

QUARTERLY REPORT

(The Third Quarter of the 71th Term)

From October 1, 2018 to December 31, 2018

(TRANSLATION)

ARISAWA MFG. CO., LTD.

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Company name (English):	Arisawa Mfg. Co., Ltd.
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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 third quarter	71 th term consolidated cumulative third quarter	70 th term
Accounting period	From April 1, 2017 to December 31, 2017	From April 1, 2018 to December 31, 2018	From April 1, 2017 to March 31, 2018
Net sales (Millions of yen)	30,325	34,696	40,909
Ordinary income (Millions of yen)	3,193	3,644	4,044
Profit attributable to owners of the parent (Millions of yen)	2,655	2,411	3,453
Comprehensive income (Millions of yen)	4,708	1,530	4,498
Net assets (Millions of yen)	52,644	52,756	52,493
Total assets (Millions of yen)	72,248	72,037	72,322
Net income per share (Yen)	74.18	66.73	96.35
Fully diluted net income per share (Yen)	73.52	66.29	95.51
Equity ratio (%)	68.1	69.3	68.6

Term	70 th term consolidated third quarter	71 th term consolidated third quarter
Accounting period	From October 1, 2017 to December 31, 2017	From October 1, 2018 to December 31, 2018
Net income per share (Yen)	30.61	17.58

- 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. During the current consolidated third quarter, the Company finalized the provisional accounting treatment for business combinations. As a result, figures as of previous consolidated cumulative third quarter and previous consolidated fiscal year reflect the important revision of the initially allocated amounts of acquisition price.
4. 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 third 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 third quarter.

The changes, with respect to each Reportable segment, of principal associated companies in the current consolidated cumulative third quarter are 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 third quarter saw neither any new business risks, etc. emerging nor any significant change in the business risks, etc. stated in the Financial Report for the previous business year.

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

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

(1) Financial Position and Operating Results

1) Operating Results

The Japanese economy in the current consolidated cumulative third quarter remained on a recovery track, owing to improvement in corporate earnings and employment situation, etc. 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 34,696 million yen (representing a 14.4% increase as compared with the year-earlier quarter), an operating income of 2,648 million yen (representing an 0.5% increase as compared with the year-earlier quarter), an ordinary income of 3,644 million yen (representing a 14.1% increase as compared with the year-earlier quarter) and a profit attributable to owners of the parent of 2,411 million yen (representing a 9.2% decrease 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 22,632 million yen, representing a 13.8% 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 7.0%, and the production output increased by 1.3%, as compared with the year-earlier quarter on a non-consolidated basis of the Submitting Company), while the segment income or loss recorded a segment income of 2,240 million yen (an 4.0% 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 6,291 million yen, representing a 18.1% increase as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 1,040 million yen (a 29.3% 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 2,406 million yen, representing a 0.8% decrease as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 344 million yen (a 24.4% 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 2,786 million yen, representing a 32.0% increase as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 93 million yen (a segment loss of 111 million yen for the year-earlier quarter).

e. Other (other businesses)

In other businesses, net sales were 579 million yen, representing a 2.5% increase as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 151 million yen (a 16.4% decrease as compared with the year-earlier quarter).

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

2) Financial Position

Total assets as of the end of the current consolidated cumulative third quarter were 72,037 million yen, a decrease of 284 million yen compared with the end of the previous year. This was due largely to a decrease of 2,230 million yen in cash and deposits.

Total liabilities as of the end of the current consolidated cumulative second quarter were 19,281 million yen, a decrease of 547 million yen compared with the end of the previous year. This was due largely to a decrease of 597 million yen in income taxes payable.

Total net assets as of the end of the current consolidated cumulative second quarter were 52,756 million yen, an increase of 262 million yen compared with the end of the previous year. This was due largely to an increase of 1,186 million yen in retained earnings.

(2) Management Policy, Management Strategy, etc.

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

(3) 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 third 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 third quarter amounted to 1,506 million yen.

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

3. Agreements with Managerial Implications, etc.

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

III. Status of the Submitting Company

1. Status of Shares, etc.

(1) Total Number of Shares, etc.

1) Total number of shares

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

2) Shares issued and outstanding

Class	Number of shares issued and outstanding as of the end of the third quarter (As of December 31, 2018)	Number of shares issued and outstanding as of the filing date of this Quarterly Report (As of February 14, 2019)	Name of financial instruments exchange where the shares are listed or authorized financial instruments firms association where the shares are registered	Remarks
Common stock	36,189,524	36,189,524	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	36,189,524	36,189,524	---	---

Note: The number of shares issued through the exercise of stock acquisition rights in the period from February 1, 2019 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 October 1, 2018 to December 31, 2018 (See Note)	1,000	36,189,524	317	7,529,099	317	6,641,022

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

(5) Status of Major Shareholders

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

Though it is described in the Amendment Report on Bulk Holding available for public inspection as of December 20, 2018 that BlackRock Japan Co., Ltd. and a joint holder thereof hold the shares described below as of December 14, 2018, the Company has confirmed no beneficial ownerships of the number of shares in the current consolidated cumulative third quarter. 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.	: 1,259,700
Holding ratio of share certificates etc.	: 3.48%

Though it is described in the Amendment Report on Bulk Holding available for public inspection as of December 21, 2018 that Sumitomo Mitsui Asset Management Company, Limited and a joint holder thereof hold the shares described below as of December 14, 2018, the Company has confirmed no beneficial ownerships of the number of shares in the current consolidated cumulative third quarter. 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.	: 1,090,300
Holding ratio of share certificates etc.	: 3.01%

(6) Status of Voting Rights

Since the “Status of Voting Rights” as of the end of the current third quarter cannot be stated herein as the relevant entries in the shareholder registry have yet to be confirmed, it is stated based on the shareholder registry as of the most recent record date (September 30, 2018).

1) Shares issued and outstanding

As of December 31, 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)	Common stock 36,099,900	360,999	---
Shares constituting less than one full unit	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 December 31, 2017

Name and address of shareholder		Number of shares held			Ratio of the number of shares held to the number of shares issued and outstanding (%)
Full name or corporate name	Address	Under own name	Under the names of others	Total	
Arisawa Mfg. Co., Ltd.	5-5, Minami-honcho 1-chome, Joetsu-shi, Niigata	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 third quarter (From October 1, 2018 to December 31, 2018) and the current consolidated cumulative third quarter (From April 1, 2018 to December 31, 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 third quarter (As of December 31, 2018)
Assets		
Current assets		
Cash and deposits	9,123,877	6,893,523
Notes and accounts receivable-trade	*2 15,947,189	*2 16,637,582
Securities	1,180,101	1,174,690
Merchandise and finished goods	3,915,375	3,357,063
Work in process	1,898,096	1,870,712
Raw materials and supplies	2,951,263	3,712,662
Other	1,328,865	1,336,484
Allowance for doubtful accounts	△562,185	△650,273
Total current assets	35,782,583	34,332,448
Non-current assets		
Property, plant and equipment	11,635,655	12,226,022
Intangible assets		
Goodwill	277,791	233,929
Other	172,949	183,792
Total intangible assets	450,740	417,721
Investments and other assets		
Investment securities	23,365,824	23,152,535
Other	1,264,902	2,090,653
Allowance for doubtful accounts	△176,835	△181,493
Total investments and other assets	24,453,891	25,061,695
Total non-current assets	36,540,287	37,705,439
Total assets	72,322,870	72,037,888

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2018)	Current consolidated third quarter (As of December 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	*2 6,794,393	*2 6,580,570
Short-term loans payable	4,242,472	4,490,719
Current portion of long-term loans payable	864,130	901,652
Current portion of bonds	36,800	36,800
Income taxes payable	930,529	333,347
Provision for bonuses	598,261	273,356
Provision for directors' bonuses	5,956	4,082
Provision for product warranties	125	42
Other	*2 2,509,831	*2 3,221,474
Total current liabilities	15,982,499	15,842,046
Non-current liabilities		
Bonds payable	164,800	128,000
Long-term loans payable	1,642,485	1,239,958
Net defined benefit liability	603,556	613,755
Asset retirement obligations	92,837	93,103
Other	1,342,953	1,364,549
Total non-current liabilities	3,846,632	3,439,366
Total liabilities	19,829,132	19,281,412
Net assets		
Shareholders' equity		
Capital stock	7,458,242	7,529,099
Capital surplus	6,570,209	6,641,022
Retained earnings	33,493,564	34,680,132
Treasury stock	Δ4,467	Δ4,703
Total shareholders' equity	47,517,548	48,845,550
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,214,473	300,543
Deferred gains or losses on hedges	—	1,707
Foreign currency translation adjustment	1,081,810	932,205
Remeasurements of defined benefit plans	Δ176,694	Δ151,631
Total accumulated other comprehensive income	2,119,588	1,082,824
Subscription rights to shares	127,640	134,479
Non-controlling interests	2,728,960	2,693,620
Total net assets	52,493,738	52,756,475
Total liabilities and net assets	72,322,870	72,037,888

(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, 2017 to December 31, 2017)	Current consolidated cumulative third quarter (From April 1, 2018 to December 31, 2018)
Net sales	30,325,502	34,696,479
Cost of sales	24,382,712	28,307,028
Gross profit	5,942,789	6,389,450
Selling, general and administrative expenses	3,306,235	3,740,685
Operating income	2,636,553	2,648,765
Non-operating income		
Interest income	237,864	247,878
Dividends income	88,389	97,087
Share of profit of entities accounted for using equity method	382,051	538,963
Other	340,889	399,547
Total non-operating income	1,049,193	1,283,475
Non-operating expenses		
Interest expenses	50,522	62,692
Provision of allowance for doubtful accounts	329,049	85,712
Other	112,652	139,597
Total non-operating expenses	492,224	288,001
Ordinary income	3,193,522	3,644,240
Extraordinary income		
Gain on sales of non-current assets	2,960	34,125
Gain on sales of securities	507,155	65,010
Other	10,904	13,546
Total extraordinary income	521,020	112,681
Extraordinary losses		
Loss on retirement of non-current assets	7,898	48,759
Loss on valuation of investment securities	63,595	—
Compensation for damage	—	91,683
Other	69	—
Total extraordinary losses	71,562	140,443
Income before income taxes	3,642,980	3,616,478
Income taxes	759,050	982,186
Profit	2,883,929	2,634,291
Profit attributable to non-controlling interests	228,230	223,144
Profit attributable to owners of the parent	2,655,699	2,411,146

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated cumulative third quarter]

(Thousands of yen)

	Previous consolidated cumulative third quarter (From April 1, 2017 to December 31, 2017)	Current consolidated cumulative third quarter (From April 1, 2018 to December 31, 2018)
Profit	2,883,929	2,634,291
Other comprehensive income		
Valuation difference on available-for-sale securities	1,574,004	Δ913,898
Deferred gains or losses on hedges	Δ5,153	1,707
Foreign currency translation adjustment	288,024	Δ188,103
Remeasurements of defined benefit plans	7,238	20,289
Share of other comprehensive income of entities accounted for using equity method	Δ39,705	Δ24,089
Total other comprehensive income	1,824,407	Δ1,104,094
Comprehensive income	4,708,337	1,530,197
(Breakdown)		
Comprehensive income attributable to owners of the parent	4,346,209	1,374,383
Comprehensive income attributable to non-controlling interests	362,127	155,813

[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 third 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)

1 Balance of discounted notes and accounts receivable

	Previous consolidated fiscal year (As of March 31, 2018)	Current consolidated fiscal year (As of March 31, 2019)
Discounted notes and accounts receivable	17,822	—

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

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

	Previous consolidated fiscal year (As of March 31, 2018)	Current consolidated third quarter (As of December 31, 2018)
Notes and accounts receivable-trade	49,502	49,626
Notes and accounts payable-trade	144,191	115,954
Current liabilities and others (Notes payable-facilities, Electronically recorded obligations-non-operating)	40,343	60,968

(Notes Related to Quarterly Consolidated Statements of Cash Flows)

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

	Previous consolidated cumulative third quarter (From April 1, 2017 to December 31, 2017)	Current consolidated cumulative third quarter (From April 1, 2018 to December 31, 2018)
Depreciation	1,230,549	1,387,281
Amortization of goodwill	-	43,861

(Notes Related to Shareholders' Equity, etc.)

I Previous consolidated cumulative second quarter (From April 1, 2017 to December 31, 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, 2017 to December 31, 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, 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 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	Δ111,752	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	Δ68,191
Unallocated corporate expenses (See Note)	Δ931,336
Adjustment of inventories	Δ25,988
Operating income shown on the quarterly consolidated statements of income	2,636,553

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

(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 due to the said event is 292,412 thousand yen for the current consolidated cumulative third quarter. The amount of goodwill reflects the important revision of the initially allocated amounts of acquisition price, due to finalization of the provisional accounting treatment described in [Notes (Business Combinations)]

II Current consolidated cumulative third quarter (From April 1, 2018 to December 31, 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	22,632,723	6,291,123	2,406,831	2,786,181	34,116,860	579,619	34,696,479
Inter-segment sales or transfers	—	—	—	—	—	594,710	594,710
Total	22,632,723	6,291,123	2,406,831	2,786,181	34,116,860	1,174,330	35,291,190
Segment income	2,240,316	1,040,188	344,258	93,068	3,717,831	151,577	3,869,408

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	3,717,831
Income in the category "Other"	151,577
Elimination of inter-segment transactions	△81,160
Amortization of goodwill	△43,861
Unallocated corporate expenses (See Note)	△1,071,575
Adjustment of inventories	△24,045
Operating income shown on the quarterly consolidated statements of income	2,648,765

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.

(Business Combinations, etc.)

(Finalization of provisional accounting for business combinations and important revision of initially allocated amount of acquisition price on comparative information)

Provisional accounting was conducted in the previous consolidated third quarter for the business combination with Satosen Co., Ltd., which was effected in the previous consolidated third quarter. Such provisional accounting has been finalized in this current consolidated third quarter.

Due to such finalization of the provisional accounting, important revision of the initially allocated amount of acquisition price is reflected on the comparative information described in Quarterly Consolidated Financial Statements for the current consolidated third quarter.

As a result, the amount of goodwill which was calculated provisionally is revised, due to the said finalization of accounting, from 355,527 thousand yen to 292,412 thousand yen, a decrease of 63,115 thousand yen. Such decrease of goodwill is due to the respective increases of 95,039 thousand yen in "Other" of "Intangible assets", and of 31,923 thousand yen in "Other" of "Non-current assets".

(Per Share Information)

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

	Previous consolidated cumulative third quarter (From April 1, 2016 to December 31, 2016)	Current consolidated cumulative third quarter (From April 1, 2017 to December 31, 2017)
(1) Net income per share	74.18 yen	66.73 yen
(Basis of calculation)		
Profit attributable to owners of the parent (Thousands of yen)	2,655,699	2,411,146
Amount not attributable to common stockholders (Thousands of yen)	—	—
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	2,655,699	2,411,146
Average number of shares of common stock during the period	35,802,682	36,134,606
(2) Fully diluted net income per share	73.52 yen	66.29 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	318,324	236,993
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

February 13, 2019

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

Ernst & Young ShinNihon LLC

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

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

We have conducted, under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, a quarterly review of the quarterly consolidated financial statements of Arisawa Mfg. Co., Ltd. listed in the "Status of Accounting" for the consolidated third quarter (From October 1, 2018 to December 31, 2018) and the consolidated cumulative third quarter (From April 1, 2018 to December 31, 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 December 31, 2018 and the results of their operations in the consolidated cumulative third quarter ended December 31, 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.