

QUARTERLY REPORT

(The Second Quarter of the 73rd Term)
From July 1, 2020 to September 30, 2020

(TRANSLATION)

ARISAWA MFG. CO., LTD.

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Company name (English):	Arisawa Mfg. Co., Ltd.
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Places where copies of this Quarterly Report are made available for public inspection:	Arisawa Mfg. Co., Ltd., Tokyo Branch Office (12-5, Yanagibashi 2-chome, Taito-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

PART I. INFORMATION ON THE BUSINESS

I. General Conditions of Business

1. Changes in Principal Management Indicators, etc.

Term	72 nd term consolidated cumulative second quarter	73 rd term consolidated cumulative second quarter	72 nd term
Accounting period	From April 1, 2019 to September 30, 2019	From April 1, 2020 to September 30, 2020	From April 1, 2019 to March 31, 2020
Net sales (Millions of yen)	22,599	22,203	45,970
Ordinary income (Millions of yen)	1,440	1,347	2,783
Profit (or loss (Δ)) attributable to owners of the parent (Millions of yen)	△894	853	212
Comprehensive income (Millions of yen)	△1,196	1,291	△117
Net assets (Millions of yen)	49,109	49,174	49,018
Total assets (Millions of yen)	74,184	69,153	71,709
Net income (or loss (Δ)) per share (Yen)	△24.81	25.67	6.14
Fully diluted net income per share (Yen)	—	25.63	6.12
Equity ratio (%)	62.6	67.2	64.3
Cash flows from operating activities (Millions of yen)	2,218	△1,481	4,837
Cash flows from investing activities (Millions of yen)	△1,248	△1,154	6,580
Cash flows from financing activities (Millions of yen)	△230	△1,172	△4,431
Cash and cash equivalents at the end of period (Millions of yen)	8,377	10,851	14,725

Term	72 nd term consolidated second quarter	73 rd term consolidated second quarter
Accounting period	From July 1, 2019 to September 30, 2019	From July 1, 2020 to September 30, 2020
Net income (or loss (Δ)) per share (Yen)	△31.93	12.78

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 second 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 second 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 second 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 second quarter.

(1) Financial Position and Operating Results

1) Operating Results

The Japanese economy in the current consolidated cumulative second quarter fell into an extremely difficult situation due to the stagnant economic activities caused by the spread of the new corona virus infection (COVID-19). It also remained uncertain because the containment of the new corona virus infection (COVID-19) could not be predicted and it was concerned that the effect on the economy was prolonged.

Under such circumstances, the effect on the corporate performance of our Group (the Company, its consolidated subsidiaries and the companies accounted for under the equity method) from the spread of the new corona virus infection (COVID-19) was slight in the electronic materials segment but profound in the industrial application structural materials segment, the electrical insulating materials segment, and the display materials segment. Consequently the results of operations for the current consolidated cumulative second quarter showed net sales of 22,203 million yen (a 1.8% decrease as compared with the year-earlier quarter), an operating income of 1,375 million yen (a 4.1% increase as compared with the year-earlier quarter), an ordinary income of 1,347 million yen (a 6.4% decrease as compared with the year-earlier quarter) and a profit attributable to owners of the parent of 853 million yen (loss attributable to owners of the parent of 894 million yen in 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 14,915 million yen (a 3.2% increase as compared with the year-earlier quarter) due to an increase in sales of materials for flexible printed circuit boards (the amount of orders received decreased by 1.3% and the production output increased by 9.8% as compared with the year-earlier quarter on a non-consolidated basis of the Submitting Company) and materials for rigid printed circuit boards, while the segment income or loss recorded an income of 1,337 million yen (a 20.4% increase as compared with the year-earlier quarter) due to a profit improvement of Satosen Co., Ltd., etc.

b. Industrial application structural materials segment

In the industrial application structural materials segment, net sales were 4,343 million yen (a 0.2% increase as compared with the year-earlier quarter) due to a decrease in sales of materials for aircraft and water treatment pressure vessels and to the launch of new in-car products, while the segment income or loss recorded an income of 476 million yen (a 23.4% decrease as compared with the year-earlier quarter) due to a decrease in sales of materials for aircraft and water treatment pressure vessels.

c. Electrical insulating materials segment

In the electrical insulating materials segment, net sales were 1,156 million yen (a 25.5% 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 an income of 67 million yen (a 60.9% 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 were 1,333 million yen (a 28.6% decrease as compared with the year-earlier quarter) due to the overall decrease of sales, while the segment income or loss recorded an income of 51 million yen (a 65.8% 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 454 million yen (a 16.2% increase as compared with the year-earlier

quarter), while the segment income was 134 million yen (a 24.5% 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 second quarter were 69,153 million yen, a decrease of 2,555 million yen compared with the end of the previous year. This was due largely to a decrease of 3,674 million yen in cash and deposits

Total liabilities as of the end of the current consolidated cumulative second quarter were 19,978 million yen, a decrease of 2,712 million yen compared with the end of the previous year. This was due largely to a decrease of 2,958 million yen in income taxes payable.

Total net assets as of the end of the current consolidated cumulative second quarter were 49,174 million yen, an increase of 156 million yen compared with the end of the previous year. This was due largely to an increase of 533 million yen in Valuation difference on available-for-sale securities.

(2) Status of Cash Flows

Cash and cash equivalents (hereinafter referred to as the “Funds”) as of the end of the current consolidated second quarter amounted to 10,851 million yen, increasing 2,473 million yen, or 29.5%, as compared with the end of the previous consolidated second quarter.

The following is the status of each cash flow category during the current consolidated cumulative second quarter and the key factors of such status.

(Cash flows from operating activities)

Funds disbursed from operating activities were 1,481 million yen (a 2,218 million yen earned for the previous consolidated fiscal year). This was due largely to an increase in the Funds comprising the postings of 1,367 million yen in income before income taxes, 1,001 million yen in depreciation as well as a decrease in the Funds comprising 3,233 million yen in income taxes paid, etc. and 991 million yen in increase in inventories.

(Cash flows from investing activities)

Funds disbursed from investing activities were 1,154 million yen (a 7.5% decrease as compared with the year-earlier quarter). This was due largely to a decrease in the Funds comprising the expenditure of 788 million yen for purchases of property, plant and equipment.

(Cash flows from financing activities)

Funds disbursed for financing activities were 1,172 million yen (a 408.5% increase as compared with the year-earlier quarter). This was due largely to a decrease in the Funds comprising the payment of 992 million yen in cash dividends and the payment of 992 million yen in cash dividends paid to non-controlling interests.

(3) Management Policy, Management Strategy, etc.

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

(4) 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.

Note that the accounting estimates in connection with the spread of the new corona virus infection (COVID-19) in the current consolidated cumulative second quarter is described in “IV. Status of Accounting - 1. Quarterly Consolidated Financial Statements - [Notes] – Additional information”.

(5) 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 second quarter.

(6) Research and Development Activities

The Group’s total expenses for research and development activities incurred in the current consolidated cumulative second quarter amounted to 971 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 second quarter.

3. Agreements with Managerial Implications, etc.

In the current consolidated second 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 second quarter (As of September 30, 2020)	Number of shares issued and outstanding as of the filing date of this Quarterly Report (As of November 13, 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	36,402,424	36,404,924	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	36,402,424	36,404,924	---	---

Note: The number of shares issued through the exercise of stock acquisition rights in the period from November 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

Date of Resolution	June 25, 2020
Category and number of persons to whom stock acquisition rights shall be granted	4 directors of the Company, 147 employees of the Company, and 13 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	3,268
Class, contents and number of shares subject to stock acquisition rights ※	Common stock 326,800
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	890
Exercise period for stock acquisition rights ※	July 1, 2022 through June 30, 2025
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) ※	Issuance price 1,061 Amount credited to equity capital 530.5
Conditions for the exercise of stock acquisition rights ※	Being a director or an employee of the Company or a director or an employee of a subsidiary of the Company at the time of exercising the rights.
Matters concerning the transfer of stock acquisition rights ※	Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
Matters concerning the grant of stock acquisition rights in connection with acts of reorganization ※	In the event that a merger agreement in which the Company becomes a defunct company has been approved, or that a proposal for approval of a stock swap agreement (or for a transfer of shares) in which the Company becomes a wholly owned subsidiary has been approved at a general meeting of shareholders, except where the surviving company or the Company's wholly owning parent company succeeds to the obligation to grant stock acquisition rights, the Company shall be able to acquire the stock acquisition rights without consideration.

The details shown above are as of the date of issuance of Stock Acquisition Right certificates (August 17, 2020).

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 July 1, 2020 to September 30, 2020 (See Note 1)	13,400	36,402,424	4,247	7,601,353	4,247	6,713,344

- Note:
1. The increases are due to the exercise of stock acquisition rights.
 2. In the period from October 1, 2020 to October 31, 2020, the number of shares issued and outstanding increased by 2,500 shares, and the amount of capital stock and that of legal capital surplus increased by 792 thousand yen respectively, all through the exercise of stock acquisition rights.

(5) Status of Major Shareholders

As of September 30, 2020

Full name or corporate name	Address	Number of shares held	Ratio of the number of shares held to the number of shares issued and outstanding (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	4,071,300	12.23
Tachibana Securities Co. Ltd.	13-14 NihonbashiKayabacho 1-chome, Chuo-ku, Tokyo	1,572,500	4.72
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	1,504,900	4.52
Mitsubishi Gas Chemical Company, Inc.	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,472,166	4.42
INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (Standing Proxy: Mizuho Bank Ltd., Settlement & Clearing Services Department)	190 ELGIN AVENUE, GEORGE TOWN, GRAND CAYMAN KY1-9005, CAYMAN ISLANDS (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	1,299,400	3.90
The Hachijuni Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	178-8, Nakagoshō Okada, Nagano-shi, Nagano (11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo)	1,000,930	3.00
Arisawa Kenko Ltd.	11-44, Nishishiro-cho 3-chome, Joetsu-shi, Niigata	834,338	2.50
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing Proxy: Citibank Japan Ltd.)	Palisades West 6300, Bee Cave Road Building One, Austin, TX 78746 US (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	697,582	2.09
Custody Bank of Japan, Ltd. (Trust account5)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	655,400	1.97
The Daishi Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	1071-1, Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi, Niigata (11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo)	628,903	1.89
Total	---	13,737,419	41.29

Note: 1. The ratio of the number of shares held to the total number of shares issued (except for treasury stock) is displayed with the numbers truncating the numbers beyond the third decimal point.

2. In addition to the above, the company owns 3,136,029 shares as treasury stock.

3. The number of shares held by Mitsubishi Gas Chemical Company, Inc. includes 966,306 shares that have been contributed by Mitsubishi Gas Chemical Company, Inc. as the trust property of retirement benefit trust. The pertinent name in the Company's register of shareholders is "The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account and Mitsubishi Gas Chemical Company, Inc. account)."

4. Though it is described in the Amendment Report on Bulk Holding available for public inspection as of September 6, 2018 that Sumitomo Mitsui Trust Bank, Limited and a joint holder thereof hold the shares described below as of August 31, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of September 30, 2020. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Amendment Report on Bulk Holding are as follows:

Bulk Holders : Sumitomo Mitsui Trust Bank, Limited and two joint holders thereof

Address : 4-1, Marunouchi 1 chome, Chiyoda-ku, Tokyo
Number of shareholdings etc. : 1,488,200
Holding ratio of share certificates etc. : 4.12%

5. Though it is described in the Amendment Report on Bulk Holding available for public inspection as of December 20, 2018 that BlackRock Japan Co., Ltd. and a joint holder thereof hold the shares described below as of December 14, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of September 30, 2020. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Report on Bulk Holding are as follows:

Bulk Holders : BlackRock Japan Co., Ltd. and one joint holder thereof
Address : 8-3, Marunouchi 1 chome, Chiyoda-ku, Tokyo
Number of shareholdings etc. : 1,259,700
Holding ratio of share certificates etc. : 3.48%

6. Though it is described in the Amendment Report on Bulk Holding available for public inspection as of December 21, 2018 that Sumitomo Mitsui Asset Management Company, Limited hold the shares described below as of December 14, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of September 30, 2020. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Report on Bulk Holding are as follows:

Bulk Holders : Sumitomo Mitsui Asset Management Company, Limited
Address : 5-1, Atago 2 chome, Minato-ku, Tokyo
Number of shareholdings etc. : 1,090,300
Holding ratio of share certificates etc. : 3.01%

7. Though it is described in the Amendment Report on Bulk Holding available for public inspection as of September 25, 2020 that Strategic Capital, Inc. hold the shares described below as of September 16, 2020, the Company has confirmed no beneficial ownerships of the number of shares as of September 30, 2020. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Report on Bulk Holding are as follows:

Bulk Holders : Strategic Capital, Inc.
Address : 14-15, Higashi 3 chome, Shibuya-ku, Tokyo
Number of shareholdings etc. : 2,902,100
Holding ratio of share certificates etc. : 7.98%

8. Though it is described in the Amendment Report on Bulk Holding available for public inspection as of October 2, 2020 that Nippon Value Investors KK hold the shares described below as of September 30, 2020, the Company has confirmed no beneficial ownerships of the number of shares as of September 30, 2020. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Report on Bulk Holding are as follows:

Bulk Holders : Nippon Value Investors KK
Address : 8-1 Marunouchi 1 chome, Chiyoda-ku, Tokyo
Number of shareholdings etc. : 1,421,500
Holding ratio of share certificates etc. : 3.91%

(6) Status of Voting Rights

1) Shares issued and outstanding

As of September 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 3,136,000	---	---
Shares with full voting rights (Other) (See Note 1)	Common stock 33,192,400	331,924	---
Shares constituting less than one full unit (See Note 2)	Common stock 74,024	---	---
Number of shares issued and outstanding	36,402,424	---	---
Total number of voting rights held by shareholders	---	331,924	---

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

2) Treasury Stock, etc.

As of September 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 second quarter (From July 1, 2020 to September 30, 2020) and the current consolidated cumulative second quarter (From April 1, 2020 to September 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 second quarter (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	14,714,069	11,040,030
Notes and accounts receivable-trade	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 process	2,017,729	2,130,366
Raw materials and supplies	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
Non-current assets		
Property, plant and equipment	12,925,137	13,387,794
Intangible 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 non-current assets	28,986,578	29,124,583
Total assets	71,709,484	69,153,638

	(Thousands of 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-trade	6,916,079	6,843,080
Current portion of bonds	36,800	36,800
Short-term loans payable	4,866,202	4,741,818
Current portion of long-term loans payable	187,669	183,379
Income taxes payable	3,428,200	469,347
Provision for bonuses	570,517	527,494
Provision for directors' bonuses	4,793	2,250
Other	2,415,558	2,778,264
Total current liabilities	18,425,820	15,582,434
Non-current liabilities		
Bonds payable	91,200	72,800
Long-term loans payable	2,567,816	2,775,074
Net defined benefit liability	738,606	720,721
Asset retirement obligations	92,310	91,941
Other	775,563	735,889
Total non-current liabilities	4,265,495	4,396,427
Total liabilities	22,691,316	19,978,861
Net assets		
Shareholders' equity		
Capital stock	7,594,026	7,601,353
Capital surplus	6,706,017	6,713,344
Retained earnings	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 available-for-sale securities	448,970	982,729
Deferred gains or losses on hedges	△1,311	1,976
Foreign currency translation adjustment	478,798	349,613
Remeasurements of defined benefit plans	△141,260	△104,788
Total accumulated other comprehensive income	785,197	1,229,530
Subscription rights to shares	166,148	166,881
Non-controlling interests	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 Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

[Quarterly Consolidated Statements of Income]

[Consolidated cumulative second quarter]

(Thousands of 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 sales	22,599,910	22,203,695
Cost of sales	18,771,640	18,486,327
Gross profit	3,828,270	3,717,368
Selling, general and administrative expenses	* 2,506,776	* 2,342,126
Operating income	1,321,493	1,375,241
Non-operating income		
Interest income	155,386	148,698
Dividends 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 exchange losses	43,443	166,895
Other	157,603	151,313
Total non-operating expenses	248,163	372,355
Ordinary income	1,440,502	1,347,698
Extraordinary income		
Gain on reversal of share acquisition rights	14,229	26,431
Total extraordinary income	14,229	26,431
Extraordinary losses		
Loss on retirement of non-current assets	5,146	6,793
Loss on valuation of investment securities	9,287	—
Other	2,894	—
Total extraordinary losses	17,328	6,793
Income before income taxes	1,437,402	1,367,336
Income taxes	2,202,543	411,729
Profit (or loss(Δ))	Δ765,140	955,607
Profit attributable to non-controlling interests	128,973	101,942
Profit (or loss(Δ)) attributable to owners of the parent	Δ894,114	853,665

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated cumulative second quarter]

(Thousands of 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)
Profit (or loss(Δ))	Δ765,140	955,607
Other comprehensive income		
Valuation difference on available-for-sale securities	Δ91,621	533,739
Deferred gains or losses on hedges	1,277	3,287
Foreign currency translation adjustment	Δ258,975	Δ237,964
Remeasurements of defined benefit plans	17,126	36,471
Share of other comprehensive income of entities accounted for using equity method	Δ98,834	568
Total other comprehensive income	Δ431,026	336,103
Comprehensive income	Δ1,196,167	1,291,711
(Breakdown)		
Comprehensive income attributable to owners of the parent	Δ1,229,181	1,297,997
Comprehensive income attributable to non-controlling interests	33,014	Δ6,286

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of 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 flows from operating activities		
Income before income taxes	1,437,402	1,367,336
Depreciation	961,595	1,001,911
Amortization of goodwill	29,241	—
Share-based compensation expenses	26,820	32,393
Gain on reversal of subscription rights to shares	△14,229	△26,431
Increase (△ decrease) in allowance for doubtful accounts	△24,410	13,859
Increase (△ decrease) in provision for bonuses	128,076	△43,022
Increase (△ decrease) in provision for product warranties	39	△1
Increase (△ decrease) in provision for directors' bonuses	△1,041	△2,543
Increase (△ decrease) in net defined benefit liability	37,707	34,592
Loss (△ gain) on redemption of investment securities	40,413	24,209
Interest and dividends income	△212,197	△199,608
Interest expenses	47,116	54,147
Foreign exchange losses (△ gains)	26,894	86,004
Share of (△ profit) loss of entities accounted for using equity method	16,672	39,991
Loss (△ gain) on sales of short-term and long-term investment securities	2,894	—
Loss (△gain) on valuation of investment securities	9,287	—
Loss (△gain) on liquidation of subsidiaries and associates	750	—
Loss (△ gain) on sales of non-current assets	△63	—
Loss on retirement of property, plant and equipment	1,359	712
Decrease (△ increase) in notes and accounts receivable-trade	△368,380	696,277
Decrease (△ increase) in inventories	254,274	△991,765
Increase (△ decrease) in notes and accounts payable-trade	83,394	△77,199
Increase (△ decrease) in accrued consumption taxes	78,096	△222,039
Decrease (△ increase) in other assets	△287,353	△193,353
Increase (△ decrease) in other liabilities	△124,340	32,259
Subtotal	2,150,019	1,627,729
Interest and dividends income received	309,747	215,039
Interest expenses paid	△45,422	△90,224
Income taxes paid	△195,569	△3,233,587
Net cash provided by (used in) operating activities	2,218,775	△1,481,043

	(Thousands of 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 flows from investing activities		
Payments into time deposits	△106,000	△478,489
Proceeds from withdrawal of time deposits	—	200,000
Purchase of securities	—	△900,000
Proceeds from sales of securities	—	900,000
Purchase of property, plant and equipment	△1,294,806	△788,318
Purchase of intangible assets	△50,250	△36,720
Purchase of investment securities	△194,899	△497,421
Proceeds from sales of investment securities	380,724	458,033
Payments of loans receivable	—	△19,000
Collection of loans receivable	8,510	4,510
Decrease (△increase) in other investments	8,109	2,571
Net cash provided by (used in) investing activities	△1,248,612	△1,154,833
Cash flows from financing activities		
Net increase (△ decrease) in short-term loans payable	3,495,808	△141,144
Proceeds from long-term loans payable	994,000	593,706
Repayments of long-term loans payable	△1,147,154	△384,452
Repayments of lease obligations	△10,063	△32,815
Redemption of bonds	△18,400	△18,400
Payments for long-term accounts payable - other	△57,586	△52,988
Proceeds from issuance of common stock	48,306	12,360
Purchase of treasury stock	△2,285,268	△173
Cash dividends paid	△1,083,648	△992,745
Cash dividends paid to non-controlling interests	△166,575	△155,966
Net cash provided by (used in) financing activities	△230,582	△1,172,618
Effect of exchange rate change on cash and cash equivalents	△80,727	△66,199
Net increase (△ decrease) in cash and cash equivalents	658,853	△3,874,695
Cash and cash equivalents at beginning of period	7,718,682	14,725,985
Cash and cash equivalents at end of period	* 8,377,536	* 10,851,289

[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 second quarter.

(Additional information)

< Accounting estimates >

We supposed the establishment of the ranges that include the case of an early containment (by the end of September 2020) in connection with the assumptions on the impact of the new coronavirus infection (COVID-19) described in the additional information in the Financial Report for the previous consolidated fiscal year. However, based on the infection status, we changed part of the assumptions, supposing that the impact will continue at least throughout the current consolidated fiscal year. Note that there was no material change in the accounting estimates for the current consolidated cumulative second quarter.

(Notes Related to Quarterly Consolidated Statements of Income)

* Major items under selling, general and administrative expenses and their respective amounts are as follows.

(Thousands of 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)
Salaries, benefits and bonuses	708,188	703,502
Provision for bonuses	138,383	118,474
Provision for directors' bonuses	2,915	2,250
Retirement benefit expenses	37,682	42,942
Provision of allowance for doubtful accounts	3,148	17,942

(Notes Related to Quarterly Consolidated Statements of Cash Flows)

* The correlation between the balance of cash and cash equivalents at the end of the current consolidated second quarter and the amounts shown for the corresponding items on the quarterly consolidated balance sheets is as follows.

(Thousands of 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 and deposits	8,756,255	11,040,030
Time deposits with a deposit term of more than three months	△741,000	△903,489
Securities (Money management fund)	362,281	714,748
Cash and cash equivalents	8,377,536	10,851,289

(Notes Related to Shareholders' Equity, etc.)

I Previous consolidated cumulative second quarter (From April 1, 2019 to September 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 second quarter (From April 1, 2020 to September 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 second quarter (From April 1, 2019 to September 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	14,453,033	4,334,451	1,553,213	1,867,634	22,208,333	391,577	22,599,910
Inter-segment 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 income or loss (Δ)	1,110,657	621,995	173,715	150,172	2,056,540	108,274	2,164,814

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	2,056,540
Income in the category "Other"	108,274
Elimination of inter-segment transactions	△40,173
Amortization of goodwill	△29,241
Unallocated corporate expenses (See Note)	△747,694
Adjustment of inventories	△26,212
Operating income shown on the quarterly consolidated statements of income	1,321,493

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 second quarter (From April 1, 2020 to September 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	14,915,327	4,343,397	1,156,852	1,333,137	21,748,714	454,981	22,203,695
Inter-segment 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 income	1,337,718	476,594	67,945	51,407	1,933,666	134,753	2,068,419

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	1,933,666
Income in the category “Other”	134,753
Elimination of inter-segment transactions	49
Unallocated corporate expenses (See Note)	△666,686
Adjustment of inventories	△26,540
Operating income shown on the quarterly consolidated statements of income	1,375,241

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

	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)
(1) Net income (or loss) per share (△)	△24.81 yen	25.67yen
(Basis of calculation)		
Profit (or loss) attributable to owners of the parent (Thousands of yen)	△894,114	853,665
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)	△894,114	853,665
Average number of shares of common stock during the period	36,032,251	33,251,980
(2) Fully diluted net income per share	---	25.63yen
(Basis of calculation)		
Adjustment of profit attributable to owners of the parent (Thousands of yen)	---	---
Increase in the number of shares of common stock	---	54,261
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 previous term consolidated cumulative second quarter is not stated above due to net loss per share, though potential share exists.

(Significant subsequent events)

(Cancellation of treasury stock)

The Company resolved to cancel treasury stock at the Board of Directors' Meeting of October 29, 2020 under the provisions of Article 178 of the Companies Act.

1. The reason for the cancellation: enhancing shareholder returns and improving capital efficiency
2. Class of shares to be cancelled: the Company's common stock
3. Number of shares to be cancelled: 2,000,000 shares (5.49% out of the total number of shares issued and outstanding before the cancellation)
4. Scheduled date of the cancellation: November 30, 2020

(Note)

The total number of shares issued and outstanding after the cancellation is 34,402,424 shares (including treasury stock).

2. Other

No applicable matter.

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

No applicable matter.

Independent Auditors' Quarterly Review Report

November 13, 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 second quarter (From July 1, 2020 to September 30, 2020) and the consolidated cumulative second quarter (From April 1, 2020 to September 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, quarterly consolidated statements of cash flows 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 September 30, 2020 as well as the results of their operations and the status of their cash flows in the consolidated cumulative second quarter ended September 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 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.

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.