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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 95th term

From April 1, 2023
to September 30, 2023

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, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	23,481,932	22,497,375
Notes receivable - trade	*2 1,306,391	*2 1,170,093
Accounts receivable - trade	22,180,311	24,358,742
Electronically recorded monetary claims - operating	*2 5,008,505	*2 5,399,296
Merchandise and finished goods	9,678,717	10,040,297
Work in process	961,462	1,059,671
Raw materials and supplies	8,094,251	8,295,916
Other	1,040,115	1,060,586
Allowance for doubtful accounts	(83,749)	(114,517)
Total current assets	71,667,937	73,767,462
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,464,642	11,285,001
Machinery, equipment and vehicles, net	7,963,520	8,175,944
Land	6,439,554	6,540,264
Leased assets, net	57,020	62,278
Construction in progress	1,512,427	2,024,315
Other, net	640,541	745,452
Total property, plant and equipment	27,077,707	28,833,256
Intangible assets		
Goodwill	5,820	5,092
Leased assets	5,173	4,782
Other	2,275,719	2,304,799
Total intangible assets	2,286,713	2,314,675
Investments and other assets		
Investment securities	8,777,528	10,148,466
Long-term loans receivable	1,905	1,643
Retirement benefit asset	811,947	821,000
Deferred tax assets	441,121	470,197
Other	940,216	882,185
Allowance for doubtful accounts	(2,320)	(2,399)
Total investments and other assets	10,970,399	12,321,093
Total non-current assets	40,334,820	43,469,025
Total assets	112,002,757	117,236,487

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	*2 21,193,377	20,760,994
Electronically recorded obligations - operating	467,511	*2 293,803
Short-term borrowings	*1 7,718,267	*1 8,107,248
Current portion of long-term borrowings	552,457	598,976
Lease liabilities	16,456	14,504
Income taxes payable	640,838	922,527
Provision for bonuses	807,030	1,006,164
Provision for bonuses for directors (and other officers)	92,721	54,002
Other	2,387,457	2,679,536
Total current liabilities	33,876,116	34,437,758
Non-current liabilities		
Long-term borrowings	2,260,070	2,128,482
Lease liabilities	30,639	33,914
Deferred tax liabilities	1,877,146	2,374,973
Provision for share awards for directors (and other officers)	200,788	224,905
Retirement benefit liability	1,157,941	1,182,436
Asset retirement obligations	335,742	338,212
Other	99,078	95,832
Total non-current liabilities	5,961,407	6,378,757
Total liabilities	39,837,524	40,816,516
Net assets		
Shareholders' equity		
Share capital	8,514,018	8,514,018
Capital surplus	6,597,580	6,597,580
Retained earnings	41,463,280	42,931,903
Treasury shares	(406,095)	(382,933)
Total shareholders' equity	56,168,784	57,660,569
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,904,961	5,869,766
Foreign currency translation adjustment	2,159,985	3,455,737
Remeasurements of defined benefit plans	(37,713)	(31,161)
Total accumulated other comprehensive income	7,027,233	9,294,343
Non-controlling interests	8,969,215	9,465,059
Total net assets	72,165,232	76,419,971
Total liabilities and net assets	112,002,757	117,236,487

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

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	59,527,087	61,397,364
Cost of sales	49,656,957	51,321,099
Gross profit	9,870,130	10,076,265
Selling, general and administrative expenses	*1 6,371,283	*1 6,454,830
Operating profit	3,498,846	3,621,434
Non-operating income		
Interest income	16,867	30,915
Dividend income	117,758	167,819
Foreign exchange gains	431,667	401,190
Other	67,036	142,891
Total non-operating income	633,330	742,817
Non-operating expenses		
Interest expenses	62,479	130,018
Depreciation of assets for rent	10,388	3,965
Other	19,140	27,501
Total non-operating expenses	92,009	161,485
Ordinary profit	4,040,167	4,202,766
Extraordinary income		
Gain on sale of non-current assets	833	3,181
Gain on sale of investment securities	4,058	-
Total extraordinary income	4,892	3,181
Extraordinary losses		
Loss on sale of non-current assets	-	13
Loss on retirement of non-current assets	836	13,448
Total extraordinary losses	836	13,461
Profit before income taxes	4,044,223	4,192,486
Income taxes	1,076,189	1,032,468
Profit	2,968,033	3,160,017
Profit attributable to non-controlling interests	590,259	652,954
Profit attributable to owners of parent	2,377,774	2,507,063

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	2,968,033	3,160,017
Other comprehensive income		
Valuation difference on available-for-sale securities	(821,822)	964,816
Foreign currency translation adjustment	3,405,669	2,051,479
Remeasurements of defined benefit plans, net of tax	3,165	6,552
Total other comprehensive income	2,587,012	3,022,847
Comprehensive income	5,555,046	6,182,865
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,763,295	4,774,173
Comprehensive income attributable to non-controlling interests	1,791,751	1,408,692

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	4,044,223	4,192,486
Depreciation	1,715,539	1,822,821
Amortization of goodwill	727	727
Increase (decrease) in provision for bonuses	122,267	185,673
Increase (decrease) in provision for bonuses for directors (and other officers)	(50,707)	(38,719)
Increase (decrease) in allowance for doubtful accounts	326	31,172
Increase (decrease) in retirement benefit liability	31,937	(39,004)
Increase (decrease) in provision for share awards for directors (and other officers)	10,426	24,116
Interest and dividend income	(134,626)	(198,735)
Interest expenses	62,479	130,018
Loss (gain) on sale of investment securities	(4,058)	-
Loss (gain) on sale of property, plant and equipment	(833)	(3,167)
Loss on retirement of non-current assets	836	13,448
Decrease (increase) in trade receivables	(418,904)	(1,593,582)
Decrease (increase) in inventories	(1,957,721)	178,654
Increase (decrease) in trade payables	1,610,512	(1,285,017)
Increase (decrease) in accrued consumption taxes	98,920	222,047
Other, net	(177,475)	115,256
Subtotal	4,953,870	3,758,197
Interest and dividends received	134,972	198,743
Interest paid	(61,331)	(132,091)
Income taxes paid	(535,902)	(725,825)
Net cash provided by (used in) operating activities	4,491,609	3,099,022
Cash flows from investing activities		
Payments into time deposits	(18,260)	(18,079)
Proceeds from withdrawal of time deposits	18,078	18,078
Purchase of property, plant and equipment	(1,663,089)	(2,372,354)
Proceeds from sale of property, plant and equipment	1,039	4,863
Purchase of intangible assets	(83,248)	(105,212)
Proceeds from sale of investment securities	38,023	9,126
Proceeds from collection of loans receivable	258	260
Other, net	21,278	28,207
Net cash provided by (used in) investing activities	(1,685,921)	(2,435,109)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	808,819	114,284
Repayments of long-term borrowings	(264,402)	(282,907)
Repayments of lease liabilities	(9,124)	(15,094)
Purchase of treasury shares	(70)	(195)
Dividends paid	(699,220)	(1,023,029)
Dividends paid to non-controlling interests	(548,534)	(907,437)
Net cash provided by (used in) financing activities	(712,532)	(2,114,379)
Effect of exchange rate change on cash and cash equivalents	780,606	465,905
Net increase (decrease) in cash and cash equivalents	2,873,761	(984,560)
Cash and cash equivalents at beginning of period	20,677,303	23,454,955
Cash and cash equivalents at end of period	*1 23,551,064	*1 22,470,394

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.

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 270,072 thousand yen and 587 thousand shares, respectively, while those as of the end of the second 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 135,858 thousand yen and 266 thousand shares, respectively, while those as of the end of the second quarter under review were 112,501 thousand yen and 220 thousand shares, respectively.

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

109,877 thousand yen as of the end of the second 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, 2023	As of September 30, 2023
Total overdraft facility limit	9,130,000	9,130,000
Outstanding borrowings within the limit	3,865,000	3,865,000
Unused balance	5,265,000	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 September 30, 2023 is as follows:

	(Thousands of yen)	
	As of March 31, 2023	As of September 30, 2023
Notes receivable - trade	45,384	143,701
Electronically recorded monetary claims - operating	19,349	521,935
Notes payable - trade	9,097	-
Electronically recorded obligations - operating	-	1,597

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, 2022	Six months ended September 30, 2023
Salaries and bonuses	1,260,553	1,287,386
Provision for bonuses	192,158	230,789
Provision for bonuses for directors (and other officers)	43,101	54,002
Provision for share awards for directors (and other officers)	7,941	24,116
Retirement benefit expenses	71,918	75,513
Freightage expenses	2,045,866	1,773,486
Research and development expenses	597,409	703,628
Provision of allowance for doubtful accounts	326	30,664

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, 2022	Six months ended September 30, 2023
Cash and deposits	23,576,689	22,497,375
Time deposits with maturities over 3 months	(25,624)	(26,980)
Cash and cash equivalents	23,551,064	22,470,394

Shareholders' Equity and Others

I. Six months ended September 30, 2022 (from April 1, 2022 to September 30, 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.

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, 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.

II. Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

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 16, 2023	Common stock	1,025,815	16	March 31, 2023	June 19, 2023	Retained earnings

(Note) Total dividends include 13,668 thousand yen of dividends to the Company's own shares held in Trust Account E.

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 30, 2023	Common stock	769,357	12	September 30, 2023	November 29, 2023	Retained earnings

(Note) Total dividends include 9,702 thousand yen of dividends to the Company's own shares held in Trust Account E.

Segment Information and Others

Segment information

I. Six months ended September 30, 2022 (from April 1, 2022 to September 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	17,661,770	16,219,685	12,022,849	13,581,023	59,485,329	41,758	59,527,087	—	59,527,087
Sales to external customers	17,661,770	16,219,685	12,022,849	13,581,023	59,485,329	41,758	59,527,087	—	59,527,087
Intersegment sales or transfers	—	—	—	—	—	156,647	156,647	(156,647)	—
Total	17,661,770	16,219,685	12,022,849	13,581,023	59,485,329	198,405	59,683,735	(156,647)	59,527,087
Segment profit	1,726,904	497,030	542,607	668,388	3,434,930	20,206	3,455,136	43,710	3,498,846

- (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 43,710 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. Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

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	18,529,197	16,984,979	12,246,843	13,614,629	61,375,650	21,714	61,397,364	—	61,397,364
Sales to external customers	18,529,197	16,984,979	12,246,843	13,614,629	61,375,650	21,714	61,397,364	—	61,397,364
Intersegment sales or transfers	—	—	—	—	—	725,731	725,731	(725,731)	—
Total	18,529,197	16,984,979	12,246,843	13,614,629	61,375,650	747,445	62,123,096	(725,731)	61,397,364
Segment profit	1,352,238	1,205,555	497,579	537,746	3,593,119	60,801	3,653,920	(32,486)	3,621,434

- (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 negative 32,486 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:

	Six months ended September 30, 2022	Six months ended September 30, 2023
Basic earnings per share (Yen)	37.64	39.62
(Basis for calculation)		
Profit attributable to owners of parent (Thousands of yen)	2,377,774	2,507,063
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent regarding common stock (Thousands of yen)	2,377,774	2,507,063
Average number of shares of common stock outstanding during the period (Thousands of shares)	63,174	63,281

- (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 939 thousand shares for the six months ended September 30, 2022 and 832 thousand shares for the six months ended September 30, 2023.
2. Diluted earnings per share are not presented because there are no potential shares.

Significant Subsequent Events

The Company resolved, at the meeting of the Board of Directors held on October 30, 2023, to acquire its treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the same Act.

(1) Reason for acquisition of treasury shares

To exercise agile management of capital policy corresponding to any changes of business environment and improve capital efficiency and enhance shareholder returns.

(2) Details of matters related to acquisition

- i) Type of shares to be acquired: Common stock
- ii) Number of shares to be acquired: 8,500 thousand shares (upper limit)
- iii) Total amount of share acquisition costs: 7,000,000 thousand yen (upper limit)
- iv) Acquisition period for treasury shares: From November 10, 2023 to January 31, 2024

2 Other

At the Board of Directors meeting held on October 30, 2023, the Company resolved to declare interim dividends as follows:

- | | |
|--|----------------------|
| (1) Total amount of interim dividends | 769,357 thousand yen |
| (2) Amount per share | 12.00 yen |
| (3) Effective date and payment commencement date | November 29, 2023 |

(Note 1) The payment is made to the shareholders registered in the Company's Shareholder Registry as of September 30, 2023.

(Note 2) Total dividends include 9,702 thousand yen of dividends to the Company's own shares held in Trust Account E.