

QUARTERLY REPORT

(The First Quarter of the 72nd Term)

From April 1, 2019 to June 30, 2019

(TRANSLATION)

ARISAWA MFG. CO., LTD.

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Document to be filed:	Quarterly Report
Statutory basis:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	August 9, 2019
Quarterly accounting period:	The First Quarter of the 72 nd Term (From April 1, 2019 to June 30, 2019)
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PART I. INFORMATION ON THE BUSINESS

I. General Conditions of Business

1. Changes in Principal Management Indicators, etc.

Term	71 th term consolidated cumulative first quarter	72 nd term consolidated cumulative first quarter	71 th term
Accounting period	From April 1, 2018 to June 30, 2018	From April 1, 2019 to June 30, 2019	From April 1, 2018 to March 31, 2019
Net sales (Millions of yen)	10,961	10,547	44,728
Ordinary income (Millions of yen)	1,237	594	4,297
Profit attributable to owners of the parent (Millions of yen)	858	250	2,861
Comprehensive income (Millions of yen)	49	△178	2,200
Net assets (Millions of yen)	51,416	52,229	53,462
Total assets (Millions of yen)	71,229	72,762	73,096
Net income per share (Yen)	23.80	6.91	79.15
Fully diluted net income per share (Yen)	23.58	6.89	78.70
Equity ratio (%)	68.3	68.0	69.3

- Note: 1. As Arisawa Mfg. Co., Ltd. (hereinafter referred to as either the “Company” or the “Submitting Company”, as the case may be) prepares the quarterly consolidated financial statements, the changes in principal management indicators, etc. of the Submitting Company are not stated above.
2. Consumption tax, etc. are not included in the amount of net sales.
3. The provisional accounting treatment for business combinations, which were conducted in the previous consolidated first quarter, was finalized during the previous consolidated third quarter. As a result, figures as of previous consolidated first quarter reflect the important revision of the initially allocated amounts of acquisition price.

2. Description of Business

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

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

II. Status of Business

1. Business Risks, etc.

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

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

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

(1) Financial Position and Operating Results

1) Operating Results

The Japanese economy in the current consolidated cumulative first quarter, remained on a moderate overall recovery track. Meanwhile, concerns of a slowdown of the global economy increased and a sense of uncertainty regarding the economic outlook persisted due largely to the influence of trade conflicts between US and China, as well as stagnation of economic growth in China.

Under such circumstances, the results of operations of our group (the Company, its consolidated subsidiaries and the companies accounted for under the equity method) for the current consolidated cumulative first quarter showed net sales of 10,547 million yen (representing a 3.8% decrease as compared with the year-earlier quarter), an operating income of 502 million yen (representing a 40.3% decrease as compared with the year-earlier quarter), an ordinary income of 594 million yen (representing a 51.9% decrease as compared with the year-earlier quarter) and a profit attributable to owners of the parent of 250 million yen (representing a 70.8% 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 6,550 million yen, representing a 4.5% decrease 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 5.1%, and the production output increased by 12.6%, 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 448 million yen (a 30.1% 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 2,174 million yen, representing an 0.1% increase as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 284 million yen (a 28.4% decrease 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 767 million yen, representing a 4.6% decrease as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 72 million yen (a 44.8% 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 849 million yen, representing a 9.4% decrease as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 48 million yen (a 4.0% decrease as compared with the year-earlier quarter).

e. Other (other businesses)

In other businesses, net sales were 205 million yen, representing a 10.3% increase as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 55 million yen (a 2.9% increase as compared with the year-earlier quarter).

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

2) Financial Position

Total assets as of the end of the current consolidated cumulative first quarter were 72,762 million yen, a decrease of 333 million yen compared with the end of the previous year. This was due largely to an increase of 1,062 million yen in property, plant and equipment, a decrease of 613 million yen in "Other" in "Investments and other assets", a decrease of 596 million yen in cash and deposits and a decrease of 517 million yen in "Investment securities" in "Investments and other assets".

Total liabilities as of the end of the current consolidated cumulative first quarter were 20,532 million yen, an increase of 898 million yen compared with the end of the previous year. This was due largely to an increase of 320 million yen in provision for bonuses and an increase of 318 million yen in "Other" in "Non-current liabilities".

Total net assets as of the end of the current consolidated cumulative first quarter were 52,229 million yen, a decrease of 1,232 million yen compared with the end of the previous year. This was due largely to a decrease of 836 million yen in retained earnings and a decrease of 216 million yen in valuation difference on available-for-sale securities.

(2) Management Policy, Management Strategy, etc.

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

(3) Business and Financial Tasks to be Addressed

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

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

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

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

In light of the above, our Group stands on a management policy centering on the motto "Creation, Innovation and Challenge" as we aim to create corporate value and enhance shareholder value of the Company by means of enhancing customer satisfaction, accelerating new product development and improving profitability through thorough cost reduction..

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

The Company decided not to continue the protective measures (Takeover defensive measures) as of the end of the 71st Ordinary General Meeting of Shareholders held on June 27, 2019. However, if any acquisition of large block shares of the Company is made, we will strive to gather necessary and sufficient information which may enable the shareholders to make an appropriate judgement on the pros and cons of such acquisition of large block shares, and seek to secure time and information required for the shareholders' considering by disclosing opinions of the Board of Directors, etc.

(4) Research and Development Activities

The Group's total expenses for research and development activities incurred in the current consolidated cumulative first quarter amounted to 510 million yen.

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

3. Agreements with Managerial Implications, etc.

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

III. Status of the Submitting Company

1. Status of Shares, etc.

(1) Total Number of Shares, etc.

1) Total number of shares

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

2) Shares issued and outstanding

Class	Number of shares issued and outstanding as of the end of the first quarter (As of June 30, 2019)	Number of shares issued and outstanding as of the filing date of this Quarterly Report (As of August 9, 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	36,254,024	36,283,924	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	36,254,024	36,283,924	---	---

Note: The number of shares issued through the exercise of stock acquisition rights in the period from August 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 April 1, 2019 to June 30, 2019 (See Note 1)	27,800	36,254,024	11,384	7,553,077	11,384	6,665,000

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

2. In the period from July 1, 2019 to July 31, 2019, the number of shares issued and outstanding increased by 29,900 shares, and the amount of capital stock and that of legal capital surplus increased by 914 thousand yen and 887 thousand yen respectively, all through the exercise of stock acquisition rights.

(5) Status of Major Shareholders

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

(6) Status of Voting Rights

Since the “Status of Voting Rights” as of the end of the current first quarter cannot be stated herein as the relevant entries in the shareholder registry have yet to be confirmed, it is stated based on the shareholder registry as of the most recent record date (March 31, 2019).

1) Shares issued and outstanding

As of June 30, 2019

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 7,300	---	---
Shares with full voting rights (Other) (See Note 1)	Common stock 36,137,800	361,378	---
Shares constituting less than one full unit (See Note 2)	Common stock 81,124	---	---
Number of shares issued and outstanding	36,226,224	---	---
Total number of voting rights held by shareholders	---	361,378	---

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

2) Treasury Stock, etc.

As of June 30, 2018

Name and address of shareholder		Number of shares held			Ratio of the number of shares held to the number of shares issued and outstanding (%)
Full name or corporate name	Address	Under own name	Under the names of others	Total	
Arisawa Mfg. Co., Ltd.	5-5, Minami-honcho 1-chome, Joetsu-shi, Niigata	7,300	---	7,300	0.02
Total	---	7,300	---	7,300	0.02

2. Status of Directors and Officers

No applicable matter.

IV. Status of Accounting

1. Method of Preparation of Quarterly Consolidated Financial Statements

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

2. Certification of Audit

The Company received a quarterly review of its quarterly consolidated financial statements for the current consolidated first quarter (From April 1, 2019 to June 30, 2019) and the current consolidated cumulative first quarter (From April 1, 2019 to June 30, 2019) 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, 2019)	Current consolidated first quarter (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	8,193,697	7,597,291
Notes and accounts receivable-trade	*1 16,127,374	*1 15,865,631
Securities	1,401,188	1,514,206
Merchandise and finished goods	4,012,943	4,118,840
Work in process	1,941,748	1,962,292
Raw materials and supplies	3,378,698	3,738,091
Other	1,190,214	1,185,240
Allowance for doubtful accounts	△668,052	△610,714
Total current assets	35,577,813	35,370,880
Non-current assets		
Property, plant and equipment	11,998,454	13,060,664
Intangible assets		
Goodwill	219,309	204,688
Other	175,923	170,277
Total intangible assets	395,233	374,965
Investments and other assets		
Investment securities	23,142,852	22,625,091
Other	2,125,569	1,512,329
Allowance for doubtful accounts	△143,823	△181,335
Total investments and other assets	25,124,598	23,956,084
Total non-current assets	37,518,286	37,391,715
Total assets	73,096,100	72,762,596

	(Thousands of yen)			
	Previous consolidated fiscal year (As of March 31, 2019)		Current consolidated first quarter (As of June 30, 2019)	
Liabilities				
Current liabilities				
Notes and accounts payable-trade	*1	6,105,195	*1	6,258,037
Current portion of bonds		36,800		36,800
Short-term loans payable		5,394,122		5,705,552
Current portion of long-term loans payable		779,820		658,972
Income taxes payable		300,788		384,250
Provision for bonuses		510,407		831,294
Provision for directors' bonuses		3,957		1,226
Other	*1	3,041,830	*1	2,906,435
Total current liabilities		16,172,921		16,782,567
Non-current liabilities				
Bonds payable		128,000		109,600
Long-term loans payable		1,265,465		1,248,172
Net defined benefit liability		626,885		633,343
Asset retirement obligations		92,502		92,541
Other		1,348,196		1,666,453
Total non-current liabilities		3,461,049		3,750,111
Total liabilities		19,633,971		20,532,678
Net assets				
Shareholders' equity				
Capital stock		7,541,693		7,553,077
Capital surplus		6,653,615		6,665,000
Retained earnings		35,130,363		34,294,172
Treasury stock		△4,764		△4,828
Total shareholders' equity		49,320,907		48,507,421
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		745,120		528,127
Deferred gains or losses on hedges		443		4,848
Foreign currency translation adjustment		707,571		561,495
Remeasurements of defined benefit plans		△147,916		△139,950
Total accumulated other comprehensive income		1,305,219		954,521
Subscription rights to shares		144,419		154,415
Non-controlling interests		2,691,582		2,613,558
Total net assets		53,462,129		52,229,917
Total liabilities and net assets		73,096,100		72,762,596

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

[Quarterly Consolidated Statements of Income]

[Consolidated cumulative first quarter]

(Thousands of yen)

	Previous consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018)	Current consolidated cumulative first quarter (From April 1, 2019 to June 30, 2019)
Net sales	10,961,088	10,547,117
Cost of sales	8,915,670	8,797,552
Gross profit	2,045,418	1,749,564
Selling, general and administrative expenses	1,202,889	1,246,618
Operating income	842,528	502,945
Non-operating income		
Interest income	79,254	76,809
Dividends income	46,179	52,165
Share of profit of entities accounted for using equity method	118,455	—
Foreign exchange gains	199,729	—
Other	83,611	74,288
Total non-operating income	527,230	203,263
Non-operating expenses		
Interest expenses	20,495	23,018
Share of loss of entities accounted for using equity method	—	57,223
Provision of allowance for doubtful accounts	57,755	—
Other	54,153	31,207
Total non-operating expenses	132,404	111,449
Ordinary income	1,237,355	594,760
Extraordinary income		
Gain on sales of investment securities	65,010	—
Gain on reversal of share acquisition rights	956	615
Other	6,544	—
Total extraordinary income	72,511	615
Extraordinary losses		
Loss on retirement of non-current assets	1,412	2,098
Total extraordinary losses	1,412	2,098
Income before income taxes	1,308,454	593,277
Income taxes	366,659	286,910
Profit	941,795	306,366
Profit attributable to non-controlling interests	83,503	55,992
Profit attributable to owners of the parent	858,291	250,373

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated cumulative first quarter]

(Thousands of yen)

	Previous consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018)	Current consolidated cumulative first quarter (From April 1, 2019 to June 30, 2019)
Profit	941,795	306,366
Other comprehensive income		
Valuation difference on available-for-sale securities	△223,080	△217,012
Deferred gains or losses on hedges	△10,595	4,404
Foreign currency translation adjustment	△518,282	△292,254
Remeasurements of defined benefit plans	6,763	8,563
Share of other comprehensive income of entities accounted for using equity method	△146,665	11,584
Total other comprehensive income	△891,861	△484,714
Comprehensive income	49,933	△178,348
(Breakdown)		
Comprehensive income attributable to owners of the parent	153,284	△100,324
Comprehensive income attributable to non-controlling interests	△103,350	△78,023

[Notes]

(Changes in Accounting Policies)

<Application of IFRS 16 (Lease)>

IFRS 16 "Lease" (Published in January, 2016) (hereinafter, "IFRS 16") has been applied to the IFRS-applied subsidiaries of our Group since the current consolidated first quarter. In applying IFRS 16, we adopted the method allowed as Provisional measures where cumulative influence of application of this Standards is recognized on the commencement date of such application.

Regarding the lease on the side of lessee which was classified into operating lease by applying IAS 17 in the past, right-of-use assets and lease liability were recognized on the commencement date of such application.

A part of assets included in "Other" in "Investments and other assets" is transferred to right-of-use assets.

Along with the application of this Standard, Quarterly Consolidated Balance Sheets show that "Property, plant and equipment", "Other" in "Current liabilities" and "Other" in "Non-current liabilities" increased respectively by 392,797 thousand yen, 31,842 thousand yen and 317,720 thousand yen, while "Other" in "Investments and other assets" decreased by 43,746 thousand yen.

The influence on gain and loss in the current cumulative consolidated first quarter due to these changes was slight.

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

<Calculation of tax expenses>

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

(Notes Related to Quarterly Consolidated Balance Sheets)

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

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

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2019)	Current consolidated third quarter (As of June 30, 2019)
Notes and accounts receivable-trade	66,950	36,177
Notes and accounts payable-trade	130,679	113,436
Current liabilities and others (Notes payable-facilities, Electronically recorded obligations-non-operating)	51,206	46,243

(Notes Related to Quarterly Consolidated Statements of Cash Flows)

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

	(Thousands of yen)	
	Previous consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018)	Current consolidated cumulative first quarter (From April 1, 2019 to June 30, 2019)
Depreciation	439,992	469,317
Amortization of goodwill	14,620	14,620

(Notes Related to Shareholders' Equity, etc.)

I Previous consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018)

Dividends paid

(Resolution)	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders of June 28, 2018	Common stock	1,224,579	34.00	March 31, 2018	June 29, 2018	Retained earnings

II Current consolidated cumulative first quarter (From April 1, 2019 to June 30, 2019)

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 27, 2019	Common stock	1,086,565	30.00	March 31, 2019	June 28, 2019	Retained earnings

(Segment Information, etc.)

[Segment Information]

I Previous consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018)

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

(Thousands of yen)

	Reportable segment					Other (See Note 1)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Net sales							
Net sales to external customers	6,550,661	2,174,259	767,942	849,133	10,341,996	205,120	10,547,117
Inter-segment sales or transfers	—	—	—	—	—	186,713	186,713
Total	6,550,661	2,174,259	767,942	849,133	10,341,996	391,833	10,733,830
Segment income	448,049	284,175	72,706	48,522	853,453	55,350	908,803

Note: 1 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 Segment income is calculated according to the monetary amount reflecting the important revision, which is stated in "Notes (business combinations etc.), of initially allocated amount of acquisition price following the finalization of the provisional accounting".

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

(Thousands of yen)

Income	Amount
Total of reportable segments	1,220,430
Income in the category "Other"	53,804
Elimination of inter-segment transactions	△22,499
Amortization of goodwill	△14,620
Unallocated corporate expenses (See Note)	△366,916
Adjustment of inventories	△27,669
Operating income shown on the quarterly consolidated statements of income	842,528

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

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

No applicable matter.

II Current consolidated cumulative first quarter (From April 1, 2019 to June 30, 2019)

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

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Net sales							
Net sales to external customers	6,550,661	2,174,259	767,942	849,133	10,341,996	205,120	10,547,117
Inter-segment sales or transfers	—	—	—	—	—	186,713	186,713
Total	6,550,661	2,174,259	767,942	849,133	10,341,996	391,833	10,733,830
Segment income	448,049	284,175	72,706	48,522	853,453	55,350	908,803

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	853,453
Income in the category "Other"	55,350
Elimination of inter-segment transactions	△17,681
Amortization of goodwill	△14,620
Unallocated corporate expenses (See Note)	△355,585
Adjustment of inventories	△17,970
Operating income shown on the quarterly consolidated statements of income	502,945

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)

Important revision of initially allocated amount of acquisition price in the comparison information

Provisional accounting was conducted in the previous consolidated first quarter for the business combination with Satosen Co., Ltd., which was effected on November 30, 2017. Such provisional accounting has been finalized in the previous 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 cumulative consolidated first 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".

As a result, the influence on Quarterly Consolidated Statements of Income for the previous cumulative consolidated first quarter is slight.

(Per Share Information)

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

	Previous consolidated cumulative first quarter (From April 1, 2018 to June 30, 2018)	Current consolidated cumulative first quarter (From April 1, 2019 to June 30, 2019)
(1) Net income per share	23.80 yen	6.91yen
(Basis of calculation)		
Profit attributable to owners of the parent (Thousands of yen)	858,291	250,373
Amount not attributable to common stockholders (Thousands of yen)	—	—
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	858,291	250,373
Average number of shares of common stock during the period	36,058,809	36,225,276
(2) Fully diluted net income per share	23.58yen	6.89yen
(Basis of calculation)		
Adjustment of profit attributable to owners of the parent (Thousands of yen)	---	---
Increase in the number of shares of common stock	346,680	114,527
Outline of dilutive shares that were not included in the calculation of fully diluted net income per share due to a lack of dilutive effect and also underwent a significant change after the end of the previous consolidated fiscal year	---	---

(Significant Subsequent Events)

No applicable matter.

2. Other

No applicable matter.

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

No applicable matter.

Independent Auditors' Quarterly Review Report

August 9, 2019

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

Ernst & Young ShinNihon LLC

Akira Igarashi [Seal]
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

Eishi Daikoku [Seal]
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

We have conducted, under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, a quarterly review of the quarterly consolidated financial statements of Arisawa Mfg. Co., Ltd. listed in the "Status of Accounting" for the consolidated first quarter (From April 1, 2019 to June 30, 2019) and the consolidated cumulative first quarter (From April 1, 2019 to June 30, 2019) of the consolidated fiscal year from April 1, 2019 to March 31, 2020, consisting of the quarterly consolidated balance sheets, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income and notes.

Responsibility of Management for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the quarterly consolidated financial statements in accordance with the standards for preparation of quarterly consolidated financial statements generally accepted in Japan. This includes improvement and operation of such internal control as the management deems necessary for the preparation and fair presentation of quarterly consolidated financial statements free from material misstatement, whether due to fraud or error.

Responsibility of Auditors

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

A quarterly review consists principally of making inquiries to the management and the persons responsible for financial and accounting matters, etc., applying analytical procedures and conducting other quarterly review procedures. The quarterly review procedures are less exhaustive than the procedures for annual financial statement audits conducted in accordance with the audit standards generally accepted in Japan.

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

Conclusion of Auditors

In our quarterly review, no matter has come to our attention that causes us to believe that the above quarterly consolidated financial statements do not fairly present, in any material respect, the financial conditions of Arisawa Mfg. Co., Ltd. and its consolidated subsidiaries as of June 30, 2019 and the results of their operations in the consolidated cumulative first quarter ended June 30, 2019 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.