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Quarterly Consolidated Financial Statements

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

First quarter of
the 93rd term

From April 1, 2021
to June 30, 2021

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, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	21,106,010	21,136,032
Notes and accounts receivable - trade	21,143,908	21,979,766
Electronically recorded monetary claims - operating	2,162,815	2,338,438
Merchandise and finished goods	6,227,760	7,345,776
Work in process	692,289	798,167
Raw materials and supplies	5,372,437	6,032,225
Other	948,638	960,720
Allowance for doubtful accounts	(83,920)	(84,255)
Total current assets	57,569,939	60,506,872
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,917,194	10,118,928
Machinery, equipment and vehicles, net	8,390,108	8,400,689
Land	6,282,764	6,325,470
Leased assets, net	59,298	52,882
Construction in progress	231,171	300,928
Other, net	590,426	592,639
Total property, plant and equipment	25,470,963	25,791,540
Intangible assets		
Goodwill	542,063	491,699
Leased assets	2,919	2,337
Other	1,808,885	1,904,055
Total intangible assets	2,353,868	2,398,092
Investments and other assets		
Investment securities	7,736,267	7,661,594
Long-term loans receivable	14,269	13,095
Retirement benefit asset	883,374	901,281
Deferred tax assets	418,840	419,297
Other	764,382	743,862
Allowance for doubtful accounts	(3,045)	(2,320)
Total investments and other assets	9,814,089	9,736,810
Total non-current assets	37,638,921	37,926,442
Total assets	95,208,860	98,433,315

(Thousands of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,139,497	18,217,551
Short-term borrowings	*1 6,976,725	*1 7,012,818
Current portion of long-term borrowings	448,983	471,046
Lease obligations	20,560	17,080
Income taxes payable	885,287	544,208
Provision for bonuses	721,429	348,152
Provision for bonuses for directors (and other officers)	84,709	22,046
Other	2,803,299	3,627,394
Total current liabilities	28,080,491	30,260,297
Non-current liabilities		
Long-term borrowings	2,819,082	2,876,578
Lease obligations	26,361	24,510
Deferred tax liabilities	1,545,671	1,568,384
Provision for share awards for directors (and other officers)	140,640	149,056
Retirement benefit liability	1,052,229	1,053,794
Asset retirement obligations	332,387	333,583
Other	135,141	135,046
Total non-current liabilities	6,051,514	6,140,953
Total liabilities	34,132,006	36,401,251
Net assets		
Shareholders' equity		
Share capital	8,514,018	8,514,018
Capital surplus	6,597,580	6,597,580
Retained earnings	35,561,518	35,918,275
Treasury shares	(517,035)	(510,717)
Total shareholders' equity	50,156,082	50,519,157
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,999,879	3,943,071
Foreign currency translation adjustment	(460,662)	210,672
Remeasurements of defined benefit plans	46,021	58,422
Total accumulated other comprehensive income	3,585,238	4,212,166
Non-controlling interests	7,335,533	7,300,740
Total net assets	61,076,854	62,032,063
Total liabilities and net assets	95,208,860	98,433,315

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

(Thousands of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	21,696,594	24,870,043
Cost of sales	17,894,037	20,278,340
Gross profit	3,802,556	4,591,702
Selling, general and administrative expenses	2,889,222	2,934,606
Operating profit	913,334	1,657,096
Non-operating income		
Interest income	7,111	5,249
Dividend income	78,352	93,194
Foreign exchange gains	—	29,808
Other	29,035	57,356
Total non-operating income	114,499	185,609
Non-operating expenses		
Interest expenses	42,995	26,481
Foreign exchange losses	15,177	—
Other	22,973	17,277
Total non-operating expenses	81,145	43,759
Ordinary profit	946,687	1,798,945
Extraordinary income		
Gain on sale of non-current assets	5,009	471
Gain on sale of investment securities	—	3
Other	—	1,010
Total extraordinary income	5,009	1,486
Extraordinary losses		
Loss on sale of non-current assets	778	—
Loss on retirement of non-current assets	3,485	763
Total extraordinary losses	4,263	763
Profit before income taxes	947,433	1,799,668
Income taxes	266,941	436,190
Profit	680,491	1,363,478
Profit attributable to non-controlling interests	331,868	217,775
Profit attributable to owners of parent	348,622	1,145,703

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	680,491	1,363,478
Other comprehensive income		
Valuation difference on available-for-sale securities	460,264	(56,851)
Foreign currency translation adjustment	(1,146,395)	1,046,880
Remeasurements of defined benefit plans, net of tax	26,352	12,400
Total other comprehensive income	(659,778)	1,002,429
Comprehensive income	20,713	2,365,908
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	196,666	1,772,630
Comprehensive income attributable to non-controlling interests	(175,953)	593,277

Notes to Quarterly Consolidated Financial Statements

Basis of Presentation of Quarterly Consolidated Financial Statements

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

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

Changes in Accounting Policies

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Accounting Standard”), etc. effective from the beginning of the first quarter under review, and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time when the control of these goods or services is transferred to the customer. Accordingly, with regard to charged supplying to customers, the Company has shifted to the method by which it does not recognize extinguishment of the supplied goods, in cases where it assumes the obligation to repurchase the supplied goods. Additionally, in terms of export transactions, the Company has changed its method of revenue recognition by which revenue is recognized at the time of arrival at the place that the Company and customers had agreed upon, deeming our performance obligations to have been fulfilled at that time. Furthermore, with regard to certain transactions in which the Group acts as an agent in providing the goods or services to a customer, the Company has changed its method and recognizes revenue in the net amount.

The application of the Revenue Recognition Accounting Standard, etc. is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, the cumulative effect of the retrospective application of the new accounting policy, assuming it has been applied to periods prior to the beginning of the first quarter under review, is added to or subtracted from retained earnings at the beginning of the first quarter under review, and the new accounting policy is applied from the said beginning balance.

As a result, for the three-month period under review, net sales decreased by 271,131 thousand yen, cost of sales decreased by 258,738 thousand yen, and operating profit, ordinary profit, and profit before income taxes decreased by 12,392 thousand yen, respectively. Additionally, accounts receivable – trade decreased by 123,843 thousand yen, inventories increased by 94,176 thousand yen, and the beginning balance for retained earnings of the first quarter under review decreased by 11,984 thousand yen.

Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers for the three months ended June 30, 2020 is not provided.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Measurement Accounting Standard”), etc. effective from the beginning of the first quarter under review and in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policy prescribed by the Fair Value Measurement Accounting Standard, etc. into the future. This application has no impact on the quarterly consolidated financial statements.

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 first 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 282,476 thousand yen and 614 thousand shares, respectively, while those as of the end of the first quarter under review were 282,476 thousand yen and 614 thousand shares, respectively.

(c) Book value of borrowings 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 234,538 thousand yen and 459 thousand shares, respectively, while those as of the end of the first quarter under review were 228,215 thousand yen and 447 thousand shares, respectively.

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

229,957 thousand yen as of the end of the first quarter under review

Notes to Consolidated Balance Sheets

*1. 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, 2021	As of June 30, 2021
Total overdraft facility limit	12,180,000	12,030,000
Outstanding borrowings within the limit	4,965,000	4,915,000
Unused balance	7,215,000	7,115,000

Notes to Consolidated Statements of Income

Not applicable.

Notes to Consolidated Statements of Cash Flows

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

	(Thousands of yen)	
	Three months ended June 30, 2020	Three months ended June 30, 2021
Depreciation	883,501	851,364
Amortization of goodwill	50,363	50,363

Shareholders' Equity and Others

I. Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

Dividends paid

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders held on June 19, 2020	Common stock	510,777	8	March 31, 2020	June 22, 2020	Retained earnings

(Note) Total dividends include 6,597 thousand yen of dividends to the Company's own shares held in Trust Account E.

II. Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

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 18, 2021	Common stock	769,365	12	March 31, 2021	June 21, 2021	Retained earnings

(Note) Total dividends include 12,897 thousand yen of dividends to the Company's own shares held in Trust Account E.

Segment Information and Others

Segment information

I. Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

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)
	TR	DH	EL	BC	Total				
Net sales									
(1) Sales to external customers	6,288,255	5,774,371	4,261,145	5,242,198	21,565,971	130,622	21,696,594	—	21,696,594
(2) Intersegment sales or transfers	—	—	—	—	—	79,915	79,915	(79,915)	—
Total	6,288,255	5,774,371	4,261,145	5,242,198	21,565,971	210,537	21,776,509	(79,915)	21,696,594
Segment profit (loss)	617,765	514,255	(76,388)	(158,797)	896,833	(107)	896,726	16,607	913,334

- (Notes)
- The “Other” category is the business segment that is not included in the reportable segments, and represents the purchase and sales of raw materials, etc.
 - The adjustment to segment profit (loss) represents 16,607 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. Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

1. Information about net sales and profit or loss by reportable segment, and revenue breakdown

(Thousands of yen)

	Reportable segment					Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded on the consolidated statements of income (Note 3)
	TR	DH	EL	BC	Total				
Net sales									
(1) Sales to external customers	7,817,080	6,423,018	4,743,233	5,864,260	24,847,593	22,449	24,870,043	—	24,870,043
(2) Intersegment sales or transfers	—	—	—	—	—	72,768	72,768	(72,768)	—
Total	7,817,080	6,423,018	4,743,233	5,864,260	24,847,593	95,218	24,942,811	(72,768)	24,870,043
Segment profit (loss)	694,113	555,094	124,672	282,699	1,656,580	18,421	1,675,001	(17,904)	1,657,096

- (Notes)
- The “Other” category is the business segment that is not included in the reportable segments and represents the purchase and sales of raw materials, etc.
 - The adjustment to segment profit (loss) represents negative 17,904 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.

3. Matters related to changes in reportable segments, etc.

The Company has applied the Revenue Recognition Accounting Standard, etc., effective from the beginning of the first quarter under review, as stated in Change in Accounting Policies, and changed

the accounting method for revenue recognition, so it has similarly changed the method for calculating the profit (loss) of business segments.

As a result of this change, for the three-month period under review, in the Transportation (TR) segment, there was no impact on net sales but segment profit decreased by 13,999 thousand yen. In the Daily Life & Healthcare (DH) segment, the impact on net sales was minimal while there was no impact on segment profit. In the Electronics (EL) segment, net sales increased by 5,254 thousand yen and segment profit increased by 8,758 thousand yen. In the Building & Construction (BC) segment, net sales decreased by 129,883 thousand yen and segment profit decreased by 7,151 thousand yen, compared to the amounts calculated using the previous method.

Revenue recognition

Information on the breakdown of revenue generated from contracts with customers is as stated in “Segment Information and Others.”

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:

	Three months ended June 30, 2020	Three months ended June 30, 2021
Basic earnings per share (Yen)	5.53	18.17
(Basis for calculation)		
Profit attributable to owners of parent (Thousands of yen)	348,622	1,145,703
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent regarding common stock (Thousands of yen)	348,622	1,145,703
Average number of shares of common stock outstanding during the period (Thousands of shares)	63,032	63,045

- (Notes)
- Shares in the Company remaining at the trust that were recorded as treasury shares under shareholders' equity have been included in the treasury shares that should be deducted in calculating the average number of shares outstanding during the period for the purpose of calculating basic earnings per share. The average number of treasury shares during the period that were deducted for the purpose of calculating basic earnings per share was 815 thousand shares for the three months ended June 30, 2020 and 1,068 thousand shares for the three months ended June 30, 2021.
 - Diluted earnings per share for the three months ended June 30, 2021 are not presented because there are no potential shares.

Significant Subsequent Events

Not applicable.