

Note: This is an excerpt translation of the “Yukashoken-Houkokusho” for the convenience of overseas stakeholders. In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail. RIKEN TECHNOS CORPORATION assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Consolidated Financial Statements

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

Business year: From April 1, 2017
(89th term) to March 31, 2018

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, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	14,508,274	14,790,082
Notes and accounts receivable - trade	23,762,379	*3 25,200,204
Merchandise and finished goods	5,731,533	6,343,924
Work in process	558,400	650,566
Raw materials and supplies	4,823,450	5,195,751
Other	1,133,890	1,316,124
Allowance for doubtful accounts	(129,560)	(112,531)
Total current assets	50,388,367	53,384,121
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,118,471	22,990,627
Accumulated depreciation	(12,380,694)	(13,185,738)
Buildings and structures, net	9,737,777	9,804,889
Machinery, equipment and vehicles	48,095,877	49,545,762
Accumulated depreciation	(38,873,101)	(40,319,412)
Machinery, equipment and vehicles, net	9,222,775	9,226,349
Land	6,427,165	6,458,132
Leased assets	469,525	395,278
Accumulated depreciation	(447,065)	(366,531)
Leased assets, net	22,460	28,746
Construction in progress	932,233	1,336,417
Other	5,479,530	5,710,286
Accumulated depreciation	(4,861,376)	(4,969,008)
Other, net	618,154	741,278
Total property, plant and equipment	26,960,565	27,595,814
Intangible assets		
Goodwill	483,537	291,959
Leased assets	3,745	11,995
Other	2,656,002	2,147,153
Total intangible assets	3,143,285	2,451,107
Investments and other assets		
Investment securities	6,035,880	6,571,580
Long-term loans receivable	54,916	54,286
Net defined benefit asset	502,834	563,405
Deferred tax assets	659,924	443,347
Other	603,906	806,311
Allowance for doubtful accounts	(3,770)	(3,770)
Total investments and other assets	7,853,691	8,435,162
Total non-current assets	37,957,543	38,482,084
Total assets	88,345,910	91,866,206

(Thousands of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,913,755	*3 17,727,414
Short-term loans payable	*2 6,544,873	*2 6,490,266
Current portion of long-term loans payable	315,635	443,906
Lease obligations	10,231	11,739
Income taxes payable	575,041	569,420
Provision for bonuses	625,177	656,720
Provision for directors' bonuses	63,100	70,422
Other	2,529,349	2,850,672
Total current liabilities	27,577,165	28,820,563
Non-current liabilities		
Bonds payable	4,000,000	1,170,000
Long-term loans payable	4,866,068	4,396,471
Lease obligations	21,468	29,452
Deferred tax liabilities	1,159,930	1,021,590
Provision for executive officer incentive plan trust	17,410	93,575
Net defined benefit liability	1,069,617	1,116,690
Asset retirement obligations	310,128	314,607
Other	127,782	49,054
Total non-current liabilities	11,572,407	8,191,441
Total liabilities	39,149,572	37,012,004
Net assets		
Shareholders' equity		
Capital stock	8,514,018	8,514,018
Capital surplus	6,670,465	7,297,981
Retained earnings	27,137,248	28,937,991
Treasury shares	(3,108,532)	(828,559)
Total shareholders' equity	39,213,200	43,921,432
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,785,333	3,219,427
Foreign currency translation adjustment	502,996	442,192
Remeasurements of defined benefit plans	(527,469)	(409,332)
Total accumulated other comprehensive income	2,760,859	3,252,287
Non-controlling interests	7,222,277	7,680,481
Total net assets	49,196,337	54,854,201
Total liabilities and net assets	88,345,910	91,866,206

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

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	88,300,159	94,601,133
Cost of sales	*1, *3 70,924,200	*1, *3 77,338,818
Gross profit	17,375,958	17,262,315
Selling, general and administrative expenses	*2, *3 11,513,287	*2, *3 11,863,007
Operating income	5,862,671	5,399,307
Non-operating income		
Interest income	32,561	27,951
Dividend income	127,092	130,168
Other	102,242	131,819
Total non-operating income	261,895	289,939
Non-operating expenses		
Interest expenses	141,482	183,078
Foreign exchange losses	102,424	74,337
Other	45,723	21,395
Total non-operating expenses	289,630	278,811
Ordinary income	5,834,937	5,410,435
Extraordinary income		
Gain on sales of non-current assets	2,678	5,899
Gain on sales of investment securities	—	98,096
Total extraordinary income	2,678	103,996
Extraordinary losses		
Loss on sales of non-current assets	292	13,247
Loss on retirement of non-current assets	*4 20,848	*4 31,658
Impairment loss	*5 11,811	—
Loss on sales of investment securities	—	3,000
Total extraordinary losses	32,952	47,905
Profit before income taxes	5,804,662	5,466,525
Income taxes - current	1,586,326	1,705,974
Income taxes - deferred	140,007	(161,966)
Total income taxes	1,726,333	1,544,008
Profit	4,078,328	3,922,517
Profit attributable to non-controlling interests	1,361,563	1,384,395
Profit attributable to owners of parent	2,716,765	2,538,121

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	4,078,328	3,922,517
Other comprehensive income		
Valuation difference on available-for-sale securities	1,084,940	433,796
Foreign currency translation adjustment	(519,871)	(34,140)
Remeasurements of defined benefit plans, net of tax	72,746	122,357
Total other comprehensive income	*1 637,815	*1 522,013
Comprehensive income	4,716,144	4,444,530
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,523,760	3,029,549
Comprehensive income attributable to non-controlling interests	1,192,384	1,414,980

c. Consolidated Statements of Changes in Net Assets

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

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(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	6,670,465	27,137,248	(3,108,532)	39,213,200
Changes of items during period					
Change in ownership interest of parent due to transactions with non-controlling interests		55,571			55,571
Dividends of surplus			(718,511)		(718,511)
Profit attributable to owners of parent			2,538,121		2,538,121
Purchase of treasury shares				(137,692)	(137,692)
Disposal of treasury shares		571,944		2,417,665	2,989,610
Other			(18,867)		(18,867)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	627,515	1,800,743	2,279,973	4,708,231
Balance at end of current period	8,514,018	7,297,981	28,937,991	(828,559)	43,921,432

	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	2,785,333	502,996	(527,469)	2,760,859	7,222,277	49,196,337
Changes of items during period						
Change in ownership interest of parent due to transactions with non-controlling interests						55,571
Dividends of surplus						(718,511)
Profit attributable to owners of parent						2,538,121
Purchase of treasury shares						(137,692)
Disposal of treasury shares						2,989,610
Other						(18,867)
Net changes of items other than shareholders' equity	434,093	(60,803)	118,137	491,427	458,204	949,631
Total changes of items during period	434,093	(60,803)	118,137	491,427	458,204	5,657,863
Balance at end of current period	3,219,427	442,192	(409,332)	3,252,287	7,680,481	54,854,201

d. Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	5,804,662	5,466,525
Depreciation	3,177,560	3,434,252
Impairment loss	11,811	—
Amortization of goodwill	191,577	191,577
Increase (decrease) in provision for bonuses	18,540	33,146
Increase (decrease) in provision for directors' bonuses	33,900	7,322
Increase (decrease) in allowance for doubtful accounts	78,520	(16,975)
Increase (decrease) in net defined benefit liability	(14,826)	(48,175)
Increase (decrease) in provision for executive officer incentive plan trust	17,410	76,164
Interest and dividend income	(159,653)	(158,119)
Interest expenses	141,482	183,078
Loss (gain) on sales of investment securities	—	(95,096)
Loss (gain) on sales of property, plant and equipment	(2,385)	7,347
Loss on retirement of non-current assets	20,848	31,658
Decrease (increase) in notes and accounts receivable - trade	(1,118,272)	(1,460,571)
Decrease (increase) in inventories	(736,005)	(1,074,829)
Increase (decrease) in notes and accounts payable - trade	241,707	836,017
Increase (decrease) in accrued consumption taxes	42,727	(203,006)
Other, net	240,242	(124,997)
Subtotal	7,989,849	7,085,319
Interest and dividend income received	160,966	156,546
Interest expenses paid	(128,893)	(184,213)
Income taxes paid	(1,461,586)	(1,386,099)
Net cash provided by (used in) operating activities	6,560,335	5,671,553
Cash flows from investing activities		
Payments into time deposits	(281)	(243,532)
Proceeds from withdrawal of time deposits	610,300	242,057
Purchase of property, plant and equipment	(4,167,719)	(3,421,810)
Proceeds from sales of property, plant and equipment	6,575	13,838
Purchase of intangible assets	(427,671)	(154,343)
Purchase of investment securities	(10,016)	(676)
Proceeds from sales of investment securities	—	193,772
Payments of loans receivable	—	(1,000)
Collection of loans receivable	4,543	5,108
Other, net	(264,079)	(255,411)
Net cash provided by (used in) investing activities	(4,248,350)	(3,621,996)

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(433,609)	(70,228)
Proceeds from long-term loans payable	2,250,120	—
Repayments of long-term loans payable	(502,435)	(313,307)
Repayments of lease obligations	(18,387)	(18,967)
Proceeds from share issuance to non-controlling shareholders	260,324	—
Proceeds from sales of treasury shares	261,521	161,923
Purchase of treasury shares	(1,428,352)	(196)
Cash dividends paid	(598,806)	(716,911)
Dividends paid to non-controlling interests	(860,694)	(909,264)
Net cash provided by (used in) financing activities	(1,070,320)	(1,866,952)
Effect of exchange rate change on cash and cash equivalents	(316,126)	103,487
Net increase (decrease) in cash and cash equivalents	925,538	286,091
Cash and cash equivalents at beginning of period	13,444,325	14,369,863
Cash and cash equivalents at end of period	*1 14,369,863	*1 14,655,955

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, 2017

21 as of March 31, 2018

In the fiscal year ended March 31, 2018, two U.S. subsidiaries (RIMTEC CORPORATION and RIKEN ELASTOMERS CORPORATION) have been reorganized into three (RIKEN AMERICAS CORPORATION, RIMTEC CORPORATION and RIKEN ELASTOMERS CORPORATION). As a result, the number of consolidated subsidiaries included in the scope of consolidation increased by one. For detail of the reorganization, please see “Business Combinations.”

Names of principal consolidated subsidiaries are as follows:

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.

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

<u>Company name</u>
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
RIKEN AMERICAS 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, 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.

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Company name	Balance sheet date
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
RIKEN AMERICAS 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.

Accounting Standards Issued but Not Yet Applied

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

It is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and the implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of adoption of the accounting standards

The Company is currently assessing the effect of the adoption of the accounting standard and the implementation guidance on its consolidated financial statements.

Change in Presentation

Changes in line with the early adoption of the “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.”

As the “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (ASBJ Statement No. 28, February 16, 2018; hereinafter referred to as the “Partial Amendments to Tax Effect Accounting Standard”) can be applied starting from the consolidated financial statements as of the end of the current fiscal year, effective from the current fiscal year, the Company has applied the Partial Amendments to Tax Effect Accounting Standard, thereby presenting deferred tax assets as a component of investments and other assets, while presenting deferred tax liabilities under non-current liabilities.

As a result of the changes in presentation, in the consolidated balance sheet as of March 31, 2017, “deferred tax assets” of 429,567 thousand yen under “current assets” have been included in “deferred tax assets” of 659,924 thousand yen under “investments and other assets.”

In addition, in the note to Income Taxes, we added the contents described in the annotation (Note 8) (excluding total valuation allowance) and the annotation (Note 9), both for the “Accounting Standard for Tax Effect Accounting,” stipulated in Paragraph 3 through Paragraph 5 of the Partial Amendments to Tax Effect Accounting Standard. However, of these contents, information concerning the previous fiscal year is not described pursuant to the transitional treatment stipulated in Paragraph 7 of the Partial Amendments to Tax Effect Accounting Standard.

Additional Information

(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) Shares in the Company remaining at the trust

The shares in the Company remaining at the trust are recorded as the treasury shares in net assets 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 previous fiscal year were 209,960 thousand yen and 476 thousand shares, respectively, while those as of the end of the current fiscal year were 209,960 thousand yen and 476 thousand shares, respectively.

(c) Book value of loans payable recorded due to the application of the gross method

Not applicable.

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

For the purpose of promoting welfare benefits for employees and giving incentives pertaining to the improvement of corporate value of the Company, the Company introduced "Stock Benefit Trust (Employee Stockholding Association Purchase-type)" (hereinafter referred to as the "Plan"), pursuant to the resolution at the Board of Directors meeting held on May 24, 2017.

(a) Overview of transactions

The Plan is an 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 the Plan acquires shares in the Company that are expected to be acquired by the Stockholding Association over the five years after the establishment of the trust, 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 by the trust bank 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) Shares in the Company remaining at the trust

The shares in the Company remaining at the trust are recorded as the treasury shares in net assets 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 115,390 thousand yen and 209 thousand shares, respectively.

(c) Book value of loans payable recorded due to the application of the gross method

114,683 thousand yen as of the end of the current fiscal year

Notes to Consolidated Balance Sheets

1. Notes endorsed

	(Thousands of yen)	
	As of March 31, 2017	As of March 31, 2018
Notes endorsed	1,666	1,110

*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, 2017	As of March 31, 2018
Total overdraft facility limit	11,030,000	11,130,000
Outstanding borrowings within the limit	4,015,000	3,927,500
Unused balance	7,015,000	7,202,500

*3. The notes maturing on the balance sheet date are accounted for as if they were settled on the maturity date.

As the balance sheet date fell on a holiday of financial institutions, the following notes matured on the balance sheet date were accounted for as if they were settled on the maturity date.

	(Thousands of yen)	
	As of March 31, 2017	As of March 31, 2018
Notes receivable - trade	-	862,874
Notes payable - trade	-	1,789

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, 2017	Fiscal year ended March 31, 2018
	475,021	330,435

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

	(Thousands of yen)	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Freightage expenses	2,848,686	3,039,433
Commission fees	1,049,678	934,598
Salaries and bonuses	2,340,287	2,311,598
Provision for bonuses	140,658	159,300
Retirement benefit expenses	183,218	262,533
Provision for directors' bonuses	63,100	70,422
Provision of allowance for doubtful accounts	(25,244)	(13,527)
Research and development expenses	931,699	1,004,609

*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, 2017	Fiscal year ended March 31, 2018
	1,309,115	1,396,251

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

		(Thousands of yen)
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Buildings and structures	7,239	26,028
Machinery, equipment and vehicles	9,671	4,666
Other	3,938	962
Total	20,848	31,658

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

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

This information has been omitted due to its insignificance.

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Not applicable.

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, 2017	Fiscal year ended March 31, 2018
Valuation difference on available-for-sale securities:		
Amount arising during the period	1,502,611	731,466
Reclassification adjustments	—	(98,096)
Before tax effect adjustments	1,502,611	633,370
Tax effect amount	(417,670)	(199,574)
Valuation difference on available-for-sale securities	1,084,940	433,796
Foreign currency translation adjustment:		
Amount arising during the period	(519,871)	(30,145)
Reclassification adjustments	—	—
Before tax effect adjustments	—	(30,145)
Tax effect amount	—	(3,994)
Foreign currency translation adjustment	(519,871)	(34,140)
Remeasurements of defined benefit plans, net of tax		
Amount arising during the period	10,642	35,924
Reclassification adjustments	95,250	136,160
Before tax effect adjustments	105,892	172,085
Tax effect amount	(33,146)	(49,728)
Remeasurements of defined benefit plans, net of tax	72,746	122,357
Total other comprehensive income	637,815	522,013

Notes to Consolidated Statements of Changes in Net Assets

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)
- 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.
 - 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.
 - 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.

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

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)	8,079	0	6,074	2,005
Total	8,079	0	6,074	2,005

- (Notes)
- The Company resolved at the Board of Directors meeting held on August 29, 2016 to introduce “Board Benefit Trust (BBT)” and transferred 476 thousand shares of treasury shares to Trust Account E as of September 14, 2016. 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 beginning and the end of the current fiscal year.
 - The Company resolved at the Board of Directors meeting held on May 24, 2017 to introduce the “Stock Benefit Trust (Employee Stockholding Association Purchase-type)” and transferred 250 thousand shares of treasury shares to Trust Account E as of June 12, 2017. 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 209 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 6,074 thousand shares of treasury shares of common stock is due to a decrease of 6,034 thousand shares through conversion of convertible bond-type bonds with subscription rights to shares, and the sale of 40 thousand 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 23, 2017	Common stock	348,203	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.

(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, 2017	Common stock	370,307	6	September 30, 2017	December 4, 2017

(Note) Total dividends do not include 4,255 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 22, 2018	Common stock	384,647	Retained earnings	6	March 31, 2018	June 25, 2018

(Note) Total dividends do not include 4,115 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, 2017	Fiscal year ended March 31, 2018
Cash and deposits	14,508,274	14,790,082
Time deposits with maturities over 3 months	(138,410)	(134,126)
Cash and cash equivalents	14,369,863	14,655,955

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, 2017	As of March 31, 2018
Within 1 year	9,255	18,842
Over 1 year	21,537	18,364
Total	30,792	37,206

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, 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
Total assets	44,087,005	44,130,343	43,337
(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
Total liabilities	33,247,076	33,147,896	(99,180)
Derivative transactions	–	–	–

As of March 31, 2018

(Thousands of yen)

	Carrying amount in consolidated balance sheets	Fair value	Difference
(1) Cash and deposits	14,790,082	14,790,082	–
(2) Notes and accounts receivable - trade	25,200,204		
Allowance for doubtful accounts	(112,531)		
	25,087,673	25,115,590	27,917
(3) Investment securities	6,437,664	6,437,664	–
(4) Long-term loans receivable	54,286	54,286	0
Total assets	46,369,705	46,397,623	27,917
(1) Notes and accounts payable - trade	17,727,414	17,727,414	–
(2) Short-term loans payable	6,490,266	6,490,266	0
(3) Current portion of long-term loans payable	443,906	520,988	77,082
(4) Lease obligations (Current liabilities)	11,739	11,739	0
(5) Income taxes payable	569,420	569,420	–
(6) Bonds payable	1,170,000	1,173,212	3,212
(7) Long-term loans payable	4,396,471	4,206,252	(190,219)
(8) Lease obligations (Non-current liabilities)	29,452	29,452	0
Total liabilities	30,838,671	30,728,746	(109,924)
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, 2017	As of March 31, 2018
Unlisted stocks	144,884	133,916

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, 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	14,503,154	–	–	–
(2) Notes and accounts receivable - trade	23,762,379	–	–	–
(3) Long-term loans receivable	–	53,560	523	832
Total	38,265,533	53,560	523	832

As of March 31, 2018

(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	14,784,791	–	–	–
(2) Notes and accounts receivable - trade	25,200,204	–	–	–
(3) Long-term loans receivable	–	52,722	845	717
Total	39,984,996	52,722	845	717

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

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

As of March 31, 2018

(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	6,490,266	–	–	–	–	–
(2) Bonds payable	–	1,170,000	–	–	–	–
(3) Long-term loans payable	443,906	315,964	313,464	336,882	283,042	3,147,118
(4) Lease obligations	11,739	10,549	7,262	7,071	3,281	1,286
Total	6,945,912	1,496,514	320,726	343,954	286,323	3,148,404

Securities

1. 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.”

As of March 31, 2018

(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	6,437,664	2,055,295	4,382,369
Subtotal	6,437,664	2,055,295	4,382,369
Securities whose carrying amount on the consolidated balance sheets does not exceed their acquisition cost			
Stocks	–	–	–
Subtotal	–	–	–
Total	6,437,664	2,055,295	4,382,369

(Note) As unlisted stocks (133,916 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, 2017 (from April 1, 2016 to March 31, 2017)

Not applicable.

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Thousands of yen)

Type	Proceeds from sales	Total gain on sales	Total loss on sales
Stocks	193,772	98,096	3,000

3. Impairment loss on securities

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

Not applicable.

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

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, 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.

As of March 31, 2018

(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	53,176	–	(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, 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.

As of March 31, 2018

(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	2,124,349	1,841,306	(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, 2017	Fiscal year ended March 31, 2018
Retirement benefit obligations at the beginning of period	5,922,099	5,970,671
Service cost	380,624	425,014
Interest cost	24,760	32,738
Actuarial differences	12,260	(90,336)
Retirement benefits paid	(358,426)	(313,045)
Other	(10,647)	(1,835)
Retirement benefit obligations at the end of period	5,970,671	6,023,207

- (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, 2017	Fiscal year ended March 31, 2018
Plan assets at the beginning of period	5,163,205	5,403,887
Expected return on plan assets	191,556	133,766
Actuarial differences	22,903	(88,155)
Contribution by employer	127,878	173,524
Retirement benefits paid	(104,526)	(159,556)
Other	2,871	6,455
Plan assets at the end of period	5,403,887	5,469,922

- (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, 2017	Fiscal year ended March 31, 2018
Retirement benefit obligations from funded plans	4,907,543	2,867,872
Plan assets	(5,403,887)	(3,418,433)
	(496,344)	(550,561)
Retirement benefit obligations on unfunded plans	1,063,127	1,103,846
Net amount of liability and asset recorded in consolidated balance sheets	566,783	553,285
Net defined benefit asset	(502,834)	(563,405)
Net defined benefit liability	1,069,617	1,116,690
Net amount of liability and asset recorded in consolidated balance sheets	566,783	553,285

(4) Retirement benefit expenses

	(Thousands of yen)	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Service cost	380,624	425,014
Interest cost	24,760	32,738
Expected return on plan assets	(191,556)	(133,766)
Amortization of actuarial differences	98,460	172,523
Amortization of past service cost	(2,619)	(2,619)
Other	—	(21,749)
Retirement benefit expenses on defined-benefit plans	309,670	472,140

(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, 2017	Fiscal year ended March 31, 2018
Past service cost	2,619	2,619
Actuarial differences	(108,511)	(174,704)
Total	(105,892)	(172,085)

(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, 2017	As of March 31, 2018
Unrecognized past service cost	(2,619)	—
Unrecognized actuarial differences	767,922	589,985
Total	765,302	589,985

(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, 2017	As of March 31, 2018
Bonds	8.6%	10.1%
Stocks	16.3%	16.1%
Cash and deposits	5.2%	5.0%
Insurance assets (general accounts)	7.5%	7.4%
Investment trust	37.4%	37.5%
Shared operating assets	25.0%	23.8%
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 37.4% and 37.5% of the total amount as of March 31, 2017 and March 31, 2018, 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 basis for actuarial assumptions are as follows:

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Discount rate	0.04%	0.02%
Long-term expected rate of return	3.72%	4.20%
Expected rate of salary increase	3.80%	3.80%

Income Taxes

1. Significant components of deferred tax assets and liabilities

	As of March 31, 2017	(Thousands of yen) As of March 31, 2018
Deferred tax assets		
Allowance for doubtful accounts	41,061	35,089
Net defined benefit liability	844,292	881,788
Impairment loss	479,747	418,561
Provision for bonuses	177,907	183,227
Loss on valuation of investment securities	196,849	196,849
Asset retirement obligations	48,220	49,033
Net operating losses carryforward (Note)	260,975	66,162
Other	539,573	512,140
Subtotal of deferred tax assets	2,588,626	2,342,854
Valuation allowance related to net operating losses carryforward (Note)	—	(6,363)
Valuation allowance related to total deductible temporary difference, etc.	—	(509,003)
Subtotal of valuation allowance	(708,607)	(515,366)
Total deferred tax assets	1,880,019	1,827,487
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(967,549)	(1,167,327)
Net defined benefit asset	(147,483)	(167,399)
Reserve for advanced depreciation of non-current assets	(117,355)	(93,575)
Reserve for special depreciation	(23,020)	(15,307)
Property, plant and equipment (asset retirement obligations)	(31,460)	(29,538)
Reserved profit of overseas consolidated subsidiaries	(408,948)	(455,544)
Other	(684,205)	(477,037)
Total deferred tax liabilities	(2,380,024)	(2,405,730)
Net deferred tax assets (liabilities)	(500,005)	(578,242)

(Note) Amounts of tax loss carryforward and related deferred tax assets by carryforward period
As of March 31, 2018

	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	Total
Tax loss carryforward (a)	—	—	—	—	5,108	61,054	66,162
Valuation allowance	—	—	—	—	(5,108)	(1,254)	(6,363)
Deferred tax assets	—	—	—	—	—	59,799	(b) 59,799

(a) Figures for tax loss carryforward are the amounts multiplied by effective statutory tax rate.

(b) For the tax loss carryforward of 66,162 thousand yen (amount multiplied by effective statutory tax rate), deferred tax assets of 59,799 thousand yen have been recorded. The deferred tax assets of 59,799 thousand yen have been recognized primarily

for the balance of tax loss carryforward in the amount of 56,663 thousand yen (amount multiplied by effective statutory tax rate) of RIKEN ELASTOMERS CORPORATION, a consolidated subsidiary. The tax loss carryforward of the consolidated subsidiary RIKEN ELASTOMERS CORPORATION accrued as a result of using immediate expensing system for the fiscal year ended December 31, 2017. The said tax loss carryforward was determined to be recoverable as future taxable income is anticipated, and therefore valuation allowance has not been recognized.

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

	As of March 31, 2017	As of March 31, 2018
Effective statutory tax rate	30.9%	30.9%
Adjustments		
Expenses not deductible permanently such as entertainment expenses	0.5	0.6
Income not taxable permanently such as dividends income	(0.7)	(0.7)
Foreign withholding taxes	2.4	0.5
Change in valuation allowance	(1.1)	(0.2)
Tax rate differences from overseas consolidated subsidiaries	(4.0)	(4.0)
Other	1.7	1.3
Effective tax rate	29.7	28.2

3. Revision in the amounts of deferred tax assets and deferred tax liabilities due to changes in corporate tax rate, etc.

Following the enactment of the Tax Cuts and Jobs Act in the U.S. on December 22, 2017, the federal corporate tax rate applied to the consolidated subsidiaries located in the U.S. will be reduced to 21% from the current 35%.

Due to this rate change, deferred tax assets (after offsetting deferred tax liabilities) decreased 166,535 thousand yen, while income taxes - deferred increased 166,535 thousand yen for the current fiscal year.

Business Combinations

Transactions, etc. under common control

(1) Overview of transactions

(a) Name of subject business and its business activities

Name of business: Compound manufacture and sales business

Business activities: Manufacture and sales of compounds

(b) Date of business combination

April 1, 2017

(c) Legal form of business combination

1) Company split

Splitting company	Successor company	Purpose of company split
RIMTEC CORPORATION	RIMTEC MANUFACTURING CORPORATION	To split the manufacturing division and have the successor company succeed to it
RIKEN ELASTOMERS CORPORATION	REC MANUFACTURING CORPORATION	Same as above

2) Merger

Surviving company	Merged company	Purpose of merger
RIKEN ELASTOMERS CORPORATION	RIMTEC CORPORATION	To integrate the sales divisions into the surviving company

3) Change of trade name

Before change of trade name	After change of trade name	Functions of company
RIKEN ELASTOMERS CORPORATION	RIKEN AMERICAS CORPORATION	Sales and controlling company
REC MANUFACTURING CORPORATION	RIKEN ELASTOMERS CORPORATION	Change of trade name of manufacturing company

(d) Name of company after business combination

RIKEN AMERICAS CORPORATION (consolidated subsidiary of the Company)

RIKEN ELASTOMERS CORPORATION (consolidated subsidiary of the Company)

RIMTEC MANUFACTURING CORPORATION (consolidated subsidiary of the Company)

(e) Other matters concerning overview of transactions

To unify points of contact for customers and flexibly utilize manufacturing equipment as demand requires in the North American business, subsidiaries have been reorganized into two manufacturing subsidiaries and one controlling company that engages in sales.

(2) Overview of accounting treatments

Pursuant to the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and the “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, September 13, 2013), transactions were accounted for as those under common control.

Asset retirement obligations

This information has been omitted due to its insignificance.

Rental properties and other real estate

This information has been omitted due to its insignificance.

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, 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.

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(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	66,279,670	13,064,571	11,481,226	90,825,468	3,775,665	94,601,133	—	94,601,133
(2) Intersegment sales or transfers	264,688	47,721	387	312,797	816,157	1,128,954	(1,128,954)	—
Total	66,544,358	13,112,293	11,481,613	91,138,265	4,591,822	95,730,087	(1,128,954)	94,601,133
Segment profit (loss)	5,108,885	(239,401)	790,795	5,660,279	(43,356)	5,616,922	(217,614)	5,399,307
Segment assets	49,360,668	10,205,868	7,633,436	67,199,972	2,867,693	70,067,666	21,798,540	91,866,206
Segment liabilities	21,990,229	3,169,321	3,552,892	28,712,443	2,941,623	31,654,067	5,357,937	37,012,004
Others								
Depreciation	1,817,923	375,786	298,491	2,492,200	43,123	2,535,323	898,928	3,434,252
Amortization of goodwill	1,455	—	177,162	178,617	12,960	191,577	—	191,577
Extraordinary income	4,036	—	573	4,610	—	4,610	99,385	103,996
Extraordinary losses	14,183	27,375	1,006	42,565	—	42,565	5,340	47,905
[Impairment loss]	[—]	[—]	[—]	[—]	[—]	[—]	[—]	[—]
Increase in property, plant and equipment and intangible assets	2,125,665	682,628	397,978	3,206,272	60,318	3,266,590	508,658	3,775,249

- (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 217,614 thousand yen in inter-segment eliminations. The adjustment to segment assets represents negative 14,047,556 thousand yen in inter-segment eliminations and 35,846,097 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 1,654,998 thousand yen in inter-segment eliminations and 7,012,936 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, 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	U.S.	China	Europe	Other regions	Total
48,250,743	8,329,458	10,978,721	6,857,716	653,598	13,229,921	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	U.S.	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.

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

1. Information by product and service

(Thousands of yen)

	Compound	Film	Food wrapping film	Other	Total
Sales to external customers	66,279,670	13,064,571	11,481,226	3,775,665	94,601,133

2. Information by geographical area

(1) Net sales

(Thousands of yen)

Japan	Thailand	U.S.	China	Europe	Other regions	Total
50,742,459	9,683,817	11,123,981	7,686,700	585,714	14,778,460	94,601,133

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

(2) Property, plant and equipment

(Thousands of yen)

Japan	Thailand	U.S.	China	Europe	Other regions	Total
12,490,627	3,703,893	5,490,614	1,822,593	356	4,087,729	27,595,814

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, 2017 (from April 1, 2016 to March 31, 2017)

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

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Not applicable.

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

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.

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(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, 2018	13,095	–	265,744	278,839	13,120	291,959	–	291,959

(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, 2017 (from April 1, 2016 to March 31, 2017)

Not applicable.

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Not applicable.

Information on Related Parties

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

Not applicable.

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Not applicable.

Per Share Information

(Yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net assets per share	723.27	735.85
Basic profit attributable to owners of parent per share	45.85	41.64
Diluted profit attributable to owners of parent per share	40.08	38.12

(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, 2017	As of March 31, 2018
Total net assets (Thousands of yen)	49,196,337	54,854,201
Deduction from total net assets (Thousands of yen)	7,222,277	7,680,481
[Of the above, non-controlling interests (Thousands of yen)]	[7,222,277]	[7,680,481]
Net assets related to common stock (Thousands of yen)	41,974,060	47,173,719
Number of treasury shares of common stock (Shares)	8,079,834	2,005,873
Number of shares of common stock outstanding used for calculation of net assets per share (Shares)	58,033,985	64,107,946

(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, 2017	Fiscal year ended March 31, 2018
Profit attributable to owners of parent (Thousands of yen)	2,716,765	2,538,121
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent regarding common stock (Thousands of yen)	2,716,765	2,538,121
Average number of shares of common stock outstanding during the period (Shares)	59,250,061	60,956,444
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	5,624,077
[Of the above, convertible bond-type bonds with subscription rights to shares (Shares)]	8,528,784	5,624,077
[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, 2017 (Thousands of yen)	Balance as of March 31, 2018 (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	1,170,000	–	None	March 19, 2020
Total	–	–	4,000,000	1,170,000	–	–	–

(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)	2,830,000
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
–	1,170,000	–	–	–

Detailed Statement of Loans Payable

Category	Balance as of April 1, 2017 (Thousands of yen)	Balance as of March 31, 2018 (Thousands of yen)	Average interest rate (%)	Repayment period
Short-term loans payable	6,544,873	6,490,266	1.2	–
Current portion of long-term loans payable	315,635	443,906	1.6	–
Current portion of lease obligations	10,231	11,739	–	–
Long-term loans payable (excluding current portion)	4,866,068	4,396,471	2.2	2019 – 2025
Lease obligations (excluding current portion)	21,468	29,452	–	2019 – 2024
Other interest-bearing debt	–	–	–	–
Total	11,758,278	11,371,836	–	–

(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	315,964	313,464	336,882	283,042
Lease obligations	10,549	7,262	7,071	3,281

Detailed Statement of Asset Retirement Obligations

As the amount of asset retirement obligations as of April 1, 2017 and March 31, 2018 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, 2018

(Year-to-date period)	1st quarter	2nd quarter	3rd quarter	Fiscal year ended March 31, 2018
Net sales (Thousands of yen)	22,831,088	45,890,214	69,678,269	94,601,133
Profit before income taxes (Thousands of yen)	1,336,505	2,672,506	4,091,833	5,466,525
Profit attributable to owners of parent (Thousands of yen)	610,328	1,202,637	1,850,113	2,538,121
Basic profit attributable to owners of parent per share (Yen)	10.52	20.36	30.83	41.64

(Three-month period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic profit attributable to owners of parent per share (Yen)	10.52	9.90	10.42	10.79