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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 95th term

From April 1, 2023
to December 31, 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 December 31, 2023
Assets		
Current assets		
Cash and deposits	23,481,932	19,177,053
Notes receivable - trade	*2 1,306,391	*2 946,822
Accounts receivable - trade	22,180,311	25,589,546
Electronically recorded monetary claims - operating	*2 5,008,505	*2 5,523,452
Merchandise and finished goods	9,678,717	9,677,031
Work in process	961,462	1,034,061
Raw materials and supplies	8,094,251	8,386,169
Other	1,040,115	1,272,537
Allowance for doubtful accounts	(83,749)	(83,327)
Total current assets	71,667,937	71,523,347
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,464,642	11,501,780
Machinery, equipment and vehicles, net	7,963,520	8,786,629
Land	6,439,554	6,547,441
Leased assets, net	57,020	59,678
Construction in progress	1,512,427	1,345,214
Other, net	640,541	750,667
Total property, plant and equipment	27,077,707	28,991,411
Intangible assets		
Goodwill	5,820	4,728
Leased assets	5,173	7,652
Other	2,275,719	2,260,880
Total intangible assets	2,286,713	2,273,261
Investments and other assets		
Investment securities	8,777,528	9,153,753
Long-term loans receivable	1,905	1,576
Retirement benefit asset	811,947	825,521
Deferred tax assets	441,121	476,367
Other	940,216	910,472
Allowance for doubtful accounts	(2,320)	(36,743)
Total investments and other assets	10,970,399	11,330,947
Total non-current assets	40,334,820	42,595,620
Total assets	112,002,757	114,118,968

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	*2 21,193,377	*2 21,939,915
Electronically recorded obligations - operating	467,511	300,733
Short-term borrowings	*1 7,718,267	*1 8,023,244
Current portion of long-term borrowings	552,457	610,732
Lease liabilities	16,456	10,587
Income taxes payable	640,838	1,463,374
Provision for bonuses	807,030	553,227
Provision for bonuses for directors (and other officers)	92,721	87,375
Other	2,387,457	3,117,000
Total current liabilities	33,876,116	36,106,191
Non-current liabilities		
Long-term borrowings	2,260,070	2,035,421
Lease liabilities	30,639	49,540
Deferred tax liabilities	1,877,146	2,401,409
Provision for share awards for directors (and other officers)	200,788	235,888
Retirement benefit liability	1,157,941	1,157,307
Asset retirement obligations	335,742	339,447
Other	99,078	76,324
Total non-current liabilities	5,961,407	6,295,339
Total liabilities	39,837,524	42,401,531
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	45,224,557
Treasury shares	(406,095)	(7,370,136)
Total shareholders' equity	56,168,784	52,966,020
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,904,961	5,553,507
Foreign currency translation adjustment	2,159,985	3,780,255
Remeasurements of defined benefit plans	(37,713)	(27,885)
Total accumulated other comprehensive income	7,027,233	9,305,878
Non-controlling interests	8,969,215	9,445,537
Total net assets	72,165,232	71,717,436
Total liabilities and net assets	112,002,757	114,118,968

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

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	92,246,423	94,271,596
Cost of sales	76,970,078	77,978,690
Gross profit	15,276,344	16,292,906
Selling, general and administrative expenses	9,637,386	9,776,353
Operating profit	5,638,958	6,516,552
Non-operating income		
Interest income	25,549	46,942
Dividend income	223,428	300,929
Foreign exchange gains	195,767	203,172
Other	122,771	205,131
Total non-operating income	567,516	756,176
Non-operating expenses		
Interest expenses	108,264	195,338
Depreciation of assets for rent	13,059	5,980
Other	36,644	48,827
Total non-operating expenses	157,967	250,147
Ordinary profit	6,048,506	7,022,581
Extraordinary income		
Gain on sale of non-current assets	937	3,181
Gain on sale of investment securities	8,720	1,881,569
Total extraordinary income	9,658	1,884,751
Extraordinary losses		
Loss on sale of non-current assets	-	52
Loss on retirement of non-current assets	1,650	20,949
Total extraordinary losses	1,650	21,001
Profit before income taxes	6,056,514	8,886,331
Income taxes	1,563,335	2,243,136
Profit	4,493,178	6,643,195
Profit attributable to non-controlling interests	932,745	1,074,003
Profit attributable to owners of parent	3,560,432	5,569,191

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	4,493,178	6,643,195
Other comprehensive income		
Valuation difference on available-for-sale securities	(305,662)	654,827
Foreign currency translation adjustment	4,301,795	2,509,724
Remeasurements of defined benefit plans, net of tax	4,748	9,828
Total other comprehensive income	4,000,882	3,174,381
Comprehensive income	8,494,060	9,817,576
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,051,228	7,847,836
Comprehensive income attributable to non-controlling interests	2,442,831	1,969,740

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 270,072 thousand yen and 587 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 135,858 thousand yen and 266 thousand shares, respectively, while those as of the end of the third quarter under review were 99,649 thousand yen and 195 thousand shares, respectively.

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

101,281 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, 2023	As of December 31, 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 December 31, 2023 is as follows:

	(Thousands of yen)	
	As of March 31, 2023	As of December 31, 2023
Notes receivable - trade	45,384	128,201
Electronically recorded monetary claims - operating	19,349	483,751
Notes payable - trade	9,097	6,967

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, 2022	Nine months ended December 31, 2023
Depreciation	2,649,114	2,801,932
Amortization of goodwill	1,091	1,091

Shareholders' Equity and Others

I. 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.

II. Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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.

(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.

2. Significant change in shareholders' equity

The Company acquired 8,337,900 treasury shares in accordance with the resolution of the Board of Directors meeting held on October 30, 2023. As a result, treasury shares increased by 6,999,945 thousand yen during the nine months ended December 31, 2023 and amounted to 7,370,136 thousand yen as of December 31, 2023.

Segment Information and Others

Segment information

I. 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.

II. Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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	29,368,862	26,050,917	18,628,340	20,193,151	94,241,272	30,324	94,271,596	—	94,271,596
Sales to external customers	29,368,862	26,050,917	18,628,340	20,193,151	94,241,272	30,324	94,271,596	—	94,271,596
Intersegment sales or transfers	—	—	—	—	—	846,150	846,150	(846,150)	—
Total	29,368,862	26,050,917	18,628,340	20,193,151	94,241,272	876,475	95,117,747	(846,150)	94,271,596
Segment profit	2,525,827	2,128,234	952,036	862,871	6,468,970	53,687	6,522,658	(6,105)	6,516,552

- (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 6,105 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, 2022	Nine months ended December 31, 2023
Basic earnings per share (Yen)	56.34	90.12
(Basis for calculation)		
Profit attributable to owners of parent (Thousands of yen)	3,560,432	5,569,191
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent regarding common stock (Thousands of yen)	3,560,432	5,569,191
Average number of shares of common stock outstanding during the period (Thousands of shares)	63,189	61,796

- (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 923 thousand shares for the nine months ended December 31, 2022 and 2,317 thousand shares for the nine months ended December 31, 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 January 31, 2024, to cancel its treasury shares pursuant to the provisions of Article 178 of the Companies Act.

- (1) Reason for cancellation of treasury shares
To enhance shareholder returns and improve capital efficiency.
- (2) Details of cancellation of treasury shares
 - i) Type of shares to be cancelled: Company's common stock
 - ii) Number of shares to be cancelled: 8,338,712 shares (Ratio to the total number of issued shares before cancellation: 13.01%)
 - iii) Scheduled date of cancellation: February 9, 2024
 - iv) Total number of issued shares after elimination: 55,775,107 shares

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.