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# **Consolidated Financial Statements**

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

Business year:                      From April 1, 2016  
(88th term)                              to March 31, 2017

**RIKEN TECHNOS CORPORATION**

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

# Consolidated Financial Statements and Others

## (1) Consolidated Financial Statements

### a. Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	14,207,006	14,508,274
Notes and accounts receivable - trade	22,774,907	23,762,379
Merchandise and finished goods	5,708,516	5,731,533
Work in process	490,340	558,400
Raw materials and supplies	4,326,334	4,823,450
Deferred tax assets	403,630	429,567
Other	1,111,525	1,133,890
Allowance for doubtful accounts	(154,949)	(129,560)
<b>Total current assets</b>	<b>48,867,312</b>	<b>50,817,935</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,569,424	22,118,471
Accumulated depreciation	(11,880,534)	(12,380,694)
Buildings and structures, net	7,688,889	9,737,777
Machinery, equipment and vehicles	45,917,319	48,095,877
Accumulated depreciation	(38,374,912)	(38,873,101)
Machinery, equipment and vehicles, net	7,542,407	9,222,775
Land	6,470,110	6,427,165
Leased assets	479,916	469,525
Accumulated depreciation	(456,016)	(447,065)
Leased assets, net	23,900	22,460
Construction in progress	3,557,754	932,233
Other	5,304,955	5,479,530
Accumulated depreciation	(4,798,006)	(4,861,376)
Other, net	506,949	618,154
<b>Total property, plant and equipment</b>	<b>25,790,011</b>	<b>26,960,565</b>
Intangible assets		
Goodwill	675,115	483,537
Leased assets	5,410	3,745
Other	2,856,866	2,656,002
<b>Total intangible assets</b>	<b>3,537,392</b>	<b>3,143,285</b>
Investments and other assets		
Investment securities	4,509,526	6,035,880
Long-term loans receivable	7,928	54,916
Net defined benefit asset	334,377	502,834
Deferred tax assets	595,303	230,356
Other	519,968	603,906
Allowance for doubtful accounts	(4,332)	(3,770)
<b>Total investments and other assets</b>	<b>5,962,772</b>	<b>7,424,123</b>
<b>Total non-current assets</b>	<b>35,290,176</b>	<b>37,527,975</b>
<b>Total assets</b>	<b>84,157,489</b>	<b>88,345,910</b>

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	16,836,244	16,913,755
Short-term loans payable	*2 7,186,504	*2 6,544,873
Current portion of long-term loans payable	502,435	315,635
Lease obligations	19,933	10,231
Income taxes payable	457,872	575,041
Provision for bonuses	610,062	625,177
Provision for directors' bonuses	29,200	63,100
Other	2,441,709	2,529,349
Total current liabilities	28,083,962	27,577,165
Non-current liabilities		
Bonds payable	4,000,000	4,000,000
Long-term loans payable	2,886,697	4,866,068
Lease obligations	14,701	21,468
Deferred tax liabilities	882,230	1,159,930
Provision for executive officer incentive plan trust	—	17,410
Net defined benefit liability	1,093,272	1,069,617
Asset retirement obligations	305,721	310,128
Other	144,062	127,782
Total non-current liabilities	9,326,687	11,572,407
Total liabilities	37,410,649	39,149,572
<b>Net assets</b>		
Shareholders' equity		
Capital stock	8,514,018	8,514,018
Capital surplus	6,562,944	6,670,465
Retained earnings	25,026,282	27,137,248
Treasury shares	(1,941,701)	(3,108,532)
Total shareholders' equity	38,161,544	39,213,200
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,701,299	2,785,333
Foreign currency translation adjustment	856,000	502,996
Remeasurements of defined benefit plans	(604,435)	(527,469)
Total accumulated other comprehensive income	1,952,864	2,760,859
Non-controlling interests	6,632,430	7,222,277
Total net assets	46,746,839	49,196,337
<b>Total liabilities and net assets</b>	<b>84,157,489</b>	<b>88,345,910</b>

**b. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income**

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	90,589,081	88,300,159
Cost of sales	*1, *3 74,439,165	*1, *3 70,924,200
Gross profit	16,149,915	17,375,958
Selling, general and administrative expenses	*2, *3 11,065,113	*2, *3 11,513,287
Operating income	5,084,802	5,862,671
Non-operating income		
Interest income	30,693	32,561
Dividend income	127,902	127,092
Other	94,359	102,242
Total non-operating income	252,955	261,895
Non-operating expenses		
Interest expenses	110,657	141,482
Foreign exchange losses	284,556	102,424
Other	10,830	45,723
Total non-operating expenses	406,045	289,630
Ordinary income	4,931,712	5,834,937
Extraordinary income		
Gain on sales of non-current assets	3,995	2,678
Gain on sales of investment securities	6,038	—
Total extraordinary income	10,034	2,678
Extraordinary losses		
Loss on sales of non-current assets	6,557	292
Loss on retirement of non-current assets	*4 45,380	*4 20,848
Impairment loss	*5 555,339	*5 11,811
Total extraordinary losses	607,277	32,952
Profit before income taxes	4,334,470	5,804,662
Income taxes - current	1,517,345	1,586,326
Income taxes - deferred	(933,718)	140,007
Total income taxes	583,626	1,726,333
Profit	3,750,843	4,078,328
Profit attributable to non-controlling interests	1,268,843	1,361,563
Profit attributable to owners of parent	2,482,000	2,716,765

## Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	3,750,843	4,078,328
Other comprehensive income		
Valuation difference on available-for-sale securities	(571,099)	1,084,940
Foreign currency translation adjustment	(843,030)	(519,871)
Remeasurements of defined benefit plans, net of tax	(151,001)	72,746
Total other comprehensive income	*1 (1,565,131)	*1 637,815
Comprehensive income	2,185,711	4,716,144
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,262,081	3,523,760
Comprehensive income attributable to non-controlling interests	923,630	1,192,384

**c. Consolidated Statements of Changes in Net Assets**

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,514,018	6,545,430	23,152,869	(1,960,025)	36,252,293
Changes of items during period					
Change in ownership interest of parent due to transactions with non-controlling interests		10,550			10,550
Dividends of surplus			(599,172)		(599,172)
Profit attributable to owners of parent			2,482,000		2,482,000
Purchase of treasury shares				(203)	(203)
Disposal of treasury shares		6,962		18,527	25,490
Other			(9,414)		(9,414)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	17,513	1,873,413	18,323	1,909,250
Balance at end of current period	8,514,018	6,562,944	25,026,282	(1,941,701)	38,161,544

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,272,399	1,388,454	(453,433)	3,207,420	5,763,971	45,223,685
Changes of items during period						
Change in ownership interest of parent due to transactions with non-controlling interests						10,550
Dividends of surplus						(599,172)
Profit attributable to owners of parent						2,482,000
Purchase of treasury shares						(203)
Disposal of treasury shares						25,490
Other						(9,414)
Net changes of items other than shareholders' equity	(571,099)	(532,454)	(151,001)	(1,254,555)	868,458	(386,096)
Total changes of items during period	(571,099)	(532,454)	(151,001)	(1,254,555)	868,458	1,523,154
Balance at end of current period	1,701,299	856,000	(604,435)	1,952,864	6,632,430	46,746,839

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,514,018	6,562,944	25,026,282	(1,941,701)	38,161,544
Changes of items during period					
Change in ownership interest of parent due to transactions with non-controlling interests		(1,572)			(1,572)
Dividends of surplus			(599,750)		(599,750)
Profit attributable to owners of parent			2,716,765		2,716,765
Purchase of treasury shares				(1,428,352)	(1,428,352)
Disposal of treasury shares		109,094		261,521	370,615
Other			(6,049)		(6,049)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	107,521	2,110,965	(1,166,831)	1,051,656
Balance at end of current period	8,514,018	6,670,465	27,137,248	(3,108,532)	39,213,200

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,701,299	856,000	(604,435)	1,952,864	6,632,430	46,746,839
Changes of items during period						
Change in ownership interest of parent due to transactions with non-controlling interests						(1,572)
Dividends of surplus						(599,750)
Profit attributable to owners of parent						2,716,765
Purchase of treasury shares						(1,428,352)
Disposal of treasury shares						370,615
Other						(6,049)
Net changes of items other than shareholders' equity	1,084,033	(353,004)	76,966	807,994	589,847	1,397,842
Total changes of items during period	1,084,033	(353,004)	76,966	807,994	589,847	2,449,498
Balance at end of current period	2,785,333	502,996	(527,469)	2,760,859	7,222,277	49,196,337

#### d. Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,334,470	5,804,662
Depreciation	3,265,614	3,177,560
Impairment loss	555,339	11,811
Amortization of goodwill	274,595	191,577
Increase (decrease) in provision for bonuses	26,089	18,540
Increase (decrease) in provision for directors' bonuses	—	33,900
Increase (decrease) in allowance for doubtful accounts	(11,685)	78,520
Increase (decrease) in net defined benefit liability	(1,897,137)	(14,826)
Increase (decrease) in provision for executive officer incentive plan trust	—	17,410
Interest and dividend income	(158,596)	(159,653)
Interest expenses	110,657	141,482
Loss (gain) on sales of investment securities	(6,038)	—
Loss (gain) on sales of property, plant and equipment	2,561	(2,385)
Loss on retirement of non-current assets	45,380	20,848
Decrease (increase) in notes and accounts receivable - trade	1,513,988	(1,118,272)
Decrease (increase) in inventories	354,412	(736,005)
Increase (decrease) in notes and accounts payable - trade	(20,083)	241,707
Increase (decrease) in accrued consumption taxes	23,427	42,727
Other, net	(218,928)	240,242
Subtotal	8,194,066	7,989,849
Interest and dividend income received	157,222	160,966
Interest expenses paid	(114,325)	(128,893)
Income taxes paid	(1,411,148)	(1,461,586)
Net cash provided by (used in) operating activities	6,825,814	6,560,335
<b>Cash flows from investing activities</b>		
Payments into time deposits	(121,529)	(281)
Proceeds from withdrawal of time deposits	—	610,300
Purchase of property, plant and equipment	(5,621,776)	(4,167,719)
Proceeds from sales of property, plant and equipment	12,536	6,575
Purchase of intangible assets	(616,109)	(427,671)
Purchase of investment securities	(8,203)	(10,016)
Proceeds from sales of investment securities	30,107	—
Collection of loans receivable	6,218	4,543
Other, net	(288,431)	(264,079)
Net cash provided by (used in) investing activities	(6,607,188)	(4,248,350)



(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	430,130	(433,609)
Proceeds from long-term loans payable	1,210,000	2,250,120
Repayments of long-term loans payable	(1,484,806)	(502,435)
Repayments of lease obligations	(33,989)	(18,387)
Proceeds from share issuance to non-controlling shareholders	693,226	260,324
Proceeds from sales of treasury shares	18,527	261,521
Purchase of treasury shares	(203)	(1,428,352)
Cash dividends paid	(597,879)	(598,806)
Dividends paid to non-controlling interests	(761,512)	(860,694)
Net cash provided by (used in) financing activities	(526,506)	(1,070,320)
Effect of exchange rate change on cash and cash equivalents	(229,161)	(316,126)
Net increase (decrease) in cash and cash equivalents	(537,041)	925,538
Cash and cash equivalents at beginning of period	13,981,367	13,444,325
Cash and cash equivalents at end of period	*1 13,444,325	*1 14,369,863

## Notes to Consolidated Financial Statements

### Significant Matters in Preparing Consolidated Financial Statements

#### 1. Basis of presentation of consolidated financial statements

The accompanying 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.

#### 2. Scope of consolidation

##### (a) Number of consolidated subsidiaries: 20 as of March 31, 2016 and 2017

Names of principal consolidated subsidiaries are as follows:

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

Company name
SHINKO ELECTRIC WIRE CO., LTD.
KYOEI PLASTIC MFG CO., LTD.
RIKEN TECHNOS INTERNATIONAL CORPORATION
RIKEN CHEMICAL PRODUCTS CORPORATION
RIKEN FABRO CORPORATION
RIKEN (THAILAND) CO., LTD.
RIKEN ELASTOMERS (THAILAND) CO., LTD.
RIKEN TECHNOS INTERNATIONAL (THAILAND) CO., LTD.
PT. RIKEN INDONESIA
SHANGHAI RIKEN TECHNOS CORPORATION
RIKEN TECHNOS (JIANG SU) CORPORATION
RIKEN (SHANGHAI) CORPORATION
RIKEN TECHNOS INTERNATIONAL PTE. LTD.
RIKEN TECHNOS INTERNATIONAL KOREA CORPORATION
RIKEN VIETNAM CO., LTD.
RIKEN TECHNOS INTERNATIONAL VIETNAM CO., LTD.
RIKEN U.S.A. CORPORATION
RIMTEC CORPORATION
RIKEN ELASTOMERS CORPORATION
RIKEN TECHNOS EUROPE B.V.

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

Company name
SHINKO ELECTRIC WIRE CO., LTD.
KYOEI PLASTIC MFG CO., LTD.
RIKEN TECHNOS INTERNATIONAL CORPORATION
RIKEN CHEMICAL PRODUCTS CORPORATION
RIKEN FABRO CORPORATION
RIKEN (THAILAND) CO., LTD.
RIKEN ELASTOMERS (THAILAND) CO., LTD.
RIKEN TECHNOS INTERNATIONAL (THAILAND) CO., LTD.
PT. RIKEN INDONESIA
SHANGHAI RIKEN TECHNOS CORPORATION
RIKEN TECHNOS (JIANG SU) CORPORATION
RIKEN (SHANGHAI) CORPORATION
RIKEN TECHNOS INTERNATIONAL PTE. LTD.
RIKEN TECHNOS INTERNATIONAL KOREA CORPORATION
RIKEN VIETNAM CO., LTD.
RIKEN TECHNOS INTERNATIONAL VIETNAM CO., LTD.
RIKEN U.S.A. CORPORATION
RIMTEC CORPORATION
RIKEN ELASTOMERS CORPORATION
RIKEN TECHNOS EUROPE B.V.

(b) The Company has no unconsolidated subsidiaries.

3. Application of equity method

The Company has no associates.

4. Fiscal year-end of consolidated subsidiaries

The consolidated subsidiaries whose balance sheet date is different from the consolidated balance sheet date are as follows:

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

<u>Company name</u>	<u>Balance sheet date</u>
SHINKO ELECTRIC WIRE CO., LTD.	December 31 *1
KYOEI PLASTIC MFG CO., LTD.	December 31 *1
RIKEN TECHNOS INTERNATIONAL CORPORATION	December 31 *1
RIKEN CHEMICAL PRODUCTS CORPORATION	December 31 *1
RIKEN FABRO CORPORATION	December 31 *1
RIKEN (THAILAND) CO., LTD.	December 31 *1
RIKEN ELASTOMERS (THAILAND) CO., LTD.	December 31 *1
RIKEN TECHNOS INTERNATIONAL (THAILAND) CO., LTD.	December 31 *1
PT. RIKEN INDONESIA	December 31 *1
SHANGHAI RIKEN TECHNOS CORPORATION	December 31 *1
RIKEN TECHNOS (JIANG SU) CORPORATION	December 31 *1
RIKEN (SHANGHAI) CORPORATION	December 31 *1
RIKEN TECHNOS INTERNATIONAL PTE. LTD.	December 31 *1
RIKEN TECHNOS INTERNATIONAL KOREA CORPORATION	December 31 *1
RIKEN VIETNAM CO., LTD.	December 31 *1
RIKEN TECHNOS INTERNATIONAL VIETNAM CO., LTD.	December 31 *1
RIKEN U.S.A. CORPORATION	December 31 *1
RIMTEC CORPORATION	December 31 *1
RIKEN ELASTOMERS CORPORATION	December 31 *1
RIKEN TECHNOS EUROPE B.V.	December 31 *1

\*1. The financial statements as of the balance sheet date of the consolidated subsidiaries are used. However, for major transactions that occurred between that date and the consolidated balance sheet date, the necessary adjustments are made in the consolidated financial statements.

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

<u>Company name</u>	<u>Balance sheet date</u>
SHINKO ELECTRIC WIRE CO., LTD.	December 31 *1
KYOEI PLASTIC MFG CO., LTD.	December 31 *1
RIKEN TECHNOS INTERNATIONAL CORPORATION	December 31 *1
RIKEN CHEMICAL PRODUCTS CORPORATION	December 31 *1
RIKEN FABRO CORPORATION	December 31 *1
RIKEN (THAILAND) CO., LTD.	December 31 *1
RIKEN ELASTOMERS (THAILAND) CO., LTD.	December 31 *1
RIKEN TECHNOS INTERNATIONAL (THAILAND) CO., LTD.	December 31 *1
PT. RIKEN INDONESIA	December 31 *1
SHANGHAI RIKEN TECHNOS CORPORATION	December 31 *1
RIKEN TECHNOS (JIANG SU) CORPORATION	December 31 *1
RIKEN (SHANGHAI) CORPORATION	December 31 *1
RIKEN TECHNOS INTERNATIONAL PTE. LTD.	December 31 *1
RIKEN TECHNOS INTERNATIONAL KOREA CORPORATION	December 31 *1
RIKEN VIETNAM CO., LTD.	December 31 *1
RIKEN TECHNOS INTERNATIONAL VIETNAM CO., LTD.	December 31 *1
RIKEN U.S.A. CORPORATION	December 31 *1
RIMTEC CORPORATION	December 31 *1
RIKEN ELASTOMERS CORPORATION	December 31 *1
RIKEN TECHNOS EUROPE B.V.	December 31 *1

\*1. The financial statements as of the balance sheet date of the consolidated subsidiaries are used. However, for major transactions that occurred between that date and the consolidated balance sheet date, the necessary adjustments are made in the consolidated financial statements.

## 5. Accounting policies

### (a) Valuation methods for significant assets

#### i) Securities

##### (1) Held-to-maturity bonds

Stated at amortized cost (straight-line method).

##### (2) Available-for-sale securities

With market value

Stated at fair value based on market price and other fair values as of the balance sheet date (unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets, and costs of securities sold are determined by the moving-average method).

Without market value

Stated at cost determined by the moving-average method.

#### ii) Derivatives

Stated at fair value.

#### iii) Inventories

Inventories of the Company and domestic consolidated subsidiaries are mainly stated at cost determined by the moving-average method (the carrying amounts in the consolidated balance sheets are written down due to a decline in profitability). Inventories of overseas consolidated subsidiaries are mainly stated at the lower of cost or market, determined by the average method.

### (b) Depreciation and amortization of significant assets

#### i) Property, plant and equipment (excluding leased assets)

The Company and domestic consolidated subsidiaries mainly apply the declining-balance method. However, buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) are depreciated by the straight-line method. Overseas consolidated subsidiaries apply the straight-line method.

The estimated useful lives of major items are as follows:

Buildings and structures	3 to 47 years
Machinery, equipment and vehicles	4 to 10 years

#### ii) Intangible assets (excluding leased assets)

The Company and domestic consolidated subsidiaries apply the straight-line method.

Internal use software is amortized by the straight-line method over its estimated useful life as internally determined (five years).

#### iii) Leased assets

The Company and domestic consolidated subsidiaries apply the straight-line method assuming the lease periods as useful lives with no residual value.

### (c) Significant allowances

#### i) Allowance for doubtful accounts

To cover losses from bad debts for notes and accounts receivable - trade, loans receivable and others, an allowance for doubtful accounts is provided based on historical experience of bad debts for general receivables. For specific receivables, such as highly doubtful receivables, the collectibility is individually considered and the estimated amount of uncollectible accounts is provided as the allowance.

#### ii) Provision for bonuses

To cover bonus payments to employees, a provision for bonuses is provided in the amount to be paid for services rendered by employees during the fiscal year based mainly on the estimated amount of future bonus payment.

iii) Provision for directors' bonuses

To cover bonus payments to directors (excluding directors serving as audit & supervisory committee members) and executive officers, the Company records a provision for directors' bonuses in the amount of the portion applicable to the fiscal year, based on the estimated amount of future bonus payment.

iv) Provision for executive officer incentive plan trust

To cover provision of shares in the Company to directors and executive officers, the Company records a provision for executive officer incentive plan trust based on the estimated amount of share provision obligations as of the end of the current fiscal year.

(d) Method of recognizing retirement benefits

i) Method of attributing estimated retirement benefits to periods

For the purpose of attributing estimated retirement benefits to periods up to the end of the current fiscal year in the calculation of retirement benefit obligations, the benefit formula method is applied.

ii) Method of amortizing actuarial differences and past service cost

Past service cost is amortized by the straight-line method over a certain term within the average remaining service period of the eligible employees (13 years).

With regard to actuarial differences, the amount is amortized by the straight-line method over a certain term within the average remaining service period of the eligible employees (13 years) for each applicable fiscal year, and expensed from the year following the year in which the gain or loss is recognized.

iii) Method of accounting for unrecognized actuarial differences and unrecognized past service cost

Unrecognized actuarial differences and unrecognized past service cost are recognized in remeasurements of defined benefit plans under accumulated other comprehensive income in net assets after adjusting for tax effects.

iv) Application of simplified accounting method at small companies

Some consolidated subsidiaries apply a simplified accounting method in which the net defined benefit liability and retirement benefit expenses are calculated by using a method in which the amount of retirement benefits to be paid in cases where all eligible employees retired at the fiscal year-end date is regarded as retirement benefit obligations.

(e) Significant hedge accounting

i) Hedge accounting

For foreign currency-denominated monetary receivables and others that have been hedged by forward exchange contracts, the allocation method is used. For interest rate swap contracts, the Company and its domestic consolidated subsidiaries apply the method in which the amount paid or received under the swap contract is added to or deducted from the interest on the hedged assets and liabilities (the exceptional accrual method), in cases where the requirements for the method are satisfied.

ii) Hedging instruments and hedged items

• Hedging instruments

Forward exchange contracts and interest rate swap contracts

• Hedged items

Foreign currency-denominated accounts receivable - trade related to exports of finished goods and interest on loans payable

iii) Hedging policy

Forward exchange contracts are only used within the scope of actual need in order to hedge the risk of fluctuations in foreign exchange rates. Interest rate swap contracts are used to hedge the interest rate fluctuation risk. Entering into derivative transactions for trading or speculative purposes is prohibited.

iv) Assessment of hedge effectiveness

An assessment of hedge effectiveness is omitted for forward exchange contracts to which the allocation method is applied and interest rate swap contracts that satisfy the requirements for the exceptional accrual method.

(f) Method and period for amortization of goodwill

Goodwill is amortized evenly over the period, not exceeding 20 years, during which the goodwill has an effect. However, when the amount of goodwill is insignificant, it is charged to income at the date of occurrence.

(g) Scope of cash and cash equivalents in consolidated statements of cash flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows consist of cash on hand, readily available deposits, and highly liquid short-term investments with original maturities of three months or less that are subject to an insignificant risk of changes in value.

(h) Other significant matters in preparing consolidated financial statements

i) Accounting for deferred assets

Bond issuance cost is expensed as paid.

ii) Accounting for consumption taxes

Transactions subject to consumption tax and local consumption tax are recorded at amounts exclusive of taxes.

### **Changes in Accounting Policies**

In accordance with revisions of the Corporation Tax Law, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) effective from the current fiscal year, and changed the depreciation method of facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change on operating income, ordinary income and profit before income taxes for the current fiscal year is immaterial.

### **Change in Presentation**

Not applicable.

## Additional Information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the current fiscal year, the Company has applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

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

### (1) Board Benefit Trust (BBT)

In accordance with the resolution at the 87th ordinary general meeting of shareholders dated June 24, 2016, the Company introduced a new stock-based compensation plan “Board Benefit Trust (BBT)” on September 14, 2016, for the purpose of raising the awareness of directors who administer business operations (excluding directors serving as audit & supervisory committee members) and executive officers toward their contributions to improving the mid- to long-term corporate performance and increasing the corporate value, and enhancing the contribution of directors who do not administer business operations (excluding directors serving as audit & supervisory committee members) and directors serving as audit & supervisory committee members to increasing the mid- to long-term corporate value through supervision or audits.

#### (a) Overview of transactions

Based on the officers’ stock benefit plan which was established in advance, the Company and its group companies (the “Group”) grant points to directors etc. (directors and executive officers). At the time of their retirement, the Group provides shares in the Company to the directors etc. who satisfy requirements for beneficiaries in proportion to the points which the Group has granted to them. With regard to the shares which will be provided in the future, a trust bank acquires the Company’s treasury shares through third-party allotment by using the money contributed by the Company. Such shares are managed as trust assets separately.

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

The Company applies the gross method in the same manner as stipulated in the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015). The Company records expenses and provision corresponding to such expenses based on the number of points granted to directors etc. (directors and executive officers) in accordance with the plan.

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

The shares in the Company held by the trust were recorded as the treasury shares in shareholders’ equity with the book value (excluding associated costs) at the trust. The book value and number of these treasury shares as of the end of the current fiscal year were 209,960 thousand yen and 476 thousand shares, respectively.

### (2) Stock Benefit Trust (Employee Stockholding Association Purchase-type)

For the purpose of welfare benefits for employees, the Company conducts transactions of delivering its own stock to the employee stockholding association through trusts. This trust was terminated as of March 10, 2017.

#### (a) 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 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.

(b) 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.

(c) 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 zero at the end of the current fiscal year.

The average number of these shares outstanding during the period was 254 thousand shares. In the calculation of per share information, these shares are included in treasury shares that are deducted.



## Notes to Consolidated Balance Sheets

### 1. Notes endorsed

	(Thousands of yen)	
	As of March 31, 2016	As of March 31, 2017
Notes endorsed	5,040	1,666

### \*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 at the fiscal year-end is as follows:

	(Thousands of yen)	
	As of March 31, 2016	As of March 31, 2017
Total overdraft facility limit	13,030,000	11,030,000
Outstanding borrowings within the limit	4,415,000	4,015,000
Unused balance	8,615,000	7,015,000

## Notes to Consolidated Statements of Income

\*1. The inventory balance at the fiscal year-end is presented after book values were written down due to a decline in profitability of assets and the following losses (gains) on valuation of inventories are included in cost of sales.

	(Thousands of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	94,313	475,021

\*2. Main components of selling, general and administrative expenses are as follows:

	(Thousands of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Freightage expenses	2,841,238	2,848,686
Commission fees	946,333	1,049,678
Salaries and bonuses	2,393,057	2,340,287
Provision for bonuses	112,236	140,658
Retirement benefit expenses	160,474	183,218
Provision for directors' bonuses	29,200	63,100
Provision of allowance for doubtful accounts	(27,683)	(25,244)
Research and development expenses	953,465	931,699

\*3. Research and development expenses included in selling, general and administrative expenses and cost of sales are as follows:

	(Thousands of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	1,301,308	1,309,115

\*4. The breakdown of loss on retirement of non-current assets is as follows:

	(Thousands of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Buildings and structures	27,789	7,239
Machinery, equipment and vehicles	3,131	9,671
Other	14,459	3,938
Total	45,380	20,848

\*5. The breakdown of impairment loss is as follows:

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

In the fiscal year ended March 31, 2016, the Company recognized impairment loss for the following asset group.

Location	Application	Type	Impairment loss (Thousands of yen)
Ota City, Gunma Prefecture	Business-use assets	Machinery, equipment, vehicles, etc.	555,339

As for business-use assets of Gunma factory, the Company determined that the original business plan was not expected to be achieved in a short time. Consequently, the book value of relevant assets was reduced to the recoverable amount, and resulting decrease was recognized as impairment loss (555,339 thousand yen) under extraordinary losses.

The impairment loss consists of 32,692 thousand yen on buildings and structures, 428,488 thousand yen on machinery, equipment and vehicles, 71,900 thousand yen on land, and 22,258 thousand yen on other.

The recoverable amount was measured by the fair value less cost to sell. Considering recoverability of each asset, the fair value less cost to sell of assets which were determined to have no actual value was assessed as zero.

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

This information has been omitted due to its insignificance.

## Notes to Consolidated Statements of Comprehensive Income

### \*1. Reclassification adjustments and tax effects related to other comprehensive income

	(Thousands of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Valuation difference on available-for-sale securities:		
Amount arising during the period	(828,746)	1,502,611
Reclassification adjustments	(6,038)	—
Before tax effect adjustments	(834,785)	1,502,611
Tax effect amount	263,685	(417,670)
Valuation difference on available-for-sale securities	(571,099)	1,084,940
Foreign currency translation adjustment:		
Amount arising during the period	(843,030)	(519,871)
Remeasurements of defined benefit plans, net of tax		
Amount arising during the period	(461,490)	10,642
Reclassification adjustments	145,225	95,250
Before tax effect adjustments	(316,264)	105,892
Tax effect amount	165,263	(33,146)
Remeasurements of defined benefit plans, net of tax	(151,001)	72,746
Total other comprehensive income	(1,565,131)	637,815

## Notes to Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

### 1. Type and total number of issued shares and type and number of treasury shares

(Thousands of shares)				
	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year
Issued shares				
Common stock	66,113	–	–	66,113
Total	66,113	–	–	66,113
Treasury shares				
Common stock (Notes)	6,209	0	58	6,151
Total	6,209	0	58	6,151

- (Notes)
- The Company resolved at the Board of Directors meeting held on October 24, 2011 to introduce the “Stock Benefit Trust (Employee Stockholding Association Purchase-type)” and transferred 591 thousand shares of treasury shares to Trust Account E as of March 14, 2012. However, since the Company and Trust Account E are recognized as a unit, assets and liabilities including shares in the Company as well as expenses and income of Trust Account E are included in the consolidated balance sheets, the consolidated statements of income and the consolidated statements of changes in net assets. The number of treasury shares includes 301 thousand shares in the Company that were held by Trust Account E at the end of the current fiscal year.
  - The increase of 0 thousand shares of treasury shares of common stock is due to the purchase of shares less than one unit.
  - The decrease of 58 thousand shares of treasury shares of common stock is due to the sale of the shares from Trust Account E to the Company’s employee stockholding association.

### 2. Subscription rights to shares and treasury subscription rights to shares

Not applicable.

### 3. Dividends

#### (1) Dividends paid

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

(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
Board of Directors meeting held on November 6, 2015	Common stock	299,652	5	September 30, 2015	December 2, 2015

(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.

(2) Dividends whose cut-off date is in the current fiscal year and whose effective date is in the following fiscal year

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Source of dividends	Dividends per share (Yen)	Cut-off date	Effective date
Ordinary general meeting of shareholders held on June 24, 2016	Common stock	299,810	Retained earnings	5	March 31, 2016	June 27, 2016

(Note) Total dividends do not include 1,506 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.

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

1. Type and total number of issued shares and type and number of treasury shares

(Thousands of shares)				
	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year
Issued shares				
Common stock	66,113	–	–	66,113
Total	66,113	–	–	66,113
Treasury shares				
Common stock (Notes)	6,151	2,229	301	8,079
Total	6,151	2,229	301	8,079

(Notes) 1. The Company resolved at the Board of Directors meeting held on October 24, 2011 to introduce the “Stock Benefit Trust (Employee Stockholding Association Purchase-type)” and transferred 591 thousand shares of treasury shares to Trust Account E as of March 14, 2012. However, since the Company and Trust Account E are recognized as a unit, assets and liabilities including shares in the Company as well as expenses and income of Trust Account E are included in the consolidated balance sheets, the consolidated statements of income and the consolidated statements of changes in net assets. The number of treasury shares includes 476 thousand shares in the Company that were held by Trust Account E at the end of the current fiscal year.

2. The increase of 2,229 thousand shares of treasury shares of common stock is due to the purchase of treasury shares of 2,229 thousand shares in accordance with the resolution at the board of directors meeting held on October 24, 2016 and the purchase of shares less than one unit of 0 thousand shares.

3. The decrease of 301 thousand shares of treasury shares of common stock is due to the sale of the shares from Trust Account E to the Company’s employee stockholding association.

2. Subscription rights to shares and treasury subscription rights to shares

Not applicable.

3. Dividends

(1) Dividends paid

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Ordinary general meeting of shareholders held on June 24, 2016	Common stock	299,810	5	March 31, 2016	June 27, 2016

(Note) Total dividends do not include 1,506 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
Board of Directors meeting held on November 7, 2016	Common stock	299,939	5	September 30, 2016	December 2, 2016

(Note) Total dividends do not include 3,757 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 current fiscal year and whose effective date is in the following fiscal year

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Source of dividends	Dividends per share (Yen)	Cut-off date	Effective date
Ordinary general meeting of shareholders held on June 23, 2017	Common stock	348,203	Retained earnings	6	March 31, 2017	June 26, 2017

(Note) Total dividends do not include 2,856 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.

### 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)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash and deposits	14,207,006	14,508,274
Time deposits with maturities over 3 months	(762,680)	(138,410)
Cash and cash equivalents	13,444,325	14,369,863

### Lease Transactions

(As Lessee)

#### 1. Finance lease transactions

Finance lease transactions that do not transfer ownership

##### (1) Details of leased assets

###### i) Property, plant and equipment

Mainly, production equipment and others in the compound business

###### ii) Intangible assets

Software

##### (2) Depreciation method for leased assets

The depreciation method for leased assets is as stated in “5. Accounting policies (b) Depreciation and amortization of significant assets” under “Significant Matters in Preparing Consolidated Financial Statements.”

#### 2. Operating lease transactions

Future lease payments under non-cancelable operating leases

	(Thousands of yen)	
	As of March 31, 2016	As of March 31, 2017
Within 1 year	14,639	9,255
Over 1 year	16,139	21,537
Total	30,778	30,792

## Financial Instruments

### 1. Overview

#### (1) Policy for financial instruments

The Company and its group companies (the “Group”) procure necessary funds primarily through bank loans in light of its capital expenditure plan. The Group invests its excess funds in financial instruments with low risks, giving the highest priority to safety by reference to external ratings and others while considering liquidity. In addition, certain short-term operating funds are procured through bank loans. The Group, by policy, limits derivative transactions to hedging risks associated with substantial transactions and does not enter into them for speculative purposes.

#### (2) Description of financial instruments and related risks

Notes and accounts receivable - trade, which are operating receivables, involve credit risk of each customer. Operating receivables denominated in foreign currencies are exposed to exchange rate fluctuation risk.

Investment securities are exposed to market price fluctuation risk.

Notes and accounts payable - trade, which are operating payables, are primarily due within three to five months. Loans payable and finance lease obligations are primarily intended for raising funds for capital investment, and certain loans payable are for operating funds. These loans payable are exposed to interest rate fluctuation risk.

As for derivative transactions, the Group uses forward exchange contracts to hedge exchange rate fluctuation risk associated with operating receivables denominated in foreign currencies. For hedging instruments and hedged items, hedging policy, assessment of hedge effectiveness and others related to hedge accounting, please refer to “5. Accounting policies, (e) Significant hedge accounting” under “Significant Matters in Preparing Consolidated Financial Statements” described above.

#### (3) Risk management system related to financial instruments

##### 1) Management of credit risk (default risk of business partners)

The Group reduces customer credit risk associated with notes and accounts receivable - trade, which are operating receivables, by monitoring customer credit in conformity with standards such as credit control regulations and by periodic review.

As for credit risk associated with issues involving transactions with repurchase/resale agreements, the Company invests in low-risk issues in conformity with its asset management regulations by reference to external ratings and others. The consolidated subsidiaries establish management systems pursuant to the system of the Company.

##### 2) Management of market risk (exchange rate and interest rate fluctuation risks)

Certain operating receivables denominated in foreign currencies are hedged by forward exchange contracts. The Group enters into derivative transactions only with highly rated financial institutions for the purpose of hedging risks associated with substantial transactions in conformity with its asset management regulations and does not enter into derivative transactions for speculative purposes. Furthermore, officers in charge approve derivative transactions, and accounting departments execute and manage the transactions.

As for investment securities, the Group holds listed stocks mainly for the purpose of holding them for the long term, and evaluates them on a fair value basis each quarterly period and obtains the financial information of the issuers (business partners). For those other than held-to-maturity bonds, the Group consistently reviews the holding status taking into account the market conditions and relationships with business partners.

##### 3) Management of liquidity risk associated with funds procurement (risk of failure to pay on due dates)

The departments in charge appropriately distribute funds by periodically collecting information about their account activity in an integrated manner and understanding the situation while holding some as funds on hand taking into account the necessary liquidity.

#### (4) Supplemental remarks on fair values of financial instruments

The fair values of financial instruments include values based on market prices as well as values that are reasonably calculated when market prices do not exist. As the calculation of those values includes variable factors, the values may vary if different assumptions and others are applied. The contract amount related to derivative transactions in “Derivative Transactions” under “Notes to Consolidated Financial Statements” does not represent market risk associated with the derivative transactions.

## 2. Fair values of financial instruments

The carrying amounts in the consolidated balance sheets and the fair values, and difference between them are shown below. However, items for which it is considered extremely difficult to determine the fair values are not included (See note 2).

As of March 31, 2016

(Thousands of yen)

	Carrying amount in consolidated balance sheets	Fair value	Difference
(1) Cash and deposits	14,207,006	14,207,006	–
(2) Notes and accounts receivable - trade	22,774,907		
Allowance for doubtful accounts	(154,949)		
	22,619,958	22,688,684	68,726
(3) Investment securities	4,123,525	4,123,525	–
(4) Long-term loans receivable	7,928	7,928	0
<b>Total assets</b>	<b>40,958,417</b>	<b>41,027,144</b>	<b>68,726</b>
(1) Notes and accounts payable - trade	16,836,244	16,836,244	–
(2) Short-term loans payable	7,186,504	7,186,504	0
(3) Current portion of long-term loans payable	502,435	507,622	5,186
(4) Lease obligations (Current liabilities)	19,933	19,933	0
(5) Income taxes payable	457,872	457,872	–
(6) Bonds payable	4,000,000	4,032,968	32,968
(7) Long-term loans payable	2,886,697	2,889,156	2,458
(8) Lease obligations (Non-current liabilities)	14,701	14,701	0
<b>Total liabilities</b>	<b>31,904,390</b>	<b>31,945,004</b>	<b>40,613</b>
Derivative transactions	–	–	–

As of March 31, 2017

(Thousands of yen)

	Carrying amount in consolidated balance sheets	Fair value	Difference
(1) Cash and deposits	14,508,274	14,508,274	–
(2) Notes and accounts receivable - trade	23,762,379		
Allowance for doubtful accounts	(129,560)		
	23,632,818	23,676,156	43,337
(3) Investment securities	5,890,996	5,890,996	–
(4) Long-term loans receivable	54,916	54,916	0
<b>Total assets</b>	<b>44,087,005</b>	<b>44,130,343</b>	<b>43,337</b>
(1) Notes and accounts payable - trade	16,913,755	16,913,755	–
(2) Short-term loans payable	6,544,873	6,544,873	0
(3) Current portion of long-term loans payable	315,635	359,731	44,095
(4) Lease obligations (Current liabilities)	10,231	10,231	0
(5) Income taxes payable	575,041	575,041	–
(6) Bonds payable	4,000,000	4,021,557	21,557
(7) Long-term loans payable	4,866,068	4,701,235	(164,833)
(8) Lease obligations (Non-current liabilities)	21,468	21,468	0
<b>Total liabilities</b>	<b>33,247,076</b>	<b>33,147,896</b>	<b>(99,180)</b>
Derivative transactions	–	–	–



(Notes) 1. Method of measurement of fair values of financial instruments and matters concerning securities and derivative transactions

Assets

(1) Cash and deposits, (2) Notes and accounts receivable - trade

The fair values are based on the book values since these assets are settled in a short period of time and their fair values approximate their book values.

(3) Investment securities

The fair values of stocks and others are based on the prices on exchanges, while those of bonds are based on the prices on exchanges or prices provided by counterparty financial institutions and others. For information on securities by holding purpose, please refer to “Securities” under “Notes to Consolidated Financial Statements.”

(4) Long-term loans receivable

The fair value is calculated based on the present value by discounting the total amount of principal and interest using an interest rate that is assumed to be applied to a new loan.

Liabilities

(1) Notes and accounts payable - trade, (5) Income taxes payable

The fair values are based on the book values since these liabilities are settled in a short period of time and their fair values approximate their book values.

(2) Short-term loans payable, (4) Lease obligations (Current liabilities), (8) Lease obligations (Non-current liabilities)

The fair values are calculated based on the present value by discounting the total amount of principal and interest using an interest rate that is assumed to be applied to a similar new borrowing or lease transaction.

(3) Current portion of long-term loans payable, (7) Long-term loans payable

The fair values are calculated based on the present value by discounting the total amount of principal and interest using an interest rate that is assumed to be applied to a similar new borrowing. Long-term loans payable with variable interest rates meet certain criteria to adopt the exceptional accrual method for interest rate swaps, and the fair values of the loans payable are calculated by discounting the total amounts of principal and interest that are accounted for with the interest rate swaps using interest rates that are reasonably estimated for similar borrowings.

(6) Bonds payable

The fair value of bonds payable issued by the Company is calculated based on the present value by discounting the total amount of principal and interest using an interest rate that takes into consideration remaining maturities of the Company’s bonds payable and associated credit risk.

Derivative transactions

Please refer to “Derivative Transactions” under “Notes to Consolidated Financial Statements.”

2. Financial instruments for which it is considered extremely difficult to determine fair values

(Thousands of yen)

Category	As of March 31, 2016	As of March 31, 2017
Unlisted stocks	386,001	144,884

As unlisted stocks have no market prices and it is considered to be extremely difficult to determine their fair values, they are not included in “(3) Investment securities.”

3. Expected redemption amounts of monetary receivables and securities with maturity dates subsequent to the consolidated balance sheet date

As of March 31, 2016

(Thousands of yen)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
(1) Cash and deposits	14,202,295	–	–	–
(2) Notes and accounts receivable - trade	22,774,907	–	–	–
(3) Long-term loans receivable	–	5,762	1,222	943
Total	36,977,203	5,762	1,222	943

As of March 31, 2017

(Thousands of yen)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
(1) Cash and deposits	14,508,274	–	–	–
(2) Notes and accounts receivable - trade	23,762,379	–	–	–
(3) Long-term loans receivable	–	53,560	523	832
Total	38,270,653	53,560	523	832

4. Projected repayment amounts of loans payable, bonds payable and lease obligations subsequent to the consolidated balance sheet date

As of March 31, 2016

(Thousands of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
(1) Short-term loans payable	7,186,504	–	–	–	–	–
(2) Bonds payable	–	–	–	4,000,000	–	–
(3) Long-term loans payable	502,435	286,681	189,700	182,213	179,727	2,048,376
(4) Lease obligations	19,933	11,494	2,497	623	86	–
Total	7,708,873	298,175	192,197	4,182,837	179,813	2,048,376

As of March 31, 2017

(Thousands of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
(1) Short-term loans payable	6,544,873	–	–	–	–	–
(2) Bonds payable	–	–	4,000,000	–	–	–
(3) Long-term loans payable	315,635	300,872	293,372	290,872	290,872	3,690,078
(4) Lease obligations	10,231	10,532	3,620	3,534	3,534	246
Total	6,870,741	311,404	4,296,993	294,406	294,406	3,690,325

## Securities

### 1. Available-for-sale securities

As of March 31, 2016

(Thousands of yen)

	Carrying amount on the consolidated balance sheets	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount on the consolidated balance sheets exceeds their acquisition cost			
Stocks	4,110,765	1,873,629	2,237,135
Subtotal	4,110,765	1,873,629	2,237,135
Securities whose carrying amount on the consolidated balance sheets does not exceed their acquisition cost			
Stocks	12,760	13,420	(660)
Subtotal	12,760	13,420	(660)
Total	4,123,525	1,887,049	2,236,475

(Note) As unlisted stocks (386,001 thousand yen reported on the consolidated balance sheets) have no market prices and it is considered to be extremely difficult to determine their fair values, they are not included in the table above of "Available-for-sale securities."

As of March 31, 2017

(Thousands of yen)

	Carrying amount on the consolidated balance sheets	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount on the consolidated balance sheets exceeds their acquisition cost			
Stocks	5,890,996	2,138,628	3,752,368
Subtotal	5,890,996	2,138,628	3,752,368
Securities whose carrying amount on the consolidated balance sheets does not exceed their acquisition cost			
Stocks	–	–	–
Subtotal	–	–	–
Total	5,890,996	2,138,628	3,752,368

(Note) As unlisted stocks (144,884 thousand yen reported on the consolidated balance sheets) have no market prices and it is considered to be extremely difficult to determine their fair values, they are not included in the table above of "Available-for-sale securities."

### 2. Available-for-sale securities that were sold during the fiscal year

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Thousands of yen)

Type	Proceeds from sales	Total gain on sales	Total loss on sales
Stocks	30,107	6,038	–

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

Not applicable.

3. Impairment loss on securities

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

Not applicable.

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

Not applicable.

**Derivative Transactions**

1. Derivative transactions to which hedge accounting is not applied

Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related transactions

As of March 31, 2016

(Thousands of yen)

Hedge accounting method	Type of derivative transaction	Principal hedged item	Contract amount	Contract amount due after 1 year	Fair value
Allocation method for forward exchange contracts	Forward exchange contracts Sell: USD	Accounts receivable - trade	79,550	–	(Note)

(Note) Since items subject to the allocation method for forward exchange contracts are accounted for together with the accounts receivable - trade that are the hedged items, the fair values thereof are included in the fair values of the corresponding accounts receivable - trade.

As of March 31, 2017

(Thousands of yen)

Hedge accounting method	Type of derivative transaction	Principal hedged item	Contract amount	Contract amount due after 1 year	Fair value
Allocation method for forward exchange contracts	Forward exchange contracts Sell: USD	Accounts receivable - trade	120,252	–	(Note)

(Note) Since items subject to the allocation method for forward exchange contracts are accounted for together with the accounts receivable - trade that are the hedged items, the fair values thereof are included in the fair values of the corresponding accounts receivable - trade.

## (2) Interest rate-related transactions

As of March 31, 2016

(Thousands of yen)

Hedge accounting method	Type of derivative transaction	Principal hedged item	Contract amount	Contract amount due after 1 year	Fair value
Exceptional accrual method for interest rate swaps	Interest rate swap contracts Receive floating / Pay fixed	Long-term loans payable	210,400	181,720	(Note)

(Note) Since items subject to the exceptional accrual method for interest rate swaps are accounted for together with the long-term loans payable that are the hedged items, the fair values thereof are included in the fair values of the corresponding long-term loans payable.

As of March 31, 2017

(Thousands of yen)

Hedge accounting method	Type of derivative transaction	Principal hedged item	Contract amount	Contract amount due after 1 year	Fair value
Exceptional accrual method for interest rate swaps	Interest rate swap contracts Receive floating / Pay fixed	Long-term loans payable	2,279,260	2,185,031	(Note)

(Note) Since items subject to the exceptional accrual method for interest rate swaps are accounted for together with the long-term loans payable that are the hedged items, the fair values thereof are included in the fair values of the corresponding long-term loans payable.

## Retirement Benefits

### 1. Summary of retirement benefit plans adopted

To cover retirement benefits to employees, the Company and its consolidated subsidiaries have adopted funded and unfunded defined-benefit plans.

Under the defined-benefit corporate pension plans, all of which are funded plans, lump-sum benefits or pensions are paid based on salary and service period.

Under the retirement lump-sum payment plans, all of which are unfunded plans, lump-sum benefits are paid as retirement benefits based on salary and service period. A retirement benefit trust has been established for the retirement lump-sum payment plans, all of which are unfunded plans, since May 2015.

For defined-benefit corporate pension plans and retirement lump-sum payment plans held by some consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated by a simplified method.

## 2. Defined-benefit plans

### (1) Reconciliation between balance of retirement benefit obligations at the beginning of period and that at the end of period

	(Thousands of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Retirement benefit obligations at the beginning of period	5,750,597	5,922,099
Service cost	315,882	380,624
Interest cost	47,832	24,760
Actuarial differences	146,064	12,260
Retirement benefits paid	(236,013)	(358,426)
Other	(102,262)	(10,647)
Retirement benefit obligations at the end of period	5,922,099	5,970,671

### (2) Reconciliation between balance of plan assets at the beginning of period and that at the end of period

	(Thousands of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Plan assets at the beginning of period	3,123,574	5,163,205
Expected return on plan assets	281,666	191,556
Actuarial differences	(312,694)	22,903
Contribution by employer	108,249	127,878
Retirement benefits paid	(40,074)	(104,526)
Establishment of retirement benefit trust	2,000,000	—
Other	2,482	2,871
Plan assets at the end of period	5,163,205	5,403,887

### (3) Reconciliation between balance of retirement benefit obligations and plan assets at the end of period and that of net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets

	(Thousands of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Retirement benefit obligations from funded plans	4,835,487	4,907,543
Plan assets	(5,163,205)	(5,403,887)
	(327,717)	(496,344)
Retirement benefit obligations on unfunded plans	1,086,612	1,063,127
Net amount of liability and asset recorded in consolidated balance sheets	758,894	566,783
Net defined benefit asset	(334,377)	(502,834)
Net defined benefit liability	1,093,272	1,069,617
Net amount of liability and asset recorded in consolidated balance sheets	758,894	566,783

(4) Retirement benefit expenses

	(Thousands of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Service cost	315,882	380,624
Interest cost	47,832	24,760
Expected return on plan assets	(281,666)	(191,556)
Amortization of actuarial differences	145,112	98,460
Amortization of past service cost	(2,619)	(2,619)
Retirement benefit expenses on defined-benefit plans	224,541	309,670

(5) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before deducting tax effect) are as follows:

	(Thousands of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Past service cost	2,619	2,619
Actuarial differences	313,645	(108,511)
Total	316,264	(105,892)

(6) Remeasurements of defined benefit plans (Accumulated other comprehensive income)

The components of remeasurements of defined benefit plans (before deducting tax effect) are as follows:

	(Thousands of yen)	
	As of March 31, 2016	As of March 31, 2017
Unrecognized past service cost	(5,238)	(2,619)
Unrecognized actuarial differences	876,433	767,922
Total	871,195	765,302

(7) Plan assets

i) Main components of plan assets

The ratios of components to total plan assets by major category are as follows:

	As of March 31, 2016	As of March 31, 2017
Bonds	13.7%	8.6%
Stocks	15.3%	16.3%
Cash and deposits	0.2%	5.2%
Insurance assets (general accounts)	7.6%	7.5%
Investment trust	38.5%	37.4%
Shared operating assets	24.7%	25.0%
Total	100.0%	100.0%

(Note) Total plan assets includes the retirement benefit trust established for the retirement lump-sum payment plans, which accounts for 38.5% and 37.4% of the total amount as of March 31, 2016 and March 31, 2017, respectively.

ii) Method for establishing long-term expected rate of return on plan assets

To establish the long-term expected rate of return on plan assets, the current and forecasted allocation of plan assets and the current and expected future long-term rate of return from the

various assets constituting the plan assets are taken into consideration.

(8) Calculation basis for actuarial assumptions

The main calculation bases for actuarial assumptions are as follows:

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Discount rate	—%	0.04%
Long-term expected rate of return	8.00%	3.72%
Expected rate of salary increase	3.80%	3.80%

**Income Taxes**

1. Significant components of deferred tax assets and liabilities

	As of March 31, 2016	(Thousands of yen) As of March 31, 2017
Deferred tax assets		
Allowance for doubtful accounts	49,341	41,061
Net defined benefit liability	946,689	844,292
Impairment loss	582,599	479,747
Provision for bonuses	167,673	177,907
Loss on valuation of investment securities	196,849	196,849
Asset retirement obligations	47,421	48,220
Loss carryforward	212,257	260,975
Other	474,449	539,573
Subtotal of deferred tax assets	2,677,281	2,588,626
Valuation allowance	(770,106)	(708,607)
Total deferred tax assets	1,907,175	1,880,019
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(536,415)	(967,549)
Net defined benefit asset	(175,915)	(147,483)
Reserve for advanced depreciation of non-current assets	(141,135)	(117,355)
Reserve for special depreciation	(30,734)	(23,020)
Property, plant and equipment (asset retirement obligations)	(33,383)	(31,460)
Reserved profit of overseas consolidated subsidiaries	(380,420)	(408,948)
Other	(492,467)	(684,205)
Total deferred tax liabilities	(1,790,471)	(2,380,024)
Net deferred tax assets (liabilities)	116,704	(500,005)

(Note) The net deferred tax assets (liabilities) as of March 31, 2016 and March 31, 2017 are included in the items below of the consolidated balance sheets.

	As of March 31, 2016	(Thousands of yen) As of March 31, 2017
Current assets – Deferred tax assets	403,630	429,567
Non-current assets – Deferred tax assets	595,303	230,356
Non-current liabilities – Deferred tax liabilities	(882,230)	(1,159,930)

2. Reconciliation between the effective statutory tax rate and the effective tax rate

	As of March 31, 2016	As of March 31, 2017
Effective statutory tax rate	33.1%	30.9%
Adjustments		
Expenses not deductible permanently such as entertainment expenses	0.7	0.5
Income not taxable permanently such as dividends income	(1.0)	(0.7)
Foreign withholding taxes	1.9	2.4
Change in valuation allowance	(16.7)	(1.1)
Tax rate differences from overseas consolidated subsidiaries	(6.8)	(4.0)
Other	2.2	1.7
Effective tax rate	13.5	29.7



## **Segment Information and Others**

### **Segment Information**

#### 1. Summary of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available and that are evaluated regularly by the Board of Directors to determine allocation of management resources and assess performance.

The Company has business divisions by product at the head office. Each business division plans its own domestic and overseas comprehensive strategies and conducts business activities for the product that the division handles.

Accordingly, the Group has classified the reportable segments in consideration of product categories based on business divisions and subsidiaries and has three reportable segments, "compound," "film" and "food wrapping film."

The "compound" segment is engaged in the manufacturing and sales of mixed synthetic resins, which are mostly pellet-type, as intermediate materials of plastic molding. The "film" segment is engaged in the manufacturing and sales of films processed from base film of synthetic resins and those products with decorative and functionality. The "food wrapping film" segment is mainly engaged in the manufacturing and sales of thin synthetic resin films for food packaging.

#### 2. Method for calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

Accounting policies of reported business segments are mostly consistent with those disclosed in "Significant Matters in Preparing Consolidated Financial Statements."

Segment profit is calculated on an operating income basis.

Intersegment sales and transfers are based on actual market prices.

3. Information about net sales, profit or loss, assets, liabilities and other items by reportable segment  
Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded on the consolidated financial statements (Note 3)
	Compound	Film	Food wrapping film	Total				
Net sales								
(1) Sales to external customers	63,889,493	12,006,439	11,184,703	87,080,636	3,508,444	90,589,081	–	90,589,081
(2) Intersegment sales or transfers	228,665	–	–	228,665	1,746,756	1,975,422	(1,975,422)	–
Total	64,118,159	12,006,439	11,184,703	87,309,302	5,255,201	92,564,503	(1,975,422)	90,589,081
Segment profit (loss)	5,333,726	(725,350)	582,141	5,190,517	66,133	5,256,650	(171,848)	5,084,802
Segment assets	41,802,491	9,347,753	7,846,731	58,996,976	3,254,364	62,251,340	21,906,148	84,157,489
Segment liabilities	19,451,751	2,669,862	4,349,817	26,471,431	2,331,349	28,802,781	8,607,868	37,410,649
Others								
Depreciation	1,593,188	694,454	283,512	2,571,156	50,736	2,621,893	643,721	3,265,614
Amortization of goodwill	84,472	–	177,162	261,635	12,960	274,595	–	274,595
Extraordinary income	3,919	–	76	3,995	–	3,995	6,038	10,034
Extraordinary losses	3,926	559,360	11,321	574,608	–	574,608	32,668	607,277
[Impairment loss]	[–]	[555,339]	[–]	[555,339]	[–]	[555,339]	[–]	[555,339]
Increase in property, plant and equipment and intangible assets	4,410,684	353,268	159,701	4,923,655	40,122	4,963,777	1,146,880	6,110,658

(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 171,848 thousand yen in inter-segment eliminations.

The adjustment to segment assets represents negative 10,996,554 thousand yen in inter-segment eliminations and 32,902,702 thousand yen in corporate assets. The corporate assets mainly include funds to manage surplus assets (cash and deposits), long-term investment funds (investment securities) and assets related to the administration division.

The adjustment to segment liabilities represents negative 1,184,883 thousand yen in inter-segment eliminations and 9,792,751 thousand yen in corporate liabilities. The corporate liabilities mainly include loans payable that are not attributable to the reportable segments and liabilities related to the administration division.

3. Segment profit (loss) is adjusted to operating income in the consolidated statements of income.

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded on the consolidated financial statements (Note 3)
	Compound	Film	Food wrapping film	Total				
Net sales								
(1) Sales to external customers	61,285,494	12,205,919	11,369,479	84,860,893	3,439,266	88,300,159	—	88,300,159
(2) Intersegment sales or transfers	194,046	773	—	194,820	489,116	683,937	(683,937)	—
Total	61,479,541	12,206,692	11,369,479	85,055,713	3,928,383	88,984,096	(683,937)	88,300,159
Segment profit (loss)	5,168,092	(254,831)	1,086,321	5,999,583	10,568	6,010,152	(147,480)	5,862,671
Segment assets	46,152,692	9,225,497	7,593,872	62,972,062	1,980,696	64,952,758	23,393,152	88,345,910
Segment liabilities	21,350,893	2,930,835	3,737,199	28,018,927	2,071,248	30,090,176	9,059,396	39,149,572
Others								
Depreciation	1,639,632	371,260	275,949	2,286,841	42,917	2,329,758	847,801	3,177,560
Amortization of goodwill	1,455	—	177,162	178,617	12,960	191,577	—	191,577
Extraordinary income	689	—	—	689	—	689	1,989	2,678
Extraordinary losses	25,040	2,324	1,824	29,190	—	29,190	3,762	32,952
[Impairment loss]	[11,811]	[—]	[—]	[11,811]	[—]	[11,811]	[—]	[11,811]
Increase in property, plant and equipment and intangible assets	3,202,041	290,985	233,685	3,726,713	37,352	3,764,066	606,075	4,370,141

(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 147,480 thousand yen in inter-segment eliminations. The adjustment to segment assets represents negative 10,536,391 thousand yen in inter-segment eliminations and 33,929,543 thousand yen in corporate assets. The corporate assets mainly include funds to manage surplus assets (cash and deposits), long-term investment funds (investment securities) and assets related to the administration division.

The adjustment to segment liabilities represents negative 607,651 thousand yen in inter-segment eliminations and 9,667,048 thousand yen in corporate liabilities. The corporate liabilities mainly include loans payable that are not attributable to the reportable segments and liabilities related to the administration division.

3. Segment profit (loss) is adjusted to operating income in the consolidated statements of income.

## Related Information

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

### 1. Information by product and service

(Thousands of yen)

	Compound	Film	Food wrapping film	Other	Total
Sales to external customers	63,889,493	12,006,439	11,184,703	3,508,444	90,589,081

### 2. Information by geographical area

#### (1) Net sales

(Thousands of yen)

Japan	Thailand	North America	China	Europe	Other regions	Total
48,265,396	9,053,166	13,520,686	7,499,486	1,124,412	11,125,932	90,589,081

(Note) Net sales are segmented by country or region based on customer location.

#### (2) Property, plant and equipment

(Thousands of yen)

Japan	Thailand	North America	China	Europe	Other regions	Total
12,393,482	3,482,981	4,398,196	1,752,600	454	3,762,295	25,790,011

### 3. Information by major customer

This information has been omitted as there is no major external customer that accounts for 10% or more of the net sales recorded on the consolidated statements of income.

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

### 1. Information by product and service

(Thousands of yen)

	Compound	Film	Food wrapping film	Other	Total
Sales to external customers	61,285,494	12,205,919	11,369,479	3,439,266	88,300,159

### 2. Information by geographical area

#### (1) Net sales

(Thousands of yen)

Japan	Thailand	North America	China	Europe	Other regions	Total
48,250,743	8,329,458	13,110,537	6,857,716	653,598	11,098,105	88,300,159

(Note) Net sales are segmented by country or region based on customer location.

#### (2) Property, plant and equipment

(Thousands of yen)

Japan	Thailand	North America	China	Europe	Other regions	Total
12,116,469	3,076,579	5,865,224	2,012,295	286	3,889,710	26,960,565

### 3. Information by major customer

This information has been omitted as there is no major external customer that accounts for 10% or more of the net sales recorded on the consolidated statements of income.

#### Information about Impairment Loss on Non-current Assets by Reportable Segment

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

This information has been omitted as identical information is disclosed in segment information.

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

This information has been omitted as identical information is disclosed in segment information.

#### Information about Amortization of Goodwill and Balance of Unamortized Goodwill by Reportable Segment

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Reportable segment				Other	Total	Adjustment	Amount recorded on the consolidated financial statements
	Compound	Film	Food wrapping film	Total				
Balance as of March 31, 2016	16,005	–	620,069	636,075	39,040	675,115	–	675,115

(Note) Amortization of goodwill has been omitted, as identical information is disclosed in segment information.

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Reportable segment				Other	Total	Adjustment	Amount recorded on the consolidated financial statements
	Compound	Film	Food wrapping film	Total				
Balance as of March 31, 2017	14,550	–	442,906	457,457	26,080	483,537	–	483,537

(Note) Amortization of goodwill has been omitted, as identical information is disclosed in segment information.

#### Information about Gain on Negative Goodwill by Reportable Segment

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

Not applicable.

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

Not applicable.

#### Information on Related Parties

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

Not applicable.

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

Not applicable.

## Per Share Information

(Yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net assets per share	669.00	723.27
Basic profit attributable to owners of parent per share	41.41	45.85
Diluted profit attributable to owners of parent per share	36.25	40.08

(Note) The basis used for calculating net assets per share, basic profit attributable to owners of parent per share and diluted profit attributable to owners of parent per share is as follows.

(Note) The basis for calculation is as follows:

1. Net assets per share

	As of March 31, 2016	As of March 31, 2017
Total net assets (Thousands of yen)	46,746,839	49,196,337
Deduction from total net assets (Thousands of yen)	6,632,430	7,222,277
[Of the above, non-controlling interests (Thousands of yen)]	[6,632,430]	[7,222,277]
Net assets related to common stock (Thousands of yen)	40,114,409	41,974,060
Number of treasury shares of common stock (Shares)	6,151,654	8,079,834
Number of shares of common stock outstanding used for calculation of net assets per share (Shares)	59,962,165	58,033,985

(Note) Because shares in the Company held by Trust Account E are recognized as treasury shares in the consolidated financial statements, the number of those shares has been deducted from the number of shares of common stock outstanding at the fiscal year-end used for the calculation of net assets per share.

2. Profit attributable to owners of parent per share

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit attributable to owners of parent (Thousands of yen)	2,482,000	2,716,765
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent regarding common stock (Thousands of yen)	2,482,000	2,716,765
Average number of shares of common stock outstanding during the period (Shares)	59,931,850	59,250,061
Diluted profit attributable to owners of parent per share		
Adjustment on profit attributable to owners of parent	–	–
[Of the above, interest expenses (net of corresponding tax amount) (Thousands of yen)]	–	–
Increase in common stock (Shares)	8,528,784	8,528,784
[Of the above, convertible bond-type bonds with subscription rights to shares (Shares)]	8,528,784	8,528,784
[Of the above, subscription rights to shares (Shares)]	–	–
Outline of potential shares that were not used in calculating diluted profit attributable to owners of parent per share because they have no dilutive effects	–	–

(Note) Because shares in the Company held by Trust Account E are recognized as treasury shares in the 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 profit attributable to owners of parent per share and diluted profit attributable to owners of parent per share.

**Significant Subsequent Events**

Not applicable.

**e. Consolidated Supporting Schedules**

**Detailed Statement of Bonds**

Company name	Type of bond	Date of issuance	Balance as of April 1, 2016 (Thousands of yen)	Balance as of March 31, 2017 (Thousands of yen)	Interest rate (%)	Collateral	Date of maturity
RIKEN TECHNOS CORPORATION	Yen-denominated convertible bonds with stock acquisition rights due 2020 (Note 1)	March 19, 2015	4,000,000	4,000,000	–	None	March 19, 2020
Total	–	–	4,000,000	4,000,000	–	–	–

(Notes) 1. The information about the bonds with stock acquisition rights is as provided below.

Type of bond	Yen-denominated convertible bonds with stock acquisition rights due 2020
Shares to be issued	Common stock
Issue price per stock acquisition right (Yen)	Without contribution
Issue price per share (Yen)	469
Total issue value (Thousands of yen)	4,000,000
Total issue value of shares issued upon exercise of stock acquisition rights (Thousands of yen)	–
Granting ratio of stock acquisition rights (%)	100
Exercise period of stock acquisition rights	From March 31, 2015 to February 27, 2020 (at the close of bank operations in the local time of the location where the exercise request is received)

(Note) When there is a request from a bond holder intending to exercise the stock acquisition rights, in place of the redemption of the full amount of the bonds to which the stock acquisition rights are attached, it is deemed that the full amount to be paid in upon exercise of the stock acquisition rights has been paid in. In addition, when stock acquisition rights are exercised, it is deemed that the said request has been received.

2. Amounts of redemption for five years after the consolidated balance sheet date are as follows:

(Thousands of yen)

Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
–	–	4,000,000	–	–



## Detailed Statement of Loans Payable

Category	Balance as of April 1, 2016 (Thousands of yen)	Balance as of March 31, 2017 (Thousands of yen)	Average interest rate (%)	Repayment period
Short-term loans payable	7,186,504	6,544,873	1.1	–
Current portion of long-term loans payable	502,435	315,635	0.8	–
Current portion of lease obligations	19,933	10,231	–	–
Long-term loans payable (excluding current portion)	2,886,697	4,866,068	1.5	2018 – 2025
Lease obligations (excluding current portion)	14,701	21,468	–	2018 – 2022
Other interest-bearing debt	–	–	–	–
Total	10,610,273	11,758,278	–	–

(Notes) 1. Method of calculating average interest rates

Average interest rates are calculated using the average outstanding balance during the period.

2. The amount of lease obligations in the consolidated balance sheets includes the interest equivalent.

3. Repayment of long-term loans payable and lease obligations scheduled within five years after the balance sheet date are as follows:

Category	(Thousands of yen)			
	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term loans payable	300,872	293,372	290,872	290,872
Lease obligations	10,532	3,620	3,534	3,534

## Detailed Statement of Asset Retirement Obligations

As the amount of asset retirement obligations as of April 1, 2016 and March 31, 2017 is not more than 1% of the total amount of liabilities and net assets as of the same dates, this information is omitted pursuant to the provisions of Article 92-2 of the Ordinance on Consolidated Financial Statements.

## (2) Others

Quarterly information for the fiscal year ended March 31, 2017

(Year-to-date period)	1st quarter	2nd quarter	3rd quarter	Fiscal year ended March 31, 2017
Net sales (Thousands of yen)	21,274,978	43,171,574	64,769,129	88,300,159
Profit before income taxes (Thousands of yen)	1,162,292	2,671,895	4,287,886	5,804,662
Profit attributable to owners of parent (Thousands of yen)	381,218	1,123,796	2,024,958	2,716,765
Basic profit attributable to owners of parent per share (Yen)	6.36	18.74	33.97	45.85

(Three-month period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic profit attributable to owners of parent per share (Yen)	6.36	12.38	15.26	11.92