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# **Quarterly Consolidated Financial Statements**

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

Second quarter of  
the 90th term

From April 1, 2018  
to September 30, 2018

**RIKEN TECHNOS CORPORATION**

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

# Quarterly Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2018	As of September 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	14,790,082	16,040,524
Notes and accounts receivable - trade	*2 25,200,204	*2 24,871,427
Merchandise and finished goods	6,343,924	6,692,331
Work in process	650,566	707,019
Raw materials and supplies	5,195,751	5,171,560
Other	1,316,124	1,309,411
Allowance for doubtful accounts	(112,531)	(110,440)
Total current assets	53,384,121	54,681,833
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,804,889	9,619,014
Machinery, equipment and vehicles, net	9,226,349	9,180,735
Land	6,458,132	6,393,081
Leased assets, net	28,746	23,504
Construction in progress	1,336,417	2,010,901
Other, net	741,278	712,668
Total property, plant and equipment	27,595,814	27,939,906
Intangible assets		
Goodwill	291,959	196,170
Leased assets	11,995	28,761
Other	2,147,153	1,821,362
Total intangible assets	2,451,107	2,046,295
Investments and other assets		
Investment securities	6,571,580	6,555,333
Long-term loans receivable	54,286	50,266
Net defined benefit asset	563,405	623,131
Deferred tax assets	443,347	396,497
Other	806,311	769,374
Allowance for doubtful accounts	(3,770)	(3,770)
Total investments and other assets	8,435,162	8,390,833
Total non-current assets	38,482,084	38,377,035
Total assets	91,866,206	93,058,869

(Thousands of yen)

	As of March 31, 2018		As of September 30, 2018	
<b>Liabilities</b>				
Current liabilities				
Notes and accounts payable - trade	*2	17,727,414	*2	18,138,898
Short-term loans payable	*3	6,490,266	*3	6,929,349
Current portion of long-term loans payable		443,906		360,627
Lease obligations		11,739		17,842
Income taxes payable		569,420		717,409
Provision for bonuses		656,720		644,605
Provision for directors' bonuses		70,422		54,864
Other		2,850,672		2,879,164
<b>Total current liabilities</b>		<b>28,820,563</b>		<b>29,742,762</b>
Non-current liabilities				
Bonds payable		1,170,000		1,000,000
Long-term loans payable		4,396,471		4,172,007
Lease obligations		29,452		36,479
Deferred tax liabilities		1,021,590		999,047
Provision for executive officer incentive plan trust		93,575		128,449
Net defined benefit liability		1,116,690		1,104,473
Asset retirement obligations		314,607		322,300
Other		49,054		75,479
<b>Total non-current liabilities</b>		<b>8,191,441</b>		<b>7,838,236</b>
<b>Total liabilities</b>		<b>37,012,004</b>		<b>37,580,999</b>
<b>Net assets</b>				
Shareholders' equity				
Capital stock		8,514,018		8,514,018
Capital surplus		7,297,981		7,329,799
Retained earnings		28,937,991		30,151,253
Treasury shares		(828,559)		(671,430)
<b>Total shareholders' equity</b>		<b>43,921,432</b>		<b>45,323,640</b>
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		3,219,427		3,215,736
Foreign currency translation adjustment		442,192		(13,035)
Remeasurements of defined benefit plans		(409,332)		(370,771)
<b>Total accumulated other comprehensive income</b>		<b>3,252,287</b>		<b>2,831,929</b>
<b>Non-controlling interests</b>		<b>7,680,481</b>		<b>7,322,299</b>
<b>Total net assets</b>		<b>54,854,201</b>		<b>55,477,869</b>
<b>Total liabilities and net assets</b>		<b>91,866,206</b>		<b>93,058,869</b>

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

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	45,890,214	47,252,772
Cost of sales	37,500,409	38,692,717
Gross profit	8,389,804	8,560,055
Selling, general and administrative expenses	*1 5,834,911	*1 5,854,095
Operating profit	2,554,893	2,705,960
Non-operating income		
Interest income	13,914	17,624
Dividend income	71,020	78,594
Foreign exchange gains	14,803	47,412
Other	87,988	45,257
Total non-operating income	187,727	188,889
Non-operating expenses		
Interest expenses	93,913	102,373
Other	14,060	14,587
Total non-operating expenses	107,973	116,961
Ordinary profit	2,634,646	2,777,888
Extraordinary income		
Gain on sales of non-current assets	2,143	3,433
Gain on sales of investment securities	64,358	292,203
Total extraordinary income	66,501	295,637
Extraordinary losses		
Loss on sales of non-current assets	6,871	—
Loss on retirement of non-current assets	21,769	12,621
Environmental expenses	—	25,587
Total extraordinary losses	28,641	38,208
Profit before income taxes	2,672,506	3,035,317
Income taxes	849,353	772,740
Profit	1,823,153	2,262,577
Profit attributable to non-controlling interests	620,515	655,781
Profit attributable to owners of parent	1,202,637	1,606,796

## Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	1,823,153	2,262,577
Other comprehensive income		
Valuation difference on available-for-sale securities	473,924	(3,993)
Foreign currency translation adjustment	(399,473)	(754,868)
Remeasurements of defined benefit plans, net of tax	25,379	38,560
Total other comprehensive income	99,830	(720,300)
Comprehensive income	1,922,983	1,542,276
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,428,915	1,186,438
Comprehensive income attributable to non-controlling interests	494,067	355,838

### (3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,672,506	3,035,317
Depreciation	1,638,605	1,749,930
Amortization of goodwill	95,788	95,788
Increase (decrease) in provision for bonuses	(98,780)	(9,114)
Increase (decrease) in provision for directors' bonuses	(18,835)	(15,558)
Increase (decrease) in allowance for doubtful accounts	(824)	(2,060)
Increase (decrease) in net defined benefit liability	(99,002)	35,458
Increase (decrease) in provision for management board incentive plan trust	51,331	34,874
Interest and dividend income	(84,934)	(96,219)
Interest expenses	93,913	102,373
Loss (gain) on sales of investment securities	(64,358)	(292,203)
Loss (gain) on sales of property, plant and equipment	4,728	(3,433)
Loss on retirement of property, plant and equipment	21,769	12,621
Decrease (increase) in notes and accounts receivable - trade	(355,711)	86,951
Decrease (increase) in inventories	(942,041)	(598,823)
Increase (decrease) in notes and accounts payable - trade	98,819	593,459
Increase (decrease) in accrued consumption taxes	(131,605)	69,121
Other, net	402,142	168,666
Subtotal	3,283,510	4,967,149
Interest and dividend income received	83,140	95,064
Interest expenses paid	(95,259)	(97,746)
Income taxes paid	(664,167)	(615,385)
Net cash provided by (used in) operating activities	2,607,225	4,349,081
<b>Cash flows from investing activities</b>		
Payments into time deposits	(118,075)	(18,076)
Proceeds from withdrawal of time deposits	118,853	127,246
Purchase of property, plant and equipment	(1,543,299)	(2,343,781)
Proceeds from sales of property, plant and equipment	5,131	3,507
Purchase of intangible assets	(70,466)	(12,976)
Purchase of investment securities	—	(196)
Proceeds from sales of investment securities	92,134	243,866
Payments of loans receivable	(1,000)	—
Collection of loans receivable	4,356	2,527
Other, net	17,048	(2,659)
Net cash provided by (used in) investing activities	(1,495,316)	(2,000,542)

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(264,740)	507,842
Proceeds from long-term loans payable	137,500	—
Repayments of long-term loans payable	(239,605)	(204,366)
Repayments of lease obligations	(10,649)	(10,341)
Proceeds from sales of treasury shares	147,798	15,502
Purchase of treasury shares	(137,661)	(3)
Cash dividends paid	(350,241)	(383,785)
Dividends paid to non-controlling interests	(481,016)	(711,054)
Net cash provided by (used in) financing activities	(1,198,617)	(786,207)
Effect of exchange rate change on cash and cash equivalents	(83,434)	(198,840)
Net increase (decrease) in cash and cash equivalents	(170,143)	1,363,492
Cash and cash equivalents at beginning of period	14,369,863	14,655,955
Cash and cash equivalents at end of period	*1 14,199,720	*1 16,019,447

## Notes to Quarterly Consolidated Financial Statements

### Basis of Presentation of Quarterly Consolidated Financial Statements

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

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

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

(Calculation of taxes)

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

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

### Additional Information

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

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

In accordance with the resolution at the 87th Ordinary General Meeting of Shareholders held on 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 awareness of Directors who execute business (excluding Directors who are Audit & Supervisory Committee Members) and Executive Officers toward their contributions to improving the mid- to long-term corporate performance and increasing the corporate value as well as making Directors who do not execute business (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members contribute to increasing the mid- to long-term corporate value through supervision or audit.

##### (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 to Directors etc. 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 second quarter under review were 206,299 thousand yen and 467 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 previous fiscal year were 115,390 thousand yen and 209 thousand shares, respectively, while those as of the end of the second quarter under review were 100,100 thousand yen and 182 thousand shares, respectively.

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

99,354 thousand yen as of the end of the second quarter under review

## Notes to Consolidated Balance Sheets

### 1. Notes receivable endorsed

	(Thousands of yen)	
	As of March 31, 2018	As of September 30, 2018
Notes receivable endorsed	1,110	461

### \*2. Notes maturing on the quarterly balance sheet date

When the quarterly balance sheet date falls on a holiday of financial institutions, the notes maturing on the quarterly balance sheet date will be accounted for as if they were settled on the maturity date.

The amount of notes matured on September 30, 2018 is as follows:

	(Thousands of yen)	
	As of March 31, 2018	As of September 30, 2018
Notes receivable - trade	862,874	786,641
Notes payable - trade	1,789	3,961

### \*3. Overdraft agreements and unused overdraft facility balance

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

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

	(Thousands of yen)	
	As of March 31, 2018	As of September 30, 2018
Total overdraft facility limit	11,130,000	11,130,000
Outstanding borrowings within the limit	3,927,500	4,115,000
Unused balance	7,202,500	7,015,000

## Notes to Consolidated Statements of Income

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

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

	(Thousands of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Freightage expenses	1,449,209	1,496,087
Salaries and bonuses	1,101,309	1,042,544
Provision for bonuses	153,332	158,302
Provision for directors' bonuses	44,264	54,864
Retirement benefit expenses	111,770	119,047
Provision for director stock benefits	51,331	40,632
Provision of allowance for doubtful accounts	(1,079)	(1,971)
Research and development expenses	485,290	528,414

## Notes to Consolidated Statements of Cash Flows

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

	(Thousands of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash and deposits	14,332,796	16,040,524
Time deposits with maturities over 3 months	(133,076)	(21,076)
Cash and cash equivalents	14,199,720	16,019,447

## Shareholders' Equity and Others

### I. Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

#### 1. Dividends paid

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

(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.

#### 2. Dividends whose cut-off date is in the six-month period ended September 30, 2017 and whose effective date is after the end of the second quarter ended September 30, 2017

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Board of Directors meeting held on November 6, 2017	Common stock	370,307	6	September 30, 2017	December 4, 2017	Retained earnings

(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.

### II. Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

#### 1. Dividends paid

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Ordinary general meeting of shareholders held on June 22, 2018	Common stock	384,647	6	March 31, 2018	June 25, 2018	Retained earnings

(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.

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

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Board of Directors meeting held on October 31, 2018	Common stock	387,039	6	September 30, 2018	December 3, 2018	Retained earnings

(Note) Total dividends do not include 3,898 thousand yen of dividends to Trust Account E. This is because shares in the Company held by Trust Account E are recognized as treasury shares.

## Segment Information and Others

### Segment information

#### I. Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

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

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded on the consolidated statements of income (Note 3)
	Compound	Film	Food wrapping film	Total				
Net sales								
(1) Sales to external customers	32,247,905	6,553,872	5,335,605	44,137,383	1,752,831	45,890,214	—	45,890,214
(2) Intersegment sales or transfers	138,376	38,479	—	176,856	158,773	335,629	(335,629)	—
Total	32,386,281	6,592,352	5,335,605	44,314,239	1,911,604	46,225,843	(335,629)	45,890,214
Segment profit (loss)	2,442,794	(126,958)	350,525	2,666,361	(9,572)	2,656,789	(101,896)	2,554,893

- (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 101,896 thousand yen in inter-segment eliminations.
3. Segment profit (loss) is adjusted to operating profit in the consolidated statements of income.

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

Not applicable.

#### II. Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

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

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded on the consolidated statements of income (Note 3)
	Compound	Film	Food wrapping film	Total				
Net sales								
(1) Sales to external customers	33,058,363	6,832,125	5,377,172	45,267,662	1,985,110	47,252,772	—	47,252,772
(2) Intersegment sales or transfers	123,924	22,742	377	147,044	576,632	723,677	(723,677)	—
Total	33,182,288	6,854,868	5,377,550	45,414,707	2,561,743	47,976,450	(723,677)	47,252,772
Segment profit (loss)	2,506,196	(37,569)	267,441	2,736,069	68,621	2,804,690	(98,730)	2,705,960

- (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 98,730 thousand yen in inter-segment eliminations.
3. Segment profit (loss) is adjusted to operating profit in the consolidated statements of income.

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

Not applicable.

## Per Share Information

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

	Six months ended September 30, 2017	Six months ended September 30, 2018
(1) Basic earnings per share (yen)	20.36	25.04
(Basis for calculation)		
Profit attributable to owners of parent (Thousands of yen)	1,202,637	1,606,796
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent regarding common stock (Thousands of yen)	1,202,637	1,606,796
Average number of shares of common stock outstanding during the period (Thousands of shares)	59,055	64,174
(2) Diluted earnings per share (yen)	18.07	24.12
(Basis for calculation)		
Adjustment on profit attributable to owners of parent (Thousands of yen)	–	–
Increase in common stock (Thousands of shares)	7,514	2,442
Outline of potential shares which were not used in calculating diluted earnings per share because they have no dilutive effects, and which had material changes after the end of the previous fiscal year	–	–

(Note) Because shares in the Company held by Trust Account E are recognized as treasury shares in the quarterly consolidated financial statements, the number of those shares has been deducted from the average number of shares of common stock outstanding during the period used for the calculation of basic earnings per share.

## Significant Subsequent Events

Not applicable.