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Quarterly Consolidated Financial Statements

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

Third quarter of
the 94th term

From April 1, 2022
to December 31, 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 December 31, 2022
Assets		
Current assets		
Cash and deposits	20,702,615	20,448,595
Notes receivable - trade	*2 1,785,477	*2 1,363,997
Accounts receivable - trade	21,413,866	26,180,728
Electronically recorded monetary claims - operating	*2 3,145,045	*2 3,917,972
Merchandise and finished goods	9,159,195	10,954,498
Work in process	621,167	989,742
Raw materials and supplies	7,623,661	8,461,606
Other	751,067	1,257,576
Allowance for doubtful accounts	(83,600)	(83,827)
Total current assets	65,118,496	73,490,890
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,915,598	10,982,200
Machinery, equipment and vehicles, net	7,902,898	8,458,163
Land	6,331,829	6,503,673
Leased assets, net	40,319	58,215
Construction in progress	364,622	1,131,888
Other, net	581,602	643,478
Total property, plant and equipment	25,136,870	27,777,619
Intangible assets		
Goodwill	7,275	6,183
Leased assets	588	—
Other	2,098,602	2,241,614
Total intangible assets	2,106,466	2,247,798
Investments and other assets		
Investment securities	7,905,371	7,409,101
Long-term loans receivable	2,526	2,049
Retirement benefit asset	962,148	1,019,368
Deferred tax assets	428,348	510,636
Other	983,575	1,228,549
Allowance for doubtful accounts	(2,320)	(2,320)
Total investments and other assets	10,279,650	10,167,384
Total non-current assets	37,522,987	40,192,802
Total assets	102,641,484	113,683,693

(Thousands of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	*2 20,075,715	21,644,363
Electronically recorded obligations - operating	521,101	845,515
Short-term borrowings	*1 6,769,296	*1 8,262,526
Current portion of long-term borrowings	488,174	591,365
Lease liabilities	14,444	9,362
Income taxes payable	480,704	614,752
Provision for bonuses	726,155	427,849
Provision for bonuses for directors (and other officers)	97,774	69,949
Other	2,235,955	3,234,778
Total current liabilities	31,409,322	35,700,462
Non-current liabilities		
Long-term borrowings	2,566,512	2,703,617
Lease liabilities	20,774	39,939
Deferred tax liabilities	1,469,124	1,607,121
Provision for share awards for directors (and other officers)	171,386	191,309
Retirement benefit liability	1,136,730	1,312,337
Asset retirement obligations	330,880	334,526
Other	88,252	74,341
Total non-current liabilities	5,783,661	6,263,193
Total liabilities	37,192,984	41,963,655
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	40,466,458
Treasury shares	(466,193)	(413,325)
Total shareholders' equity	52,846,228	55,164,731
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,255,441	3,950,169
Foreign currency translation adjustment	563,069	3,354,389
Remeasurements of defined benefit plans	97,331	102,080
Total accumulated other comprehensive income	4,915,842	7,406,639
Non-controlling interests	7,686,429	9,148,667
Total net assets	65,448,500	71,720,037
Total liabilities and net assets	102,641,484	113,683,693

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

(Thousands of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	78,376,008	92,246,423
Cost of sales	64,711,246	76,970,078
Gross profit	13,664,761	15,276,344
Selling, general and administrative expenses	9,073,783	9,637,386
Operating profit	4,590,977	5,638,958
Non-operating income		
Interest income	19,408	25,549
Dividend income	180,360	223,428
Foreign exchange gains	192,806	195,767
Other	167,129	122,771
Total non-operating income	559,704	567,516
Non-operating expenses		
Interest expenses	82,488	108,264
Depreciation of assets for rent	27,590	13,059
Other	28,889	36,644
Total non-operating expenses	138,968	157,967
Ordinary profit	5,011,714	6,048,506
Extraordinary income		
Gain on sale of non-current assets	835	937
Gain on sale of investment securities	89,167	8,720
Total extraordinary income	90,003	9,658
Extraordinary losses		
Loss on sale of non-current assets	530	—
Loss on retirement of non-current assets	4,720	1,650
Loss on sale of investment securities	1,409	—
Total extraordinary losses	6,660	1,650
Profit before income taxes	5,095,056	6,056,514
Income taxes	1,242,596	1,563,335
Profit	3,852,460	4,493,178
Profit attributable to non-controlling interests	524,150	932,745
Profit attributable to owners of parent	3,328,310	3,560,432

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	3,852,460	4,493,178
Other comprehensive income		
Valuation difference on available-for-sale securities	224,211	(305,662)
Foreign currency translation adjustment	837,321	4,301,795
Remeasurements of defined benefit plans, net of tax	37,201	4,748
Total other comprehensive income	1,098,734	4,000,882
Comprehensive income	4,951,194	8,494,060
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,180,353	6,051,228
Comprehensive income attributable to non-controlling interests	770,841	2,442,831

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.

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 third quarter under review were 270,072 thousand yen and 587 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 February 22, 2021.

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 third quarter under review were 143,099 thousand yen and 280 thousand shares, respectively.

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

157,014 thousand yen as of the end of the third quarter under review

Notes to Consolidated Balance Sheets

*1. Overdraft agreements and unused overdraft facility balance

To flexibly 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 December 31, 2022
Total overdraft facility limit	9,230,000	9,130,000
Outstanding borrowings within the limit	3,665,000	3,865,000
Unused balance	5,565,000	5,265,000

*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, 2022 is as follows:

	(Thousands of yen)	
	As of March 31, 2022	As of December 31, 2022
Notes receivable - trade	37,138	85,314
Electronically recorded monetary claims - operating	13,760	426,146
Notes payable - trade	8,571	—

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, 2021	Nine months ended December 31, 2022
Depreciation	2,586,772	2,649,114
Amortization of goodwill	151,091	1,091

Shareholders' Equity and Others

I. Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

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 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.

(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 29, 2021	Common stock	512,909	8	September 30, 2021	November 29, 2021	Retained earnings

(Note) Total dividends include 8,160 thousand yen of dividends to the Company's own shares held in Trust Account E.

II. Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

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 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.

(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, 2022	Common stock	577,021	9	September 30, 2022	November 29, 2022	Retained earnings

(Note) Total dividends include 8,136 thousand yen of dividends to the Company's own shares held in Trust Account E.

Segment Information and Others

Segment information

I. Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 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	23,808,584	20,181,857	15,689,867	18,621,031	78,301,341	74,666	78,376,008	—	78,376,008
Sales to external customers	23,808,584	20,181,857	15,689,867	18,621,031	78,301,341	74,666	78,376,008	—	78,376,008
Intersegment sales or transfers	—	31	—	1,313	1,344	191,681	193,025	(193,025)	—
Total	23,808,584	20,181,889	15,689,867	18,622,344	78,302,686	266,347	78,569,033	(193,025)	78,376,008
Segment profit	1,930,817	1,430,378	296,955	856,648	4,514,799	16,671	4,531,470	59,507	4,590,977

- (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 59,507 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.

II. Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	27,789,991	25,643,058	18,409,735	20,341,511	92,184,296	62,127	92,246,423	—	92,246,423
Sales to external customers	27,789,991	25,643,058	18,409,735	20,341,511	92,184,296	62,127	92,246,423	—	92,246,423
Intersegment sales or transfers	—	—	—	—	—	259,149	259,149	(259,149)	—
Total	27,789,991	25,643,058	18,409,735	20,341,511	92,184,296	321,276	92,505,573	(259,149)	92,246,423
Segment profit	2,661,867	1,157,224	736,698	990,686	5,546,477	30,300	5,576,778	62,180	5,638,958

- (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 62,180 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:

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
(1) Basic earnings per share (Yen)	52.77	56.34
(Basis for calculation)		
Profit attributable to owners of parent (Thousands of yen)	3,328,310	3,560,432
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent regarding common stock (Thousands of yen)	3,328,310	3,560,432
Average number of shares of common stock outstanding during the period (Thousands of shares)	63,077	63,189

- (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 1,036 thousand shares for the nine months ended December 31, 2021 and 923 thousand shares for the nine months ended December 31, 2022.
2. Diluted earnings per share are not presented because there are no potential shares.

Significant Subsequent Events

Not applicable.

2 Other

At the Board of Directors' meeting held on October 31, 2022, the Company resolved to declare interim dividends as follows:

- | | | |
|-----|--|----------------------|
| (1) | Total amount of interim dividends | 577,021 thousand yen |
| (2) | Amount per share | 9.00 yen |
| (3) | Effective date and payment commencement date | November 29, 2022 |

(Note 1) The payment is made to the shareholders registered in the Company's Shareholder Registry as of September 30, 2022.

(Note 2) Total dividends include 8,136 thousand yen of dividends to the Company's own shares held in Trust Account E.