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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 94th term

From April 1, 2022
to June 30, 2022

RIKEN TECHNOS CORPORATION

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

1 Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	20,702,615	21,467,475
Notes receivable - trade	1,785,477	1,577,267
Accounts receivable - trade	21,413,866	23,030,995
Electronically recorded monetary claims - operating	3,145,045	3,436,428
Merchandise and finished goods	9,159,195	10,261,157
Work in process	621,167	941,365
Raw materials and supplies	7,623,661	7,640,603
Other	751,067	1,016,337
Allowance for doubtful accounts	(83,600)	(83,604)
Total current assets	65,118,496	69,288,027
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,915,598	10,240,647
Machinery, equipment and vehicles, net	7,902,898	8,078,920
Land	6,331,829	6,402,571
Leased assets, net	40,319	34,766
Construction in progress	364,622	620,112
Other, net	581,602	583,033
Total property, plant and equipment	25,136,870	25,960,051
Intangible assets		
Goodwill	7,275	6,911
Leased assets	588	5
Other	2,098,602	2,170,451
Total intangible assets	2,106,466	2,177,369
Investments and other assets		
Investment securities	7,905,371	6,945,022
Long-term loans receivable	2,526	2,409
Retirement benefit asset	962,148	979,863
Deferred tax assets	428,348	447,367
Other	983,575	926,239
Allowance for doubtful accounts	(2,320)	(2,320)
Total investments and other assets	10,279,650	9,298,582
Total non-current assets	37,522,987	37,436,002
Total assets	102,641,484	106,724,030

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,075,715	21,290,423
Electronically recorded obligations - operating	521,101	546,428
Short-term borrowings	*1 6,769,296	*1 7,109,356
Current portion of long-term borrowings	488,174	442,153
Lease liabilities	14,444	11,443
Income taxes payable	480,704	629,384
Provision for bonuses	726,155	353,979
Provision for bonuses for directors (and other officers)	97,774	20,595
Other	2,235,955	3,509,396
Total current liabilities	31,409,322	33,913,161
Non-current liabilities		
Long-term borrowings	2,566,512	2,961,325
Lease liabilities	20,774	20,565
Deferred tax liabilities	1,469,124	1,283,658
Provision for share awards for directors (and other officers)	171,386	180,637
Retirement benefit liability	1,136,730	1,191,978
Asset retirement obligations	330,880	332,096
Other	88,252	93,057
Total non-current liabilities	5,783,661	6,063,318
Total liabilities	37,192,984	39,976,480
Net assets		
Shareholders' equity		
Share capital	8,514,018	8,514,018
Capital surplus	6,597,580	6,597,580
Retained earnings	38,200,822	38,995,200
Treasury shares	(466,193)	(450,945)
Total shareholders' equity	52,846,228	53,655,854
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,255,441	3,598,191
Foreign currency translation adjustment	563,069	1,438,902
Remeasurements of defined benefit plans	97,331	98,914
Total accumulated other comprehensive income	4,915,842	5,136,008
Non-controlling interests	7,686,429	7,955,687
Total net assets	65,448,500	66,747,550
Total liabilities and net assets	102,641,484	106,724,030

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

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	24,870,043	29,721,050
Cost of sales	20,278,340	24,529,706
Gross profit	4,591,702	5,191,344
Selling, general and administrative expenses	2,934,606	3,135,995
Operating profit	1,657,096	2,055,349
Non-operating income		
Interest income	5,249	6,272
Dividend income	93,194	112,878
Foreign exchange gains	29,808	286,524
Other	57,356	38,393
Total non-operating income	185,609	444,068
Non-operating expenses		
Interest expenses	26,481	26,250
Depreciation of assets for rent	8,719	7,749
Other	8,558	3,965
Total non-operating expenses	43,759	37,965
Ordinary profit	1,798,945	2,461,452
Extraordinary income		
Gain on sale of non-current assets	471	708
Gain on sale of investment securities	3	—
Other	1,010	—
Total extraordinary income	1,486	708
Extraordinary losses		
Loss on retirement of non-current assets	763	167
Total extraordinary losses	763	167
Profit before income taxes	1,799,668	2,461,993
Income taxes	436,190	625,306
Profit	1,363,478	1,836,687
Profit attributable to non-controlling interests	217,775	325,601
Profit attributable to owners of parent	1,145,703	1,511,086

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	1,363,478	1,836,687
Other comprehensive income		
Valuation difference on available-for-sale securities	(56,851)	(657,438)
Foreign currency translation adjustment	1,046,880	1,373,121
Remeasurements of defined benefit plans, net of tax	12,400	1,582
Total other comprehensive income	1,002,429	717,266
Comprehensive income	2,365,908	2,553,953
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,772,630	1,731,252
Comprehensive income attributable to non-controlling interests	593,277	822,701

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 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.

i) 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.

ii) 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 276,412 thousand yen and 601 thousand shares, respectively, while those as of the end of the first quarter under review were 276,412 thousand yen and 601 thousand shares, respectively.

iii) 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.

i) 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.

ii) 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 189,711 thousand yen and 372 thousand shares, respectively, while those as of the end of the first quarter under review were 174,463 thousand yen and 342 thousand shares, respectively.

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

182,613 thousand yen as of the end of the first quarter under review

Changes in Presentation

(Consolidated Statements of Income)

“Depreciation of assets for rent,” which was included in “Other” under “Non-operating expenses” in the consolidated statements of income for the three months ended June 30, 2021, has been presented separately from those for the three months ended June 30, 2022 due to its increased monetary importance. To reflect this change in presentation, the consolidated financial statements for the three months ended June 30, 2021 have been reclassified.

As a result, 17,277 thousand yen, which was presented as “Other” under “Non-operating expenses” in the Consolidated Statements of Income for the three months ended June 30, 2021, has been reclassified as “Depreciation of assets for rent” of 8,719 thousand yen and “Other” of 8,558 thousand yen.

Notes to Consolidated Balance Sheets

*1. Overdraft agreements and unused overdraft facility balance

To efficiently secure working capital, 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, 2022	As of June 30, 2022
Total overdraft facility limit	9,230,000	9,130,000
Outstanding borrowings within the limit	3,665,000	3,815,000
Unused balance	5,565,000	5,315,000

Notes to Consolidated Statements of Income

Not applicable.

Notes to Consolidated Statements of Cash Flows

The consolidated statements of cash flows for the 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, 2021	Three months ended June 30, 2022
Depreciation	851,364	801,918
Amortization of goodwill	50,363	363

Shareholders' Equity and Others

I. 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.

II. Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

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 17, 2022	Common stock	705,250	11	March 31, 2022	June 20, 2022	Retained earnings

(Note) Total dividends include 10,710 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, 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									
Revenue generated from contracts with customers	7,817,080	6,423,018	4,743,233	5,864,260	24,847,593	22,449	24,870,043	—	24,870,043
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
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) 1. 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.
2. The adjustment to segment profit (loss) represents negative 17,904 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. Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

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									
Revenue generated from contracts with customers	8,937,017	7,872,125	6,038,171	6,852,024	29,699,338	21,711	29,721,050	—	29,721,050
Sales to external customers	8,937,017	7,872,125	6,038,171	6,852,024	29,699,338	21,711	29,721,050	—	29,721,050
Intersegment sales or transfers	—	—	—	—	—	47,465	47,465	(47,465)	—
Total	8,937,017	7,872,125	6,038,171	6,852,024	29,699,338	69,177	29,768,516	(47,465)	29,721,050
Segment profit	924,770	374,756	358,426	365,716	2,023,670	12,886	2,036,556	18,793	2,055,349

- (Notes) 1. 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.
2. The adjustment to segment profit represents 18,793 thousand yen in inter-segment eliminations.
3. Segment profit 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.

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 are as follows:

	Three months ended June 30, 2021	Three months ended June 30, 2022
Basic earnings per share (Yen)	18.17	23.93
(Basis for calculation)		
Profit attributable to owners of parent (Thousands of yen)	1,145,703	1,511,086
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent regarding common stock (Thousands of yen)	1,145,703	1,511,086
Average number of shares of common stock outstanding during the period (Thousands of shares)	63,045	63,151

(Notes) 1. 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 1,068 thousand shares for the three months ended June 30, 2021 and 962 thousand shares for the three months ended June 30, 2022.

2. Diluted earnings per share are not presented because there are no potential shares.

Significant Subsequent Events

Not applicable.

2 Other

Not applicable.