

QUARTERLY REPORT

(The Second Quarter of the 76th Term)
From July 1, 2023 to September 30, 2023

(TRANSLATION)

ARISAWA MFG. CO., LTD.

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Quarterly accounting period:	The Second Quarter of the 76 th Term (From July 1, 2023 to September 30, 2023)
Company name (Japanese):	<i>Kabushiki-Kaisha Arisawa Seisakusho</i>
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 Head Office (12-5, Yanagibashi 2-chome, Taito-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

PART I. INFORMATION ON THE BUSINESS

I. General Conditions of Business

1. Changes in Principal Management Indicators, etc.

Term	75 th term consolidated cumulative second quarter	76 th term consolidated cumulative second quarter	75 th term
Accounting period	From April 1, 2022 to September 30, 2022	From April 1, 2023 to September 30, 2023	From April 1, 2022 to March 31, 2023
Net sales (Millions of yen)	22,994	19,895	42,722
Ordinary profit (Millions of yen)	2,408	218	2,717
Profit attributable to owners of parent (Millions of yen)	2,563	563	2,856
Comprehensive income (Millions of yen)	3,003	1,377	2,578
Net assets (Millions of yen)	47,308	44,875	47,107
Total assets (Millions of yen)	70,866	67,983	67,659
Basic earnings per share (Yen)	77.37	17.02	86.46
Diluted earnings per share (Yen)	77.23	17.00	86.24
Equity ratio (%)	66.6	66.0	69.5
Cash flows from operating activities (Millions of yen)	1,559	703	3,471
Cash flows from investing activities (Millions of yen)	4,214	1,102	508
Cash flows from financing activities (Millions of yen)	△3,379	△2,734	△2,572
Cash and cash equivalents at the end of period (Millions of yen)	20,110	18,206	18,535

Term	75 th term consolidated second quarter	76 th term consolidated second quarter
Accounting period	From July 1, 2022 to September 30, 2022	From July 1, 2023 to September 30, 2023
Basic earnings per share (Yen)	42.28	23.10

Note: 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. 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

As for the Japanese economy in the current consolidated cumulative second quarter, the normalization of economic activity has progressed further as the COVID-19 infections have been subsiding. Meanwhile, looking overseas, the future prospects remained uncertain due to the persistent high energy and raw material prices caused by the prolonged situation in Ukraine, global monetary tightening in addition to the economic downturn in China, etc.

Under such circumstances, the operating results of our Group (the Company, its consolidated subsidiaries and the companies accounted for under the equity method) for the current consolidated cumulative second quarter showed net sales of 19,895 million yen (representing a 13.5% decrease as compared with the year-earlier quarter) due to a decrease in sales of electronic materials, which is the main business field, caused by the significant impact from the decrease in demand in the Chinese market, despite an increase in sales of industrial application structural materials. Due to soaring energy costs and raw material prices in addition to the impact of a decrease in sales, the results in terms of profit and loss are as follows: an operating profit was 169 million yen (representing a 90.9% decrease as compared with the year-earlier quarter); an ordinary profit was 218 million yen (representing a 90.9% decrease as compared with the year-earlier quarter); and a profit attributable to owners of parent was 563 million yen (representing a 78.0% decrease as compared with the year-earlier quarter).

Operating results with respect to each segment are as follows.

a. Electronic materials segment

In the electronic materials segment, net sales were 11,725 million yen (a 23.8% decrease as compared with the year-earlier quarter) due to a decrease in sales of flexible printed circuit board materials (the amount of orders received decreased by 18.2% and the production output decreased by 26.3% as compared with the year-earlier quarter on a non-consolidated basis of the Submitting Company) and glass cloth for printed circuit board, while segment loss was 209 million yen (the segment profit of 1,360 million yen in the year-earlier quarter) caused by the impact from soaring energy costs and raw material prices in addition to a decrease in sales.

b. Industrial application structural materials segment

In the industrial application structural materials segment, net sales were 5,101 million yen (a 27.2% increase as compared with the year-earlier quarter) due to an increase in sales of water treatment FRP pressure vessels and honey-comb panel for aircraft, while the segment profit was 571 million yen (a 3.9% decrease as compared with the year-earlier quarter).

c. Electrical insulating materials segment

In the electrical insulating materials segment, net sales were 1,232 million yen (a 1.7% decrease as compared with the year-earlier quarter) due to a decrease in infrastructure-related sales, while the segment profit was 113 million yen (a 116.3% increase as compared with the year-earlier quarter).

d. Display materials segment

In the display materials segment, net sales were 1,677 million yen (a 23.1% decrease as compared with the year-earlier quarter) due to a decrease in sales of 3D-related materials and polarization control optical components, while the segment profit was 420 million yen (a 26.8% decrease as compared with the year-

earlier quarter).

e. Other (other businesses)

In other businesses, net sales were 157 million yen (a 2.9% decrease as compared with the year-earlier quarter), while the segment profit was 99 million yen (a 9.9% increase as compared with the year-earlier quarter).

2) Financial Position

Total assets as of the end of the current consolidated cumulative second quarter were 67,983 million yen, an increase of 323 million yen compared with the end of the previous fiscal year. This was largely due to an increase of 1,966 million yen in notes and accounts receivable-trade, and contract assets, an increase of 899 million yen in property, plant and equipment, a decrease of 1,749 million yen in cash and deposits, a decrease of 583 million yen in merchandise and finished goods, and a decrease of 537 million yen in investment securities, respectively.

Total liabilities as of the end of the current consolidated cumulative second quarter were 23,108 million yen, an increase of 2,556 million yen compared with the end of the previous fiscal year. This was largely due to an increase of 1,031 million yen in notes and accounts payable-trade, and an increase of 1,171 million yen in long-term borrowings, respectively.

Total net assets as of the end of the current consolidated cumulative second quarter were 44,875 million yen, a decrease of 2,232 million yen compared with the end of the previous fiscal year. This was largely due to an increase of 969 million yen in foreign currency translation adjustment and a decrease of 3,088 million yen in retained earnings, respectively.

(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 18,206 million yen, decreasing 1,904 million yen, or 9.5%, 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 earned from operating activities were 703 million yen (a 54.9% decrease as compared with the year-earlier quarter). This was due largely to an increase in the Funds comprising the postings of 855 million yen in profit before income taxes, 1,104 million yen in depreciation, 890 million yen in increase in trade payables as well as a decrease in the Funds comprising 1,538 million yen in increase in trade receivables and a decrease in the Funds comprising 656 million yen in gain on sales of short-term and long-term investment securities.

(Cash flows from investing activities)

Funds earned from investing activities were 1,102 million yen (a 73.9% decrease as compared with the year-earlier quarter). This was due largely to an increase in the Funds comprising proceeds from withdrawal of time deposits of 1,653 million yen.

(Cash flows from financing activities)

Funds disbursed for financing activities were 2,734 million yen (a 19.1% decrease as compared with the year-earlier quarter). This was due largely to a decrease in the Funds comprising the payment of 2,974 million yen in cash dividends.

(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.

(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 987 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, 2023)	Number of shares issued and outstanding as of the filing date of this Quarterly Report (As of November 14, 2023)	Name of financial instruments exchange where the shares are listed or authorized financial instruments firms association where the shares are registered	Remarks
Common stock	33,550,424	33,550,424	Tokyo Stock Exchange (Prime Market)	Number of shares constituting one full unit: 100
Total	33,550,424	33,550,424	---	---

- Note:
1. The number of shares issued through the exercise of stock acquisition rights in the period from November 1, 2023 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. The Company disposed of 41,477 shares of treasury shares for restricted stock compensation as of July 28, 2023 upon a resolution by the Board of Directors on June 29, 2023.
 3. 105,967 shares out of shares issued and outstanding as of the filing date of this Quarterly Report are by contribution in kind (108,995 thousand yen of monetary compensation claims) when treasury shares were disposed of for restricted stock compensation.

(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, Share Capital, etc.

Period	Number of shares issued and outstanding		Share capital (Thousands of yen)		Legal capital surplus (Thousands of yen)	
	Change	Balance	Change	Balance	Change	Balance
From July 1, 2023 to September 30, 2023 (See Note)	2,500	33,550,424	1,362	7,853,189	1,362	6,965,180

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

(5) Status of Major Shareholders

As of September 30, 2023

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 shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	3,815,800	11.48
INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (Standing Proxy: Mizuho Bank Ltd. Settlement & Clearing Services Department)	ONE NEXUS WAY, CAMANA BAY GRAND CAYMAN KY1-9005, CAYMAN ISLANDS (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	3,191,400	9.60
Mitsubishi Gas Chemical Company, Inc.	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,472,166	4.43
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	1,079,700	3.25
Daishi Hokuetsu 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)	743,903	2.23
The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account and Mitsubishi Electric Corporation account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	530,536	1.59
Arisawa Kenko Ltd.	11-44, Nishishiro-cho 3-chome, Joetsu-shi, Niigata	504,338	1.51
Sanji Arisawa	Shinjuku-ku, Tokyo	451,069	1.35
Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo (11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo)	388,822	1.17
Yoko Mori	Setagaya-ku, Tokyo	378,180	1.13
Total	---	12,555,914	37.79

Note: 1. The Company holds 330,907 shares of treasury shares, but it is excluded from the above major shareholders.

2. The ratio of the number of shares held to the total number of shares issued (except for treasury shares) is displayed with the numbers truncating the numbers beyond the third decimal point. Treasury shares excluded from the total number of shares issued and outstanding does not include 82,700 shares of the Company which a trust account for employee stock ownership plan holds.

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 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, 2023. 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%

5. 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 holds 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, 2023. 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%

6. 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 holds 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, 2023. 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%

7. Though it is described in the Amendment Report on Bulk Holding available for public inspection as of October 4, 2023 that Strategic Capital, Inc. holds the shares described below as of September 27, 2023, the Company has confirmed no beneficial ownerships of the number of shares as of September 30, 2023. 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. : 3,527,500
Holding ratio of share certificates etc. : 10.51%

(6) Status of Voting Rights

1) Shares issued and outstanding

As of September 30, 2023

Category	Number of shares	Number of voting rights (Units)	Remarks
Shares without voting rights	---	---	---
Shares with restricted voting rights (Treasury shares, etc.)	---	---	---
Shares with restricted voting rights (Other)	---	---	---
Shares with full voting rights (Treasury shares, etc.)	Common stock 330,900	---	---
Shares with full voting rights (Other) (See Note 1 and Note 2)	Common stock 33,121,100	331,211	---
Shares constituting less than one full unit (See Note 3)	Common stock 98,424	---	---
Number of shares issued and outstanding	33,550,424	---	---
Total number of voting rights held by shareholders	---	331,211	---

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. 82,700 shares of the Company which a trust account for employee stock ownership plan holds included in the row “Shares with full voting rights (Other)”. 827 units of voting rights for shares with full voting rights of such trust account are included in the column “Number of voting rights”.

3. 7 shares of treasury shares are included in the row “Shares constituting less than one full unit”.

2) Treasury Shares, etc.

As of September 30, 2023

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	330,900	---	330,900	0.98
Total	---	330,900	---	330,900	0.98

Note: 82,700 shares of the Company which a trust account for employee stock ownership plan holds are not included in the column “Under own name”.

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, 2023 to September 30, 2023) and the current consolidated cumulative second quarter (from April 1, 2023 to September 30, 2023) 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, 2023)	Current consolidated second quarter (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	20,545,580	18,796,244
Notes and accounts receivable-trade, and contract assets	13,182,106	* 15,149,073
Merchandise and finished goods	5,525,035	4,941,657
Work in process	2,373,079	2,509,608
Raw materials and supplies	4,263,762	4,951,128
Other	1,541,170	933,546
Allowance for doubtful accounts	△10,786	△45,788
Total current assets	47,419,946	47,235,470
Non-current assets		
Property, plant and equipment	16,446,181	17,345,882
Intangible assets	244,197	227,823
Investments and other assets		
Investment securities	2,545,474	2,007,765
Other	1,049,896	1,212,196
Allowance for doubtful accounts	△45,969	△45,617
Total investments and other assets	3,549,401	3,174,344
Total non-current assets	20,239,780	20,748,050
Total assets	67,659,726	67,983,520

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated second quarter (As of September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,213,263	* 6,244,757
Current portion of bonds payable	16,800	19,200
Short-term borrowings	5,056,253	5,223,031
Current portion of long-term borrowings	1,843,441	1,297,329
Income taxes payable	658,615	635,224
Provision for product warranties	42,184	38,409
Provision for bonuses	526,795	504,179
Provision for bonuses for directors (and other officers)	2,162	1,400
Other	2,917,188	* 3,849,302
Total current liabilities	16,276,705	17,812,834
Non-current liabilities		
Long-term borrowings	2,723,471	3,894,965
Provision for share awards	50,449	57,428
Retirement benefit liability	700,883	635,970
Asset retirement obligations	97,119	100,282
Other	703,383	606,826
Total non-current liabilities	4,275,306	5,295,474
Total liabilities	20,552,012	23,108,308
Net assets		
Shareholders' equity		
Share capital	7,847,873	7,853,189
Capital surplus	3,198,618	3,203,933
Retained earnings	34,293,471	31,205,178
Treasury shares	△512,975	△460,982
Total shareholders' equity	44,826,987	41,801,318
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	466,417	282,699
Deferred gains or losses on hedges	△13,657	—
Foreign currency translation adjustment	1,904,093	2,873,695
Remeasurements of defined benefit plans	△127,370	△112,723
Total accumulated other comprehensive income	2,229,483	3,043,671
Share acquisition rights	51,243	30,221
Total net assets	47,107,714	44,875,211
Total liabilities and net assets	67,659,726	67,983,520

(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, 2022 to September 30, 2022)	Current consolidated cumulative second quarter (From April 1, 2023 to September 30, 2023)
Net sales	22,994,013	19,895,480
Cost of sales	18,292,178	16,998,186
Gross profit	4,701,835	2,897,293
Selling, general and administrative expenses	* 2,840,016	* 2,727,479
Operating profit	1,861,818	169,814
Non-operating income		
Interest income	76,093	53,404
Dividend income	40,147	19,635
Foreign exchange gains	425,868	80,385
Other	164,122	76,025
Total non-operating income	706,232	229,451
Non-operating expenses		
Interest expenses	65,189	92,406
Share of loss of entities accounted for using equity method	—	43,023
Other	94,016	45,432
Total non-operating expenses	159,205	180,862
Ordinary profit	2,408,845	218,403
Extraordinary income		
Gain on sale of non-current assets	461	781
Gain on sale of investment securities	1,305,241	656,042
Other	40,870	19,454
Total extraordinary income	1,346,572	676,277
Extraordinary losses		
Loss on retirement of non-current assets	5,407	33,003
Impairment losses	11,813	6,557
Other	55,867	—
Total extraordinary losses	73,087	39,560
Profit before income taxes	3,682,330	855,120
Income taxes	1,116,339	291,676
Profit	2,565,990	563,444
Profit attributable to non-controlling interests	2,465	—
Profit attributable to owners of parent	2,563,524	563,444

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated cumulative second quarter]

(Thousands of yen)

	Previous consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)	Current consolidated cumulative second quarter (From April 1, 2023 to September 30, 2023)
Profit	2,565,990	563,444
Other comprehensive income		
Valuation difference on available-for-sale securities	△819,279	△183,718
Deferred gains or losses on hedges	△10,706	13,657
Foreign currency translation adjustment	1,240,050	978,884
Remeasurements of defined benefit plans, net of tax	2,885	14,646
Share of other comprehensive income of entities accounted for using equity method	24,170	△9,282
Total other comprehensive income	437,120	814,187
Comprehensive income	3,003,110	1,377,632
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,022,253	1,377,632
Comprehensive income attributable to non-controlling interests	△19,142	—

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)	Current consolidated cumulative second quarter (From April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	3,682,330	855,120
Depreciation	1,097,498	1,104,523
Share-based payment expenses	18,577	21,999
Gain on reversal of share acquisition rights	△40,870	△19,454
Increase (△ decrease) in allowance for doubtful accounts	5,523	34,184
Increase (△ decrease) in provision for bonuses	232,003	△22,616
Increase (△ decrease) in provision for product warranties	△44,999	△6,855
Increase (△ decrease) in provision for bonuses for directors (and other officers)	△3,095	△762
Increase (△ decrease) in provision for share awards	△41,035	11,071
Increase (△ decrease) in retirement benefit liability	△25,681	△43,837
Loss (△ gain) on redemption of investment securities	△40,063	—
Interest and dividend income	△116,241	△73,039
Subsidy income	△9,652	△29,410
Interest expenses	65,189	92,406
Foreign exchange losses (△ gains)	△251,516	△151,210
Share of loss (△ profit) of entities accounted for using equity method	△29,194	43,023
Loss (△ gain) on sale of short-term and long-term investment securities	△1,249,374	△656,042
Loss (△ gain) on sale of non-current assets	△461	△781
Loss on retirement of property, plant and equipment	213	1,682
Impairment losses	11,813	6,557
Loss on valuation of golf club membership	—	175
Decrease (△ increase) in trade receivables	△197,010	△1,538,621
Decrease (△ increase) in inventories	△1,813,237	90,251
Increase (△ decrease) in trade payables	1,465,803	890,233
Increase (△ decrease) in accrued consumption taxes	△276,064	276,640
Decrease (△ increase) in other assets	△155,290	222,760
Increase (△ decrease) in other liabilities	106,252	△86,227
Subtotal	2,391,417	1,021,773
Interest and dividends received	176,560	99,527
Interest paid	△61,841	△90,679
Subsidies received	9,652	29,410
Income taxes refund (paid)	△955,899	△356,390
Net cash provided by (used in) operating activities	1,559,889	703,642

	(Thousands of yen)	
	Previous consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)	Current consolidated cumulative second quarter (From April 1, 2023 to September 30, 2023)
Cash flows from investing activities		
Payments into time deposits	△362,025	△200,000
Proceeds from withdrawal of time deposits	132,390	1,653,392
Purchase of property, plant and equipment	△1,954,579	△1,383,741
Proceeds from sale of property, plant and equipment	461	1,068
Purchase of intangible assets	△21,236	△23,172
Purchase of investment securities	△332,491	—
Proceeds from sale of investment securities	6,780,340	824,135
Proceeds from sale of shares of subsidiaries and associates	—	210,317
Loan advances	△20,097	—
Proceeds from collection of loans receivable	4,305	23,810
Decrease (Δincrease) in investments and other assets	△12,629	△3,787
Net cash provided by (used in) investing activities	4,214,436	1,102,021
Cash flows from financing activities		
Net increase (Δ decrease) in short-term borrowings	△903,394	16,776
Proceeds from long-term borrowings	2,587,765	2,141,828
Repayments of long-term borrowings	△1,305,248	△1,857,761
Repayments of lease liabilities	△57,691	△62,060
Redemption of bonds	△18,400	△8,400
Repayments of long-term accounts payable - other	△4,709	—
Proceeds from issuance of shares	125,888	9,063
Purchase of treasury shares	△749,709	△239
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	△45,813	—
Dividends paid	△2,998,210	△2,974,133
Dividends paid to non-controlling interests	△9,589	—
Net cash provided by (used in) financing activities	△3,379,111	△2,734,927
Effect of exchange rate change on cash and cash equivalents	822,104	599,653
Net increase (Δ decrease) in cash and cash equivalents	3,217,319	△329,609
Cash and cash equivalents at beginning of period	16,893,109	18,535,854
Cash and cash equivalents at end of period	* 20,110,428	* 18,206,244

[Notes]

(Particular accounting treatments applied in preparation of quarterly consolidated financial statements)

<Calculation of tax expenses>

Tax expenses are calculated by multiplying the quarterly profit before income taxes by an estimated effective tax rate. Such effective tax rate is reasonably estimated after applying tax effect accounting to the profit before income taxes for the consolidated fiscal year including the current consolidated second quarter.

(Notes Related to Quarterly Consolidated Balance Sheets)

* Notes, etc. maturing at the end of the consolidated third quarter

For accounting treatment of notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the consolidated third quarter, settlement is made as of the clearing date of each note or as of the settlement date of each electronically recorded monetary claim and electronically recorded obligation, as the case may be. As the end of the current consolidated third quarter falls on a bank holiday, the following notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the consolidated third quarter are included in their respective balances as of the end of the consolidated third quarter.

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated third quarter (As of September 30, 2023)
Notes and accounts receivable-trade, and contract assets	—	37,571
Notes and accounts payable-trade	—	44,067
Current liabilities and others (Notes payable-non-operating, Electronically recorded obligations-non-operating)	—	14,430

(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, 2022 to September 30, 2022)	Current consolidated cumulative second quarter (From April 1, 2023 to September 30, 2023)
Salaries, benefits and bonuses	855,435	835,482
Provision for bonuses	175,655	111,626
Provision for bonuses for directors (and other officers)	1,407	1,400
Retirement benefit expenses	32,908	36,352
Provision of allowance for doubtful accounts	6,332	33,716

(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.

	Previous consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)	Current consolidated cumulative second quarter (From April 1, 2023 to September 30, 2023)
Cash and deposits	20,819,010	18,796,244
Time deposits with a deposit term of more than three months	△752,025	△590,000
Securities (Money management fund)	43,443	—
Cash and cash equivalents	20,110,428	18,206,244

(Notes Related to Shareholders' Equity, etc.)

I Previous consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)

1. Dividends paid

(Resolution)	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders of June 28, 2022	Common stock	3,006,166	90.00	March 31, 2022	June 29, 2022	Retained earnings

Note: "Total amount of dividends" includes dividends of 7,974 thousand yen on the Company's shares which a trust account for employee stock ownership plan holds.

2. Significant changes in the amount of shareholders' equity

The Company bought back 624,400 shares upon a resolution by the Board of Directors held on May 12, 2022. As a result, the treasury shares increased 749,999 thousand yen in the current consolidated cumulative second quarter and amounted to 1,006,307 thousand yen as of the end of the current consolidated second quarter.

II Current consolidated cumulative second quarter (From April 1, 2023 to September 30, 2023)

1. Dividends paid

(Resolution)	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders of June 29, 2023	Common stock	2,985,205	90.00	March 31, 2023	June 30, 2023	Retained earnings

Note: "Total amount of dividends" includes dividends of 7,839 thousand yen on the Company's shares which a trust account for employee stock ownership plan holds.

2. Dividends whose record date belongs to the current consolidated cumulative second quarter but whose effective date is subsequent to the end of the current consolidated cumulative second quarter

(Resolution)	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
Board of Directors' Meeting of August 3, 2023	Common stock	664,390	20.00	September 30, 2023	December 4, 2023	Retained earnings

Note: "Total amount of dividends" includes dividends of 1,654 thousand yen on the Company's shares which a trust account for employee stock ownership plan holds.

(Segment Information, etc.)

[Segment Information]

I Previous consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)

1. Information on the amount of net sales and profit 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		
Sales							
Sales to external customers	15,384,440	4,010,805	1,254,676	2,181,406	22,831,329	162,684	22,994,013
Inter-segment sales or transfers	—	—	—	—	—	434,860	434,860
Net sales	15,384,440	4,010,805	1,254,676	2,181,406	22,831,329	597,544	23,428,874
Segment profit or loss (Δ)	1,360,339	595,007	52,547	574,404	2,582,299	90,346	2,672,646

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 profit 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)

Profit	Amount
Total of reportable segments	2,582,299
Profit in the category "Other"	90,346
Elimination of inter-segment transactions	4,319
Unallocated corporate expenses (See Note)	Δ 748,729
Adjustment of inventories	Δ 66,417
Operating profit shown on the quarterly consolidated statements of income	1,861,818

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

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

(Significant impairment losses on non-current assets)

In the industrial application structural materials segment, with respect to the assets in which investments could not be expected to recover due to a downturn in profitability, the Company devalued their carrying amount to its memorandum value and showed the relevant amount of its loss to extraordinary losses as impairment losses.

In this regard, the amount of the relevant impairment losses shown in the current consolidated cumulative second quarter is 11,813 thousand yen.

II Current consolidated cumulative second quarter (From April 1, 2023 to September 30, 2023)

1. Information on the amount of net sales and profit 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		
Sales							
Sales to external customers	11,725,893	5,101,193	1,232,897	1,677,607	19,737,592	157,888	19,895,480
Inter-segment sales or transfers	—	—	—	—	—	448,088	448,088
Net sales	11,725,893	5,101,193	1,232,897	1,677,607	19,737,592	605,977	20,343,569
Segment profit (loss (△))	△209,966	571,906	113,641	420,641	896,222	99,319	995,541

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 profit 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)

Profit	Amount
Total of reportable segments	896,222
Profit in the category “Other”	99,319
Elimination of inter-segment transactions	3,271
Unallocated corporate expenses (See Note)	△815,855
Adjustment of inventories	△13,142
Operating profit shown on the quarterly consolidated statements of income	169,814

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

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

(Significant impairment losses on non-current assets)

In the industrial application structural materials segment, with respect to the assets in which investments could not be expected to recover due to a downturn in profitability, the Company devalued their carrying amount to its memorandum value and showed the relevant amount of its loss to extraordinary losses as impairment losses.

In this regard, the amount of the relevant impairment losses shown in the current consolidated cumulative second quarter is 6,557 thousand yen.

(For Revenue Recognition)

Information on the breakdown of revenue from contracts with customers

Previous consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Goods transferred at a point in time	15,384,440	1,858,192	1,254,676	1,259,039	19,756,348	162,684	19,919,033
Goods transferred over time	—	2,152,612	—	922,367	3,074,980	—	3,074,980
Revenue from contracts with customers	15,384,440	4,010,805	1,254,676	2,181,406	22,831,329	162,684	22,994,013
Other revenue	—	—	—	—	—	—	—
Net sales to external customers	15,384,440	4,010,805	1,254,676	2,181,406	22,831,329	162,684	22,994,013

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.

Current consolidated cumulative second quarter (From April 1, 2023 to September 30, 2023)

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Goods transferred at a point in time	11,725,893	2,641,895	1,232,897	1,015,897	16,616,583	157,888	16,774,472
Goods transferred over time	—	2,459,297	—	661,710	3,121,008	—	3,121,008
Revenue from contracts with customers	11,725,893	5,101,193	1,232,897	1,677,607	19,737,592	157,888	19,895,480
Other revenue	—	—	—	—	—	—	—
Net sales to external customers	11,725,893	5,101,193	1,232,897	1,677,607	19,737,592	157,888	19,895,480

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.

(Per Share Information)

The amounts of Basic earnings per share and diluted earnings per share with their respective bases of calculation are as follows.

	Previous consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)	Current consolidated cumulative second quarter (From April 1, 2023 to September 30, 2023)
(1) Basic earnings per share	77.37 yen	17.02 yen
(Basis of calculation)		
Profit attributable to owners of the parent (Thousands of yen)	2,563,524	563,444
Amount not attributable to common stockholders (Thousands of yen)	—	—
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	2,563,524	563,444
Average number of shares of common stock during the period	33,132,891	33,104,555
(2) Diluted earnings per share	77.23 yen	17.00 yen
(Basis of calculation)		
Adjustment of profit attributable to owners of the parent (Thousands of yen)	—	—
Increase in the number of shares of common stock	58,877	35,529
Outline of dilutive shares that were not included in the calculation of diluted earnings 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: The Company's shares which are shown as treasury share in shareholders' equity and which a trust account for employee stock ownership plan holds are included in the number of treasury share excluded in the calculation of the average number of shares of common stock during the period when basic earnings (or loss) per share is calculated (88,392 shares for the previous consolidated cumulative second quarter and 84,499 shares for the current consolidated cumulative second quarter).

(Significant subsequent events)

No applicable matter.

2. Other

The Company passed a resolution as below on the current interim dividends at the Board of Directors' Meeting held on August 3, 2023.

- | | |
|--|----------------------|
| (1) Total amount of interim dividends | 664,390 thousand yen |
| (2) Interim dividends per share | 20.00 yen |
| (3) Effective date and payment commencement date | December 4, 2023 |

Note: 1. Payment will be made to the shareholders listed or recorded on the shareholder registry as of September 30, 2023.

2. The above total amount of the interim dividends includes dividends of 1,654 thousand yen on the Company's shares which a trust account for employee stock ownership plan holds.

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

No applicable matter.

Independent Auditors' Quarterly Review Report

November 14, 2023

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

Ernst & Young ShinNihon LLC
Niigata office

Yoshiyuki Sakuma
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

Ken Takahashi
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, 2023 to September 30, 2023) and the consolidated cumulative second quarter (from April 1, 2023 to September 30, 2023) of the consolidated fiscal year from April 1, 2023 to March 31, 2024, 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, 2023 as well as the results of their operations and the status of their cash flows in the consolidated cumulative second quarter ended September 30, 2023 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, and matters that are reasonably believed to have an impact on the auditors' independence and the details of countermeasures if those are applied to eliminate obstacles or of safeguards if those are applied to reduce obstacles to an acceptable level.

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. An original of the above 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.