025) 524-5126
Contact person:	Shuichi Kubota, General Manager, Accounting Department
Places where copies of this 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, Nihombashi Kabutocho, Chuo-ku, Tokyo)

PART I. INFORMATION ON THE BUSINESS

I. General Conditions of Business

1. Changes in Principal Management Indicators, etc.

Term	69 th term consolidated cumulative first quarter	70 th term consolidated cumulative first quarter	69 th term
Accounting period	From April 1, 2016 to June 30, 2016	From April 1, 2017 to June 30, 2017	From April 1, 2016 to March 31, 2017
Net sales (Millions of yen)	8,607	9,140	34,451
Ordinary income (Millions of yen)	191	810	2,690
Profit attributable to owners of the parent (Millions of yen)	79	624	2,072
Comprehensive income (Millions of yen)	△1,424	649	1,856
Net assets (Millions of yen)	46,069	49,274	49,282
Total assets (Millions of yen)	59,562	64,488	63,808
Net income per share (Yen)	2.24	17.49	58.20
Fully diluted net income per share (Yen)	2.24	17.38	58.06
Equity ratio (%)	73.3	72.5	73.3

- Note: 1. As Arisawa Mfg. Co., Ltd. (hereinafter referred to as either the “Company” or the “Submitting Company”, as the case may be) prepares the quarterly consolidated financial statements, the changes in principal management indicators, etc. of the Submitting Company are not stated above.
2. Consumption tax, etc. are not included in the amount of net sales.

2. Description of Business

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

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

II. Status of Business

1. Business Risks, etc.

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

2. Agreements with Managerial Implications, etc.

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

3. Analysis of Financial Conditions, Results of Operations and Status of Cash Flows

Matters stated concerning the future in the text are based on judgments made by our Group (the Company and its consolidated subsidiaries) as of the end of the current consolidated first quarter.

(1) Status of Business Results

The Japanese economy in the current consolidated cumulative first quarter, against the backdrop of the government's economic stimulus measures on the monetary and fiscal fronts, etc., remained on an overall recovery track. Meanwhile, a sense of uncertainty regarding the economic outlook persisted due largely to the general misgivings about the apparent deceleration of growth in most major emerging economies.

Under such circumstances, our group (the Company, its consolidated subsidiaries and the companies accounted for under the equity method) saw a year-on-year upturn in both net sales and operating income as a result of the stagnant demand for electronic materials for use primarily in multifunctional mobile terminals and efforts to improve the profitability of industrial application structural materials.

Consequently, our group's results of operations for the current consolidated cumulative first quarter showed net sales of 9,140 million yen (representing a 6.2% increase as compared with the year-earlier quarter), an operating income of 625 million yen (representing a 183.1% increase as compared with the year-earlier quarter), an ordinary income of 810 million yen (representing a 323.9% increase as compared with the year-earlier quarter) and a profit attributable to owners of the parent of 624 million yen (representing a 683.2% increase as compared with the year-earlier quarter).

Business results with respect to each segment are as follows.

In this regard, the order of statement of our Group's business segments was revised effective from the current consolidated first quarter.

1) Electronic materials segment

In the electronic materials segment, net sales were 5,903 million yen, representing a 20.1% increase as compared with the year-earlier quarter and consisting mainly of the sales of our mainstay product, i.e. materials for flexible printed circuit boards (the amount of orders received increased by 17.6%, and the production output increased by 35.3%, as compared with the year-earlier quarter on a non-consolidated basis of the Submitting Company), while the segment income or loss recorded a segment income of 592 million yen (a 93.3% increase as compared with the year-earlier quarter).

2) Industrial application structural materials segment

In the industrial application structural materials segment, net sales (consisting mainly of the sales of filament winding molded products as well as honeycomb panels and prepregs for aircraft) were 1,651 million yen, representing an 18.8% decrease as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 252 million yen (a 179.4% increase as compared with the year-earlier quarter).

3) Electrical insulating materials segment

In the electrical insulating materials segment, net sales (consisting mainly of the sales of prepregs and glass cloth for electrical insulation) were 787 million yen, representing a 4.1% increase as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 136 million yen (a 18.1% increase as compared with the year-earlier quarter).

4) Display materials segment

In the display materials segment, net sales (consisting mainly of the sales of 3D imaging-related materials)

were 585 million yen, representing a 9.9% decrease as compared with the year-earlier quarter, while the segment income or loss recorded a segment loss of 95 million yen (a segment loss of 16 million yen for the year-earlier quarter).

5) Other (other businesses)

In other businesses, net sales were 211 million yen, representing a 15.7% decrease as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 64 million yen (a 19.4% increase as compared with the year-earlier quarter).

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

(2) Management Policy, Management Strategy, etc.

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

(3) Business and Financial Tasks to be Addressed

There was no significant change in the tasks to be addressed by our Group in the current consolidated cumulative first quarter.

In this regard, the Company has a basic policy in place as to how the persons controlling the Company's financial and business policymaking shall act, and the contents, etc. of such basic policy (the matters set forth in Article 118, item 3 of the Ordinance for Enforcement of the Companies Act) are as follows.

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

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

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

- 2) Efforts to prevent inappropriate persons from controlling the Company's financial and business policymaking

Stock markets in late years witnessed such takeover methods that, for instance, force through large-scale purchases of shares without providing sufficient explanation to, or consultation with, the shareholders and the management of the target company. Many of the takeovers using such methods apparently entail erosion of corporate value and forced sales of shares, etc. to the detriment of shareholders' interests.

Such being the case, we acknowledged the need to ensure proper disclosure of necessary and sufficient information and also secure the time required for examination and consideration of an offer to purchase by presenting a set of rules and procedures for large-block purchasers and purchase offerors (hereinafter individually referred to as a “Purchaser”) to comply with. Thus the Company, pursuant to the provisions of its Articles of Incorporation, established the measures to address large-scale acquisitions of the Company's shares (hereinafter referred to as the “Rules”) and obtained the shareholders' approval of the Rules at the 69th Ordinary General Meeting of Shareholders held on June 28, 2017.

In the event that: (i) invocation of a countermeasure is approved under the Rules at a general meeting of shareholders, etc. held to confirm the shareholders' intentions; (ii) the Purchaser does not comply with the Rules; or (iii) it is evident that a large-scale acquisition of the Company's shares or any similar act or an offer of any of such acts (hereinafter individually referred to as a “Purchase”) will impair the Company's corporate value, the countermeasure(s) shall be invoked in accordance with the Rules.

(For the details of the Rules, please refer to the Company's website at: <http://www.arisawa.co.jp/>)

- 3) The fact that the aforesaid efforts, in accordance with the basic policy, do not erode the Company's corporate value and the common interests of the shareholders and that such efforts do not aim to maintain the status of the Company's directors and officers

The Company's Board of Directors believes that, with the Company's shares listed on the stock exchange for unfettered trading by the investors, a large-scale purchase of the Company's shares conducted against the will of the Company's Board of Directors or an offer to purchase entailing a change of control of the Company should not be ruled out by the Company's Board of Directors if and to the extent that such acts contribute to the common interests of the shareholders through enhancement of the Company's corporate value, and so the final judgment as to the said acts should be made collectively by the shareholders of the Company.

If and when such Purchase is conducted, we deem it best to collect detailed information from the Purchaser and provide the shareholders with sufficient levels of disclosure (in order for the shareholders to make a proper judgment) and also to have the Company's Board of Directors express its opinions, inviting the shareholders to directly express their intentions at a general meeting of shareholders, etc. as to which of the cases is more conducive to securing and enhancing the Company's corporate value and the common interests of the shareholders. The Rules set forth as follows:

- a. Judgment by direct resolution of the shareholders

The Rules provide that the shareholders shall directly pass judgment on whether an offer to purchase made by a Purchaser should be approved, except where the Purchaser does not comply with the Rules, etc. It is virtually impossible, in the process and procedures of confirming the shareholders' intentions, for a director of the Company to make individual solicitations, etc. in pursuit of his or her own interests, and no room is left for an arbitrary intent of any of the Company's directors to impinge on the shareholders' intentions.

- b. Restrictions on invocation of countermeasures by the judgment of the Board of Directors

Invocation by the Company's Board of Directors of a countermeasure without confirming the shareholders' intentions is possible only when any breach of the Rules or erosion of the Company's corporate value and the common interests of the shareholders is evident, and also the so-called "sunset clause" is attached to limit the valid term of the Rules to approximately two (2) years.

Therefore, the Company's Board of Directors believes that this "Basic Policy for the Control of Kabushiki-Kaisha" represents the Company's efforts to secure and maintain the Company's corporate value and the common interests of the shareholders and that such basic policy does not impair the interests of the Company's shareholders.

(4) Research and Development Activities

The Group's total expenses for research and development activities incurred in the current consolidated cumulative first quarter amounted to 471 million yen.

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

III. Status of the Submitting Company

1. Status of Shares, etc.

(1) Total Number of Shares, etc.

1) Total number of shares

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

2) Shares issued and outstanding

Class	Number of shares issued and outstanding as of the end of the first quarter (As of June 30, 2017)	Number of shares issued and outstanding as of the filing date of this Quarterly Report (As of August 10, 2017)	Name of financial instruments exchange where the shares are listed or authorized financial instruments firms association where the shares are registered	Remarks
Common stock	35,776,224	35,792,224	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	35,776,224	35,792,224	---	---

Note: The number of shares issued through the exercise of stock acquisition rights in the period from August 1, 2017 to the filing date of this Quarterly Report is not included in the column "Number of shares issued and outstanding as of the filing date of this Quarterly Report".

(2) Status of Stock Acquisition Rights, etc.

No applicable matter.

(3) Status of Exercise of Moving Strike Convertible Bonds, etc.

No applicable matter.

(4) Details of Rights Plan

No applicable matter.

(5) Changes in the Number of Shares Issued and Outstanding, Capital Stock, etc.

Period	Number of shares issued and outstanding		Capital stock (Thousands of yen)		Legal capital surplus (Thousands of yen)	
	Change	Balance	Change	Balance	Change	Balance
From April 1, 2017 to June 30, 2017 (See Note 1)	96,600	35,776,224	31,914	7,348,934	31,914	6,460,952

Note: 1. The increases are due to the exercise of stock acquisition rights.
2. In the period from July 1, 2017 to July 31, 2017, the number of shares issued and outstanding increased by 16,000 shares, and the amount of capital stock and that of legal capital surplus increased by 6,457 thousand yen respectively, all through the exercise of stock acquisition rights.

(6) Status of Major Shareholders

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

(7) Status of Voting Rights

Since the “Status of Voting Rights” as of the end of the current first quarter cannot be stated herein as the relevant entries in the shareholder registry have yet to be confirmed, it is stated based on the shareholder registry as of the most recent record date (March 31, 2017).

1) Shares issued and outstanding

As of June 30, 2017

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 6,500	---	---
Shares with full voting rights (Other) (See Note 1)	Common stock 35,581,700	355,817	---
Shares constituting less than one full unit (See Note 2)	Common stock 91,424	---	---
Number of shares issued and outstanding	35,679,624	---	---
Total number of voting rights held by shareholders	---	355,817	---

Note: 1. 500 shares held in the name of Japan Securities Depository Center, Inc. are included in the row “Shares with full voting rights (Other)”. 5 units of voting rights pertaining to shares with full voting rights held in the name of Japan Securities Depository Center, Inc. are included in the column “Number of voting rights”.

2. 36 shares of treasury stock are included in the row "Shares constituting less than one full unit".

2) Treasury Stock, etc.

As of June 30, 2017

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	6,500	---	6,500	0.01
Total	---	6,500	---	6,500	0.01

2. Status of Directors and Officers

No applicable matter.

IV. Status of Accounting

1. Method of Preparation of Quarterly Consolidated Financial Statements

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

2. Certification of Audit

The Company received a quarterly review of its quarterly consolidated financial statements for the current consolidated first quarter (From April 1, 2017 to June 30, 2017) and the current consolidated cumulative first quarter (From April 1, 2017 to June 30, 2017) 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, 2017)	Current consolidated first quarter (As of June 30, 2017)
Assets		
Current assets		
Cash and deposits	7,667,985	7,064,389
Notes and accounts receivable-trade	12,618,700	13,257,309
Securities	797,550	1,032,759
Merchandise and finished goods	2,602,353	2,741,193
Work in process	1,301,381	1,354,875
Raw materials and supplies	2,095,419	2,623,206
Other	1,331,705	1,310,271
Allowance for doubtful accounts	△127,077	△130,756
Total current assets	28,288,018	29,253,249
Non-current assets		
Property, plant and equipment	11,065,403	10,812,767
Intangible assets		
Other	65,486	64,236
Total intangible assets	65,486	64,236
Investments and other assets		
Investment securities	23,864,265	23,703,106
Other	707,162	844,912
Allowance for doubtful accounts	△181,927	△189,719
Total investments and other assets	24,389,500	24,358,298
Total non-current assets	35,520,391	35,235,302
Total assets	63,808,409	64,488,551

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated first quarter (As of June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,168,250	5,811,315
Short-term loans payable	2,908,630	3,188,538
Current portion of long-term loans payable	446,754	448,424
Income taxes payable	362,974	203,459
Provision for bonuses	447,415	712,214
Provision for directors' bonuses	3,573	1,376
Provision for product warranties	169	168
Other	2,341,381	1,937,878
Total current liabilities	11,679,149	12,303,374
Non-current liabilities		
Long-term loans payable	1,836,093	1,829,763
Net defined benefit liability	558,112	563,825
Asset retirement obligations	57,448	56,413
Other	395,551	460,180
Total non-current liabilities	2,847,205	2,910,183
Total liabilities	14,526,354	15,213,557
Net assets		
Shareholders' equity		
Capital stock	7,317,019	7,348,934
Capital surplus	6,429,038	6,460,952
Retained earnings	31,471,074	31,377,774
Treasury stock	△3,891	△3,966
Total shareholders' equity	45,213,240	45,183,695
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	942,763	1,099,743
Deferred gains or losses on hedges	5,153	546
Foreign currency translation adjustment	808,002	668,508
Remeasurements of defined benefit plans	△187,018	△183,171
Total accumulated other comprehensive income	1,568,901	1,585,626
Subscription rights to shares	143,292	140,319
Non-controlling interests	2,356,620	2,365,352
Total net assets	49,282,055	49,274,994
Total liabilities and net assets	63,808,409	64,488,551

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

[Quarterly Consolidated Statements of Income]

[Consolidated cumulative first quarter]

(Thousands of yen)

	Previous consolidated cumulative first quarter (From April 1, 2016 to June 30, 2016)	Current consolidated cumulative first quarter (From April 1, 2017 to June 30, 2017)
Net sales	8,607,601	9,140,478
Cost of sales	7,353,170	7,449,200
Gross profit	1,254,431	1,691,277
Selling, general and administrative expenses	1,033,439	1,065,640
Operating income	220,991	625,637
Non-operating income		
Interest income	78,074	91,866
Dividends income	40,824	43,872
Share of profit of entities accounted for using equity method	11,937	97,103
Other	157,906	99,014
Total non-operating income	288,743	331,856
Non-operating expenses		
Interest expenses	13,451	14,792
Foreign exchange losses	273,054	103,055
Other	31,903	28,702
Total non-operating expenses	318,409	146,550
Ordinary income	191,325	810,943
Extraordinary income		
Gain on sales of investment securities	3	49,876
Other	413	9,462
Total extraordinary income	416	59,338
Extraordinary losses		
Loss on valuation of investment securities	—	63,595
Other	4,990	2,264
Total extraordinary losses	4,990	65,859
Income before income taxes	186,752	804,422
Income taxes	101,811	152,317
Profit	84,941	652,105
Profit attributable to non-controlling interests	5,207	27,622
Profit attributable to owners of the parent	79,733	624,482

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated cumulative first quarter]

(Thousands of yen)

	Previous consolidated cumulative first quarter (From April 1, 2016 to June 30, 2016)	Current consolidated cumulative first quarter (From April 1, 2017 to June 30, 2017)
Profit	84,941	652,105
Other comprehensive income		
Valuation difference on available-for-sale securities	△867,014	157,080
Deferred gains or losses on hedges	—	△4,607
Foreign currency translation adjustment	△457,710	△73,387
Remeasurements of defined benefit plans	2,321	2,412
Share of other comprehensive income of entities accounted for using equity method	△187,377	△83,664
Total other comprehensive income	△1,509,780	△2,165
Comprehensive income	△1,424,839	649,939
(Breakdown)		
Comprehensive income attributable to owners of the parent	△1,181,257	641,208
Comprehensive income attributable to non-controlling interests	△243,582	8,731

[Notes]

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

<Calculation of tax expenses>

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

(Notes Related to Quarterly Consolidated Statements of Cash Flows)

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

	(Thousands of yen)	
	Previous consolidated cumulative first quarter (From April 1, 2016 to June 30, 2016)	Current consolidated cumulative first quarter (From April 1, 2017 to June 30, 2017)
Depreciation	407,595	414,273
Amortization of goodwill	29	—

(Notes Related to Shareholders' Equity, etc.)

I Previous consolidated cumulative first quarter (From April 1, 2016 to June 30, 2016)

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 24, 2016	Common stock	818,912	23.00	March 31, 2016	June 27, 2016	Retained earnings

II Current consolidated cumulative first quarter (From April 1, 2017 to June 30, 2017)

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 28, 2017	Common stock	713,461	20.00	March 31, 2017	June 29, 2017	Retained earnings

(Segment Information, etc.)

[Segment Information]

I Previous consolidated cumulative first quarter (From April 1, 2016 to June 30, 2016)

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	4,916,077	2,034,161	756,526	649,966	8,356,732	250,869	8,607,601
Inter-segment sales or transfers	—	—	—	—	—	183,897	183,897
Total	4,916,077	2,034,161	756,526	649,966	8,356,732	434,767	8,791,499
Segment income or loss (Δ)	306,635	90,241	115,335	△16,267	495,946	54,052	549,999

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	495,946
Income in the category "Other"	54,052
Elimination of inter-segment transactions	△16,990
Amortization of goodwill	△29
Unallocated corporate expenses (See Note)	△293,972
Adjustment of inventories	△18,014
Operating income shown on the quarterly consolidated statements of income	220,991

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

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

No applicable matter.

II Current consolidated cumulative first quarter (From April 1, 2017 to June 30, 2017)

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	5,903,691	1,651,770	787,716	585,721	8,928,899	211,578	9,140,478
Inter-segment sales or transfers	—	—	—	—	—	192,343	192,343
Total	5,903,691	1,651,770	787,716	585,721	8,928,899	403,921	9,332,821
Segment income or loss (Δ)	592,645	252,095	136,183	△95,764	885,160	64,543	949,703

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	885,160
Income in the category “Other”	64,543
Elimination of inter-segment transactions	△18,489
Unallocated corporate expenses (See Note)	△284,024
Adjustment of inventories	△21,553
Operating income shown on the quarterly consolidated statements of income	625,637

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

3. Matters concerning changes in reportable segments, etc.

The categorization, introduced in the current consolidated cumulative first quarter, of reportable segments was changed due to the liquidation of a subsidiary so that the “Related goods sales”, which was categorized as a reportable segment, is incorporated into the “Other”.

In this regard, the segment information for the previous consolidated cumulative first quarter is reported on the basis of the reportable segments reflecting the said change in categorization.

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

No applicable matter.

(Per Share Information)

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

	Previous consolidated cumulative first quarter (From April 1, 2016 to June 30, 2016)	Current consolidated cumulative first quarter (From April 1, 2017 to June 30, 2017)
(1) Net income per share	2.24 yen	17.49 yen
(Basis of calculation)		
Profit attributable to owners of the parent (Thousands of yen)	79,733	624,482
Amount not attributable to common stockholders (Thousands of yen)	—	—
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	79,733	624,482
Average number of shares of common stock during the period	35,605,651	35,711,753
(2) Fully diluted net income per share	2.24 yen	17.38 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	65,719	211,515
Outline of dilutive shares that were not included in the calculation of fully diluted net income per share due to a lack of dilutive effect and also underwent a significant change after the end of the previous consolidated fiscal year	---	---

(Significant Subsequent Events)

No applicable matter.

2. Other

No applicable matter.

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

No applicable matter.

Independent Auditors' Quarterly Review Report

August 10, 2017

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

Ernst & Young ShinNihon LLC

Satoshi Ejima [Seal]
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

Makoto Iguchi [Seal]
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

We have conducted, under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, a quarterly review of the quarterly consolidated financial statements of Arisawa Mfg. Co., Ltd. listed in the "Status of Accounting" for the consolidated first quarter (From April 1, 2017 to June 30, 2017) and the consolidated cumulative first quarter (From April 1, 2017 to June 30, 2017) of the consolidated fiscal year from April 1, 2017 to March 31, 2018, consisting of the quarterly consolidated balance sheets, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income and notes.

Responsibility of Management 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.

Responsibility of Auditors

Our responsibility is to express a conclusion on the quarterly consolidated financial statements from an independent standpoint based on our quarterly review. We conducted our quarterly review in accordance with the quarterly review standards generally accepted in Japan.

A quarterly review consists principally of making inquiries to the management and 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.

We believe that the evidence we have obtained provides a basis for our conclusion.

Conclusion of Auditors

In our quarterly review, no matter has come to our attention that causes us to believe that the above quarterly consolidated financial statements do not fairly present, in any material respect, the financial conditions of Arisawa Mfg. Co., Ltd. and its consolidated subsidiaries as of June 30, 2017 and the results of their operations in the consolidated cumulative first quarter ended June 30, 2017 in accordance with the standards for preparation of quarterly consolidated financial statements generally accepted in Japan.

Interest

There exists no special interest between the Company and this audit corporation or its engagement partners which is required to be stated pursuant to the provisions of the Certified Public Accountants Act.

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.