

QUARTERLY REPORT

(The First Quarter of the 73rd Term)

From April 1, 2020 to June 30, 2020

(TRANSLATION)

ARISAWA MFG. CO., LTD.

TABLE OF CONTENTS

Page Number

Cover Page	
PART I. INFORMATION ON THE BUSINESS	1
I. General Conditions of Business	1
1. Changes in Principal Management Indicators, etc.	1
2. Description of Business.....	1
II. Status of Business	2
1. Business Risks, etc.	2
2. Analyses of Consolidated Financial Position, Business Results and Cash Flows by the Corporate Managers.....	2
3. Agreements with Managerial Implications, etc.....	3
III. Status of the Submitting Company	4
1. Status of Shares, etc.	4
(1) Total Number of Shares, etc.	4
(2) Status of Stock Acquisition Rights, etc.	4
(3) Status of Exercise of Moving Strike Convertible Bonds, etc.	4
(4) Changes in the Number of Shares Issued and Outstanding, Capital Stock, etc.	4
(5) Status of Major Shareholders.....	4
(6) Status of Voting Rights.....	5
2. Status of Directors and Officers	5
IV. Status of Accounting	6
1. Quarterly Consolidated Financial Statements	7
(1) Quarterly Consolidated Balance Sheets.....	7
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	9
[Quarterly Consolidated Statements of Income].....	9
[Quarterly Consolidated Statements of Comprehensive Income].....	10
2. Other.....	14
PART II. INFORMATION ON GUARANTY COMPANIES, ETC. OF THE SUBMITTING COMPANY	15
[Independent Auditors' Quarterly Review Report]	

Cover Page

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 12, 2020
Quarterly accounting period:	The First Quarter of the 73 rd Term (From April 1, 2020 to June 30, 2020)
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Company name (English):	Arisawa Mfg. Co., Ltd.
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PART I. INFORMATION ON THE BUSINESS

I. General Conditions of Business

1. Changes in Principal Management Indicators, etc.

Term	72 nd term consolidated cumulative first quarter	73 rd term consolidated cumulative first quarter	72 nd term
Accounting period	From April 1, 2019 to June 30, 2019	From April 1, 2020 to June 30, 2020	From April 1, 2019 to March 31, 2020
Net sales (Millions of yen)	10,547	10,597	45,970
Ordinary income (Millions of yen)	594	732	2,783
Profit attributable to owners of the parent (Millions of yen)	250	428	212
Comprehensive income (Millions of yen)	△178	727	△117
Net assets (Millions of yen)	52,229	48,766	49,018
Total assets (Millions of yen)	72,762	69,083	71,709
Net income per share (Yen)	6.91	12.89	6.14
Fully diluted net income per share (Yen)	6.89	12.87	6.12
Equity ratio (%)	68.0	66.5	64.3

- 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.

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 has been greatly affected by stagnant economic activities due to the influence of the world wide scale spreading of the new corona virus infection. Moreover, uncertainty about the future is strong amid the situation where it is unable to predict the timing for the spread of the new corona virus infection to be contained, and it is concerned that the effect on corporate performance is prolonged.

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 10,597 million yen (representing a 0.5% increase as compared with the year-earlier quarter), an operating income of 748 million yen (representing a 48.9% increase as compared with the year-earlier quarter), an ordinary income of 732 million yen (representing a 23.2% increase as compared with the year-earlier quarter) and a profit attributable to owners of the parent of 428 million yen (representing a 71.2% increase as compared with the year-earlier quarter).

Business results with respect to each segment are as follows.

a. Electronic materials segment

In the electronic materials segment, net sales were 6,890 million yen, representing a 5.2% increase as compared with the year-earlier quarter, due to an increase in sales of materials for flexible printed circuit boards, etc. (the amount of orders received increased by 0.7%, and the production output increased by 8.2%, 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 768 million yen (a 71.5% increase as compared with the year-earlier quarter) due to an increase in net sales and a profit improvement of rigid printed circuit boards materials.

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 2,231 million yen, representing an 2.6% increase as compared with the year-earlier quarter, due to an increase in sales of materials for aircraft and in-car electronic materials, etc., while the segment income or loss recorded a segment income of 229 million yen (a 19.1% decrease as compared with the year-earlier quarter) due to an increase in development cost, etc. for in-car electronic materials.

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 625 million yen, representing a 18.5% decrease as compared with the year-earlier quarter, due to a decrease in sales of insulating materials for heavy electrical machinery, while the segment income or loss recorded a segment income of 47 million yen (a 34.9% decrease as compared with the year-earlier quarter) due to a decrease in net sales.

d. Display materials segment

In the display materials segment, net sales (consisting mainly of the sales of 3D imaging-related materials) were 575 million yen, representing a 32.3% decrease as compared with the year-earlier quarter, due to a decrease in sales of polarization control optical components of ColorLink Japan, Ltd., while the segment income or loss recorded a segment income of 2 million yen (a 94.6% decrease as compared with the year-

earlier quarter) due to a decrease in net sales.

e. Other (other businesses)

In other businesses, net sales were 275 million yen, representing a 34.5% increase as compared with the year-earlier quarter, while the segment income or loss recorded a segment income of 55 million yen (a 0.9% 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 69,083 million yen, a decrease of 2,625 million yen compared with the end of the previous year. This was due largely to an increase of 845 million yen in merchandise and finished goods and an increase of 677 million yen in investment securities, a decrease of 3,511 million yen in cash and deposits and a decrease of 986 million yen in notes and accounts receivable.

Total liabilities as of the end of the current consolidated cumulative first quarter were 20,317 million yen, a decrease of 2,373 million yen compared with the end of the previous year. This was due largely to an increase of 269 million yen in provision for bonuses and a decrease of 3,073 million yen in income taxes payable.

Total net assets as of the end of the current consolidated cumulative first quarter were 48,766 million yen, a decrease of 252 million yen compared with the end of the previous year. This was due largely to an increase of 569 million yen in valuation difference on available-for-sale securities, a decrease of 568 million yen in retained earnings and a decrease of 192 million yen in foreign currency translation adjustment.

(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) Accounting Estimates and Assumptions Used in Making Such Estimates

There was no material change in a statement of the accounting estimates and assumptions used in making such estimates in "Analyses of Consolidated Financial Position, Business Results and Cash Flows by the Corporate Managers" stated in the Financial Report for the previous business year.

(4) Business and Financial Tasks to be Preferentially Addressed

There was no material change in business and financial tasks to be preferentially addressed by our Group in the current consolidated cumulative first quarter.

(5) Research and Development Activities

The Group's total expenses for research and development activities incurred in the current consolidated cumulative first quarter amounted to 490 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, 2020)	Number of shares issued and outstanding as of the filing date of this Quarterly Report (As of August 12, 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	36,389,024	36,389,124	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	36,389,024	36,389,124	---	---

Note: The number of shares issued through the exercise of stock acquisition rights in the period from August 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 April 1, 2020 to June 30, 2020 (See Note 1)	7,500	36,389,024	3,079	7,597,105	3,079	6,709,097

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

2. In the period from July 1, 2020 to July 31, 2020, the number of shares issued and outstanding increased by 100 shares, and the amount of capital stock and that of legal capital surplus increased by 31 thousand yen, 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, 2020).

1) Shares issued and outstanding

As of June 30, 2020

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 3,135,800	---	---
Shares with full voting rights (Other) (See Note 1)	Common stock 33,170,200	331,702	---
Shares constituting less than one full unit (See Note 2)	Common stock 75,524	---	---
Number of shares issued and outstanding	36,381,524	---	---
Total number of voting rights held by shareholders	---	331,702	---

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

2) Treasury Stock, etc.

As of June 30, 2020

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	3,135,800	---	3,135,800	8.61
Total	---	3,135,800	---	3,135,800	8.61

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, 2020 to June 30, 2020) and the current consolidated cumulative first quarter (From April 1, 2020 to June 30, 2020) 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, 2020)	Current consolidated first quarter (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	14,714,069	11,202,507
Notes and accounts receivable-trade	17,697,085	16,710,480
Securities	1,558,445	1,982,068
Merchandise and finished goods	3,083,432	3,928,932
Work in process	2,017,729	2,172,348
Raw materials and supplies	3,177,428	3,130,386
Other	1,059,764	647,544
Allowance for doubtful accounts	△585,049	△133,476
Total current assets	42,722,906	39,640,791
Non-current assets		
Property, plant and equipment	12,925,137	13,192,400
Intangible assets	225,017	213,967
Investments and other assets		
Investment securities	14,207,192	14,884,885
Other	1,766,893	1,306,017
Allowance for doubtful accounts	△137,662	△154,194
Total investments and other assets	15,836,423	16,036,708
Total non-current assets	28,986,578	29,443,075
Total assets	71,709,484	69,083,867

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated first quarter (As of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,916,079	6,916,793
Current portion of bonds	36,800	36,800
Short-term loans payable	4,866,202	5,016,050
Current portion of long-term loans payable	187,669	185,524
Income taxes payable	3,428,200	355,081
Provision for bonuses	570,517	839,920
Provision for directors' bonuses	4,793	1,125
Other	2,415,558	2,501,658
Total current liabilities	18,425,820	15,852,953
Non-current liabilities		
Bonds payable	91,200	72,800
Long-term loans payable	2,567,816	2,793,666
Net defined benefit liability	738,606	730,409
Asset retirement obligations	92,310	92,170
Other	775,563	775,750
Total non-current liabilities	4,265,495	4,464,796
Total liabilities	22,691,316	20,317,749
Net assets		
Shareholders' equity		
Capital stock	7,594,026	7,597,105
Capital surplus	6,706,017	6,709,097
Retained earnings	34,256,590	33,687,857
Treasury stock	△3,204,797	△3,204,847
Total shareholders' equity	45,351,837	44,789,212
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	448,970	1,018,839
Deferred gains or losses on hedges	△1,311	106
Foreign currency translation adjustment	478,798	286,336
Remeasurements of defined benefit plans	△141,260	△123,024
Total accumulated other comprehensive income	785,197	1,182,257
Subscription rights to shares	166,148	177,976
Non-controlling interests	2,714,984	2,616,670
Total net assets	49,018,167	48,766,117
Total liabilities and net assets	71,709,484	69,083,867

(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, 2019 to June 30, 2019)	Current consolidated cumulative first quarter (From April 1, 2020 to June 30, 2020)
Net sales	10,547,117	10,597,738
Cost of sales	8,797,552	8,661,599
Gross profit	1,749,564	1,936,138
Selling, general and administrative expenses	1,246,618	1,187,234
Operating income	502,945	748,904
Non-operating income		
Interest income	76,809	75,622
Dividends income	52,165	44,182
Other	74,288	43,416
Total non-operating income	203,263	163,222
Non-operating expenses		
Interest expenses	23,018	29,157
Loss on redemption of investment securities	412	38,697
Foreign exchange losses	3,025	58,851
Other	84,992	52,740
Total non-operating expenses	111,449	179,447
Ordinary income	594,760	732,678
Extraordinary income		
Gain on reversal of share acquisition rights	615	1,399
Total extraordinary income	615	1,399
Extraordinary losses		
Loss on retirement of non-current assets	2,098	4,138
Total extraordinary losses	2,098	4,138
Income before income taxes	593,277	729,939
Income taxes	286,910	251,184
Profit	306,366	478,755
Profit attributable to non-controlling interests	55,992	50,118
Profit attributable to owners of the parent	250,373	428,636

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated cumulative first quarter]

(Thousands of yen)

	Previous consolidated cumulative first quarter (From April 1, 2019 to June 30, 2019)	Current consolidated cumulative first quarter (From April 1, 2020 to June 30, 2020)
Profit	306,366	478,755
Other comprehensive income		
Valuation difference on available-for-sale securities	△217,012	569,862
Deferred gains or losses on hedges	4,404	1,417
Foreign currency translation adjustment	△292,254	△338,533
Remeasurements of defined benefit plans	8,563	18,235
Share of other comprehensive income of entities accounted for using equity method	11,584	△2,353
Total other comprehensive income	△484,714	248,628
Comprehensive income	△178,348	727,383
(Breakdown)		
Comprehensive income attributable to owners of the parent	△100,324	825,697
Comprehensive income attributable to non-controlling interests	△78,023	△98,313

[Notes]

(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.

(Additional information)

< Accounting estimates >

There was no material change in assumptions and accounting estimates including the timing of the containment of the new corona virus infection, etc. stated in the Financial Report for the previous business year.

(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.

	Previous consolidated cumulative first quarter (From April 1, 2019 to June 30, 2019)	Current consolidated cumulative first quarter (From April 1, 2020 to June 30, 2020)
Depreciation	469,317	486,462
Amortization of goodwill	14,620	—

(Notes Related to Shareholders' Equity, etc.)

I Previous 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

II Current consolidated cumulative first quarter (From April 1, 2020 to June 30, 2020)

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 25, 2020	Common stock	997,370	30.00	March 31, 2020	June 26, 2020	Retained earnings

(Segment Information, etc.)

[Segment Information]

I Previous 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.

II Current consolidated cumulative first quarter (From April 1, 2020 to June 30, 2020)

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	6,890,091	2,231,013	625,577	575,207	10,321,889	275,849	10,597,738
Inter-segment sales or transfers	—	—	—	—	—	203,767	203,767
Total	6,890,091	2,231,013	625,577	575,207	10,321,889	479,616	10,801,506
Segment income	768,601	229,779	47,326	2,626	1,048,334	55,823	1,104,158

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	1,048,334
Income in the category "Other"	55,823
Elimination of inter-segment transactions	2,230
Unallocated corporate expenses (See Note)	△334,670
Adjustment of inventories	△22,814
Operating income shown on the quarterly consolidated statements of income	748,904

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

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

No applicable matter.

(Per Share Information)

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

	Previous consolidated cumulative first quarter (From April 1, 2019 to June 30, 2019)	Current consolidated cumulative first quarter (From April 1, 2020 to June 30, 2020)
(1) Net income per share	6.91 yen	12.89yen
(Basis of calculation)		
Profit attributable to owners of the parent (Thousands of yen)	250,373	428,636
Amount not attributable to common stockholders (Thousands of yen)	—	—
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	250,373	428,636
Average number of shares of common stock during the period	36,225,276	33,247,643
(2) Fully diluted net income per share	6.89yen	12.87yen
(Basis of calculation)		
Adjustment of profit attributable to owners of the parent (Thousands of yen)	---	---
Increase in the number of shares of common stock	114,527	51,190
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 12, 2020

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

Ernst & Young ShinNihon LLC
Niigata office

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

Conclusion of Auditors

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, 2020 to June 30, 2020) and the consolidated cumulative first quarter (From April 1, 2020 to June 30, 2020) of the consolidated fiscal year from April 1, 2020 to March 31, 2021, consisting of the quarterly consolidated balance sheets, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income and notes.

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, 2020 and the results of their operations in the consolidated cumulative first quarter ended June 30, 2020 in accordance with the standards for preparation of quarterly consolidated financial statements generally accepted in Japan.

Basis for the Conclusion of Auditors

We conducted our quarterly review in accordance with the quarterly review standards generally accepted in Japan. Our responsibility in the quarterly review standards is stated in "The Responsibility of Auditors in the Quarterly Review Report of the Quarterly Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the code of professional ethics in Japan. We believe that the evidence we have obtained provides a basis for our conclusion.

Responsibility of Management and Corporate Auditors and Board of Corporate Auditors 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.

In preparing the quarterly consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the quarterly consolidated financial statements based on the going concern assumption and disclosing the items regarding the going concern assumption in accordance with the standards for preparation of quarterly consolidated financial statements generally accepted in Japan if such items are required to be disclosed.

Responsibility of Corporate Auditors and Board of Corporate Auditors is to monitor the execution of Directors' duties in the improvement and operation of the financial reporting process.

The Responsibility of Auditors in the Quarterly Review Report of the Quarterly Consolidated Financial Statements.

Responsibility of auditors is to express a conclusion on the quarterly consolidated financial statements from an independent standpoint in the quarterly review report based on our quarterly review.

Auditors make professional judgements and conduct the followings with an attitude of professional skepticism through a quarterly review process in accordance with the quarterly review standards generally accepted in Japan.

- We principally make inquiries to the management, 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.
- If we deem that there is a material uncertainty regarding events or conditions that may cast significant doubt matters on the going concern assumption, we conclude whether the quarterly consolidated financial statements are found to contain any matters that would lead one to believe that those are not fairly presented in accordance with the standards for preparation of quarterly consolidated financial statements generally accepted in Japan based on the evidence we obtain. Moreover, if a material uncertainty regarding the going concern assumption exists, it is required to promote awareness to the notes in the quarterly consolidated financial statements in the quarterly review report, or if the notes regarding a material uncertainty in the quarterly consolidated financial statements are inappropriate, it is required to express a qualified conclusion or a negative conclusion to the quarterly consolidated financial statements. Conclusion by the auditors is based on the audit evidence obtained by the day of the quarterly review report, but a company may not be able to exist as the going concern depending on future events or conditions.
- We evaluate not only whether the presentation and notes of the quarterly consolidated financial statements are found to contain any matters that would lead one to believe that those are not in accordance with the standards for preparation of quarterly consolidated financial statements generally accepted in Japan but also whether the presentation, structure, and contents of the quarterly consolidated financial statements including related notes as well as the quarterly consolidated financial statements are found to contain any matters that would lead one to believe that those do not fairly present underlying transactions and accounting events.
- We obtain evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion about the quarterly consolidated financial statements. The auditors are responsible for instruction, supervision, and execution of quarterly review regarding the quarterly consolidated financial statements. The auditors assume responsibility for an audit opinion all by themselves.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on the scope of a planned quarterly review and its timing of conduct, and material quarterly review findings.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on that they complied with the code of professional ethics on independence in Japan, matters that are reasonably believed to have an impact on the auditors' independence, and the details of safeguards if those are implemented to remove or mitigate inhibitors.

Interest

There exists no special interest between the Company as well as its consolidated subsidiaries 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.