



# Consolidated Financial Results for the Nine Months Ended December 31, 2017 [Japanese GAAP]

Date: February 8, 2018

Name of listed company: Arisawa Mfg. Co., Ltd. Listed on the Tokyo Stock Exchange (First Section)  
 Securities code: 5208 (Website: <http://www.arisawa.co.jp/>)  
 Name and title of representative: Yuta Arisawa, President and Representative Director  
 Name and title of contact person: Takeshi Masuda, Operating Officer supervising Corporate Planning Dept. Telephone: +81-25-524-7101  
 Scheduled date of filing Quarterly Report: February 14, 2018  
 Scheduled date of commencing dividend payments: ---  
 Preparation of supplementary briefing materials on the quarterly financial results: No  
 Holding of a briefing session on the quarterly financial results: No

(Amounts of less than one million yen have been truncated.)

## 1. Financial results for the consolidated cumulative third quarter of the fiscal year ending March 31, 2018 (From April 1, 2017 to December 31, 2017)

### (1) Consolidated results of operations (Percentage figures represent changes from the year-earlier quarter.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Nine months ended December 31, 2017	30,325	17.7	2,636	129.0	3,193	58.6	2,655	79.6
Nine months ended December 31, 2016	25,754	Δ10.1	1,151	Δ50.9	2,013	Δ36.0	1,478	Δ33.5

(Note) Comprehensive income: 4,708 million yen (- %) for the nine months ended December 31, 2017  
 258 million yen (Δ82.8%) for the nine months ended December 31, 2016

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Nine months ended December 31, 2017	74.18	73.52
Nine months ended December 31, 2016	41.53	41.46

### (2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
December 31, 2017	72,648	52,644	68.7	1,388.54
March 31, 2017	63,808	48,551	72.2	1,290.93

(Reference) Shareholders' equity: 49,919 million yen as of December 31, 2017  
 46,051 million yen as of March 31, 2017

## 2. Status of dividends

	Cash dividend per share				
	1 <sup>st</sup> quarter end	2 <sup>nd</sup> quarter end	3 <sup>rd</sup> quarter end	Fiscal year end	Annual
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended March 31, 2017	---	0.00	---	20.00	20.00
Fiscal year ending March 31, 2018	---	0.00	---		
Fiscal year ending March 31, 2018 (Forecast)				---	---

(Note) Revision of the most recently announced dividend forecast: No  
 No decision or forecast has hitherto been made regarding the dividend(s) for the fiscal year ending March 31, 2017.

## 3. Forecast of consolidated business results for the fiscal year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Percentage figures represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Full fiscal year	39,300	14.1	3,400	89.9	4,100	52.4	2,900	42.4	80.67

(Note) Revision of the most recently announced forecast of the consolidated business results: No

\* Notes

(1) Changes in significant subsidiaries during the current consolidated cumulative quarter (changes in specified subsidiaries entailing changes in the scope of consolidation): Yes  
New companies: 1 (Company name: Satosen Co., Ltd.) Excluded companies: --- (Company name: )

(2) Application of accounting treatments particular to preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and accounting estimates, retrospective restatements  
1) Changes in accounting policies due to revisions of accounting standards, etc.: None  
2) Changes in accounting policies other than those falling under item 1): None  
3) Changes in accounting estimates: None  
4) Retrospective restatements: None

(4) Number of shares issued and outstanding (Common stock)

1) Number of shares issued and outstanding as of the most recent quarter end and fiscal year end (including treasury stock)

December 31, 2017	35,957,924 shares
March 31, 2017	35,679,624 shares

2) Number of shares of treasury stock as of the most recent quarter end and fiscal year end

December 31, 2017	7,015 shares
March 31, 2017	6,536 shares

3) Average number of shares during the consolidated cumulative third quarter

Nine months ended December 31, 2017	35,802,682 shares
Nine months ended December 31, 2016	35,608,925 shares

\*This summary is not subject to quarterly review procedures.

\*Proper Use of Forward-looking Statements and Other Matters to be Noted

Earnings forecasts and other forward-looking statements contained in this summary are based on information currently available to Arisawa Mfg. Co., Ltd. (hereinafter referred to as the "Company") and certain assumptions that the Company deems to be reasonable. The actual business results, etc. may therefore differ materially from these statements for various reasons.

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## 1. Qualitative Information concerning Quarterly Financial Results

### (1) Explanation Concerning Consolidated Results of Operations

The Japanese economy in the current consolidated cumulative third quarter, against the backdrop of the government's economic stimulus measures on the monetary and fiscal fronts, etc., remained on an overall slow recovery track. While the economy in Western countries is making a slow recovery, 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.

As a result, the business results for the current consolidated cumulative third quarter showed net sales of 30,325 million yen (representing a 17.7% increase as compared with the year-earlier quarter), an operating income of 2,636 million yen (representing an 129.0% increase as compared with the year-earlier quarter), an ordinary income of 3,193 million yen (representing a 58.6% increase as compared with the year-earlier quarter) and a profit attributable to owners of the parent of 2,655 million yen (representing a 79.6% increase as compared with the year-earlier quarter).

### (2) Explanation Concerning Financial Conditions

Total assets as of the end of the current consolidated third quarter were 72,648 million yen (an increase of 8,840 million yen compared with the end of the fiscal year ended March 31, 2017). This was due largely to an increase of 3,161 million yen in notes and accounts receivable-trade.

Total liabilities as of the end of the current consolidated third quarter were 20,003 million yen (an increase of 4,746 million yen compared with the end of the fiscal year ended March 31, 2017). This was due largely to an increase of 1,609 million yen in notes and accounts payable-trade.

Total net assets as of the end of the current consolidated third quarter were 52,644 million yen (an increase of 4,093 million yen compared with the end of the fiscal year ended March 31, 2017). This was due largely to an increase of 1,955 million yen in retained earnings.

### (3) Explanation Concerning Forecast of Consolidated Results of Operations

As for the consolidated business results of the year ending March 31, 2018, there is no change in the consolidated business results forecast as announced on November 9, 2017.

2. Quarterly Consolidated Financial Statements  
 (1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated third quarter (As of December 31, 2017)
Assets		
Current assets		
Cash and deposits	7,667,985	8,156,961
Notes and accounts receivable-trade	12,618,700	15,780,632
Securities	797,550	1,463,181
Merchandise and finished goods	2,602,353	2,813,907
Work in process	1,301,381	1,842,975
Raw materials and supplies	2,095,419	2,998,427
Other	1,331,705	1,912,562
Allowance for doubtful accounts	△127,077	△703,534
Total current assets	28,288,018	34,265,114
Non-current assets		
Property, plant and equipment	11,065,403	11,658,988
Intangible assets		
Other	65,486	473,665
Total intangible assets	65,486	473,665
Investments and other assets		
Investment securities	23,864,265	25,566,346
Other	707,162	890,661
Allowance for doubtful accounts	△181,927	△206,240
Total investments and other assets	24,389,500	26,250,766
Total non-current assets	35,520,391	38,383,420
Total assets	63,808,409	72,648,535

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated third quarter (As of December 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	5,168,250	6,777,583
Short-term loans payable	2,908,630	3,888,563
Current portion of long-term loans payable	446,754	586,789
Current portion of bonds	—	36,800
Income taxes payable	362,974	519,830
Provision for bonuses	447,415	312,442
Provision for directors' bonuses	3,573	5,058
Provision for product warranties	169	126
Other	2,341,381	2,615,511
Total current liabilities	11,679,149	14,742,704
Non-current liabilities		
Bonds payable	—	164,800
Long-term loans payable	1,836,093	2,048,725
Net defined benefit liability	558,112	583,249
Asset retirement obligations	57,448	92,729
Other	1,126,306	2,371,573
Total non-current liabilities	3,577,960	5,261,078
Total liabilities	15,257,109	20,003,783
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,317,019	7,428,353
Capital surplus	6,429,038	6,540,332
Retained earnings	30,740,318	32,695,536
Treasury stock	△3,891	△4,386
Total shareholders' equity	44,482,485	46,659,835
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	942,763	2,516,660
Deferred gains or losses on hedges	5,153	—
Foreign currency translation adjustment	808,002	917,079
Remeasurements of defined benefit plans	△187,018	△174,327
Total accumulated other comprehensive income	1,568,901	3,259,411
Subscription rights to shares	143,292	128,418
Non-controlling interests	2,356,620	2,597,086
Total net assets	48,551,300	52,644,752
Total liabilities and net assets	63,808,409	72,648,535

(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, 2016 to December 31, 2016)	Current consolidated cumulative third quarter (From April 1, 2017 to December 31, 2017)
Net sales	25,754,579	30,325,502
Cost of sales	21,506,013	24,382,712
Gross profit	4,248,566	5,942,789
Selling, general and administrative expenses	3,097,030	3,306,235
Operating income	1,151,535	2,636,553
Non-operating income		
Interest income	250,158	237,864
Dividends income	88,664	88,389
Share of profit of entities accounted for using equity method	335,408	382,051
Other	326,840	340,889
Total non-operating income	1,001,071	1,049,193
Non-operating expenses		
Interest expenses	36,314	50,522
Provision of allowance for doubtful accounts	—	329,049
Other	103,214	112,652
Total non-operating expenses	139,529	492,224
Ordinary income	2,013,077	3,193,522
Extraordinary income		
Gain on sales of non-current assets	2	2,960
Gain on sales of securities	13,222	507,155
Insurance income	129,723	—
Other	9,675	10,904
Total extraordinary income	152,623	521,020
Extraordinary losses		
Loss on valuation of investment securities	—	63,595
Other	33,605	7,967
Total extraordinary losses	33,605	71,562
Income before income taxes	2,132,094	3,642,980
Income taxes	561,669	759,050
Profit	1,570,425	2,883,929
Profit attributable to non-controlling interests	91,554	228,230
Profit attributable to owners of the parent	1,478,870	2,655,699

[Quarterly Consolidated Statements of Comprehensive Income]  
[Consolidated cumulative third quarter]

(Thousands of yen)

	Previous consolidated cumulative third quarter (From April 1, 2016 to December 31, 2016)	Current consolidated cumulative third quarter (From April 1, 2017 to December 31, 2017)
Profit	1,570,425	2,883,929
Other comprehensive income		
Valuation difference on available-for-sale securities	515,800	1,574,004
Deferred gains or losses on hedges	—	△5,153
Foreign currency translation adjustment	△1,367,649	288,024
Remeasurements of defined benefit plans	6,964	7,238
Share of other comprehensive income of entities accounted for using equity method	△467,142	△39,705
Total other comprehensive income	△1,312,027	1,824,407
Comprehensive income	258,397	4,708,337
(Breakdown)		
Comprehensive income attributable to owners of the parent	701,137	4,346,209
Comprehensive income attributable to non-controlling interests	△442,740	362,127



(3) Notes Related to the Going Concern Assumption

No applicable matter.

(4) Notes Related to Significant Changes in the Amount of Shareholders' Equity

No applicable matter.

(5) 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.

(6) Segment Information, etc.

[Segment Information]

I Previous consolidated cumulative third quarter (From April 1, 2016 to December 31, 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	15,082,400	5,639,261	2,324,953	1,981,078	25,027,694	726,884	25,754,579
Inter-segment sales or transfers	—	—	—	—	—	566,198	566,198
Total	15,082,400	5,639,261	2,324,953	1,981,078	25,027,694	1,293,083	26,320,777
Segment income or loss ( $\Delta$ )	1,264,775	414,563	424,358	$\Delta$ 177,411	1,926,286	156,482	2,082,768

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	1,926,286
Income in the category "Other"	156,482
Elimination of inter-segment transactions	$\Delta$ 52,270
Amortization of goodwill	$\Delta$ 89
Unallocated corporate expenses (See Note)	$\Delta$ 859,993
Adjustment of inventories	$\Delta$ 18,879
Operating income shown on the quarterly consolidated statements of income	1,151,535

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, 2017 to December 31, 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	19,896,877	5,326,627	2,425,983	2,110,567	29,760,055	565,446	30,325,502
Inter-segment sales or transfers	—	—	—	—	—	625,277	625,277
Total	19,896,877	5,326,627	2,425,983	2,110,567	29,760,055	1,190,723	30,950,779
Segment income or loss (Δ)	2,332,550	804,644	455,288	△111,752	3,480,730	181,340	3,662,070

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	3,480,730
Income in the category “Other”	181,340
Elimination of inter-segment transactions	△68,191
Amortization of goodwill	△931,336
Unallocated corporate expenses (See Note)	△25,988
Adjustment of inventories	2,636,553
Operating income shown on the quarterly consolidated statements of income	3,480,730

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 consolidated 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 third 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

(Material change of the amount of goodwill)

Regarding the "Electronic materials" segment, Satosen Co., Ltd. is included in the scope of consolidation, due to the acquisition of stock of the said company, from the consolidated third quarter. The increased amount of goodwill by the said event is 407,899 thousand yen for the current consolidated cumulative third quarter. The amount of goodwill is calculated tentatively because the distribution of acquisition cost has not been completed.