

# **QUARTERLY REPORT**

(The Third Quarter of the 72<sup>nd</sup> Term)

From October 1, 2019 to December 31, 2019

(TRANSLATION)

**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	71 <sup>st</sup> term consolidated cumulative third quarter	72 <sup>nd</sup> term consolidated cumulative third quarter	71 <sup>st</sup> term
Accounting period	From April 1, 2018 to December 31, 2018	From April 1, 2019 to December 31, 2019	From April 1, 2018 to March 31, 2019
Net sales (Millions of yen)	34,696	34,327	44,728
Ordinary income (Millions of yen)	3,644	2,221	4,297
Profit (or loss (△)) attributable to owners of the parent (Millions of yen)	2,411	△118	2,861
Comprehensive income (Millions of yen)	1,530	△22	2,200
Net assets (Millions of yen)	52,756	49,091	53,462
Total assets (Millions of yen)	72,037	71,537	73,096
Net income (or loss (△)) per share (Yen)	66.73	△3.38	79.15
Fully diluted net income per share (Yen)	66.29	—	78.70
Equity ratio (%)	69.3	64.7	69.3

Term	71 <sup>st</sup> term consolidated third quarter	72 <sup>nd</sup> term consolidated third quarter
Accounting period	From October 1, 2018 to December 31, 2018	From October 1, 2019 to December 31, 2019
Net income per share (Yen)	17.58	23.20

- 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. Diluted net income per share in the 72nd term consolidated cumulative third quarter is not stated above due to net loss per share, though potential share exists.

#### 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;

(Display materials)

All shares the Company held of Polatechno Co., Ltd., which was the company accounted for under the equity method, were transferred, and so it has been excluded from the scope of the application of equity method from the current consolidated third quarter.

## 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 third quarter.

#### (1) Financial Position and Operating Results

##### 1) Operating Results

The Japanese economy in the current consolidated cumulative third quarter remained uncertain due to the concern about the trade friction caused by the US trade policy and its financial policy, the slowdown of the Chinese economy, etc.

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 third quarter showed net sales of 34,327 million yen (representing a 1.1% decrease as compared with the year-earlier quarter), an operating income of 2,077 million yen (representing a 21.6% decrease as compared with the year-earlier quarter), an ordinary income of 2,221 million yen (representing a 39.0% decrease as compared with the year-earlier quarter) and a loss attributable to owners of the parent of 118 million yen (profit attributable to owners of the parent of 2,411 million yen in the year-earlier quarter).

The reason for the net loss attributable to owners of the parent is the impairment loss of 624 million yen shown as extraordinary loss in the electronic materials segment and the display materials segment in addition to the tax expenses shown regarding the sale of all shares of Polatechno Co., Ltd., which was the affiliate company accounted for under equity method, in the third quarter.

In the electronic materials segment, the Company devalued the carrying amount of non-current assets to its recoverable amount as a result of our examining the future earnings prospect based on the latest business plan, because there is a downturn in profitability with the change of market and business environment in the rigid printed circuit boards business where Satosen Co., Ltd., which is a consolidated subsidiary of the Company, deals with their manufacture and sales. The impairment of goodwill is also shown.

In the display materials segment, the Company devalued the carrying amount of non-current assets to its recoverable amount as a result of our examining the future earnings prospect based on the latest business plan, because there is a downturn in profitability due to the projected market formation of a new business delayed more than expected in the field of polarization control optical components of ColorLink Japan Ltd., which is a consolidated subsidiary of the Company.

Business results with respect to each segment are as follows.

##### a. Electronic materials segment

In the electronic materials segment, net sales were 22,477 million yen (a 0.7% decrease as compared with the year-earlier quarter) due to a steady increase in sales of our mainstay product, i.e. materials for flexible printed circuit boards (the amount of orders received increased by 3.8%, and the production output increased by 4.7%, as compared with the year-earlier quarter on a non-consolidated basis of the Submitting Company), a decrease in sales of rigid printed circuit boards by Satosen Co., Ltd., etc., while the segment income was 1,935 million yen (a 13.6% decrease as compared with the year-earlier quarter) due to a decrease in sales of rigid printed circuit boards.

##### b. Industrial application structural materials segment

In the industrial application structural materials segment, net sales were 6,457 million yen (a 2.7% increase as compared with the year-earlier quarter) due to a steady increase in sales of materials for aircraft, a decrease in sales of water treatment pressure vessels, etc., while the segment income was 962 million yen (a 7.5% decrease as compared with the year-earlier quarter) due to a decrease in sales of water treatment pressure vessels.

c. Electrical insulating materials segment

In the electrical insulating materials segment, net sales were 2,269 million yen (a 5.7% decrease as compared with the year-earlier quarter) due to a decrease in sales of materials for infrastructure-related use, while the segment income was 248 million yen (a 27.9% decrease as compared with the year-earlier quarter) due to a decrease in sales.

d. Display materials segment

In the display materials segment, net sales were 2,573 million yen (a 7.6% decrease as compared with the year-earlier quarter) due to a steady increase in sales of 3D imaging-related materials and a decrease in sales of polarization control optical components by ColorLink Japan Ltd., while the segment income was 150 million yen (a 61.8% increase as compared with the year-earlier quarter) as a result of the profit of 3D imaging-related materials compensating for a decrease in the profit of polarization control optical components.

e. Other (other businesses)

In other businesses, net sales were 549 million yen, representing a 5.3% decrease as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 146 million yen (a 3.3% 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 71,537 million yen, a decrease of 1,559 million yen compared with the end of the previous year. This was largely due to the share transfer of Polatechno Co., Ltd., which was an affiliate company, and the acquisition of treasury stock with an increase of 5,897 million yen in cash and deposits and a decrease of 8,047 million yen in investment securities.

Total liabilities as of the end of the current consolidated cumulative third quarter were 22,445 million yen, an increase of 2,811 million yen compared with the end of the previous year. This was due largely to an increase of 3,016 million yen in income taxes payable.

Total net assets as of the end of the current consolidated cumulative third quarter were 49,091 million yen, a decrease of 4,370 million yen compared with the end of the previous year. This was due largely to an increase of 3,200 million yen in treasury shares and a decrease of 1,205 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 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 third quarter amounted to 1,577 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, 2019)	Number of shares issued and outstanding as of the filing date of this Quarterly Report (As of February 14, 2020)	Name of financial instruments exchange where the shares are listed or authorized financial instruments firms association where the shares are registered	Remarks
Common stock	36,367,924	36,367,924	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	36,367,924	36,367,924	---	---

Note: The number of shares issued through the exercise of stock acquisition rights in the period from February 1, 2020 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, 2019 to December 31, 2019 (See Note)	41,400	36,367,924	17,394	7,588,111	17,394	6,700,102

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.



## (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, 2019).

### 1) Shares issued and outstanding

As of December 31, 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 1,967,700	---	---
Shares with full voting rights (Other) (See Note)	Common stock 34,280,600	342,806	---
Shares constituting less than one full unit	Common stock 78,224	---	---
Number of shares issued and outstanding	36,326,524	---	---
Total number of voting rights held by shareholders	---	342,806	---

Note: 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) Treasury Stock, etc.

As of December 31, 2019

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	1,967,700	---	1,967,700	5.41
Total	---	1,967,700	---	1,967,700	5.41

Note: The Company bought back 3,128,300 shares upon a resolution by the Board of Directors held on August 27th, 2019. As a result, the number of treasury stock as of the end of the current consolidated cumulative third quarter is 3,135,820 shares including shares constituting less than one full unit.

## 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, 2019 to December 31, 2019) and the current consolidated cumulative third quarter (From April 1, 2019 to December 31, 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 third quarter (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	8,193,697	14,091,061
Notes and accounts receivable-trade	* 16,127,374	* 17,429,954
Securities	1,401,188	1,487,631
Merchandise and finished goods	4,012,943	3,167,019
Work in process	1,941,748	2,103,815
Raw materials and supplies	3,378,698	3,284,280
Other	1,190,214	1,173,460
Allowance for doubtful accounts	△668,052	△623,707
Total current assets	35,577,813	42,113,516
Non-current assets		
Property, plant and equipment	11,998,454	12,940,964
Intangible assets		
Goodwill	219,309	—
Other	175,923	204,538
Total intangible assets	395,233	204,538
Investments and other assets		
Investment securities	23,142,852	15,095,000
Other	2,125,569	1,198,456
Allowance for doubtful accounts	△143,823	△15,446
Total investments and other assets	25,124,598	16,278,010
Total non-current assets	37,518,286	29,423,512
Total assets	73,096,100	71,537,028

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2019)	Current consolidated third quarter (As of December 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	* 6,105,195	* 6,409,212
Short-term loans payable	5,394,122	5,501,509
Current portion of long-term loans payable	779,820	189,814
Current portion of bonds	36,800	36,800
Income taxes payable	300,788	3,316,797
Provision for bonuses	510,407	272,688
Provision for directors' bonuses	3,957	4,093
Other	* 3,041,830	* 3,055,110
<b>Total current liabilities</b>	<b>16,172,921</b>	<b>18,786,025</b>
<b>Non-current liabilities</b>		
Bonds payable	128,000	91,200
Long-term loans payable	1,265,465	1,962,785
Net defined benefit liability	626,885	644,434
Asset retirement obligations	92,502	91,858
Other	1,348,196	869,355
<b>Total non-current liabilities</b>	<b>3,461,049</b>	<b>3,659,633</b>
<b>Total liabilities</b>	<b>19,633,971</b>	<b>22,445,659</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	7,541,693	7,588,111
Capital surplus	6,653,615	6,700,102
Retained earnings	35,130,363	33,925,105
Treasury stock	△4,764	△3,204,787
<b>Total shareholders' equity</b>	<b>49,320,907</b>	<b>45,008,532</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	745,120	981,306
Deferred gains or losses on hedges	443	—
Foreign currency translation adjustment	707,571	396,277
Remeasurements of defined benefit plans	△147,916	△87,770
<b>Total accumulated other comprehensive income</b>	<b>1,305,219</b>	<b>1,289,813</b>
Subscription rights to shares	144,419	156,001
Non-controlling interests	2,691,582	2,637,021
<b>Total net assets</b>	<b>53,462,129</b>	<b>49,091,369</b>
<b>Total liabilities and net assets</b>	<b>73,096,100</b>	<b>71,537,028</b>

(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, 2018 to December 31, 2018)	Current consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)
Net sales	34,696,479	34,327,306
Cost of sales	28,307,028	28,415,924
Gross profit	6,389,450	5,911,381
Selling, general and administrative expenses	3,740,685	3,833,508
Operating income	2,648,765	2,077,873
Non-operating income		
Interest income	247,878	239,325
Dividends income	97,087	100,368
Share of profit of entities accounted for using equity method	538,963	—
Other	399,547	222,510
Total non-operating income	1,283,475	562,204
Non-operating expenses		
Interest expenses	62,692	71,129
Foreign exchange losses	—	93,450
Provision of allowance for doubtful accounts	85,712	—
Other	139,597	253,589
Total non-operating expenses	288,001	418,168
Ordinary income	3,644,240	2,221,909
Extraordinary income		
Gain on sales of non-current assets	34,125	262
Gain on sales of securities	65,010	* 1,271,030
Other	13,546	14,244
Total extraordinary income	112,681	1,285,537
Extraordinary losses		
Impairment loss	—	448,357
Impairment loss of goodwill	—	175,447
Compensation for damage	91,683	—
Other	48,759	31,753
Total extraordinary losses	140,443	655,558
Income before income taxes	3,616,478	2,851,888
Income taxes	982,186	2,796,074
Profit	2,634,291	55,813
Profit attributable to non-controlling interests	223,144	174,506
Profit (or loss(Δ)) attributable to owners of the parent	2,411,146	Δ118,692

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated cumulative third quarter]

(Thousands of yen)

	Previous consolidated cumulative third quarter (From April 1, 2018 to December 31, 2018)	Current consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)
Profit	2,634,291	55,813
Other comprehensive income		
Valuation difference on available-for-sale securities	△913,898	236,177
Deferred gains or losses on hedges	1,707	△443
Foreign currency translation adjustment	△188,103	△227,935
Remeasurements of defined benefit plans	20,289	25,690
Share of other comprehensive income of entities accounted for using equity method	△24,089	△111,385
Total other comprehensive income	△1,104,094	△77,897
Comprehensive income	1,530,197	△22,083
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,374,383	△134,097
Comprehensive income attributable to non-controlling interests	155,813	112,014

[Notes]

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

<Material change in the scope of application of equity method>

All shares of Polatechno Co., Ltd. were sold in the current consolidated third quarter, and so it has been excluded from the scope of application of equity method.

(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 363,384 thousand yen, 32,919 thousand yen and 292,273 thousand yen, while "Other" in "Investments and other assets" decreased by 39,675 thousand yen.

The influence on gain and loss in the current cumulative consolidated third 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 third quarter.

(Notes Related to Quarterly Consolidated Balance Sheets)

\* 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.

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2019)	Current consolidated third quarter (As of December 31, 2019)
Notes and accounts receivable-trade	66,950	56,725
Notes and accounts payable-trade	130,679	134,061
Current liabilities and others (Notes payable - non-operating, Electronically recorded obligations-non-operating)	51,206	445,993

(Notes Related to Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income)

\* The principal component of the gain on sale of investment securities shown in the current consolidated cumulative third quarter is 1,261,698 thousand yen, which is the gain on sale from the transfer of all shares of Polatechno Co., Ltd., which was the affiliate company accounted for under equity method.

(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) and amortization of goodwill for the previous and current consolidated cumulative third quarters are as follows.

	Previous consolidated cumulative third quarter (From April 1, 2018 to December 31, 2018)	Current consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)
Depreciation	1,387,281	1,457,908
Amortization of goodwill	43,861	43,861

(Notes Related to Shareholders' Equity, etc.)

I Previous consolidated cumulative third quarter (From April 1, 2018 to December 31, 2018)

1. 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

2. Significant changes in the amount of shareholders' equity

No applicable matter.

II Current consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)

1. 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

2. Significant changes in the amount of shareholders' equity

The Company bought back 3,128,300 shares upon a resolution by the Board of Directors held on August 27th, 2019. As a result, the treasury stock increased 3,199,887 thousand yen in the current consolidated cumulative third quarter and amounted to 3,204,787 thousand yen as of the end of the current consolidated third quarter.



(Segment Information, etc.)

[Segment Information]

I Previous 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
<b>Total</b>	<b>22,632,723</b>	<b>6,291,123</b>	<b>2,406,831</b>	<b>2,786,181</b>	<b>34,116,860</b>	<b>1,174,330</b>	<b>35,291,190</b>
<b>Segment income</b>	<b>2,240,316</b>	<b>1,040,188</b>	<b>344,258</b>	<b>93,068</b>	<b>3,717,831</b>	<b>151,577</b>	<b>3,869,408</b>

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
<b>Operating income shown on the quarterly consolidated statements of income</b>	<b>2,648,765</b>

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 third quarter (From April 1, 2019 to December 31, 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	22,477,949	6,457,995	2,269,187	2,573,141	33,778,273	549,032	34,327,306
Inter-segment sales or transfers	—	—	—	—	—	594,321	594,321
Total	22,477,949	6,457,995	2,269,187	2,573,141	33,778,273	1,143,353	34,921,627
Segment income	1,935,317	962,654	248,190	150,617	3,296,780	146,501	3,443,281

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	3,296,780
Income in the category "Other"	146,501
Elimination of inter-segment transactions	△65,556
Amortization of goodwill	△43,861
Unallocated corporate expenses (See Note)	△1,227,826
Adjustment of inventories	△28,163
Operating income shown on the quarterly consolidated statements of income	2,077,873

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

(Significant impairment losses on non-current assets)

In the electronic materials segment, with respect to the assets (including goodwill) in which investments could not be expected to recover due to a downturn in profitability, the Company devalued their carrying amount to its recoverable amount and showed the relevant amount of its loss to extraordinary losses as impairment losses.

In the display materials segment, with respect to the assets in which profit arising from operating activities continues negative, the Company devalued their carrying amount to its memorandum value and showed the relevant amount of its loss to extraordinary losses as impairment losses.

In this regard, the amount of the relevant impairment losses shown in the current consolidated cumulative third quarter is 539,702 thousand yen in the electronic materials segment and 84,101 thousand yen in the display materials segment.

(Material change of the amount of goodwill)

In the electronic materials segment, the impairment loss of goodwill is shown, so the amount of goodwill decreased. In this regard, the decreased amount of goodwill by the said event was 175,447 thousand yen in the current consolidated cumulative third quarter.

(Per Share Information)

The amounts of net income (or loss) 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, 2018 to December 31, 2018)	Current consolidated cumulative third quarter (From April 1, 2019 to December 31, 2019)
(1) Net income (or loss) per share (△)	66.73 yen	△3.38 yen
(Basis of calculation)		
Profit (or loss) attributable to owners of the parent (△) (Thousands of yen)	2,411,146	△118,692
Amount not attributable to common stockholders (Thousands of yen)	—	—
Profit (or loss) attributable to owners of the parent pertaining to common stock (△) (Thousands of yen)	2,411,146	△118,692
Average number of shares of common stock during the period	36,134,606	35,159,633
(2) Fully diluted net income per share	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	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	---	---

Note: Diluted net income per share in the current term consolidated cumulative third quarter is not stated above due to net loss per share, though potential share exists.

(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 14, 2020

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 third quarter (From October 1, 2019 to December 31, 2019) and the consolidated cumulative third quarter (From April 1, 2019 to December 31, 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 December 31, 2019 and the results of their operations in the consolidated cumulative third quarter ended December 31, 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.

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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.