

Note: This is an excerpt translation of the “Shihanki-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.

# **Quarterly Consolidated Financial Statements**

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

Third quarter of  
the 90th term

From April 1, 2018  
to December 31, 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 December 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	14,790,082	16,784,364
Notes and accounts receivable - trade	*2 25,200,204	*2 26,106,446
Merchandise and finished goods	6,343,924	6,997,102
Work in process	650,566	809,545
Raw materials and supplies	5,195,751	5,704,732
Other	1,316,124	1,560,260
Allowance for doubtful accounts	(112,531)	(108,832)
Total current assets	53,384,121	57,853,619
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,804,889	10,121,559
Machinery, equipment and vehicles, net	9,226,349	9,637,423
Land	6,458,132	6,438,811
Leased assets, net	28,746	21,208
Construction in progress	1,336,417	1,169,484
Other, net	741,278	706,140
Total property, plant and equipment	27,595,814	28,094,628
Intangible assets		
Goodwill	291,959	148,276
Leased assets	11,995	26,278
Other	2,147,153	1,712,835
Total intangible assets	2,451,107	1,887,389
Investments and other assets		
Investment securities	6,571,580	5,513,747
Long-term loans receivable	54,286	49,538
Net defined benefit asset	563,405	656,532
Deferred tax assets	443,347	530,597
Other	806,311	1,427,790
Allowance for doubtful accounts	(3,770)	(3,770)
Total investments and other assets	8,435,162	8,174,435
Total non-current assets	38,482,084	38,156,453
Total assets	91,866,206	96,010,073

(Thousands of yen)

	As of March 31, 2018		As of December 31, 2018	
<b>Liabilities</b>				
Current liabilities				
Notes and accounts payable - trade	*2	17,727,414	*2	18,981,714
Short-term loans payable	*3	6,490,266	*3	8,323,295
Current portion of long-term loans payable		443,906		743,687
Lease obligations		11,739		16,551
Income taxes payable		569,420		611,534
Provision for bonuses		656,720		399,546
Provision for directors' bonuses		70,422		73,782
Other		2,850,672		3,354,000
<b>Total current liabilities</b>		<b>28,820,563</b>		<b>32,504,110</b>
Non-current liabilities				
Bonds payable		1,170,000		826,000
Long-term loans payable		4,396,471		4,321,621
Lease obligations		29,452		33,263
Deferred tax liabilities		1,021,590		839,739
Provision for directors' retirement benefits		—		140,516
Provision for executive officer incentive plan trust		93,575		141,608
Net defined benefit liability		1,116,690		1,200,726
Asset retirement obligations		314,607		321,904
Other		49,054		75,341
<b>Total non-current liabilities</b>		<b>8,191,441</b>		<b>7,900,722</b>
<b>Total liabilities</b>		<b>37,012,004</b>		<b>40,404,832</b>
Net assets				
Shareholders' equity				
Capital stock		8,514,018		8,514,018
Capital surplus		7,297,981		7,367,227
Retained earnings		28,937,991		30,518,983
Treasury shares		(828,559)		(495,599)
<b>Total shareholders' equity</b>		<b>43,921,432</b>		<b>45,904,631</b>
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		3,219,427		2,412,953
Foreign currency translation adjustment		442,192		293,073
Remeasurements of defined benefit plans		(409,332)		(351,491)
<b>Total accumulated other comprehensive income</b>		<b>3,252,287</b>		<b>2,354,535</b>
Non-controlling interests		7,680,481		7,346,073
<b>Total net assets</b>		<b>54,854,201</b>		<b>55,605,240</b>
<b>Total liabilities and net assets</b>		<b>91,866,206</b>		<b>96,010,073</b>

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

(Thousands of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	69,678,269	71,781,070
Cost of sales	57,016,087	58,855,026
Gross profit	12,662,181	12,926,043
Selling, general and administrative expenses	8,764,632	8,787,885
Operating profit	3,897,548	4,138,158
Non-operating income		
Interest income	19,499	25,797
Dividend income	121,640	140,600
Foreign exchange gains	27,096	—
Other	109,881	95,104
Total non-operating income	278,118	261,501
Non-operating expenses		
Interest expenses	137,115	157,812
Foreign exchange losses	—	4,491
Other	15,954	9,474
Total non-operating expenses	153,069	171,778
Ordinary profit	4,022,597	4,227,881
Extraordinary income		
Gain on sales of non-current assets	5,111	3,390
Gain on sales of investment securities	98,096	292,203
Gain on bargain purchase	—	19,487
Total extraordinary income	103,207	315,082
Extraordinary losses		
Loss on sales of non-current assets	5,945	1,408
Loss on retirement of non-current assets	28,025	21,811
Environmental expenses	—	25,587
Total extraordinary losses	33,970	48,807
Profit before income taxes	4,091,833	4,494,156
Income taxes	1,272,940	1,166,019
Profit	2,818,892	3,328,136
Profit attributable to non-controlling interests	968,779	966,505
Profit attributable to owners of parent	1,850,113	2,361,631

## Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	2,818,892	3,328,136
Other comprehensive income		
Valuation difference on available-for-sale securities	863,787	(807,100)
Foreign currency translation adjustment	(218,652)	(237,568)
Remeasurements of defined benefit plans, net of tax	47,588	57,841
Total other comprehensive income	692,723	(986,827)
Comprehensive income	3,511,616	2,341,309
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,600,856	1,463,879
Comprehensive income attributable to non-controlling interests	910,760	877,429

## 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 third 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 third 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 third quarter under review were 86,680 thousand yen and 157 thousand shares, respectively.

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

93,942 thousand yen as of the end of the third quarter under review

## Notes to Consolidated Balance Sheets

### 1. Notes receivable endorsed

	(Thousands of yen)	
	As of March 31, 2018	As of December 31, 2018
Notes receivable endorsed	1,110	1,442

### \*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 December 31, 2018 is as follows:

	(Thousands of yen)	
	As of March 31, 2018	As of December 31, 2018
Notes receivable - trade	862,874	769,435
Notes payable - trade	1,789	2,818

### \*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 December 31, 2018
Total overdraft facility limit	11,130,000	12,180,000
Outstanding borrowings within the limit	3,927,500	4,865,000
Unused balance	7,202,500	7,315,000

## Notes to Consolidated Statements of Income

Not applicable.

## Notes to Consolidated Statements of Cash Flows

The consolidated statements of cash flows for the nine-month period under review were not prepared.

Depreciation (including amortization of intangible assets except for goodwill) and amortization of goodwill for the nine-month period under review are as follows:

	(Thousands of yen)	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Depreciation	2,498,633	2,672,339
Amortization of goodwill	143,683	151,147



## Shareholders' Equity and Others

### I. Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

#### 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.

(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. Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

#### 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.

(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. Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 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	49,120,119	9,629,654	8,241,293	66,991,066	2,687,203	69,678,269	—	69,678,269
(2) Intersegment sales or transfers	180,856	60,734	311	241,902	744,299	986,201	(986,201)	—
Total	49,300,975	9,690,388	8,241,604	67,232,968	3,431,502	70,664,470	(986,201)	69,678,269
Segment profit (loss)	3,850,001	(242,241)	543,059	4,150,819	(58,863)	4,091,955	(194,406)	3,897,548

- (Notes)
- 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.
  - The adjustment to segment profit (loss) represents negative 194,406 thousand yen in inter-segment eliminations.
  - 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. Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 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	50,545,656	10,098,303	8,251,027	68,894,988	2,886,082	71,781,070	—	71,781,070
(2) Intersegment sales or transfers	196,553	35,777	420	232,750	698,098	930,848	(930,848)	—
Total	50,742,209	10,134,080	8,251,447	69,127,738	3,584,180	72,711,918	(930,848)	71,781,070
Segment profit (loss)	3,836,888	(35,334)	415,654	4,217,207	72,284	4,289,492	(151,334)	4,138,158

- (Notes)
- 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.
  - The adjustment to segment profit (loss) represents negative 151,334 thousand yen in inter-segment eliminations.
  - 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

Information has been omitted because the amount is of minor significance.

## Per Share Information

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

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
(1) Basic earnings per share (yen)	30.83	36.67
(Basis for calculation)		
Profit attributable to owners of parent (Thousands of yen)	1,850,113	2,361,631
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent regarding common stock (Thousands of yen)	1,850,113	2,361,631
Average number of shares of common stock outstanding during the period (Thousands of shares)	60,011	64,405
(2) Diluted earnings per share (yen)	27.79	35.45
(Basis for calculation)		
Adjustment on profit attributable to owners of parent (Thousands of yen)	–	–
Increase in common stock (Thousands of shares)	6,562	2,221
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.