



Closing Announcement of Second Quarter of the Fiscal Year Ending March 31, 2020 [Japanese Standards] (Consolidated)

November 7, 2019

Name of Listed Company: Arisawa Mfg. Co., Ltd. Listed on the Tokyo Stock Exchange
 Code No.: 5208 (URL <http://www.arisawa.co.jp/>)
 Representative: Representative Director and CEO: Yuta Arisawa
 Contact Person: Operating Officer,
 Corporate Planning Department: Takeshi Masuda TEL: 025-524-7101
 Scheduled Date of Submitting Financial Report: November 14, 2019
 Scheduled Date of Commencement of Dividend Payment: ---
 Whether supplementary explanation materials for the closing are prepared: No
 Whether explanation meeting is held for the closing: Yes (for analysts)

(Indicated by rounding off an amount less than 1 million yen)

1. Consolidated Results in Second Quarter of the Fiscal Year Ending March 31, 2020 (From April 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results (Cumulative)

(% indication shows the increase or decrease rate from the same period in the previous year)

	Sales		Operating profit		Ordinary profit		Net profit attributable to owners of the parent	
	(million yen)	%	(million yen)	%	(million yen)	%	(million yen)	%
Second Quarter of the Fiscal Year Ending March 31, 2020	22,599	Δ0.5	1,321	Δ23.7	1,440	Δ44.4	Δ894	---
Second Quarter of the Fiscal Year Ended March 31, 2019	22,707	17.6	1,732	9.2	2,590	18.8	1,775	14.0

(Note) Comprehensive income: Second Quarter of the Fiscal Year Ending March 31, 2020: Δ1,196 million yen (--- %)
 Second Quarter of the Fiscal Year Ended March 31, 2019: 1,310 million yen (Δ31.4 %)

	Net profit per share		Fully diluted net profit per share	
	(Yen, Sen)		(Yen, Sen)	
Second Quarter of the Fiscal Year Ending March 31, 2020	Δ24.81		---	
Second Quarter of the Fiscal Year Ended March 31, 2019	49.16		48.77	

(2) Consolidated Financial Conditions

	Total assets		Net assets		Net worth ratio		Net asset per share	
	(million yen)		(million yen)		%		(Yen, Sen)	
Second Quarter of the Fiscal Year Ending March 31, 2020	74,184		49,109		62.6		1,350.59	
Fiscal Year Ended March 31, 2019	73,096		53,462		69.3		1,397.78	

(Reference) Net worth: Second Quarter of the Fiscal Year Ending March 31, 2020: 46,404 million yen
 Fiscal Year Ended March 31, 2019: 50,626 million yen

2. Status of Dividends

	Annual dividends				
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	End of year	Annual
Fiscal Year Ended March 31, 2019	---	0.00	---	30.00	30.00
Fiscal Year Ending March 31, 2020	---	0.00			
Fiscal Year Ending March 31, 2020 (Forecast)			---	---	---

(Note) Existence of adjustment from the most recently announced dividend forecast: None

Dividends for the fiscal year ending March 31, 2020 have yet to be determined.

3. Forecast of Consolidated Business Results for Fiscal Year Ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(% indication shows the increase or decrease rate from the previous period)

	Sales		Operating profit		Ordinary profit		Net profit attributable to owners of the parent		Net profit per share
	(million yen)	%	(million yen)	%	(million yen)	%	(million yen)	%	(Yen, Sen)
Full Year	45,600	1.9	3,050	Δ2.2	3,200	Δ25.5	1,050	Δ63.3	30.56

(Note) Existence of adjustment from the most recently announced forecast of business results: Yes

For details, refer to '1. Qualitative Information concerning Current Quarterly Closing Announcement (3) Explanation about Future Forecast Information, including Forecast of Consolidated Business Results' on page 3 of the attached materials.

* Notes

(1) Changes in material subsidiaries during the current consolidated cumulative period (changes in specified subsidiaries accompanying changes in scope of consolidation): None
 New: --- (Company Name:) Exclusion: --- (Company Name:)

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

(3) Changes in accounting policy, changes in accounting estimates and restatement

- 1) Changes in accounting policy in connection with the amendment of accounting standards, etc.: Yes
- 2) Changes in accounting policy other than 1) above: None
- 3) Changes in accounting estimate: None
- 4) Restatement: None

(4) Number of outstanding shares (common stocks)

1) Number of outstanding shares at the end of year (including treasury stocks):	2Q of Fiscal Year Ending March 31, 2020:	36,326,524 shares	Fiscal Year Ended March 31, 2019:	36,226,224 shares
2) Number of treasury stocks at the end of year:	2Q of Fiscal Year Ending March 31, 2020:	1,967,700 shares	Fiscal Year Ended March 31, 2019:	7,378 shares
3) Average number of shares during the year (cumulative quarter)	2Q of Fiscal Year Ending March 31, 2020:	36,032,251 shares	2Q of Fiscal Year Ended March 31, 2019:	36,110,689 shares

* The quarterly closing announcement is not subject to quarterly review by a certified public accountant or an audit corporation.

* Explanation about Appropriate Use of the Forecast of Business Results and other Matters to be Noted

Description regarding the future such as the forecast of business results stated in this material is based on information which the Company has currently obtained and certain assumptions that the Company determines to be reasonable, although actual results may significantly differ from the forecast depending on various factors.

(How to Obtain Materials for the Closing Explanation Meeting)

The Company is scheduled to hold an explanation meeting for analysts on Friday, November 8, 2019. Presentation materials for the explanation meeting will be posted on the website of the Company immediately after holding the meeting.

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1. Qualitative Information concerning Current Quarterly Closing Announcement

(1) Explanation about Business Results

For the Japanese economy in the current second quarter consolidated cumulative period, uncertainties continue to linger due to the impact on the global economy from ongoing trade friction between the United States and China and the overall slowdown of the Chinese economy, etc.

Under such circumstances, for the business results in the current second quarter cumulative period of the Company Group (the Company, consolidated subsidiaries and companies to which the equity method is applied), sales were ¥22,599 million (a decrease of 0.5% as compared with the same period in the previous year). For profit and loss, operating profit was ¥1,321 million (a decrease of 23.7% as compared with the same period in the previous year), ordinary profit was ¥1,440 million (a decrease of 44.4% as compared with the same period in the previous year) and quarterly net loss attributable to owners of the parent was ¥894 million (net profit of ¥1,775 million in the same period in the previous year). This loss was mainly due to recording in the second quarter tax expenses of ¥1,584 million related to the sale of shares of Polatechno, which is scheduled for the third quarter.

Business results of each segment were as follows.

(Electronic materials)

While sales of flexible printed circuit board materials increased, due to a decrease in sales of rigid printed circuit board materials, etc., sales were ¥14,453 million, a decrease of ¥245 million as compared with the same period in the previous year (1.7% as compared with the same period in the previous year).

(Industrial application structural materials)

While sales of pressure vessels for water treatment decreased, due to an increase in sales of aircraft materials, etc., sales were ¥4,334 million, an increase of ¥76 million as compared with the same period in the previous year (1.8% as compared with the same period in the previous year).

(Electric insulation materials)

Due to a decrease in sales of electric insulation materials for heavy electric machinery, sales were ¥1,553 million, a decrease of ¥42 million as compared with the same period in the previous year (1.1% as compared with the same period in the previous year).

(Display materials)

Due to the steady advancements in sales of 3D-related materials, sales were ¥1,867 million, an increase of ¥461 million as compared with the same period in the previous year (3.7% as compared with the same period in the previous year).

(Other)

Sales were ¥391 million, an increase of ¥12 million as compared with the same period in the previous year.

(2) Explanation about Financial Conditions

Total assets at the end of the current consolidated second quarter were ¥74,184 million, an increase of ¥1,088 million as compared with the end of the previous consolidated fiscal year. This was mainly due to an increase in tangible fixed assets of ¥1,316 million. Liabilities were ¥25,074 million, an increase of ¥5,440 million as compared with the end of the previous consolidated fiscal year. This was mainly due to an increase in short-term borrowings of ¥3,353 million. Net assets were ¥49,109 million, a decrease of ¥4,352 million as compared with the end of the previous consolidated fiscal year. This was mainly due to a decrease in earned surplus of ¥1,980 million and a decrease of ¥1,963 million due to acquisition of treasury stock.

(3) Explanation about Future Forecast Information, including Forecast of Consolidated Business Results

As for the business results for the full-year of the fiscal year ending March 31, 2020, the consolidated business results forecast announced on August 27, 2019 shall be corrected as follows based on the consolidated business results in the current cumulative second quarter.

Adjustment of forecast of consolidated business results for the full-year of the fiscal year ending March 31, 2020

(From April 1, 2019 to March 31, 2020)

	Sales (million yen)	Operating profit (million yen)	Ordinary profit (million yen)	Net profit attributable to owners of the parent (million yen)	Net profit per share (yen)
Previously announced forecast (A)	45,600	3,050	3,400	1,350	37.24
This forecast adjustment (B)	45,600	3,050	3,200	1,050	30.56
Increase or decrease (B-A)	---	---	△200	△300	
Increase or decrease ratio (%)	---	---	△5.9	△22.2	
(Reference) Results of the previous year (Fiscal Year Ended March 31, 2019)	44,728	3,119	4,297	2,861	79.15

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (As of March 31, 2019)	Current Consolidated Second Quarter (As of September 30, 2019)
Assets		
Current Assets		
Cash and deposits	8,193,697	8,756,255
Notes and accounts receivable	16,127,374	16,266,512
Securities	1,401,188	1,538,322
Merchandise and finished goods	4,012,943	3,305,089
Work-in-progress	1,941,748	2,039,559
Raw materials and stores	3,378,698	3,646,523
Other	1,190,214	1,747,005
Allowance for doubtful accounts	△668,052	△600,508
Total Current Assets	35,577,813	36,698,759
Fixed Assets		
Tangible fixed assets	11,998,454	13,314,867
Intangible fixed assets		
Goodwill	219,309	190,067
Other	175,923	204,021
Total intangible fixed assets	395,233	394,089
Investments and other assets		
Investment securities	23,142,852	22,412,487
Other	2,125,569	1,545,184
Allowance for doubtful accounts	△143,823	△180,725
Total investments and other assets	25,124,598	23,776,947
Total Fixed Assets	37,518,286	37,485,904
Total Assets	73,096,100	74,184,664

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (As of March 31, 2019)	Current Consolidated Second Quarter (As of September 30, 2019)
Liabilities		
Current Liabilities		
Notes and accounts payable	6,105,195	6,119,850
Bonds to be redeemed within a year	36,800	36,800
Short-term borrowings	5,394,122	8,748,226
Current portion of long-term borrowings	779,820	657,972
Corporate income tax, etc., payable	300,788	679,867
Reserve for bonuses	510,407	638,484
Reserve for officers' bonuses	3,957	2,915
Other	3,041,830	2,978,649
Total Current Liabilities	16,172,921	19,862,765
Fixed Liabilities		
Bonds payable	128,000	109,600
Long-term borrowings	1,265,465	1,197,759
Net defined benefit liabilities	626,885	639,950
Asset retirement obligations	92,502	91,783
Other	1,348,196	3,172,838
Total Fixed Liabilities	3,461,049	5,211,931
Total Liabilities	19,633,971	25,074,697
Net Assets		
Shareholders' equity		
Capital	7,541,693	7,570,716
Capital surplus	6,653,615	6,682,708
Earned surplus	35,130,363	33,149,684
Treasury stock	Δ4,764	Δ1,968,516
Total shareholders' equity	49,320,907	45,434,592
Accumulated other comprehensive income		
Valuation difference on other securities	745,120	653,518
Deferred hedge profit or loss	443	1,721
Foreign currency translation adjustments	707,571	434,530
Accumulated adjustment for retirement benefits	Δ147,916	Δ119,617
Total accumulated other comprehensive income	1,305,219	970,152
New share subscription rights	144,419	147,200
Non-controlling interest	2,691,582	2,558,021
Total Net Assets	53,462,129	49,109,966
Total Liabilities and Net Assets	73,096,100	74,184,664

(2) Quarterly Consolidated Profit and Loss Statement and Consolidated Statement of Comprehensive Income
 (Quarterly Consolidated Profit and Loss Statement)
 (Consolidated Cumulative Second Quarter)

(Unit: thousand yen)

	Previous Consolidated Cumulative Second Quarter (From April 1, 2018 to September 30, 2018)	Current Consolidated Cumulative Second Quarter (From April 1, 2019 to September 30, 2019)
Sales	22,707,154	22,599,910
Cost of Goods Sold	18,496,710	18,771,640
Gross Profit on Sales	4,210,443	3,828,270
Selling, General and Administrative Expenses	2,477,449	2,506,776
Operating Profit	1,732,994	1,321,493
Non-operating Income		
Interest income	163,334	155,386
Dividend income	50,256	56,811
Investment profit by equity method	360,187	---
Foreign currency exchange profit	295,978	---
Other	212,129	154,975
Total Non-operating Income	1,081,887	367,172
Non-operating Expenses		
Interest expenses	41,176	47,116
Loss on redemption of investment securities	31,592	61,160
Transfer to allowance for doubtful accounts	95,887	---
Other	55,883	139,886
Total Non-operating Expenses	224,541	248,163
Ordinary Profit	2,590,340	1,440,502
Extraordinary Profits		
Profit on sale of fixed assets	441	---
Profit on sale of investment securities	65,010	---
Profit on reversal of new share subscription rights	6,601	14,229
Other	6,790	---
Total Extraordinary Profits	78,843	14,229
Extraordinary Losses		
Loss on retirement of fixed assets	7,435	5,146
Valuation loss on investment securities	---	9,287
Other	---	2,894
Total Extraordinary Losses	7,435	17,328
Net profit before taxes, etc.	2,661,748	1,437,402
Corporate income tax, etc.	740,349	2,202,543
Net profit or net loss (Δ)	1,921,399	Δ 765,140
Net profit attributable to non-controlling interests	146,165	128,973
Net profit attributable to owners of the parent or net loss attributable to owners of the parent (Δ)	1,775,233	Δ 894,114

(Quarterly Consolidated Statement of Comprehensive Income)
(Consolidated Cumulative Second Quarter)

(Unit: thousand yen)

	Previous Consolidated Cumulative Second Quarter (From April 1, 2018 to September 30, 2018)	Current Consolidated Cumulative Second Quarter (From April 1, 2019 to September 30, 2019)
Net profit or net loss (Δ)	1,921,399	Δ 765,140
Other comprehensive income		
Valuation difference on other securities	Δ 26,288	Δ 91,621
Deferred hedge profit or loss	Δ 7,057	1,277
Foreign currency translation adjustments	Δ 488,849	Δ 258,975
Adjustment for retirement benefits	13,526	17,126
Share of other comprehensive income of companies to which equity method is applied	Δ 102,046	Δ 98,834
Total other comprehensive income	Δ 610,714	Δ 431,026
Comprehensive income	1,310,684	Δ 1,196,167
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,336,467	Δ 1,229,181
Comprehensive income attributable to non- controlling interests	Δ 25,782	33,014

(3) Quarterly Consolidated Cash Flow Statement

(Unit: thousand yen)

	Previous Consolidated Cumulative Second Quarter (From April 1, 2018 to September 30, 2018)	Current Consolidated Cumulative Second Quarter (From April 1, 2019 to September 30, 2019)
Cash flow from operating activities		
Net profit before taxes, etc.	2,661,748	1,437,402
Depreciation expense	902,319	961,595
Amortization of goodwill	29,241	29,241
Stock compensation expenses	23,965	26,820
Profit on reversal of new share subscription rights	△6,601	△14,229
Increase/decrease in allowance for doubtful accounts (△: decrease)	100,835	△24,410
Increase/decrease in reserve for bonuses (△: decrease)	△3,549	128,076
Increase/decrease in provision for product warranties (△: decrease)	△82	39
Increase/decrease in reserve for officers' bonuses (△: decrease)	△3,097	△1,041
Increase/decrease in net defined benefit liabilities (△: decrease)	23,207	37,707
Profit/loss on redemption of investment securities (△: profit)	△13,698	40,413
Interest and dividend income	△213,591	△212,197
Interest expenses	41,176	47,116
Foreign currency exchange profit/loss (△: profit)	△137,454	26,894
Investment profit/loss by equity method (△: profit)	△360,187	16,672
Profit/loss on changes in equity (△: profit)	△6,790	---
Profit/loss on sale of securities and investment securities (△: profit)	△65,010	2,894
Valuation profit/loss on investment securities (△: profit)	---	9,287
Profit/loss on liquidation of affiliated companies (△: profit)	---	750
Profit/loss on sale of fixed assets (△: profit)	△619	△63
Loss on retirement of tangible fixed assets	2,426	1,359
Increase/decrease in accounts receivable (△: increase)	△946,055	△368,380
Increase/decrease in inventories (△: increase)	△86,007	254,274
Increase/decrease in trades payable (△: decrease)	△262,819	83,394
Increase/decrease in consumption tax, etc., payable (△: decrease)	141,268	78,096
Increase/decrease in other assets (△: increase)	△108,761	△287,353
Increase/decrease in other liabilities (△: decrease)	△30,059	△124,340
Subtotal	1,681,802	2,150,019
Interest and dividends received	293,018	309,747
Interest paid	△42,011	△45,422
Corporate income tax, etc., paid	△848,043	△195,569
Cash flow from operating activities	1,084,766	2,218,775

(Unit: thousand yen)

	Previous Consolidated Cumulative Second Quarter (From April 1, 2018 to September 30, 2018)	Current Consolidated Cumulative Second Quarter (From April 1, 2019 to September 30, 2019)
Cash flow from investing activities		
Expenditure for placement in term deposits	---	Δ106,000
Expenditure for acquisition of tangible fixed assets	Δ1,075,368	Δ1,294,806
Revenue from sale of tangible fixed assets	1,758	---
Expenditure for acquisition of intangible fixed assets	Δ25,113	Δ50,250
Expenditure for acquisition of investment securities	Δ1,315,662	Δ194,899
Revenue from sale of investment securities	890,254	380,724
Expenditure for lending	Δ20,000	---
Revenue from collection of loans	33,760	8,510
Increase/decrease in investments and other assets (Δ: increase)	---	8,109
Other revenue	55,672	---
Cash flow from investing activities	Δ1,454,698	Δ1,248,612
Cash flow from financing activities		
Net increase/decrease in short-term borrowings (Δ: decrease)	Δ211,650	3,495,808
Revenue from long-term borrowings	441,600	994,000
Expenditure for repayment of long-term borrowings	Δ542,270	Δ1,147,154
Expenditure for repayment of lease liabilities	Δ10,830	Δ10,063
Expenditure for redemption of bonds	Δ18,400	Δ18,400
Expenditure for repayment of long-term accrued amount	Δ57,586	Δ57,586
Proceeds from stocks issued	115,765	48,306
Expenditure for acquisition of treasury stock	Δ175	Δ2,285,268
Dividends paid	Δ1,220,470	Δ1,083,648
Dividends paid to non-controlling interests	Δ191,154	Δ166,575
Cash flow from financing activities	Δ1,695,171	Δ230,582
Translation differences in cash and cash equivalents	Δ39,209	Δ80,727
Increase/decrease in cash and cash equivalents (Δ: decrease)	Δ2,104,313	658,853
Cash and cash equivalents at beginning of year	8,832,805	7,718,682
Cash and cash equivalents at end of quarter	6,728,492	8,377,536

(4) Notes to Quarterly Consolidated Financial Statements

(Notes to Assumptions on a Going Concern)

No applicable matter.

(Explanatory Note in Case of Significant Changes in the Amount of Shareholders' Equity)

No applicable matter.

(Application of Accounting Particular to Preparation of Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

For tax expenses, the effective tax rate is reasonably estimated after application of tax effect accounting for net profit before taxes in the consolidated fiscal year including the current consolidated second quarter and these are calculated by multiplying the quarterly net profit before taxes by the estimated effective tax rate.

(Changes in Accounting Policy)

(Application of IFRS No. 16 (Lease))

Subsidiaries of the Company Group to which IFRS applies have applied IFRS No. 16 "Lease" (published in January 2016) (hereinafter referred to as "IFRS No. 16") from the consolidated first quarter. In application of IFRS No. 16, we adopted the method of recognizing the cumulative impact by application of these Standards as of the date of commencement of application, which is permitted as a transitional measure.

For lease as a lessee which was previously classified into operating lease by applying IAS No. 17, right-of-use assets and lease liabilities are recognized as of the date of commencement of application.

Some assets, which were included in other amount of investments and other assets were transferred to right-of-use assets.

In connection with application of these Standards, in the Quarterly Consolidated Balance Sheet, tangible fixed assets of ¥372,024 thousand, other amount of current liabilities of ¥31,850 thousand and fixed liabilities of ¥299,701 thousand increased respectively and other amount of investments and other assets of ¥41,461 thousand decreased.

Impact by the above change on profit and loss for the current consolidated cumulative second quarter is minor.

(Segment Information, etc.)

[Segment Information]

I Previous consolidated cumulative second quarter (From April 1, 2018 to September 30, 2018)

1. Information about the amount of sales and profit/loss by reportable segment

(Unit: thousand yen)

	Reportable segment					Other (Note)	Total
	Electronic materials	Industrial application structural materials	Electric insulation materials	Display materials	Total		
Sales							
Sales to external customers	14,698,956	4,257,503	1,569,732	1,801,587	22,327,780	379,374	22,707,154
Intersegment 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 profit	1,385,729	742,434	230,980	80,109	2,439,252	108,260	2,547,513

(Note) 1. The category "Other" means business segments which are not included in the reportable segments and includes related goods sales, logistics related businesses and other businesses, etc.

2. Segment profit shows the amount after being reflected in the material review of the initial allocation of the acquisition cost as a result of determination of provisional accounting treatment set forth in "Notes (Notes Related to Business Combination, etc.)."

2. Difference between the total amount of profit/loss of reportable segments and the amount shown in the quarterly consolidated profit and loss statement and major details for the difference (matters concerning difference adjustment)

(Unit: thousand yen)

Profit	Amount
Total of reportable segments	2,439,252
Profit in category "Other"	108,260
Elimination of intersegment transactions	△54,424
Amortization of goodwill	△29,241
Expenses of entire company (Note)	△703,377
Adjustment of inventories	△27,476
Operating profit in quarterly consolidated profit and loss statement	1,732,994

Note: Expenses of the entire company are mainly general and administrative expenses not attributable to reportable segments.

3. Information about loss on impairment of fixed assets or goodwill, etc., by reportable segment

No applicable matter.

II Current consolidated cumulative second quarter (From April 1, 2019 to September 30, 2019)

1. Information about the amount of sales and profit/loss by reportable segment

(Unit: thousand yen)

	Reportable segment					Other (Note)	Total
	Electronic materials	Industrial application structural materials	Electric insulation materials	Display materials	Total		
Sales							
Sales to external customers	14,453,033	4,334,451	1,553,213	1,867,634	22,208,333	391,577	22,599,910
Intersegment sales or transfers	---	---	---	---	---	389,894	389,894
Total	14,453,033	4,334,451	1,553,213	1,867,634	22,208,333	781,471	22,989,804
Segment profit	1,110,657	621,995	173,715	150,172	2,056,540	108,274	2,164,814

Note: The category "Other" means business segments which are not included in the reportable segments and includes related goods sales, logistics related businesses and other businesses, etc.

2. Difference between the total amount of profit/loss of reportable segments and the amount shown in the quarterly consolidated profit and loss statement and major details for the difference (matters concerning difference adjustment)

(Unit: thousand yen)

Profit	Amount
Total of reportable segments	2,056,540
Profit in category "Other"	108,274
Elimination of intersegment transactions	△40,173
Amortization of goodwill	△29,241
Expenses of entire company (Note)	△747,694
Adjustment of inventories	△26,212
Operating profit in quarterly consolidated profit and loss statement	1,321,493

Note: Expenses of the entire company are mainly general and administrative expenses not attributable to reportable segments.

3. Information about loss on impairment of fixed assets or goodwill, etc., by reportable segment

No applicable matter.

(Notes Related to Business Combination, etc.)

Material review of the initial allocation of the acquisition cost in the comparative information

Although provisional accounting treatment was carried out for the previous consolidated second quarter related to business combination with Satosen Co., Ltd. which was conducted on November 30, 2017, determination was made in the previous consolidated third quarter.

In connection with the determination of provisional accounting treatment, in the comparative information included in the quarterly consolidated financial statements for the current consolidated cumulative second quarter, material review was reflected in the initial allocation of the acquisition cost, and the provisionally calculated amount of goodwill of ¥355,527 thousand decreased by ¥63,115 thousand after determination of accounting and it was ¥292,412 thousand. A decrease in goodwill was due to an increase in other amount of intangible fixed assets of ¥95,039 thousand and in other amount of fixed liabilities of ¥31,923 thousand respectively.

As a result, the impact on the quarterly consolidated profit and loss statement for the previous consolidated cumulative second quarter is minor.

(Important Events after Closing the Accounts)

(Transfer of Shares of the Affiliated Company to which the Equity Method is Applied)

The Company entered into a tender offer subscription agreement with Nippon Kayaku Co., Ltd. (hereinafter referred to as “Tender Offeror”) as of August 27, 2019 and the Company subscribed all 9,280,000 shares of Polatechno Co., Ltd., the affiliated company of the Company to which the equity method is applied, for a tender offer carried out by the Tender Offeror for the tender offer period from August 28, 2019 to October 10, 2019.

The tender offer was concluded upon expiration of the tender offer period as of October 10, 2019 and the settlement of the tender offer was completed as of October 18, 2019. Accordingly, Polatechno Co., Ltd., will be excluded from affiliated companies of the Company to which the equity method is applied.

Number of shares transferred:	9,280,000 shares
Transfer price:	¥9,215,040 thousand
Profit on sale of investment securities:	¥1,253,012 thousand