

QUARTERLY REPORT

(The First Quarter of the 71st Term)

From April 1, 2018 to June 30, 2018

(TRANSLATION)

ARISAWA MFG. CO., LTD.

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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, 2018
Quarterly accounting period:	The First Quarter of the 71 st Term (From April 1, 2018 to June 30, 2018)
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PART I. INFORMATION ON THE BUSINESS

I. General Conditions of Business

1. Changes in Principal Management Indicators, etc.

Term	70 th term consolidated cumulative first quarter	71 st term consolidated cumulative first quarter	70 th term
Accounting period	From April 1, 2017 to June 30, 2017	From April 1, 2018 to June 30, 2018	From April 1, 2017 to March 31, 2018
Net sales (Millions of yen)	9,140	10,961	40,909
Ordinary income (Millions of yen)	810	1,237	4,044
Profit attributable to owners of the parent (Millions of yen)	595	857	3,452
Comprehensive income (Millions of yen)	620	48	4,497
Net assets (Millions of yen)	48,515	51,413	52,492
Total assets (Millions of yen)	64,229	71,196	72,290
Net income per share (Yen)	16.67	23.77	96.31
Fully diluted net income per share (Yen)	16.57	23.54	95.48
Equity ratio (%)	71.6	68.4	68.7

- 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.
3. Partial amendments to "Accounting Standards for Tax Effect Accounting" (Accounting Standards Board of Japan No. 28, February 16, 2018), etc. were applied at the beginning of the current consolidated fiscal first quarter. Principal Management Indicators, etc. for the previous consolidated cumulative first quarter and the previous consolidated fiscal year are shown after retroactive application of the said Accounting Standards, etc.

2. Description of Business

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

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

II. Status of Business

1. Business Risks, etc.

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

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

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

(1) Financial Position and Operating Results

1) Operating Results

The Japanese economy in the current consolidated cumulative first quarter, against the backdrop of the strong world economy, remained on a moderate overall recovery track. Meanwhile, a sense of uncertainty regarding the economic outlook persisted due largely to the protectionist policy and financial policy of the US.

Under such circumstances, the results of operations of our group (the Company, its consolidated subsidiaries and the companies accounted for under the equity method) for the current consolidated cumulative first quarter showed net sales of 10,961 million yen (representing a 19.9% increase as compared with the year-earlier quarter), an operating income of 842 million yen (representing a 34.6% increase as compared with the year-earlier quarter), an ordinary income of 1,237 million yen (representing a 52.6% increase as compared with the year-earlier quarter) and a profit attributable to owners of the parent of 857 million yen (representing a 44.0% increase as compared with the year-earlier quarter).

Business results with respect to each segment are as follows.

a. Electronic materials segment

In the electronic materials segment, net sales were 6,860 million yen, representing a 16.2% 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 12.9%, and the production output increased by 8.9%, 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 644 million yen (a 8.7% increase as compared with the year-earlier quarter).

b. Industrial application structural materials segment

In the industrial application structural materials segment, net sales (consisting mainly of the sales of filament winding molded products as well as honeycomb panels and prepregs for aircraft) were 2,172 million yen, representing an 31.5% increase as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 397 million yen (a 57.5% increase as compared with the year-earlier quarter).

c. Electrical insulating materials segment

In the electrical insulating materials segment, net sales (consisting mainly of the sales of prepregs and glass cloth for electrical insulation) were 804 million yen, representing a 2.2% increase as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 131 million yen (a 3.3% decrease as compared with the year-earlier quarter).

d. Display materials segment

In the display materials segment, net sales (consisting mainly of the sales of 3D imaging-related materials) were 936 million yen, representing a 60.0% increase as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 50 million yen (a segment loss of 95 million yen for the year-earlier quarter).

e. Other (other businesses)

In other businesses, net sales were 185 million yen, representing a 12.1% decrease as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 53 million yen (a 16.6% 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 first quarter were 71,196 million yen, a decrease of 1,094 million yen compared with the end of the previous year. This was due largely to a decrease of 1,414 million yen in cash and deposits.

Total liabilities as of the end of the current consolidated cumulative first quarter were 19,783 million yen, a decrease of 15 million yen compared with the end of the previous year. This was due largely to a decrease of 410 million yen in short-term loans payable.

Total net assets as of the end of the current consolidated cumulative first quarter were 51,413 million yen, a decrease of 1,078 million yen compared with the end of the previous year. This was due largely to a decrease of 479 million yen in foreign currency translation adjustment and a decrease of 223 million yen in valuation difference on available-for-sale securities.

(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 477 million yen.

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

3. Agreements with Managerial Implications, etc.

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

III. Status of the Submitting Company

1. Status of Shares, etc.

(1) Total Number of Shares, etc.

1) Total number of shares

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

2) Shares issued and outstanding

Class	Number of shares issued and outstanding as of the end of the first quarter (As of June 30, 2018)	Number of shares issued and outstanding as of the filing date of this Quarterly Report (As of August 10, 2018)	Name of financial instruments exchange where the shares are listed or authorized financial instruments firms association where the shares are registered	Remarks
Common stock	36,137,524	36,145,024	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	36,137,524	36,145,024	---	---

Note: The number of shares issued through the exercise of stock acquisition rights in the period from August 1, 2018 to the filing date of this Quarterly Report is not included in the column "Number of shares issued and outstanding as of the filing date of this Quarterly Report".

(2) Status of Stock Acquisition Rights, etc.

1) Details of Stock Option Scheme

No applicable matter.

2) Status of Other stock acquisition right

No applicable matter.

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

No applicable matter.

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

Period	Number of shares issued and outstanding		Capital stock (Thousands of yen)		Legal capital surplus (Thousands of yen)	
	Change	Balance	Change	Balance	Change	Balance
From April 1, 2018 to June 30, 2018 (See Note 1)	113,400	36,137,524	53,075	7,511,317	53,034	6,623,243

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

2. In the period from July 1, 2018 to July 31, 2018, the number of shares issued and outstanding increased by 7,500 shares, and the amount of capital stock and that of legal capital surplus increased by 2,839 thousand yen and 2,838 thousand yen respectively, all through the exercise of stock acquisition rights.

(5) Status of Major Shareholders

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

(6) Status of Voting Rights

Since the “Status of Voting Rights” as of the end of the current first quarter cannot be stated herein as the relevant entries in the shareholder registry have yet to be confirmed, it is stated based on the shareholder registry as of the most recent record date (March 31, 2018).

1) Shares issued and outstanding

As of June 30, 2018

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 7,000	---	---
Shares with full voting rights (Other) (See Note 1)	Common stock 35,934,500	359,345	---
Shares constituting less than one full unit (See Note 2)	Common stock 82,624	---	---
Number of shares issued and outstanding	36,024,124	---	---
Total number of voting rights held by shareholders	---	359,345	---

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

2) Treasury Stock, etc.

As of June 30, 2018

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	7,000	---	7,000	0.01
Total	---	7,000	---	7,000	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, 2018 to June 30, 2018) and the current consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018) 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, 2018)	Current consolidated first quarter (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	9,123,877	7,709,848
Notes and accounts receivable-trade	*2 15,947,189	*2 16,071,038
Securities	1,180,101	1,070,794
Merchandise and finished goods	3,915,375	4,063,362
Work in process	1,898,096	1,831,006
Raw materials and supplies	2,951,263	3,391,973
Other	1,328,865	1,258,313
Allowance for doubtful accounts	△562,185	△621,297
Total current assets	35,782,583	34,775,040
Non-current assets		
Property, plant and equipment	11,635,655	11,711,398
Intangible assets		
Other	418,631	408,659
Total intangible assets	418,631	408,659
Investments and other assets		
Investment securities	23,365,824	23,204,115
Other	1,264,902	1,279,868
Allowance for doubtful accounts	△176,835	△182,370
Total investments and other assets	24,453,891	24,301,613
Total non-current assets	36,508,177	36,421,671
Total assets	72,290,761	71,196,711

	(Thousands of yen)			
	Previous consolidated fiscal year (As of March 31, 2018)		Current consolidated first quarter (As of June 30, 2018)	
Liabilities				
Current liabilities				
Notes and accounts payable-trade	*2	6,794,393	*2	6,966,519
Current portion of bonds		36,800		36,800
Short-term loans payable		4,242,472		3,831,539
Current portion of long-term loans payable		864,130		857,136
Income taxes payable		930,529		433,093
Provision for bonuses		598,261		909,484
Provision for directors' bonuses		5,956		1,446
Provision for product warranties		125		43
Other	*2	2,509,831	*2	2,637,811
Total current liabilities		15,982,499		15,673,875
Non-current liabilities				
Bonds payable		164,800		146,400
Long-term loans payable		1,642,485		1,921,144
Net defined benefit liability		603,556		610,867
Asset retirement obligations		92,837		91,188
Other		1,312,028		1,339,587
Total non-current liabilities		3,815,706		4,109,188
Total liabilities		19,798,206		19,783,064
Net assets				
Shareholders' equity				
Capital stock		7,458,242		7,511,317
Capital surplus		6,570,209		6,623,243
Retained earnings		33,492,381		33,124,909
Treasury stock		△4,467		△4,506
Total shareholders' equity		47,516,364		47,254,964
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		1,214,473		991,364
Deferred gains or losses on hedges		—		△10,595
Foreign currency translation adjustment		1,081,810		601,992
Remeasurements of defined benefit plans		△176,694		△168,180
Total accumulated other comprehensive income		2,119,588		1,414,581
Subscription rights to shares		127,640		118,491
Non-controlling interests		2,728,960		2,625,610
Total net assets		52,492,554		51,413,647
Total liabilities and net assets		72,290,761		71,196,711

(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, 2017 to June 30, 2017)	Current consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018)
Net sales	9,140,478	10,961,088
Cost of sales	7,449,200	8,915,670
Gross profit	1,691,277	2,045,418
Selling, general and administrative expenses	1,065,640	1,203,075
Operating income	625,637	842,342
Non-operating income		
Interest income	91,866	79,254
Dividends income	43,872	46,179
Share of profit of entities accounted for using equity method	97,103	118,455
Foreign exchange gains	—	199,729
Other	99,014	83,611
Total non-operating income	331,856	527,230
Non-operating expenses		
Interest expenses	14,792	20,495
Loss on redemption of investment securities	300	30,596
Foreign exchange losses	103,055	—
Provision of allowance for doubtful accounts	—	57,755
Other	28,402	23,557
Total non-operating expenses	146,550	132,404
Ordinary income	810,943	1,237,169
Extraordinary income		
Gain on sales of investment securities	49,876	65,010
Other	9,462	7,501
Total extraordinary income	59,338	72,511
Extraordinary losses		
Loss on retirement of non-current assets	2,226	1,412
Loss on valuation of investment securities	63,595	—
Other	38	—
Total extraordinary losses	65,859	1,412
Income before income taxes	804,422	1,308,268
Income taxes	181,519	367,657
Profit	622,903	940,611
Profit attributable to non-controlling interests	27,622	83,503
Profit attributable to owners of the parent	595,281	857,108

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated cumulative first quarter]

(Thousands of yen)

	Previous consolidated cumulative first quarter (From April 1, 2017 to June 30, 2017)	Current consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018)
Profit	622,903	940,611
Other comprehensive income		
Valuation difference on available-for-sale securities	157,080	△223,080
Deferred gains or losses on hedges	△4,607	△10,595
Foreign currency translation adjustment	△73,387	△518,282
Remeasurements of defined benefit plans	2,412	6,763
Share of other comprehensive income of entities accounted for using equity method	△83,664	△146,665
Total other comprehensive income	△2,165	△891,861
Comprehensive income	620,737	48,750
(Breakdown)		
Comprehensive income attributable to owners of the parent	612,006	152,100
Comprehensive income attributable to non-controlling interests	8,731	△103,350

[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.

(Additional information)

(Application of the Partial amendments to "Accounting Standards for Tax Effect Accounting", etc.)

Partial amendments to "Accounting Standards for Tax Effect Accounting" (Accounting Standards Board of Japan No. 28, February 16, 2018), etc. were applied at the beginning of the current consolidated fiscal first quarter. Deferred tax assets are shown in the column of Investments and other assets and deferred tax liabilities are shown in the column of Non-current liabilities.

(Notes Related to Quarterly Consolidated Balance Sheets)

* Balance of discounted notes and accounts receivable

	Previous consolidated fiscal year (As of March 31, 2018)	Current consolidated third quarter (As of June 30, 2018)
Discounted notes and accounts receivable	17,822	—

(Notes Related to Quarterly Consolidated Balance Sheets)

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

For accounting treatment of notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the consolidated first 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 first quarter falls on a bank holiday, the following notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the consolidated first quarter are included in their respective balances as of the end of the consolidated first quarter.

	Previous consolidated fiscal year (As of March 31, 2018)	Current consolidated third quarter (As of June 30, 2018)
Notes and accounts receivable-trade	49,502	44,652
Notes and accounts payable-trade	144,191	114,563
Current liabilities and others (Notes payable-facilities, Electronically recorded obligations-non-operating)	40,343	7,674

(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.

	Previous consolidated cumulative first quarter (From April 1, 2017 to June 30, 2017)	Current consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018)
Depreciation	414,273	437,022
Amortization of goodwill	—	17,776

(Notes Related to Shareholders' Equity, etc.)

I Previous 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 27, 2017	Retained earnings

II Current consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018)

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, 2018	Common stock	1,224,579	34.00	March 31, 2018	June 29, 2018	Retained earnings

(Segment Information, etc.)

[Segment Information]

I Previous 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. 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, 2018 to June 30, 2018)

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

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Net sales							
Net sales to external customers	6,860,712	2,172,576	804,959	936,945	10,775,193	185,895	10,961,088
Inter-segment sales or transfers	—	—	—	—	—	191,602	191,602
Total	6,860,712	2,172,576	804,959	936,945	10,775,193	377,498	11,152,691
Segment income or loss (Δ)	644,029	397,135	131,692	50,542	1,223,400	53,804	1,277,205

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	1,223,400
Income in the category “Other”	53,804
Elimination of inter-segment transactions	△22,499
Amortization of goodwill	△17,776
Unallocated corporate expenses (See Note)	△366,916
Adjustment of inventories	△27,669
Operating income shown on the quarterly consolidated statements of income	842,342

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.

(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, 2017 to June 30, 2017)	Current consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018)
(1) Net income per share	16.67 yen	23.77yen
(Basis of calculation)		
Profit attributable to owners of the parent (Thousands of yen)	595,281	857,108
Amount not attributable to common stockholders (Thousands of yen)	—	—
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	595,281	857,108
Average number of shares of common stock during the period	35,711,753	36,058,809
(2) Fully diluted net income per share	16.57yen	23.54yen
(Basis of calculation)		
Adjustment of profit attributable to owners of the parent (Thousands of yen)	---	---
Increase in the number of shares of common stock	211,515	346,680
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, 2018

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

Akira Igarashi [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, 2018 to June 30, 2018) and the consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018) of the consolidated fiscal year from April 1, 2018 to March 31, 2019, 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, 2018 and the results of their operations in the consolidated cumulative first quarter ended June 30, 2018 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.