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Quarterly Consolidated Financial Statements

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

Third quarter of the 87th term	From October 1, 2015 to December 31, 2015
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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 December 31, 2015
Assets		
Current assets		
Cash and deposits	14,122,970	11,681,046
Notes and accounts receivable - trade	24,573,477	*2 22,959,294
Merchandise and finished goods	6,086,232	6,755,164
Work in process	568,699	602,476
Raw materials and supplies	4,458,751	4,795,832
Deferred tax assets	405,695	396,837
Other	1,207,283	1,216,447
Allowance for doubtful accounts	(182,489)	(184,501)
Total current assets	51,240,620	48,222,597
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,952,958	7,803,039
Machinery, equipment and vehicles, net	8,879,157	7,852,300
Land	6,676,193	6,504,753
Leased assets, net	60,490	30,441
Construction in progress	242,555	1,404,088
Other, net	500,996	543,294
Total property, plant and equipment	24,312,351	24,137,918
Intangible assets		
Goodwill	949,710	743,764
Leased assets	9,477	6,180
Other	2,587,095	3,049,609
Total intangible assets	3,546,283	3,799,553
Investments and other assets		
Investment securities	5,380,565	5,075,339
Long-term loans receivable	14,897	10,002
Net defined benefit asset	401,807	544,549
Deferred tax assets	215,149	215,089
Other	979,609	1,113,629
Allowance for doubtful accounts	(4,582)	(4,182)
Total investments and other assets	6,987,447	6,954,428
Total non-current assets	34,846,082	34,891,899
Total assets	86,086,702	83,114,497

(Thousands of yen)

	As of March 31, 2015	As of December 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,090,214	*2 16,989,997
Short-term loans payable	*3 6,876,617	*3 8,308,043
Current portion of long-term loans payable	1,495,668	497,513
Lease obligations	39,382	21,391
Income taxes payable	420,050	245,628
Provision for bonuses	584,129	343,519
Provision for directors' bonuses	29,200	21,900
Other	2,822,313	2,517,725
Total current liabilities	29,357,575	28,945,719
Non-current liabilities		
Bonds payable	4,000,000	4,000,000
Long-term loans payable	2,172,766	1,903,800
Lease obligations	36,760	19,958
Deferred tax liabilities	1,886,168	1,836,477
Net defined benefit liability	3,028,830	951,929
Asset retirement obligations	260,594	304,635
Other	120,321	142,846
Total non-current liabilities	11,505,441	9,159,647
Total liabilities	40,863,017	38,105,367
Net assets		
Shareholders' equity		
Capital stock	8,514,018	8,514,018
Capital surplus	6,545,430	6,551,687
Retained earnings	23,152,869	24,021,510
Treasury shares	(1,960,025)	(1,945,232)
Total shareholders' equity	36,252,293	37,141,984
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,272,399	2,082,249
Foreign currency translation adjustment	1,388,454	776,176
Remeasurements of defined benefit plans	(453,433)	(379,739)
Total accumulated other comprehensive income	3,207,420	2,478,687
Non-controlling interests	5,763,971	5,388,458
Total net assets	45,223,685	45,009,130
Total liabilities and net assets	86,086,702	83,114,497

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

(Thousands of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net sales	67,781,747	67,434,128
Cost of sales	57,486,350	55,872,603
Gross profit	10,295,397	11,561,525
Selling, general and administrative expenses	7,651,613	8,203,188
Operating income	2,643,784	3,358,336
Non-operating income		
Interest income	23,701	20,758
Dividend income	106,917	119,048
Foreign exchange gains	206,088	-
Other	151,076	74,365
Total non-operating income	487,784	214,171
Non-operating expenses		
Interest expenses	73,445	81,232
Foreign exchange losses	-	133,738
Other	23,898	18,820
Total non-operating expenses	97,344	233,791
Ordinary income	3,034,224	3,338,716
Extraordinary income		
Gain on sales of non-current assets	16,020	4,048
Gain on sales of investment securities	800	6,038
Total extraordinary income	16,820	10,086
Extraordinary losses		
Loss on sales of non-current assets	6,828	6,972
Loss on retirement of non-current assets	55,473	24,982
Loss on valuation of golf club membership	6,315	-
Total extraordinary losses	68,616	31,955
Income before income taxes	2,982,427	3,316,847
Income taxes	938,452	1,002,880
Profit	2,043,974	2,313,967
Profit attributable to non-controlling interests	538,217	836,749
Profit attributable to owners of parent	1,505,756	1,477,218

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Profit	2,043,974	2,313,967
Other comprehensive income		
Valuation difference on available-for-sale securities	643,036	(190,149)
Foreign currency translation adjustment	583,355	(1,058,988)
Remeasurements of defined benefit plans, net of tax	78,197	73,694
Total other comprehensive income	1,304,589	(1,175,443)
Comprehensive income	3,348,563	1,138,523
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,581,197	748,485
Comprehensive income attributable to non-controlling interests	767,365	390,038

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 nine-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 third 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 98,634 thousand yen as of the end of the third 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 312 thousand shares at the end of the third quarter under review. The average number of these shares outstanding during the period was 392 thousand shares in the nine-month period of the previous fiscal year and 339 thousand shares in the nine-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 December 31, 2015
Notes receivable endorsed	46,689	3,124

*2. Notes matured at quarterly period-end

When the quarterly period-end is a holiday for financial institutions, the settlement of notes matured at the quarterly period-end is accounted for as if the matured notes were settled on the maturity date.

The amount of notes matured at the end of the third quarter under review is as follows:

	(Thousands of yen)	
	As of March 31, 2015	As of December 31, 2015
Notes receivable - trade	-	810,199
Notes payable - trade	-	789

*3. 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 December 31, 2015
Total overdraft facility limit	12,930,000	13,030,000
Outstanding borrowings within the limit	4,295,000	4,545,000
Unused balance	8,635,000	8,485,000

Notes to Consolidated Statements of Income

Not applicable.

Notes to Consolidated Statements of Cash Flows

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

	(Thousands of yen)	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Depreciation	2,137,735	2,430,979
Amortization of goodwill	203,288	205,946

Shareholders' Equity and Others

I. Nine months ended December 31, 2014 (from April 1, 2014 to December 31, 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.

(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. Nine months ended December 31, 2015 (from April 1, 2015 to December 31, 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.

(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. Nine months ended December 31, 2014 (from April 1, 2014 to December 31, 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	46,095,111	10,604,449	8,327,346	65,026,907	2,754,840	67,781,747	–	67,781,747
(2) Intersegment sales or transfers	183,874	–	–	183,874	551,734	735,609	(735,609)	–
Total	46,278,985	10,604,449	8,327,346	65,210,782	3,306,574	68,517,356	(735,609)	67,781,747
Segment profit (loss)	2,980,080	(244,275)	(14,088)	2,721,716	59,107	2,780,823	(137,039)	2,643,784

- (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 137,039 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. Nine months ended December 31, 2015 (from April 1, 2015 to December 31, 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	47,895,021	8,901,987	8,046,386	64,843,395	2,590,733	67,434,128	–	67,434,128
(2) Intersegment sales or transfers	172,598	562	–	173,160	291,488	464,649	(464,649)	–
Total	48,067,619	8,902,549	8,046,386	65,016,556	2,882,221	67,898,778	(464,649)	67,434,128
Segment profit (loss)	3,724,961	(562,834)	309,986	3,472,113	(29,254)	3,442,858	(84,521)	3,358,336

- (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 84,521 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:

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
(1) Basic earnings per share (yen)	25.15	24.65
(Basis for calculation)		
Profit attributable to owners of parent (Thousands of yen)	1,505,756	1,477,218
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent regarding common stock (Thousands of yen)	1,505,756	1,477,218
Average number of shares of common stock outstanding during the period (Thousands of shares)	59,872	59,924
(2) Diluted earnings per share (yen)	–	21.58
(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 nine-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.