

QUARTERLY REPORT

(The Second Quarter of the 71st Term)
From July 1, 2018 to September 30, 2018

(TRANSLATION)

ARISAWA MFG. CO., LTD.

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Company name (English):	Arisawa Mfg. Co., Ltd.
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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	70 th term consolidated cumulative second quarter	71 st term consolidated cumulative second quarter	70 th term
Accounting period	From April 1, 2017 to September 30, 2017	From April 1, 2018 to September 30, 2018	From April 1, 2017 to March 31, 2018
Net sales (Millions of yen)	19,307	22,707	40,909
Ordinary income (Millions of yen)	2,179	2,589	4,044
Profit attributable to owners of the parent (Millions of yen)	1,557	1,772	3,452
Comprehensive income (Millions of yen)	1,909	1,308	4,497
Net assets (Millions of yen)	49,742	52,518	52,492
Total assets (Millions of yen)	65,762	71,431	72,290
Net income per share (Yen)	43.55	49.10	96.31
Fully diluted net income per share (Yen)	43.24	48.71	95.48
Equity ratio (%)	71.9	69.8	68.7
Cash flows from operating activities (Millions of yen)	102	1,084	2,181
Cash flows from investing activities (Millions of yen)	△368	△1,454	△471
Cash flows from financing activities (Millions of yen)	△1,250	△1,695	△59
Cash and cash equivalents at the end of period (Millions of yen)	5,421	6,728	8,829

Term	70 th term consolidated second quarter	71 st term consolidated second quarter
Accounting period	From July 1, 2017 to September 30, 2017	From July 1, 2018 to September 30, 2018
Net income per share (Yen)	26.87	25.33

- 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 second 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 second quarter.

The change of a principle affiliate with respect to each reportable segment in the current consolidated cumulative second quarter is as follows.

(Industrial application structural materials)

Protec Arisawa Japan Co., Ltd., which was a consolidated subsidiary of the Company, extinguished through an absorption-type merger with the Company as the surviving entity in the current consolidated fiscal second quarter, and so has been excluded from the scope of consolidation.

II. Status of Business

1. Business Risks, etc.

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

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

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

(1) Financial Position and Operating Results

1) Operating Results

The Japanese economy in the current consolidated cumulative second quarter remained on a recovery track, owing to improvement in corporate earnings and employment situation, etc. Meanwhile, a sense of uncertainty regarding the economic outlook persisted due to concern about trade friction caused by the trade policy of the US and its financial policy, etc.

Under such circumstances, our group (the Company, its consolidated subsidiaries and the companies accounted for under the equity method)'s results of operations for the current consolidated cumulative second quarter showed net sales of 22,707 million yen (a 17.6% increase as compared with the year-earlier quarter), an operating income of 1,732 million yen (a 9.2% increase as compared with the year-earlier quarter), an ordinary income of 2,589 million yen (a 18.8% increase as compared with the year-earlier quarter) and a profit attributable to owners of the parent of 1,772 million yen (a 13.8% 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 14,698 million yen (a 16.9% 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 10.1%, and the production output decreased by 1.2%, as compared with the year-earlier quarter on a non-consolidated basis of the Submitting Company), while the segment income was 1,391 million yen (a 0.7% decrease 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 4,257 million yen (a 25.8% increase as compared with the year-earlier quarter), while the segment income was 742 million yen (a 44.2% 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 1,569 million yen (a 2.6% decrease as compared with the year-earlier quarter), while the segment income was 230 million yen (a 23.2% 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 1,801 million yen (a 34.4% increase as compared with the year-earlier quarter), while the segment income was 80 million yen (a segment loss of 91 million yen for the year-earlier quarter).

e. Other (other businesses)

In other businesses, net sales were 379 million yen (a 4.3% decrease as compared with the year-earlier quarter), while the segment income was 108 million yen (a 17.0% decrease as compared with the year-earlier quarter).

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

2) Financial Position

Total assets as of the end of the current consolidated cumulative second quarter were 71,431 million yen, a decrease of 859 million yen compared with the end of the previous year. This was due largely to a decrease of 2,278 million yen in cash and deposits.

Total liabilities as of the end of the current consolidated cumulative second quarter were 18,913 million yen, a decrease of 884 million yen compared with the end of the previous year. This was due largely to a decrease of 358 million yen in notes and accounts payable-trade and a decrease of 327 million yen in short-term loans payable.

Total net assets as of the end of the current consolidated cumulative second quarter were 52,518 million yen, an increase of 25 million yen compared with the end of the previous year. This was due largely to an increase of 548 million yen in retained earnings.

(2) Status of Cash Flows

Cash and cash equivalents (hereinafter referred to as the "Funds") as of the end of the current consolidated second quarter amounted to 6,728 million yen, increasing 1,306 million yen, or 24.1%, as compared with the end of the previous consolidated second quarter.

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

(Cash flows from operating activities)

Funds earned from operating activities were 1,084 million yen (a 959.1% increase as compared with the year-earlier quarter). This was due largely to an increase in the Funds comprising the postings of 2,661 million yen in income before income taxes, 896 million yen in depreciation as well as a decrease in the Funds comprising the postings of 360 million yen in share of profit of entities accounted for using equity method, 946 million yen in increase in notes and accounts receivable-trade and 262 million yen in decrease in notes and accounts payable-trade.

(Cash flows from investing activities)

Funds disbursed from investing activities were 1,454 million yen (a 294.7% increase as compared with the year-earlier quarter). This was due largely to an increase in the Funds comprising the proceeds of 890 million yen from sales of investment securities as well as a decrease in the Funds comprising the expenditure of 1,315 million yen for purchase of investment securities and the expenditure of 1,075 million yen for purchases of property, plant and equipment.

(Cash flows from financing activities)

Funds disbursed for financing activities were 1,695 million yen (a 35.6% increase as compared with the year-earlier quarter). This was due largely to an increase in the Funds comprising the proceeds of 441 million yen from long-term loans payable as well as a decrease in the Funds comprising the payment of 1,220 million yen in cash dividends, the expenditure of 542 million yen for repayments of long-term loans payable.

(3) Management Policy, Management Strategy, etc.

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

(4) 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 second 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.

(5) Research and Development Activities

The Group's total expenses for research and development activities incurred in the current consolidated cumulative second quarter amounted to 1,022 million yen.

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

3. Agreements with Managerial Implications, etc.

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

III. Status of the Submitting Company

1. Status of Shares, etc.

(1) Total Number of Shares, etc.

1) Total number of shares

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

2) Shares issued and outstanding

Class	Number of shares issued and outstanding as of the end of the second quarter (As of September 30, 2018)	Number of shares issued and outstanding as of the filing date of this Quarterly Report (As of November 14, 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	36,188,524	36,189,524	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	36,188,524	36,189,524	---	---

Note: The number of shares issued through the exercise of stock acquisition rights in the period from November 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

Date of Resolution	June 28, 2018
Category and number of persons to whom stock acquisition rights shall be granted	5 directors of the Company, 211 employees of the Company, and 11 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	3,323
Class, contents and number of shares subject to stock acquisition rights ※	Common stock 332,300
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	1,104
Exercise period for stock acquisition rights ※	July 1, 2020 through June 30, 2023
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) ※	Issuance price 1,272 Amount credited to equity capital 636
Conditions for the exercise of stock acquisition rights ※	Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.
Matters concerning the transfer of stock acquisition rights ※	Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
Matters concerning the grant of stock acquisition rights in connection with acts of reorganization ※	In the event that a merger agreement in which the Company becomes a defunct company has been approved, or that a proposal for approval of a stock swap agreement (or for a transfer of shares) in which the Company becomes a wholly owned subsidiary has been approved at a general meeting of shareholders, except where the surviving company or the Company's wholly owning parent company succeeds to the obligation to grant stock acquisition rights, the Company shall be able to acquire the stock acquisition rights without consideration.

The details shown above are as of the date of issuance of Stock Acquisition Right certificates (August 17, 2018).

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 July 1, 2018 to September 30, 2018 (See Note 1)	51,000	36,188,524	17,465	7,528,782	17,461	6,640,705

- Note:
1. The increases are due to the exercise of stock acquisition rights.
 2. In the period from October 1, 2018 to October 31, 2018, the number of shares issued and outstanding increased by 1,000 shares, and the amount of capital stock and that of legal capital surplus increased by 317 thousand yen respectively, all through the exercise of stock acquisition rights.

(5) Status of Major Shareholders

As of September 30, 2018

Full name or corporate name	Address	Number of shares held	Ratio of the number of shares held to the number of shares issued and outstanding (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	3,345,200	9.24
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	3,268,000	9.03
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800 (Standing Proxy: Mizuho Bank Ltd., Settlement & Clearing Services Department)	2-4,RUE EUGENE RUPPERT,L-2453 LUXEMBOURG,GRAND DUCHY OF LUXEMBOURG (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	1,542,500	4.26
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Ltd., Tokyo Branch)	33 RUE DE GASPERICH, L-5826 HOWALD-HESPERANGE, LUXEMBOURG (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo)	1,500,000	4.14
Mitsubishi Gas Chemical Company, Inc.	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,472,166	4.06
The Hachijuni Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	178-8, Nakagosho Okada, Nagano-shi, Nagano (11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo)	1,000,930	2.76
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing Proxy: Citibank Japan Ltd.)	Palisades West 6300, Bee Cave Road Building One, Austin, TX 78746 US (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	846,582	2.33
Arisawa Kenko Ltd.	11-44, Nishishiro-cho 3-chome, Joetsu-shi, Niigata	834,338	2.30
Japan Trustee Services Bank, Ltd. (Trust account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	631,300	1.73
The Daishi Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	1071-1, Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi, Niigata (11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo)	628,903	1.73
Total	---	15,069,919	41.65

Note: 1. The number of shares held by Mitsubishi Gas Chemical Company, Inc. includes 966,306 shares that have been contributed by Mitsubishi Gas Chemical Company, Inc. as the trust property of retirement benefit trust. The pertinent name in the Company's register of shareholders is "The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account and Mitsubishi Gas Chemical Company, Inc. account)."

2. Though it is described in the Report on Bulk Holding available for public inspection as of February 7, 2018 that Sumitomo Mitsui Asset Management Company, Limited and a joint holder thereof hold the shares described below as of January 31, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of September 30, 2018. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Report on Bulk Holding are as follows:

Bulk Holders : Sumitomo Mitsui Asset Management Company, Limited and one joint holder thereof
Address : 5-1, Atago 2 chome, Minato-ku, Tokyo
Number of shareholdings etc. : 1,842,229
Holding ratio of share certificates etc. : 5.12%

3. Though it is described in the Report on Bulk Holding available for public inspection as of July 20, 2018 that BlackRock Japan Co., Ltd. and a joint holder thereof hold the shares described below as of July 13, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of September 30, 2018. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Report on Bulk Holding are as follows:

Bulk Holders : BlackRock Japan Co., Ltd. and one joint holder thereof
Address : 8-3, Marunouchi 1 chome, Chiyoda-ku, Tokyo
Number of shareholdings etc. : 1,849,900
Holding ratio of share certificates etc. : 5.13%

4. Though it is described in the Amendment Report on Bulk Holding available for public inspection as of September 5, 2018 that Sumitomo Mitsui Trust Bank, Limited and a joint holder thereof hold the shares described below as of August 31, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of September 30, 2018. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Amendment Report on Bulk Holding are as follows:

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

(6) Status of Voting Rights

1) Shares issued and outstanding

As of September 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 7,200	---	---
Shares with full voting rights (Other) (See Note 1)	Common stock 36,099,900	360,999	---
Shares constituting less than one full unit (See Note 2)	Common stock 81,424	---	---
Number of shares issued and outstanding	36,188,524	---	---
Total number of voting rights held by shareholders	---	360,999	---

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

2) Treasury Stock, etc.

As of September 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	7,200	---	7,200	0.01
Total	---	7,200	---	7,200	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 second quarter (From July 1, 2018 to September 30, 2018) and the current consolidated cumulative second quarter (From April 1, 2018 to September 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 second quarter (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	9,123,877	6,845,845
Notes and accounts receivable-trade	* 15,947,189	* 16,586,315
Securities	1,180,101	1,426,814
Merchandise and finished goods	3,915,375	3,489,009
Work in process	1,898,096	1,881,585
Raw materials and supplies	2,951,263	3,380,341
Other	1,328,865	1,275,255
Allowance for doubtful accounts	△562,185	△654,583
Total current assets	35,782,583	34,230,583
Non-current assets		
Property, plant and equipment	11,635,655	11,914,857
Intangible assets		
Other	418,631	393,766
Total intangible assets	418,631	393,766
Investments and other assets		
Investment securities	23,365,824	23,935,333
Other	1,264,902	1,142,975
Allowance for doubtful accounts	△176,835	△186,047
Total investments and other assets	24,453,891	24,892,262
Total non-current assets	36,508,177	37,200,885
Total assets	72,290,761	71,431,469

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2018)	Current consolidated second quarter (As of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	* 6,794,393	* 6,435,423
Current portion of bonds	36,800	36,800
Short-term loans payable	4,242,472	3,915,262
Current portion of long-term loans payable	864,130	730,294
Income taxes payable	930,529	687,405
Provision for bonuses	598,261	594,711
Provision for directors' bonuses	5,956	2,858
Provision for product warranties	125	42
Other	* 2,509,831	* 2,698,804
Total current liabilities	15,982,499	15,101,602
Non-current liabilities		
Bonds payable	164,800	146,400
Long-term loans payable	1,642,485	1,643,851
Net defined benefit liability	603,556	607,301
Asset retirement obligations	92,837	92,304
Other	1,312,028	1,321,916
Total non-current liabilities	3,815,706	3,811,773
Total liabilities	19,798,206	18,913,376
Net assets		
Shareholders' equity		
Capital stock	7,458,242	7,528,782
Capital surplus	6,570,209	6,640,705
Retained earnings	33,492,381	34,040,668
Treasury stock	△4,467	△4,643
Total shareholders' equity	47,516,364	48,205,513
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,214,473	1,188,137
Deferred gains or losses on hedges	—	△7,057
Foreign currency translation adjustment	1,081,810	659,647
Remeasurements of defined benefit plans	△176,694	△159,905
Total accumulated other comprehensive income	2,119,588	1,680,821
Subscription rights to shares	127,640	119,733
Non-controlling interests	2,728,960	2,512,024
Total net assets	52,492,554	52,518,093
Total liabilities and net assets	72,290,761	71,431,469

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

[Quarterly Consolidated Statements of Income]

[Consolidated cumulative second quarter]

(Thousands of yen)

	Previous consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017)	Current consolidated cumulative second quarter (From April 1, 2018 to September 30, 2018)
Net sales	19,307,076	22,707,154
Cost of sales	15,554,421	18,496,710
Gross profit	3,752,655	4,210,443
Selling, general and administrative expenses	* 2,166,268	* 2,477,821
Operating income	1,586,387	1,732,622
Non-operating income		
Interest income	179,511	163,334
Dividends income	49,225	50,256
Share of profit of entities accounted for using equity method	250,320	360,187
Foreign exchange gains	30,117	295,978
Other	189,826	212,129
Total non-operating income	699,000	1,081,887
Non-operating expenses		
Interest expenses	33,187	41,176
Provision of allowance for doubtful accounts	—	95,887
Other	72,507	87,476
Total non-operating expenses	105,694	224,541
Ordinary income	2,179,693	2,589,969
Extraordinary income		
Gain on sales of non-current assets	2,960	441
Gain on sales of investment securities	90,291	65,010
Other	10,904	13,391
Total extraordinary income	104,156	78,843
Extraordinary losses		
Loss on retirement of non-current assets	7,432	7,435
Other	63,650	—
Total extraordinary losses	71,082	7,435
Income before income taxes	2,212,767	2,661,376
Income taxes	551,405	742,344
Profit	1,661,361	1,919,032
Profit attributable to non-controlling interests	104,040	146,165
Profit attributable to owners of the parent	1,557,321	1,772,866

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated cumulative second quarter]

(Thousands of yen)

	Previous consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017)	Current consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017)
Profit	1,661,361	1,919,032
Other comprehensive income		
Valuation difference on available-for-sale securities	329,799	△26,288
Deferred gains or losses on hedges	△4,989	△7,057
Foreign currency translation adjustment	△20,765	△488,849
Remeasurements of defined benefit plans	4,825	13,526
Share of other comprehensive income of entities accounted for using equity method	△60,644	△102,046
Total other comprehensive income	248,226	△610,714
Comprehensive income	1,909,587	1,308,317
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,805,692	1,334,100
Comprehensive income attributable to non-controlling interests	103,895	△25,782

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017)	Current consolidated cumulative second quarter (From April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Income before income taxes	2,212,767	2,661,376
Depreciation	819,998	896,379
Amortization of goodwill	—	35,552
Share-based compensation expenses	19,713	23,965
Gain on reversal of subscription rights to shares	△1,442	△6,601
Increase (△ decrease) in allowance for doubtful accounts	11,032	100,835
Increase (△ decrease) in provision for bonuses	162,332	△3,549
Increase (△ decrease) in provision for product warranties	△42	△82
Increase (△ decrease) in provision for directors' bonuses	15	△3,097
Increase (△ decrease) in net defined benefit liability	17,939	23,207
Loss (△ gain) on redemption of investment securities	△23,029	△13,698
Interest and dividends income	△228,736	△213,591
Interest expenses	33,187	41,176
Foreign exchange losses (△ gains)	△739	△137,454
Share of (△ profit) loss of entities accounted for using equity method	△250,320	△360,187
Loss (△ gain) on change in equity	△9,462	△6,790
Loss (△ gain) on sales of short-term and long-term investment securities	△90,235	△65,010
Loss (gain) on valuation of investment securities	63,595	—
Loss (△ gain) on sales of non-current assets	△2,960	△619
Loss on retirement of property, plant and equipment	4,381	2,426
Decrease (△ increase) in notes and accounts receivable-trade	△2,386,160	△946,055
Decrease (△ increase) in inventories	△1,428,726	△86,007
Increase (△ decrease) in notes and accounts payable-trade	1,356,077	△262,819
Increase (△ decrease) in accrued consumption taxes	5,022	141,268
Decrease (△ increase) in other assets	△227,813	△108,761
Increase (△ decrease) in other liabilities	159,325	△30,059
Subtotal	215,717	1,681,802
Interest and dividends income received	292,514	293,018
Interest expenses paid	△38,430	△42,011
Income taxes paid	△367,380	△848,043
Net cash provided by (used in) operating activities	102,420	1,084,766

	(Thousands of yen)	
	Previous consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017)	Current consolidated cumulative second quarter (From April 1, 2018 to September 30, 2018)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	229,918	—
Purchase of property, plant and equipment	△949,181	△1,075,368
Proceeds from sales of property, plant and equipment	6,084	1,758
Purchase of intangible assets	△7,396	△25,113
Purchase of investment securities	△254,743	△1,315,662
Proceeds from sales of investment securities	593,045	890,254
Proceeds from liquidation of subsidiaries	31,096	—
Payments of loans receivable	△105,742	△20,000
Collection of loans receivable	80,000	33,760
Other proceeds	8,390	55,672
Net cash provided by (used in) investing activities	△368,526	△1,454,698
Cash flows from financing activities		
Net increase (Δ decrease) in short-term loans payable	△444,132	△211,650
Proceeds from long-term loans payable	482,698	441,600
Repayments of long-term loans payable	△547,793	△542,270
Repayments of lease obligations	△10,941	△10,830
Redemption of bonds	—	△18,400
Payments for long-term accounts payable - other	—	△57,586
Proceeds from issuance of common stock	103,280	115,765
Purchase of treasury stock	△298	△175
Cash dividends paid	△711,355	△1,220,470
Cash dividends paid to non-controlling interests	△121,662	△191,154
Net cash provided by (used in) financing activities	△1,250,204	△1,695,171
Effect of exchange rate change on cash and cash equivalents	21,898	△39,209
Net increase (Δ decrease) in cash and cash equivalents	△1,494,413	△2,104,313
Cash and cash equivalents at beginning of period	7,026,200	8,832,805
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	△110,040	—
Cash and cash equivalents at end of period	* 5,421,746	* 6,728,492

[Notes]

(Change in the scope of consolidation or application of equity method)

(1) Material change in the scope of consolidation

Protec Arisawa Japan Co., Ltd. which was the subsidiary of the Company, was combined into the Company through an absorption-type merger, with the Company as the surviving entity, and extinguished and so have been excluded from the scope of consolidation as of the consolidated second quarter.

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

<Calculation of tax expenses>

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

(Additional Information)

(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 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)

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

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

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2018)	Current consolidated second quarter (As of September 30, 2018)
Notes and accounts receivable-trade	49,502	54,560
Notes and accounts payable-trade	144,191	140,081
Current liabilities and others (Notes payable-facilities, Electronically recorded obligations-non-operating)	40,343	36,094

(Notes Related to Quarterly Consolidated Statements of Income)

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

	(Thousands of yen)	
	Previous consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017)	Current consolidated cumulative second quarter (From April 1, 2018 to September 30, 2018)
Salaries, benefits and bonuses	564,587	683,948
Provision for bonuses	120,292	120,581
Provision for directors' bonuses	3,588	2,858
Retirement benefit expenses	26,107	33,260
Provision of allowance for doubtful accounts	12,895	8,044

(Notes Related to Quarterly Consolidated Statements of Cash Flows)

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

	Previous consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017)	Current consolidated cumulative second quarter (From April 1, 2018 to September 30, 2018)
Cash and deposits	5,586,187	6,845,845
Time deposits with a deposit term of more than three months	△535,000	△535,000
Securities (Money management fund)	370,558	417,647
Cash and cash equivalents	5,421,746	6,728,492

(Notes Related to Shareholders' Equity, etc.)

I Previous consolidated cumulative second quarter (From April 1, 2017 to September 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

II Current consolidated cumulative second quarter (From April 1, 2018 to September 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 second quarter (From April 1, 2017 to September 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	12,575,626	3,383,148	1,611,855	1,340,027	18,910,658	396,418	19,307,076
Inter-segment sales or transfers	—	—	—	—	—	409,534	409,534
Total	12,575,626	3,383,148	1,611,855	1,340,027	18,910,658	805,952	19,716,611
Segment income or loss (Δ)	1,401,196	514,847	300,783	△91,780	2,125,046	130,423	2,255,470

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

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

(Thousands of yen)

Income	Amount
Total of reportable segments	2,125,046
Income in the category “Other”	130,423
Elimination of inter-segment transactions	△40,772
Unallocated corporate expenses (See Note)	△605,323
Adjustment of inventories	△22,986
Operating income shown on the quarterly consolidated statements of income	1,586,387

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

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

No applicable matter.

II Current consolidated cumulative second quarter (From April 1, 2018 to September 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	14,698,956	4,257,503	1,569,732	1,801,587	22,327,780	379,374	22,707,154
Inter-segment sales or transfers	—	—	—	—	—	396,797	396,797
Total	14,698,956	4,257,503	1,569,732	1,801,587	22,327,780	776,171	23,103,952
Segment income or loss (Δ)	1,391,669	742,434	230,980	80,109	2,445,192	108,260	2,553,453

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

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

(Thousands of yen)

Income	Amount
Total of reportable segments	2,445,192
Income in the category “Other”	108,260
Elimination of inter-segment transactions	△54,424
Amortization of goodwill	△35,552
Unallocated corporate expenses (See Note)	△703,377
Adjustment of inventories	△27,476
Operating income shown on the quarterly consolidated statements of income	1,732,622

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 second quarter (From April 1, 2017 to September 30, 2017)	Current consolidated cumulative second quarter (From April 1, 2018 to September 30, 2018)
(1) Net income per share	43.55 yen	49.10yen
(Basis of calculation)		
Profit attributable to owners of the parent (Thousands of yen)	1,557,321	1,772,866
Amount not attributable to common stockholders (Thousands of yen)	---	---
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	1,557,321	1,772,866
Average number of shares of common stock during the period	35,760,445	36,110,689
(2) Fully diluted net income per share	43.24yen	48.71 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	254,631	285,755
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	---	---

2. Other

No applicable matter.

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

No applicable matter.

Independent Auditors' Quarterly Review Report

November 13, 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 second quarter (From July 1, 2018 to September 30, 2018) and the consolidated cumulative second quarter (From April 1, 2018 to September 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, quarterly consolidated statements of cash flows 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 September 30, 2018 as well as the results of their operations and the status of their cash flows in the consolidated cumulative second quarter ended September 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.