

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

October 31, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

Company name: RIKEN TECHNOS CORPORATION
Listing: Tokyo Stock Exchange
Securities code: 4220
URL: <https://www.rikentechnos.co.jp>
Representative: Kazuaki Tokiwa, Representative Director, President & CEO
Inquiries: Ryoichi Takami, Accounting General Manager
Telephone: +81-3-5297-1650
Scheduled date to file semi-annual securities report: November 8, 2024
Scheduled date to commence dividend payments: November 29, 2024
Preparation of supplementary material on financial results: None
Holding of financial results briefing: Yes (for Institutional Investors & Analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2024	63,391	3.2	4,776	31.9	4,708	12.0	2,614	4.3
September 30, 2023	61,397	3.1	3,621	3.5	4,202	4.0	2,507	5.4

Note: Comprehensive income For the six months ended September 30, 2024: ¥5,568 million [(9.9)%]
For the six months ended September 30, 2023: ¥6,182 million [11.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2024	47.92	-
September 30, 2023	39.62	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2024	117,336	75,839	55.7
March 31, 2024	115,650	74,017	55.7

Reference: Equity
As of September 30, 2024: ¥65,383 million
As of March 31, 2024: ¥64,440 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	12.00	-	20.00	32.00
Fiscal year ending March 31, 2025	-	14.00			
Fiscal year ending March 31, 2025 (Forecast)			-	23.00	37.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

About revisions to the forecast of cash dividends, please refer to the “Notice Concerning Revision to Dividend Forecasts for the Fiscal Year Ending March 31, 2025” announced separately today.

3. Consolidated financial forecasts for the fiscal year ending March 31, 2025(from April 1, 2024 to March 31, 2025)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2025	130,000	3.4	10,000	14.0	10,000	4.8	5,600	(18.6)	104.40

Note: Revisions to the consolidated financial forecast most recently announced: Yes

About revisions to the consolidated financial forecast, please refer to the “Notice Concerning the Difference between Consolidated Financial Forecasts (and Non-Consolidated Financial Forecasts) and Actual Results for the Six Months Ended September 30, 2024 and the Revision of Consolidated Financial Forecasts (and Non-Consolidated Financial Forecasts) for the Fiscal Year Ending March 31, 2025” announced separately today.

* **Notes**

(1) Significant changes in the scope of consolidation during the period: None

Newly included: - companies (-)

Excluded: - companies (-)

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements:
Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2024	55,775,107 shares
As of March 31, 2024	55,775,107 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2024	2,544,888 shares
As of March 31, 2024	773,800 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	54,547,313 shares
Six months ended September 30, 2023	63,281,726 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

The earnings forecasts and other forward-looking statements herein are based on information currently available to RIKEN TECHNOS CORPORATION (the "Company") and on certain assumptions deemed to be reasonable. Actual results, etc. may differ materially from the forecasts due to various factors.

1 Semi-annual Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	21,879,258	22,353,901
Notes receivable - trade	868,089	768,753
Accounts receivable - trade	23,761,066	22,878,850
Electronically recorded monetary claims - operating	5,300,359	4,739,998
Merchandise and finished goods	10,138,020	11,171,307
Work in process	1,008,173	1,121,346
Raw materials and supplies	8,230,160	8,438,689
Other	718,438	1,164,098
Allowance for doubtful accounts	(82,722)	(81,821)
Total current assets	71,820,844	72,555,124
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,083,903	11,464,626
Machinery, equipment and vehicles, net	8,525,426	8,723,551
Land	6,460,388	6,549,302
Leased assets, net	55,690	85,328
Construction in progress	1,585,065	2,467,662
Other, net	764,655	837,565
Total property, plant and equipment	28,475,130	30,127,946
Intangible assets		
Goodwill	4,365	3,637
Leased assets	6,642	5,359
Other	2,236,103	2,494,039
Total intangible assets	2,247,110	2,503,035
Investments and other assets		
Investment securities	10,509,751	9,635,138
Long-term loans receivable	1,483	1,321
Retirement benefit asset	1,270,649	1,332,140
Deferred tax assets	468,292	495,409
Other	859,896	698,724
Allowance for doubtful accounts	(2,399)	(2,399)
Total investments and other assets	13,107,672	12,150,334
Total non-current assets	43,829,913	44,781,316
Total assets	115,650,757	117,336,440

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,666,723	21,870,156
Electronically recorded obligations - operating	155,619	201,344
Short-term borrowings	7,749,221	8,027,814
Current portion of long-term borrowings	577,563	541,409
Lease liabilities	23,633	41,731
Income taxes payable	1,799,290	1,049,710
Provision for bonuses	1,083,302	965,061
Provision for bonuses for directors (and other officers)	116,592	57,543
Other	2,260,686	2,428,230
Total current liabilities	35,432,634	35,183,001
Non-current liabilities		
Long-term borrowings	1,768,768	1,984,062
Lease liabilities	32,936	50,318
Deferred tax liabilities	2,765,927	2,638,236
Provision for share awards for directors (and other officers)	246,935	253,552
Retirement benefit liability	948,199	974,426
Asset retirement obligations	340,682	343,192
Other	97,346	70,112
Total non-current liabilities	6,200,796	6,313,901
Total liabilities	41,633,430	41,496,902
Net assets		
Shareholders' equity		
Share capital	8,514,018	8,514,018
Capital surplus	6,597,580	6,597,580
Retained earnings	39,535,079	41,021,858
Treasury shares	(364,877)	(2,066,566)
Total shareholders' equity	54,281,800	54,066,891
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,526,875	5,946,962
Foreign currency translation adjustment	3,223,620	4,974,055
Remeasurements of defined benefit plans	407,855	395,284
Total accumulated other comprehensive income	10,158,350	11,316,301
Non-controlling interests	9,577,176	10,456,345
Total net assets	74,017,327	75,839,538
Total liabilities and net assets	115,650,757	117,336,440

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

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	61,397,364	63,391,831
Cost of sales	51,321,099	51,679,210
Gross profit	10,079,265	11,712,620
Selling, general and administrative expenses	6,454,830	6,936,128
Operating profit	3,621,434	4,776,491
Non-operating income		
Interest income	30,915	45,065
Dividend income	167,819	115,242
Foreign exchange gains	401,190	-
Other	142,891	86,491
Total non-operating income	742,817	246,799
Non-operating expenses		
Interest expenses	130,018	144,596
Foreign exchange losses	-	137,837
Other	31,467	32,130
Total non-operating expenses	161,485	314,564
Ordinary profit	4,202,766	4,708,726
Extraordinary income		
Gain on sale of non-current assets	3,181	1,780
Gain on sale of investment securities	-	67,338
Total extraordinary income	3,181	69,118
Extraordinary losses		
Loss on sale of non-current assets	13	971
Loss on retirement of non-current assets	13,448	145,318
Total extraordinary losses	13,461	146,289
Profit before income taxes	4,192,486	4,631,556
Income taxes	1,032,468	1,079,644
Profit	3,160,017	3,551,911
Profit attributable to non-controlling interests	652,954	937,842
Profit attributable to owners of parent	2,507,063	2,614,069

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	3,160,017	3,551,911
Other comprehensive income		
Valuation difference on available-for-sale securities	964,816	(579,979)
Foreign currency translation adjustment	2,051,479	2,608,807
Remeasurements of defined benefit plans, net of tax	6,552	(12,571)
Total other comprehensive income	3,022,847	2,016,256
Comprehensive income	6,182,865	5,568,168
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,774,173	3,772,020
Comprehensive income attributable to non-controlling interests	1,408,692	1,796,147

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	4,192,486	4,631,556
Depreciation	1,822,821	1,949,205
Amortization of goodwill	727	727
Increase (decrease) in provision for bonuses	185,673	(138,034)
Increase (decrease) in provision for bonuses for directors (and other officers)	(38,719)	(59,049)
Increase (decrease) in allowance for doubtful accounts	31,172	-
Increase (decrease) in retirement benefit liability	(39,004)	(28,789)
Increase (decrease) in provision for share awards for directors (and other officers)	24,116	6,616
Interest and dividend income	(198,735)	(160,307)
Interest expenses	130,018	144,596
Loss (gain) on sale of investment securities	-	(67,338)
Loss (gain) on sale of property, plant and equipment	(3,167)	(808)
Loss on retirement of non-current assets	13,448	145,318
Decrease (increase) in trade receivables	(1,593,582)	2,756,013
Decrease (increase) in inventories	178,654	(303,772)
Increase (decrease) in trade payables	(1,285,017)	(960,067)
Increase (decrease) in accrued consumption taxes	222,047	(16,317)
Other, net	115,256	(166,773)
Subtotal	3,758,197	7,732,773
Interest and dividends received	198,743	160,307
Interest paid	(132,091)	(145,967)
Income taxes paid	(725,825)	(1,794,529)
Net cash provided by (used in) operating activities	3,099,022	5,952,584
Cash flows from investing activities		
Payments into time deposits	(18,079)	(16,077)
Proceeds from withdrawal of time deposits	18,078	18,079
Purchase of property, plant and equipment	(2,372,354)	(2,038,544)
Proceeds from sale of property, plant and equipment	4,863	3,147
Purchase of intangible assets	(105,212)	(172,250)
Proceeds from sale of investment securities	9,126	107,916
Proceeds from collection of loans receivable	260	261
Other, net	28,207	(123,468)
Net cash provided by (used in) investing activities	(2,435,109)	(2,220,935)

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	114,284	(91,215)
Proceeds from long-term borrowings	-	228,495
Repayments of long-term borrowings	(282,907)	(312,698)
Repayments of lease liabilities	(15,094)	(13,666)
Purchase of treasury shares	(195)	(1,738,564)
Dividends paid	(1,023,029)	(1,112,907)
Dividends paid to non-controlling interests	(907,437)	(911,926)
Net cash provided by (used in) financing activities	(2,114,379)	(3,952,484)
Effect of exchange rate change on cash and cash equivalents	465,905	697,183
Net increase (decrease) in cash and cash equivalents	(984,560)	476,347
Cash and cash equivalents at beginning of period	23,454,955	21,852,394
Cash and cash equivalents at end of period	22,470,394	22,328,742

(3) Notes to Semi-annual Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable.

(Notes in Case of Significant Changes in Shareholders' Equity)

Not applicable.

(Special Accounting Applied for Preparing Semi-annual Consolidated Financial Statements)

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.

(Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes)

Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022) (hereinafter referred to as "Revised Accounting Standard 2022"), etc. have been adopted from the beginning of the second quarter of the fiscal year ending March 31, 2025.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022) (hereinafter referred to as "Revised Implementation Guidance 2022"). This changes in accounting policies have no impact on the semi-annual consolidated financial statements.

For the amendment to changes in accounting treatment of the consolidated financial statements, when gains or losses on sale of shares in subsidiaries resulting from transactions between the consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the second quarter under review. The changes in accounting policies were applied retrospectively. Hence, the semi-annual consolidated financial statements and the consolidated financial statements for the previous fiscal year were modified retrospectively. This change in accounting policies has no impact on the semi-annual consolidated financial statements and the consolidated financial statements for the previous fiscal year.

(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 254,361 thousand yen and 553 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 94,804 thousand yen and 185 thousand shares, respectively, while those as of the end of the second quarter under review were 73,640 thousand yen and 144 thousand shares, respectively.

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

40,311 thousand yen as of the end of the second quarter under review

(Segment Information and Others)

[Segment information]

I. 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.

II. Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

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	20,186,903	18,173,264	12,208,404	12,794,786	63,363,359	28,471	63,391,831	—	63,391,831
Sales to external customers	20,186,903	18,173,264	12,208,404	12,794,786	63,363,359	28,471	63,391,831	—	63,391,831
Intersegment sales or transfers	—	—	—	—	—	312,648	312,648	(312,648)	—
Total	20,186,903	18,173,264	12,208,404	12,794,786	63,363,359	341,120	63,704,479	(312,648)	63,391,831
Segment profit	2,240,314	1,616,808	450,163	453,619	4,760,905	841	4,761,746	14,744	4,776,491

- (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 14,744 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.