



Closing Announcement of Second Quarter of the Fiscal Year Ending March 31, 2021 [Japanese Standards] (Consolidated)

October 29, 2020

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 13, 2020
 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, 2021 (From April 1, 2020 to September 30, 2020)

(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, 2021	22,203	△1.8	1,375	4.1	1,347	△6.4	853	---
Second Quarter of the Fiscal Year Ended March 31, 2020	22,599	△0.5	1,321	△23.7	1,440	△44.4	△894	---

(Note) Comprehensive income: Second Quarter of the Fiscal Year Ending March 31, 2021: 1,291 million yen (--- %) Second Quarter of the Fiscal Year Ended March 31, 2020: △1,196 million yen (--- %)

	Net profit per share		Fully diluted net profit per share	
	(Yen, Sen)		(Yen, Sen)	
Second Quarter of the Fiscal Year Ending March 31, 2021		25.67		25.63
Second Quarter of the Fiscal Year Ended March 31, 2020		△24.81		---

(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, 2021	69,153		49,174		67.2		1,396.37	
Fiscal Year Ended March 31, 2020	71,709		49,018		64.3		1,387.76	

(Reference) Net worth: Second Quarter of the Fiscal Year Ending March 31, 2021: 46,452 million yen Fiscal Year Ended March 31, 2020: 46,137 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, 2020	(Yen, Sen)	(Yen, Sen)	(Yen, Sen)	(Yen, Sen)	(Yen, Sen)
Fiscal Year Ending March 31, 2021	---	0.00	---	30.00	30.00
Fiscal Year Ending March 31, 2021 (Forecast)			---	34.00	34.00

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

Please refer to the "Notice of Adjustment of Forecast of Business Results for a Full-year and Adjustment of Dividend Forecast" which was disclosed as of this day (October 29, 2020).

3. Forecast of Consolidated Business Results for Fiscal Year Ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

(% 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 (Yen, Sen)
	(million yen)	%	(million yen)	%	(million yen)	%	(million yen)	%	
Full Year	45,300	△1.5	2,400	△13.1	2,600	△6.6	1,500	604.9	45.09

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

Please refer to the "Notice of Adjustment of Forecast of Business Results for a Full-year and Adjustment of Dividend Forecast" which was disclosed as of this day (October 29, 2020).

* 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.: None
- 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, 2021:	36,402,424 shares	Fiscal Year Ended March 31, 2020:	36,381,524 shares
2) Number of treasury stocks at the end of year:	2Q of Fiscal Year Ending March 31, 2021:	3,136,029 shares	Fiscal Year Ended March 31, 2020:	3,135,830 shares
3) Average number of shares during the year (cumulative quarter)	2Q of Fiscal Year Ending March 31, 2021:	33,251,980 shares	2Q of Fiscal Year Ended March 31, 2020:	36,032,251 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.

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1. Qualitative Information concerning Current Quarterly Closing Announcement

(1) Explanation about Business Results

The Japanese economy in the current consolidated cumulative second quarter suffered from very severe conditions due to economic stagnation as a result of the novel coronavirus (COVID-19). In addition, the outlook remains uncertain due to concerns that the impact on the economy will be prolonged and the uncertainty surrounding the prospects of containing the novel coronavirus COVID-19 pandemic.

Under such circumstances, as for the impact from the spread of the COVID-19 pandemic on the Company Group (the Company, consolidated subsidiaries and companies to which the equity method is applied), the impact was negligible on the electronic materials segment, but the industrial application structural materials, electric insulation materials and display materials segments were significantly impacted. As a result, for the current consolidated cumulative second quarter, sales were ¥22,203 million (a decrease of 1.8% as compared with the same period in the previous year). For profit and loss, operating profit was ¥1,375 million (an increase of 4.1% as compared with the same period in the previous year), ordinary profit was ¥1,347 million (a decrease of 6.4% as compared with the same period in the previous year) and quarterly net profit attributable to owners of the parent was ¥853 million (net loss of ¥894 million in the same period in the previous year).

Business results of each segment were as follows.

(Electronic materials)

Due to an increase in sales of flexible printed circuit board materials and rigid printed circuit board materials, sales were ¥14,915 million, an increase of ¥462 million as compared with the same period in the previous year (3.2% as compared with the same period in the previous year). Segment profit was ¥1,337 million, an increase of ¥227 million as compared with the same period in the previous year (20.4% as compared with the same period in the previous year) due to the improvement in the profitability of rigid printed circuit board materials by Satosen Co., Ltd., etc.

(Industrial application structural materials)

Although sales of aircraft materials and pressure vessels for water treatment decreased, due to sales of new automotive products, sales were ¥4,343 million, a slight increase of ¥8 million as compared with the same period in the previous year (0.2% as compared with the same period in the previous year). Segment profit was ¥476 million, a decrease of ¥145 million as compared with the same period in the previous year (▲23.4% as compared with the same period in the previous year) due to a decrease in sales of aircraft materials and pressure vessels for water treatment.

(Electric insulation materials)

Due to a decrease in sales of electric insulation materials for heavy electric machinery, sales were ¥1,156 million, a decrease of ¥396 million as compared with the same period in the previous year (▲25.5% as compared with the same period in the previous year). In connection with a decrease in sales, segment profit was ¥67 million, a decrease of ¥105 million as compared with the same period in the previous year (▲60.9% as compared with the same period in the previous year).

(Display materials)

Due to a decrease in sales of display materials as a whole, sales were ¥1,333 million, a decrease of ¥534 million as compared with the same period in the previous year (▲28.6% as compared with the same period in the previous year). In connection with a decrease in sales, segment profit was ¥51 million, a decrease of ¥98 million as compared with the same period in the previous year (▲65.8% as compared

with the same period in the previous year).

(Other)

Sales were ¥454 million, an increase of ¥63 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 ¥69,153 million, a decrease of ¥2,555 million as compared with the end of the previous consolidated fiscal year. This was mainly due to a decrease in cash and deposits of ¥3,674 million. Liabilities were ¥19,978 million, a decrease of ¥2,712 million as compared with the end of the previous consolidated fiscal year. This was mainly due to a decrease in corporate income tax, etc., payable of ¥2,958 million. Net assets were ¥49,174 million, an increase of ¥156 million as compared with the end of the previous consolidated fiscal year. This was mainly due to an increase in valuation difference on other securities of ¥533 million.

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

As for the forecast of business results for the full-year of the fiscal year ending March 31, 2021, we disclosed the business results within a certain range as of April 30, 2020, in consideration of the impact from the COVID-19 pandemic.

At present, uncertainty regarding the containment of the COVID-19 pandemic will continue for the foreseeable future, but based on the business results in the current second quarter cumulative period, we expect operating profit, ordinary profit and net profit attributable to owners of the parent will exceed the those of the previously announced forecast due to the improvement in the profitability of subsidiaries and the affiliated companies to which the equity method is applied.

Adjustment of forecast of consolidated business results for the full-year of the fiscal year ending March 31, 2021

(From April 1, 2020 to March 31, 2021)

	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)	42,300 to 46,100	1,450 to 2,100	1,650 to 2,300	900 to 1,350	27.07 to 40.61
This forecast adjustment (B)	45,300	2,400	2,600	1,500	45.09
Increase or decrease (B-A)	3,000 to ▲800	950 to 300	950 to 300	600 to 150	
Increase or decrease ratio (%)	7.1 to ▲1.7	65.5 to 14.3	57.6 to 13.0	66.7 to 11.1	
(Reference) Results of the previous year (Fiscal Year Ended March 31, 2020)	45,970	2,762	2,783	212	6.14

(Note) The above forecast of business results are based on information currently obtained by the Company and certain assumptions determined to be reasonable, although actual results may vary significantly depending on various factors in the future.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (As of March 31, 2020)	Current Consolidated Second Quarter (As of September 30, 2020)
Assets		
Current Assets		
Cash and deposits	14,714,069	11,040,030
Notes and accounts receivable	17,697,085	17,010,310
Securities	1,558,445	2,194,722
Merchandise and finished goods	3,083,432	3,675,784
Work-in-progress	2,017,729	2,130,366
Raw materials and stores	3,177,428	3,469,053
Other	1,059,764	643,222
Allowance for doubtful accounts	△585,049	△134,435
Total Current Assets	42,722,906	40,029,054
Fixed Assets		
Tangible fixed assets	12,925,137	13,387,794
Intangible fixed assets	225,017	234,969
Investments and other assets		
Investment securities	14,207,192	14,378,051
Other	1,766,893	1,276,271
Allowance for doubtful accounts	△137,662	△152,503
Total investments and other assets	15,836,423	15,501,820
Total Fixed Assets	28,986,578	29,124,583
Total Assets	71,709,484	69,153,638

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (As of March 31, 2020)	Current Consolidated Second Quarter (As of September 30, 2020)
Liabilities		
Current Liabilities		
Notes and accounts payable	6,916,079	6,843,080
Bonds to be redeemed within a year	36,800	36,800
Short-term borrowings	4,866,202	4,741,818
Current portion of long-term borrowings	187,669	183,379
Corporate income tax, etc., payable	3,428,200	469,347
Reserve for bonuses	570,517	527,494
Reserve for officers' bonuses	4,793	2,250
Other	2,415,558	2,778,264
Total Current Liabilities	18,425,820	15,582,434
Fixed Liabilities		
Bonds payable	91,200	72,800
Long-term borrowings	2,567,816	2,775,074
Net defined benefit liabilities	738,606	720,721
Asset retirement obligations	92,310	91,941
Other	775,563	735,889
Total Fixed Liabilities	4,265,495	4,396,427
Total Liabilities	22,691,316	19,978,861
Net Assets		
Shareholders' equity		
Capital	7,594,026	7,601,353
Capital surplus	6,706,017	6,713,344
Earned surplus	34,256,590	34,112,885
Treasury stock	△3,204,797	△3,204,971
Total shareholders' equity	45,351,837	45,222,612
Accumulated other comprehensive income		
Valuation difference on other securities	448,970	982,729
Deferred hedge profit or loss	△1,311	1,976
Foreign currency translation adjustments	478,798	349,613
Accumulated adjustment for retirement benefits	△141,260	△104,788
Total accumulated other comprehensive income	785,197	1,229,530
Stock acquisition rights	166,148	166,881
Non-controlling interest	2,714,984	2,555,752
Total Net Assets	49,018,167	49,174,776
Total Liabilities and Net Assets	71,709,484	69,153,638

(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, 2019 to September 30, 2019)	Current Consolidated Cumulative Second Quarter (From April 1, 2020 to September 30, 2020)
Sales	22,599,910	22,203,695
Cost of Goods Sold	18,771,640	18,486,327
Gross Profit on Sales	3,828,270	3,717,368
Selling, General and Administrative Expenses	2,506,776	2,342,126
Operating Profit	1,321,493	1,375,241
Non-operating Income		
Interest income	155,386	148,698
Dividend income	56,811	50,910
Other	154,975	145,204
Total Non-operating Income	367,172	344,812
Non-operating Expenses		
Interest expenses	47,116	54,147
Foreign currency exchange loss	43,443	166,895
Other	157,603	151,313
Total Non-operating Expenses	248,163	372,355
Ordinary Profit	1,440,502	1,347,698
Extraordinary Profits		
Profit on reversal of stock acquisition rights	14,229	26,431
Total Extraordinary Profits	14,229	26,431
Extraordinary Losses		
Loss on retirement of fixed assets	5,146	6,793
Valuation loss on investment securities	9,287	---
Other	2,894	---
Total Extraordinary Losses	17,328	6,793
Net profit before taxes, etc.	1,437,402	1,367,336
Corporate income tax, etc.	2,202,543	411,729
Net profit or net loss (Δ)	Δ 765,140	955,607
Net profit attributable to non-controlling interests	128,973	101,942
Net profit attributable to owners of the parent or net loss attributable to owners of the parent (Δ)	Δ 894,114	853,665

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

(Unit: thousand yen)

	Previous Consolidated Cumulative Second Quarter (From April 1, 2019 to September 30, 2019)	Current Consolidated Cumulative Second Quarter (From April 1, 2020 to September 30, 2020)
Net profit or net loss (Δ)	Δ 765,140	955,607
Other comprehensive income		
Valuation difference on other securities	Δ 91,621	533,739
Deferred hedge profit or loss	1,277	3,287
Foreign currency translation adjustments	Δ 258,975	Δ 237,964
Adjustment for retirement benefits	17,126	36,471
Share of other comprehensive income of companies to which equity method is applied	Δ 98,834	568
Total other comprehensive income	<u>Δ431,026</u>	<u>336,103</u>
Comprehensive income	<u>Δ1,196,167</u>	<u>1,291,711</u>
(Breakdown)		
Comprehensive income attributable to owners of the parent	Δ 1,229,181	1,297,997
Comprehensive income attributable to non- controlling interests	33,014	Δ 6,286

(3) Quarterly Consolidated Cash Flow Statement

(Unit: thousand yen)

	Previous Consolidated Cumulative Second Quarter (From April 1, 2019 to September 30, 2019)	Current Consolidated Cumulative Second Quarter (From April 1, 2020 to September 30, 2020)
Cash flow from operating activities		
Net profit before taxes, etc.	1,437,402	1,367,336
Depreciation expense	961,595	1,001,911
Amortization of goodwill	29,241	---
Stock compensation expenses	26,820	32,393
Profit on reversal of stock acquisition rights	△14,229	△26,431
Increase/decrease in allowance for doubtful accounts (△: decrease)	△24,410	13,859
Increase/decrease in reserve for bonuses (△: decrease)	128,076	△43,022
Increase/decrease in provision for product warranties (△: decrease)	39	△1
Increase/decrease in reserve for officers' bonuses (△: decrease)	△1,041	△2,543
Increase/decrease in net defined benefit liabilities (△: decrease)	37,707	34,592
Profit/loss on redemption of investment securities (△: profit)	40,413	24,209
Interest and dividend income	△212,197	△199,608
Interest expenses	47,116	54,147
Foreign currency exchange profit/loss (△: profit)	26,894	86,004
Investment profit/loss by equity method (△: profit)	16,672	39,991
Profit/loss on sale of securities and investment securities (△: profit)	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)	△63	---
Loss on retirement of tangible fixed assets	1,359	712
Increase/decrease in accounts receivable (△: increase)	△368,380	696,277
Increase/decrease in inventories (△: increase)	254,274	△991,765
Increase/decrease in trades payable (△: decrease)	83,394	△77,199
Increase/decrease in consumption tax, etc., payable (△: decrease)	78,096	△222,039
Increase/decrease in other assets (△: increase)	△287,353	△193,353
Increase/decrease in other liabilities (△: decrease)	△124,340	32,259
Subtotal	2,150,019	1,627,729
Interest and dividends received	309,747	215,039
Interest paid	△45,422	△90,224
Corporate income tax, etc., paid	△195,569	△3,233,587
Cash flow from operating activities	2,218,775	△1,481,043

(Unit: thousand yen)

	Previous Consolidated Cumulative Second Quarter (From April 1, 2019 to September 30, 2019)	Current Consolidated Cumulative Second Quarter (From April 1, 2020 to September 30, 2020)
Cash flow from investing activities		
Expenditure for placement in term deposits	△106,000	△478,489
Revenue from refund of term deposits	---	200,000
Expenditure for acquisition of securities	---	△900,000
Revenue from sale of securities	---	900,000
Expenditure for acquisition of tangible fixed assets	△1,294,806	△788,318
Expenditure for acquisition of intangible fixed assets	△50,250	△36,720
Expenditure for acquisition of investment securities	△194,899	△497,421
Revenue from sale of investment securities	380,724	458,033
Expenditure for lending	---	△19,000
Revenue from collection of loans	8,510	4,510
Increase/decrease in investments and other assets (△: increase)	8,109	2,571
Cash flow from investing activities	△1,248,612	△1,154,833
Cash flow from financing activities		
Net increase/decrease in short-term borrowings (△: decrease)	3,495,808	△141,144
Revenue from long-term borrowings	994,000	593,706
Expenditure for repayment of long-term borrowings	△1,147,154	△384,452
Expenditure for repayment of lease liabilities	△10,063	△32,815
Expenditure for redemption of bonds	△18,400	△18,400
Expenditure for repayment of long-term accrued amount	△57,586	△52,988
Proceeds from stocks issued	48,306	12,360
Expenditure for acquisition of treasury stock	△2,285,268	△173
Dividends paid	△1,083,648	△992,745
Dividends paid to non-controlling interests	△166,575	△155,966
Cash flow from financing activities	△230,582	△1,172,618
Translation differences in cash and cash equivalents	△80,727	△66,199
Increase/decrease in cash and cash equivalents (△: decrease)	658,853	△3,874,695
Cash and cash equivalents at beginning of year	7,718,682	14,725,985
Cash and cash equivalents at end of quarter	8,377,536	10,851,289

(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.

(Additional Information)

(Accounting Estimate)

There was no material change in the assumptions, including the timing of the convergence of the novel coronavirus infections, etc., and accounting estimates, which were stated in the Financial Report for the previous fiscal year.

(Segment Information, etc.)

[Segment Information]

I Previous 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 1)	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.

II Current consolidated cumulative second quarter (From April 1, 2020 to September 30, 2020)

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	14,915,327	4,343,397	1,156,852	1,333,137	21,748,714	454,981	22,203,695
Intersegment sales or transfers	---	---	---	---	---	417,951	417,951
Total	14,915,327	4,343,397	1,156,852	1,333,137	21,748,714	872,932	22,621,646
Segment profit	1,337,718	476,594	67,945	51,407	1,933,666	134,753	2,068,419

(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	1,933,666
Profit in category "Other"	134,753
Elimination of intersegment transactions	49
Expenses of entire company (Note)	△666,686
Adjustment of inventories	△26,540
Operating profit in quarterly consolidated profit and loss statement	1,375,241

(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.

(Important Events after Closing the Accounts)

No applicable matter.