

# **Quarterly Consolidated Financial Statements**

(Pursuant to Article 24-4-7, Paragraph 1 of the  
Japanese Financial Instruments and Exchange Act)

First quarter of  
the 87th term

From April 1, 2015  
to June 30, 2015

**RIKEN TECHNOS CORPORATION**

**3-11-5, Nihonbashi-Honcho, Chuo-ku, Tokyo, Japan**

# Quarterly Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2015	As of June 30, 2015
<b>Assets</b>		
Current assets		
Cash and deposits	14,122,970	13,121,615
Notes and accounts receivable - trade	24,573,477	22,921,301
Merchandise and finished goods	6,086,232	6,924,538
Work in process	568,699	639,255
Raw materials and supplies	4,458,751	4,843,496
Deferred tax assets	405,695	398,313
Other	1,207,283	1,099,749
Allowance for doubtful accounts	(182,489)	(183,745)
Total current assets	51,240,620	49,764,525
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,952,958	7,839,000
Machinery, equipment and vehicles, net	8,879,157	8,621,276
Land	6,676,193	6,664,767
Leased assets, net	60,490	48,198
Construction in progress	242,555	268,528
Other, net	500,996	511,921
Total property, plant and equipment	24,312,351	23,953,692
Intangible assets		
Goodwill	949,710	881,061
Leased assets	9,477	8,073
Other	2,587,095	2,735,198
Total intangible assets	3,546,283	3,624,333
Investments and other assets		
Investment securities	5,380,565	5,470,123
Long-term loans receivable	14,897	13,936
Net defined benefit asset	401,807	452,188
Deferred tax assets	215,149	232,325
Other	979,609	994,254
Allowance for doubtful accounts	(4,582)	(4,132)
Total investments and other assets	6,987,447	7,158,695
Total non-current assets	34,846,082	34,736,721
Total assets	86,086,702	84,501,246

(Thousands of yen)

	As of March 31, 2015	As of June 30, 2015
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	17,090,214	17,768,775
Short-term loans payable	*2 6,876,617	*2 7,025,985
Current portion of long-term loans payable	1,495,668	1,496,022
Lease obligations	39,382	27,278
Income taxes payable	420,050	286,343
Provision for bonuses	584,129	296,325
Provision for directors' bonuses	29,200	7,300
Other	2,822,313	3,038,948
Total current liabilities	29,357,575	29,946,979
Non-current liabilities		
Bonds payable	4,000,000	4,000,000
Long-term loans payable	2,172,766	2,151,055
Lease obligations	36,760	32,126
Deferred tax liabilities	1,886,168	1,965,804
Net defined benefit liability	3,028,830	997,316
Asset retirement obligations	260,594	277,653
Other	120,321	120,343
Total non-current liabilities	11,505,441	9,544,299
Total liabilities	40,863,017	39,491,278
<b>Net assets</b>		
Shareholders' equity		
Capital stock	8,514,018	8,514,018
Capital surplus	6,545,430	6,547,918
Retained earnings	23,152,869	23,206,798
Treasury shares	(1,960,025)	(1,955,477)
Total shareholders' equity	36,252,293	36,313,258
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,272,399	2,346,442
Foreign currency translation adjustment	1,388,454	1,317,948
Remeasurements of defined benefit plans	(453,433)	(428,869)
Total accumulated other comprehensive income	3,207,420	3,235,521
Non-controlling interests	5,763,971	5,461,188
Total net assets	45,223,685	45,009,968
Total liabilities and net assets	86,086,702	84,501,246

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income**

(Thousands of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Net sales	21,920,615	22,239,778
Cost of sales	18,562,878	18,672,522
Gross profit	3,357,736	3,567,255
Selling, general and administrative expenses	2,512,102	2,714,203
Operating income	845,634	853,052
Non-operating income		
Interest income	11,120	5,392
Dividend income	61,200	60,613
Other	22,448	14,998
Total non-operating income	94,769	81,005
Non-operating expenses		
Interest expenses	24,214	25,072
Foreign exchange losses	7,063	6,751
Other	14,877	7,757
Total non-operating expenses	46,154	39,582
Ordinary income	894,249	894,475
Extraordinary income		
Gain on sales of investment securities	800	—
Total extraordinary income	800	—
Extraordinary losses		
Loss on sales of non-current assets	1,018	1,048
Loss on retirement of non-current assets	20,767	482
Loss on valuation of golf club membership	120	—
Total extraordinary losses	21,906	1,531
Income before income taxes	873,142	892,944
Income taxes	275,168	292,906
Profit	597,973	600,037
Profit attributable to non-controlling interests	218,430	237,284
Profit attributable to owners of parent	379,543	362,752

# Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Profit	597,973	600,037
Other comprehensive income		
Valuation difference on available-for-sale securities	191,881	74,042
Foreign currency translation adjustment	(128,259)	(88,425)
Remeasurements of defined benefit plans, net of tax	26,065	24,564
Total other comprehensive income	89,687	10,181
Comprehensive income	687,661	610,219
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	505,725	390,853
Comprehensive income attributable to non-controlling interests	181,936	219,365

## **Notes to Quarterly Consolidated Financial Statements**

### **Basis of Presentation of Quarterly Consolidated Financial Statements**

The accompanying quarterly consolidated financial statements of RIKEN TECHNOS CORPORATION (the “Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

In addition, amounts are rounded down to the nearest thousand yen.

### **Changes in Scope of Consolidation**

Not applicable.

### **Changes in Accounting Policies**

(Application of Accounting Standard for Business Combinations, etc.)

Effective from the first quarter under review, the Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period to which the date of business combination belongs. In addition, the presentation method for “net income” and other related items was changed, and the presentation of “minority interests” was changed to “non-controlling interests.” To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the three-month period of the previous fiscal year and the previous fiscal year.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the first quarter under review.

These changes in accounting policies have no impact on profit and loss.

### **Special Accounting Applied for Preparing Quarterly Consolidated Financial Statements**

(Calculation of taxes)

The Company computes the taxes first by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes for the fiscal year including the first quarter under review, and next by multiplying the quarterly income before income taxes by such estimated effective tax rate.

However, in cases where the calculation of taxes using such estimated effective tax rate yields a result that is not reasonable to a significant extent, the effective statutory tax rate is used.

## Additional Information

(Transactions of delivering the Company's own stock to employees etc. through trusts)

For the purpose of welfare benefits for employees, the Company conducts transactions of delivering its own stock to the employee stockholding association through trusts.

### (1) Overview of transactions

These transactions are conducted as the incentive plan under which the benefits of a rise in the Company's stock price are passed along to all the employees who are members of the "RIKEN TECHNOS Employee Stockholding Association" (hereinafter referred to as the "Stockholding Association").

A trust bank as the trustee of this plan acquires shares in the Company that are expected to be acquired by the Stockholding Association, en bloc in advance, and sells those shares in the Company to the Stockholding Association as needed when it acquires the shares.

If the amount equivalent to gain on sales of shares was accumulated in trust assets by the termination of this trust through the sale of shares to the Stockholding Association, the accumulated amount is distributed as residual assets to the members of the Company's employee Stockholding Association who satisfy eligibility requirements for beneficiaries.

The Company has guaranteed loans that the trust bank received to acquire shares in the Company. Therefore, if there is the remaining loan amount that is equivalent to loss on sales of shares in the Company due to a decline in the Company's stock price at the time of termination of the trust, the Company is required to pay the remaining loan amount under the guarantee agreement.

### (2) Method of accounting for these transactions

The Company applies Paragraph 20 of the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015) and continues to apply the previously employed method.

### (3) Shares in the Company held by the trust

In the trust, the book value of the shares in the Company held by the trust was 113,595 thousand yen as of the end of the previous fiscal year and 109,018 thousand yen as of the end of the first quarter under review. These shares were recorded as treasury shares in shareholders' equity.

The number of these shares was 359 thousand shares at the end of the previous fiscal year and 345 thousand shares at the end of the first quarter under review. The average number of these shares outstanding during the period was 405 thousand shares in the three-month period of the previous fiscal year and 354 thousand shares in the three-month period under review. In the calculation of per share information, these shares are included in treasury shares that are deducted.

## Notes to Consolidated Balance Sheets

### 1. Notes receivable endorsed

	(Thousands of yen)	
	As of March 31, 2015	As of June 30, 2015
Notes receivable endorsed	46,689	20,700

### \*2. Overdraft agreements and unused overdraft facility balance

To efficiently secure equipment funds, the Company and its domestic consolidated subsidiaries have entered into overdraft agreements with banks with which they do business.

The unused balance of these prescribed limit agreements is as follows:

	(Thousands of yen)	
	As of March 31, 2015	As of June 30, 2015
Total overdraft facility limit	12,930,000	12,930,000
Outstanding borrowings within the limit	4,295,000	4,295,000
Unused balance	8,635,000	8,635,000

## Notes to Consolidated Statements of Income

Not applicable.

## Notes to Consolidated Statements of Cash Flows

The consolidated statements of cash flows for the three-month period under review were not prepared. Depreciation (including amortization of intangible assets except for goodwill) and amortization of goodwill for the three-month period under review are as follows:

	(Thousands of yen)	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Depreciation	648,946	792,173
Amortization of goodwill	67,554	68,648



## Shareholders' Equity and Others

### I. Three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)

#### Dividends paid

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Ordinary general meeting of shareholders held on June 20, 2014	Common stock	299,278	5	March 31, 2014	June 23, 2014	Retained earnings

(Note) Total dividends do not include 2,055 thousand yen of dividends to Trust Account E. This is because shares in the Company held by Trust Account E are recognized as treasury shares.

### II. Three months ended June 30, 2015 (from April 1, 2015 to June 30, 2015)

#### Dividends paid

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Ordinary general meeting of shareholders held on June 19, 2015	Common stock	299,519	5	March 31, 2015	June 22, 2015	Retained earnings

(Note) Total dividends do not include 1,799 thousand yen of dividends to Trust Account E. This is because shares in the Company held by Trust Account E are recognized as treasury shares.

## Segment Information and Others

### Segment information

#### I. Three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)

##### 1. Information about net sales and profit or loss by reportable segment

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded on the consolidated statements of income (Note 3)
	Compound	Film	Food wrapping film	Total				
Net sales								
(1) Sales to external customers	14,986,800	3,173,586	2,861,880	21,022,267	898,347	21,920,615	–	21,920,615
(2) Intersegment sales or transfers	57,340	–	–	57,340	67,308	124,648	[124,648]	–
Total	15,044,140	3,173,586	2,861,880	21,079,607	965,656	22,045,263	[124,648]	21,920,615
Segment profit (loss)	969,244	(94,708)	(11,473)	863,063	9,775	872,838	[27,204]	845,634

- (Notes) 1. The “Other” category is the business segment that is not included in the reportable segments, and represents the manufacturing and sales of synthetic resin molding products and electric wire as well as the purchase and sales of merchandise.
2. The adjustment to segment profit (loss) represents negative 27,204 thousand yen in inter-segment eliminations.
3. Segment profit (loss) is adjusted to operating income in the consolidated statements of income.

##### 2. Information about impairment loss on non-current assets or goodwill and others by reportable segment

Not applicable.

#### II. Three months ended June 30, 2015 (from April 1, 2015 to June 30, 2015)

##### 1. Information about net sales and profit or loss by reportable segment

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded on the consolidated statements of income (Note 3)
	Compound	Film	Food wrapping film	Total				
Net sales								
(1) Sales to external customers	15,991,513	2,966,518	2,476,623	21,434,655	805,123	22,239,778	–	22,239,778
(2) Intersegment sales or transfers	50,316	–	–	50,316	78,369	128,685	[128,685]	–
Total	16,041,829	2,966,518	2,476,623	21,484,971	883,492	22,368,464	[128,685]	22,239,778
Segment profit (loss)	1,061,568	(213,065)	28,922	877,426	(6,328)	871,097	[18,045]	853,052

- (Notes) 1. The “Other” category is the business segment that is not included in the reportable segments, and represents the manufacturing and sales of synthetic resin molding products and electric wire as well as the purchase and sales of merchandise.
2. The adjustment to segment profit (loss) represents negative 18,045 thousand yen in inter-segment eliminations.
3. Segment profit (loss) is adjusted to operating income in the consolidated statements of income.

##### 2. Information about impairment loss on non-current assets or goodwill and others by reportable segment

Not applicable.

## Business Combinations

Not applicable.

## Per Share Information

Basic earnings per share and the basis for calculation thereof, and diluted earnings per share and the basis for calculation thereof are as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2015
(1) Basic earnings per share (yen)	6.34	6.05
(Basis for calculation)		
Profit attributable to owners of parent (Thousands of yen)	379,543	362,752
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent regarding common stock (Thousands of yen)	379,543	362,752
Average number of shares of common stock outstanding during the period (Thousands of shares)	59,860	59,909
(2) Diluted earnings per share (yen)	—	5.30
(Basis for calculation)		
Adjustment on profit attributable to owners of parent (Thousands of yen)	—	—
Increase in common stock (Thousands of shares)	—	8,528
Outline of potential shares which were not used in calculating diluted earnings per share because they have no dilutive effects, and which had material changes after the end of the previous fiscal year	—	—

- (Notes)
1. Diluted earnings per share is not presented for the three-month period of the previous fiscal year because there were no potential shares.
  2. Because shares in the Company held by Trust Account E are recognized as treasury shares in the quarterly consolidated financial statements, the number of those shares has been deducted from the average number of shares of common stock outstanding during the period used for the calculation of basic earnings per share.

## Significant Subsequent Events

Not applicable.