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Quarterly Consolidated Financial Statements

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

Second quarter of
the 87th term

From July 1, 2015
to September 30, 2015

RIKEN TECHNOS CORPORATION

2-101, Kanda-Awajicho, Chiyoda-ku, Tokyo, Japan

Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2015	As of September 30, 2015
Assets		
Current assets		
Cash and deposits	14,122,970	13,700,057
Notes and accounts receivable - trade	24,573,477	22,293,703
Merchandise and finished goods	6,086,232	6,492,410
Work in process	568,699	597,243
Raw materials and supplies	4,458,751	4,833,235
Deferred tax assets	405,695	388,799
Other	1,207,283	1,138,044
Allowance for doubtful accounts	(182,489)	(185,001)
Total current assets	51,240,620	49,258,494
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,952,958	8,092,412
Machinery, equipment and vehicles, net	8,879,157	8,449,090
Land	6,676,193	6,643,189
Leased assets, net	60,490	38,307
Construction in progress	242,555	617,603
Other, net	500,996	608,035
Total property, plant and equipment	24,312,351	24,448,639
Intangible assets		
Goodwill	949,710	812,412
Leased assets	9,477	7,126
Other	2,587,095	2,762,175
Total intangible assets	3,546,283	3,581,715
Investments and other assets		
Investment securities	5,380,565	4,759,250
Long-term loans receivable	14,897	12,685
Net defined benefit asset	401,807	499,855
Deferred tax assets	215,149	235,653
Other	979,609	1,120,435
Allowance for doubtful accounts	(4,582)	(4,232)
Total investments and other assets	6,987,447	6,623,648
Total non-current assets	34,846,082	34,654,002
Total assets	86,086,702	83,912,497

(Thousands of yen)

	As of March 31, 2015	As of September 30, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,090,214	16,592,925
Short-term loans payable	*2 6,876,617	*2 8,611,611
Current portion of long-term loans payable	1,495,668	497,345
Lease obligations	39,382	24,910
Income taxes payable	420,050	347,171
Provision for bonuses	584,129	487,664
Provision for directors' bonuses	29,200	14,600
Other	2,822,313	2,792,708
Total current liabilities	29,357,575	29,368,937
Non-current liabilities		
Bonds payable	4,000,000	4,000,000
Long-term loans payable	2,172,766	1,949,377
Lease obligations	36,760	24,406
Deferred tax liabilities	1,886,168	1,790,457
Net defined benefit liability	3,028,830	985,311
Asset retirement obligations	260,594	341,492
Other	120,321	142,832
Total non-current liabilities	11,505,441	9,233,877
Total liabilities	40,863,017	38,602,814
Net assets		
Shareholders' equity		
Capital stock	8,514,018	8,514,018
Capital surplus	6,545,430	6,549,629
Retained earnings	23,152,869	23,604,908
Treasury shares	(1,960,025)	(1,951,660)
Total shareholders' equity	36,252,293	36,716,896
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,272,399	1,860,557
Foreign currency translation adjustment	1,388,454	1,387,024
Remeasurements of defined benefit plans	(453,433)	(404,304)
Total accumulated other comprehensive income	3,207,420	2,843,277
Non-controlling interests	5,763,971	5,749,508
Total net assets	45,223,685	45,309,682
Total liabilities and net assets	86,086,702	83,912,497

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

(Thousands of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	44,578,788	44,628,022
Cost of sales	37,849,434	37,227,101
Gross profit	6,729,353	7,400,920
Selling, general and administrative expenses	*1 5,076,364	*1 5,437,629
Operating income	1,652,989	1,963,291
Non-operating income		
Interest income	18,371	13,468
Dividend income	64,104	68,099
Foreign exchange gains	115,758	–
Other	100,435	33,497
Total non-operating income	298,669	115,064
Non-operating expenses		
Interest expenses	48,725	52,234
Foreign exchange losses	–	66,436
Other	29,050	17,398
Total non-operating expenses	77,775	136,069
Ordinary income	1,873,882	1,942,286
Extraordinary income		
Gain on sales of non-current assets	15,261	3,400
Gain on sales of investment securities	800	6,038
Total extraordinary income	16,061	9,439
Extraordinary losses		
Loss on sales of non-current assets	7,099	6,101
Loss on retirement of non-current assets	34,259	6,747
Loss on valuation of golf club membership	6,320	–
Total extraordinary losses	47,679	12,848
Income before income taxes	1,842,264	1,938,876
Income taxes	581,038	648,018
Profit	1,261,226	1,290,858
Profit attributable to non-controlling interests	366,445	529,923
Profit attributable to owners of parent	894,781	760,934

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Profit	1,261,226	1,290,858
Other comprehensive income		
Valuation difference on available-for-sale securities	418,956	(411,842)
Foreign currency translation adjustment	(431,148)	(23,637)
Remeasurements of defined benefit plans, net of tax	52,131	49,129
Total other comprehensive income	39,940	(386,350)
Comprehensive income	1,301,166	904,508
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,084,373	396,791
Comprehensive income attributable to non-controlling interests	216,792	507,716

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from operating activities		
Income before income taxes	1,842,264	1,938,876
Depreciation	1,351,475	1,617,312
Amortization of goodwill	136,213	137,297
Decrease in provision for bonuses	(119,083)	(96,865)
Decrease in provision for directors' bonuses	(12,400)	(14,600)
Decrease in allowance for doubtful accounts	(2,692)	(7,078)
Increase (decrease) in net defined benefit liability	108,464	(2,036,131)
Interest and dividend income	(82,475)	(81,567)
Interest expenses	48,725	52,234
Gain on sales of investment securities	(800)	(6,038)
Loss (gain) on sales of property, plant and equipment	(8,161)	2,700
Loss on retirement of property, plant and equipment	34,259	6,747
Decrease (increase) in notes and accounts receivable - trade	(549,199)	2,247,239
Increase in inventories	(711,791)	(786,360)
Increase (decrease) in notes and accounts payable - trade	1,097,420	(480,595)
Decrease in accrued consumption taxes	(67,640)	(62,786)
Other, net	(396,514)	(108,111)
Subtotal	2,668,065	2,322,272
Interest and dividend income received	82,852	71,671
Interest expenses paid	(49,371)	(55,904)
Income taxes paid	(892,627)	(631,616)
Net cash provided by operating activities	1,808,918	1,706,422
Cash flows from investing activities		
Payments into time deposits	(104,660)	(0)
Proceeds from withdrawal of time deposits	486,040	-
Purchase of property, plant and equipment	(1,472,855)	(1,405,837)
Proceeds from sales of property, plant and equipment	27,139	12,704
Purchase of intangible assets	(331,354)	(335,029)
Purchase of investment securities	(326)	(328)
Proceeds from sales of investment securities	11,000	30,107
Collection of loans receivable	3,506	2,281
Other, net	(4,313)	(102,551)
Net cash used in investing activities	(1,385,823)	(1,798,652)

(Thousands of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(484,964)	1,732,989
Proceeds from long-term loans payable	477,500	–
Repayments of long-term loans payable	(170,594)	(1,242,187)
Repayments of lease obligations	(45,958)	(23,415)
Proceeds from sales of treasury shares	7,921	8,458
Purchase of treasury shares	(1,212)	(94)
Cash dividends paid	(298,509)	(298,856)
Dividends paid to non-controlling interests	(621,291)	(518,161)
Net cash used in financing activities	(1,137,108)	(341,266)
Effect of exchange rate change on cash and cash equivalents	(153,574)	8,632
Net decrease in cash and cash equivalents	(867,588)	(424,863)
Cash and cash equivalents at beginning of period	11,698,768	13,981,367
Cash and cash equivalents at end of period	*1 10,831,180	*1 13,556,504

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 of the current fiscal year, 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 of the current fiscal year, 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 six-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 of the current fiscal year.

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 second 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 105,136 thousand yen as of the end of the second 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 333 thousand shares at the end of the second quarter under review. The average number of these shares outstanding during the period was 398 thousand shares in the six-month period of the previous fiscal year and 346 thousand shares in the six-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 September 30, 2015
Notes receivable endorsed	46,689	2,555

*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 September 30, 2015
Total overdraft facility limit	12,930,000	13,030,000
Outstanding borrowings within the limit	4,295,000	4,885,000
Unused balance	8,635,000	8,145,000

Notes to Consolidated Statements of Income

*1. Main components of selling, general and administrative expenses

Main components of selling, general and administrative expenses are as follows:

	(Thousands of yen)	
	Six months ended September 30, 2014	Six months ended September 30, 2015
Freightage expenses	1,465,321	1,406,027
Salaries and bonuses	1,028,511	1,113,283
Provision for bonuses	137,057	109,134
Provision for directors' bonuses	14,600	14,600
Retirement benefit expenses	58,307	85,263
Provision of allowance for doubtful accounts	4,439	1,597
Research and development expenses	461,060	465,827

Notes to Consolidated Statements of Cash Flows

*1. Reconciliation between "Cash and cash equivalents at end of period" in the consolidated statements of cash flows and "Cash and deposits" in the consolidated balance sheets

	(Thousands of yen)	
	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash and deposits	9,953,698	13,700,057
Time deposits with maturities over 3 months	(122,372)	(143,553)
Short-term loans receivable	999,854	-
Cash and cash equivalents	10,831,180	13,556,504

Shareholders' Equity and Others

I. Six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014)

1. 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.

2. Dividends whose cut-off date is in the six-month period under review and whose effective date is after the end of the second quarter under review

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Board of Directors meeting held on November 10, 2014	Common stock	239,513	4	September 30, 2014	December 3, 2014	Retained earnings

(Note) Total dividends do not include 1,543 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. Six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)

1. 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.

2. Dividends whose cut-off date is in the six-month period under review and whose effective date is after the end of the second quarter under review

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Board of Directors meeting held on November 6, 2015	Common stock	299,652	5	September 30, 2015	December 2, 2015	Retained earnings

(Note) Total dividends do not include 1,665 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. Six months ended September 30, 2014 (from April 1, 2014 to September 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	30,312,236	6,996,869	5,439,350	42,748,455	1,830,332	44,578,788	–	44,578,788
(2) Intersegment sales or transfers	126,510	–	–	126,510	485,845	612,356	[612,356]	–
Total	30,438,746	6,996,869	5,439,350	42,874,966	2,316,177	45,191,144	[612,356]	44,578,788
Segment profit (loss)	1,898,759	(187,020)	(5,319)	1,706,420	49,725	1,756,146	[103,156]	1,652,989

- (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 103,156 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. Six months ended September 30, 2015 (from April 1, 2015 to September 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	31,890,102	5,948,138	5,179,344	43,017,585	1,610,437	44,628,022	–	44,628,022
(2) Intersegment sales or transfers	116,920	–	–	116,920	243,913	360,833	[360,833]	–
Total	32,007,022	5,948,138	5,179,344	43,134,505	1,854,350	44,988,856	[360,833]	44,628,022
Segment profit (loss)	2,421,497	(464,882)	67,948	2,024,563	(15,185)	2,009,378	[46,086]	1,963,291

- (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 46,086 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.

Financial Instruments

This information has been omitted as the amounts for financial instruments stated in the quarterly consolidated balance sheets have not changed materially from the previous fiscal year-end.

Securities

This information has been omitted as the amounts for securities stated in the quarterly consolidated balance sheets have not changed materially from the previous fiscal year-end.

Derivative Transactions

Information on derivative transactions has been omitted as the contract and other amounts related to the transaction have not changed materially from the previous fiscal year-end.

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:

	Six months ended September 30, 2014	Six months ended September 30, 2015
(1) Basic earnings per share (yen)	14.95	12.70
(Basis for calculation)		
Profit attributable to owners of parent (Thousands of yen)	894,781	760,934
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent regarding common stock (Thousands of yen)	894,781	760,934
Average number of shares of common stock outstanding during the period (Thousands of shares)	59,866	59,917
(2) Diluted earnings per share (yen)	–	11.12
(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 six-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.