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(Measures for electronic provision start on: May 24, 2023)

**OTHER MATTERS FOR ELECTRONIC PROVISION MEASURES  
FOR THE 94TH ORDINARY GENERAL MEETING OF SHAREHOLDERS  
(MATTERS OMITTED IN THE PAPER COPY FOR DELIVERY)**

Consolidated Financial Statements  
Consolidated Statements of Changes in Net Assets  
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Non-Consolidated Statements of Changes in Net Assets  
Notes to Non-Consolidated Financial Statements

(April 1, 2022 - March 31, 2023)

**RIKEN TECHNOS CORPORATION**

## Consolidated Statements of Changes in Net Assets

94th fiscal year (April 1, 2022 - March 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,514,018	6,597,580	38,200,822	(466,193)	52,846,228
Changes during period					
Dividends of surplus			(1,282,272)		(1,282,272)
Profit attributable to owners of parent			4,557,523		4,557,523
Purchase of treasury shares				(94)	(94)
Disposal of treasury shares				60,193	60,193
Other			(12,794)		(12,794)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	3,262,457	60,098	3,322,555
Balance at end of period	8,514,018	6,597,580	41,463,280	(406,095)	56,168,784

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4,255,441	563,069	97,331	4,915,842	7,686,429	65,448,500
Changes during period						
Dividends of surplus						(1,282,272)
Profit attributable to owners of parent						4,557,523
Purchase of treasury shares						(94)
Disposal of treasury shares						60,193
Other						(12,794)
Net changes in items other than shareholders' equity	649,520	1,596,915	(135,045)	2,111,390	1,282,786	3,394,176
Total changes during period	649,520	1,596,915	(135,045)	2,111,390	1,282,786	6,716,732
Balance at end of period	4,904,961	2,159,985	(37,713)	7,027,233	8,969,215	72,165,232

Note: Figures presented are rounded down to the nearest thousand yen.

# Notes to Consolidated Financial Statements

## Significant Matters in Preparing Consolidated Financial Statements

### 1. Basis of presentation of consolidated financial statements

The accompanying 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 Companies 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”).

### 2. Scope of consolidation

Number of consolidated subsidiaries and names of principal consolidated subsidiaries

• Number of consolidated subsidiaries	17
• Names of consolidated subsidiaries	RIKEN CABLE TECHNOLOGY CO., LTD. KYOEI PLASTIC MFG CO., LTD. RIKEN TECHNOS INTERNATIONAL CORPORATION RIKEN CHEMICAL PRODUCTS CO., LTD. IMI Co., LTD. RIKEN (THAILAND) CO., LTD. RIKEN ELASTOMERS (THAILAND) CO., LTD. PT. RIKEN INDONESIA SHANGHAI RIKEN TECHNOS CORPORATION RIKEN TECHNOS (JIANGSU) CORPORATION RIKEN VIETNAM CO., LTD. RIKEN TECHNOS INTERNATIONAL KOREA CORPORATION RIKEN TECHNOS INDIA PVT. LTD. RIKEN U.S.A. CORPORATION RIMTEC MANUFACTURING CORPORATION RIKEN ELASTOMERS CORPORATION RIKEN AMERICAS CORPORATION RIKEN (SHANGHAI) CORPORATION, which was a consolidated subsidiary in the previous fiscal year, is excluded from the scope of consolidation from the fiscal year under review due to the completion of its liquidation.

### 3. Application of equity method

Non-consolidated subsidiaries accounted for by the equity method

• Number of non-consolidated subsidiaries or affiliates accounted for by the equity method	None
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### 4. Fiscal year-end of consolidated subsidiaries

The fiscal year-end of consolidated subsidiaries is December 31. The financial statements as of their fiscal year-end are consolidated because that date is not different by more than three months from the consolidated fiscal year-end. However, for major transactions that occurred between that date and the consolidated balance sheet date, the necessary adjustments are made in the consolidated financial statements.

## 5. Accounting policies

### (1) Valuation methods for significant assets

- Held-to-maturity bonds Stated at amortized cost (straight-line method).
- Available-for-sale securities  
Securities other than shares, etc. without market prices Stated at fair value. (Unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets, and costs of securities sold are determined by the moving-average method.)
- Shares, etc. without market prices Stated at cost determined by the moving-average method.
- Valuation methods for inventories Inventories of the Company and domestic consolidated subsidiaries are mainly stated at cost determined by the moving-average method (the carrying amounts in the consolidated balance sheets are written down due to a decline in profitability). Inventories of overseas consolidated subsidiaries are mainly stated at the lower of cost or market, determined by the average method.

### (2) Depreciation and amortization of significant assets

- Property, plant and equipment (excluding leased assets) The Company and domestic consolidated subsidiaries mainly apply the declining-balance method. However, buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings), and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated by the straight-line method. Overseas consolidated subsidiaries apply the straight-line method. The estimated useful lives of major items are as follows:  
Buildings and structures 3 to 47 years  
Machinery, equipment and vehicles 4 to 10 years
- Intangible assets (excluding leased assets) The Company and domestic consolidated subsidiaries apply the straight-line method. Internal use software is amortized by the straight-line method over its estimated useful life as internally determined (five years).
- Leased assets The Company and domestic consolidated subsidiaries apply the straight-line method assuming the lease periods as useful lives with no residual value.

### (3) Significant standards for the recognition of allowances

- Allowance for doubtful accounts To cover losses from bad debts for notes and accounts receivable - trade, loans receivable and others, an allowance for doubtful accounts is provided based on historical experience of bad debts for general receivables. For specific receivables, such as highly doubtful receivables, the collectibility is individually considered and the estimated amount of uncollectible accounts is provided as the allowance.
- Provision for bonuses To cover bonus payments to employees, a provision for bonuses is provided in the amount to be paid for services rendered by employees based mainly on the estimated amount of future bonus payment.
- Provision for bonuses for directors (and other officers) To cover bonus payments to Directors (excluding Directors who are Audit & Supervisory Committee Members) and Executive Officers, the Company records a provision for bonuses for directors (and other officers) in the amount of the portion applicable to the fiscal year, based on the estimated amount of future bonus payment.
- Provision for share awards for directors (and other officers) To cover provision of shares in the Company to Directors and Executive Officers, the Company records a provision for executive officer incentive plan trust based on the estimated amount of share provision obligations as of the end of the current fiscal year.

(4) Method of recognizing retirement benefits

- Method of attributing estimated retirement benefits to periods  
For the purpose of attributing estimated retirement benefits to periods up to the end of the current fiscal year in the calculation of retirement benefit obligations, the benefit formula method is applied.
- Method of amortizing actuarial differences and past service cost  
Past service cost is amortized by the straight-line method over a certain term within the average remaining service period of the eligible employees (13 years).  
With regard to actuarial differences, the amount is amortized by the straight-line method over a certain term within the average remaining service period of the eligible employees (13 years) for each applicable fiscal year, and expensed from the year following the year in which the gain or loss is recognized.
- Method of accounting for unrecognized actuarial differences and unrecognized past service cost  
Unrecognized actuarial differences and unrecognized past service cost are recognized in remeasurements of defined benefit plans under accumulated other comprehensive income in net assets after adjusting for tax effects.
- Application of simplified accounting method at small companies  
Some consolidated subsidiaries apply a simplified accounting method in which the retirement benefit liability and retirement benefit expenses are calculated by using a method in which the amount of retirement benefits to be paid in cases where all eligible employees retired at the fiscal year-end date is regarded as retirement benefit obligations.

(5) Significant standards for the recognition of revenue and expenses

Revenue from the sale of products and merchandise arises mainly from the manufacture and sale of compound products, film products and food wrapping film products, and the sale of merchandise. The Company or its consolidated subsidiary assumes performance obligations to deliver these products or merchandise in accordance with sales contracts with customers. The Company or its consolidated subsidiary considers that these performance obligations are fulfilled at the time of delivery, when the customer gains control over the product or merchandise, and revenue is recognized at this time. However, revenue from sales within Japan is recognized at the time of shipment. For export sales, the Company considers that its performance obligations are fulfilled when the products arrive at the place agreed upon with the customer, and revenue is recognized at that time.

Furthermore, with regard to transactions in which the Company or its consolidated subsidiary is considered to act in the capacity of an agent, the net amount receivable in exchange for merchandise provided by the third-party supplier, after deducting the amount payable to the third-party supplier, is recognized as revenue.

(6) Other significant matters in preparing consolidated financial statements

• Significant hedge accounting

For foreign currency-denominated monetary receivables and payables and others that have been hedged by forward exchange contracts, the allocation method is used. For interest rate swap contracts, the Company and its domestic consolidated subsidiaries apply the method in which the amount paid or received under the swap contract is added to or deducted from the interest on the hedged assets and liabilities (the exceptional accrual method), in cases where the requirements for the method are satisfied.

• Transactions of delivering the Company's own stock to employees etc. through trusts

Board Benefit Trust (BBT)

In accordance with the resolution at the 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 officers toward their contributions to improving the mid- to long-term corporate performance and increasing the corporate value.

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 officers. At the time of their retirement, the Group provides shares in the Company to those 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 officers in the future, a trust bank acquires the Company's treasury shares through third-party allotment by using the trust of money established by the Group. Such shares are managed as trust assets separately.

Accounting method

The gross method is applied pursuant to "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No.30, March 26, 2015). Expenses and provisions corresponding thereto are recorded based on the number of points granted to officers in accordance with the plan.

Shares in the Company held by the trust

The shares in the Company held by 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 fiscal year under review were 270,072 thousand yen and 587 thousand shares, respectively.

## Stock Benefit Trust (Employee Stockholding Association Purchase-type)

For the purpose of promoting welfare benefits for employees, the Company conducts transactions of delivering the Company's own stock to employees through trusts.

**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.

**Accounting method**      "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No.30, March 26, 2015) is applied.

**Shares in the Company held by the trust**      The shares in the Company held by 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 fiscal year under review were 135,858 thousand yen and 266 thousand shares, respectively.

### • Amortization of goodwill

Goodwill is amortized evenly over the period, not exceeding 20 years, during which the goodwill has an effect. However, when the amount of goodwill is insignificant, it is charged to income at the date of occurrence.

## Notes to Revenue Recognition

### 1. Information on the breakdown of revenue generated from contracts with customers

(Thousands of yen)

	Reportable segment					Other	Total	Adjustment	Amount recorded on the consolidated financial statements
	TR	DH	EL	BC	Total				
Net sales									
Revenue generated from contracts with customers	38,090,253	33,492,275	24,626,546	27,186,503	123,395,578	102,412	123,497,991	—	123,497,991
Sales to external customers	38,090,253	33,492,275	24,626,546	27,186,503	123,395,578	102,412	123,497,991	—	123,497,991

Note: The name, abbreviation, and main markets of each respective reportable segment are as follows.

The terms in parentheses are abbreviations for the reportable segments.

- Transportation (TR): automobile, railroad, and shipping markets, etc.
- Daily Life & Healthcare (DH): healthcare, materials for daily life, and food wrapping film markets, etc.
- Electronics (EL): energy, communications, and IT equipment markets, etc.
- Building & Construction (BC): housing, buildings, construction materials, and civil engineering markets

### 2. Information fundamental to an understanding of revenue generated from contracts with customers

Information fundamental to an understanding of revenue generated from contracts with customers is as stated in “5. Accounting policies (5) Significant standards for the recognition of revenue and expenses” under “Significant Matters in Preparing Consolidated Financial Statements.”

## Notes to Consolidated Balance Sheets

Accumulated depreciation of property, plant and equipment: 72,665,455 thousand yen



## Notes to Consolidated Statements of Changes in Net Assets

### 1. Total number of issued shares

(Thousands of shares)

Type of shares	Number of shares at the beginning of the fiscal year under review	Increase	Decrease	Number of shares at the end of the fiscal year under review
Common stock	64,113	–	–	64,113

### 2. Appropriation of surplus

#### 1) Dividends paid

- Dividends pursuant to resolution at the 93rd Ordinary General Meeting of Shareholders held on June 17, 2022

Total dividends	705,250 thousand yen
Dividends per share	11 yen
Cut-off date	March 31, 2022
Effective date	June 20, 2022

Note: Total dividends include dividends on treasury shares of 10,710 thousand yen held by the trust that was established upon introduction of the Board Benefit Trust (BBT) and Stock Benefit Trust (Employee Stockholding Association Purchase-type).

- Dividends pursuant to resolution at the Board of Directors meeting held on October 31, 2022

Total dividends	577,021 thousand yen
Dividends per share	9 yen
Cut-off date	September 30, 2022
Effective date	November 29, 2022

Note: Total dividends include dividends on treasury shares of 8,136 thousand yen held by the trust that was established upon introduction of the Board Benefit Trust (BBT) and Stock Benefit Trust (Employee Stockholding Association Purchase-type).

#### 2) Dividends whose cut-off date is in the current fiscal year and whose effective date is in the following fiscal year

- The following shall be submitted to the 94th Ordinary General Meeting of Shareholders to be held on June 16, 2023.

Total dividends	1,025,815 thousand yen
Source of dividends	Retained earnings
Dividends per share	16 yen
Cut-off date	March 31, 2023
Effective date	June 19, 2023

Note: Total dividends include dividends on treasury shares of 13,668 thousand yen held by the trust that was established upon introduction of the Board Benefit Trust (BBT) and Stock Benefit Trust (Employee Stockholding Association Purchase-type).

## Financial Instruments

### 1. Overview of financial instruments

The Company and its consolidated subsidiaries invest their excess funds in safe financial instruments with low risks by reference to external ratings and others, pursuant to internal regulations.

The Group reduces customer credit risk associated with notes and accounts receivable - trade, by monitoring customer credit in conformity with standards such as credit control regulations and by periodic review. Investment securities are listed stocks mainly for the purpose of holding for the long term, which are evaluated on a fair value basis each quarterly period.

Procuring funds through borrowings is limited to fund raising essential to business operations, such as for operating funds and capital investment. Derivative transactions are executed pursuant to the policy under internal regulations and are basically limited within actual demands.

### 2. Fair values of financial instruments

The carrying amounts in the consolidated balance sheets and the fair values, and difference between them as of March 31, 2023 (the consolidated balance sheet date for the fiscal year under review) are shown below. Shares, etc. without market prices (carrying amount in consolidated balance sheets: 126,958 thousand yen) are not included in “(2) Investment securities: Available-for-sale securities.” “Cash and deposits,” “Notes receivable - trade,” “Accounts receivable - trade,” “Electronically recorded monetary claims - operating,” “Notes and accounts payable - trade,” “Electronically recorded obligations - operating,” “Income taxes payable” and “Accrued consumption taxes” are omitted from the table below as they are cash-based, they are settled in a short period of time and their fair values therefore approximate their book values. In derivative transactions, since items subject to the exceptional accrual method for interest rate swaps are accounted for together with the long-term borrowings that are the hedged items, the fair values thereof are included in the fair values of the corresponding long-term borrowings (please refer to “Liabilities (2) Current portion of long-term borrowings and (4) Long-term borrowings”).

(Thousands of yen)

	Carrying amount in consolidated balance sheets	Fair value	Difference
(1) Short-term loans receivable	521	521	0
(2) Investment securities			
Available-for-sale securities	8,650,570	8,650,570	–
(3) Long-term loans receivable	1,905	1,905	0
Total assets	8,652,998	8,652,998	0
(1) Short-term borrowings	7,718,267	7,718,267	0
(2) Current portion of long-term borrowings	552,457	551,935	(522)
(3) Lease liabilities (Current liabilities)	16,456	16,456	0
(4) Long-term borrowings	2,260,070	2,189,460	(70,609)
(5) Lease liabilities (Non-current liabilities)	30,639	30,639	0
Total liabilities	10,577,890	10,506,759	(71,131)
Derivative transactions	–	–	–

### 3. Breakdown of financial instruments by level of fair value

The fair value of financial instruments is classified into the following three levels on the basis of the observability and significance of the inputs used to calculate fair value:

Level 1 fair value: Fair value calculated using observable inputs that are market prices formed in active markets for the assets or liabilities for which fair value is to be calculated

Level 2 fair value: Fair value calculated using observable inputs other than those used to calculate Level 1 fair value

Level 3 fair value: Fair value calculated using unobservable inputs

When multiple inputs that may have a material impact on the calculation of fair value are used, the calculated fair value is classified at the lowest level of the inputs used.

#### (1) Financial instruments carried on the consolidated balance sheets at fair value

As of March 31, 2023

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	8,650,570	–	–	8,650,570
Total assets	8,650,570	–	–	8,650,570

#### (2) Financial instruments other than those carried on the consolidated balance sheets at fair value

As of March 31, 2023

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Short-term loans receivable	–	521	–	521
Long-term loans receivable	–	1,905	–	1,905
Total assets	–	2,427	–	2,427
Short-term borrowings	–	7,718,267	–	7,718,267
Current portion of long-term borrowings	–	551,935	–	551,935
Lease liabilities (Current liabilities)	–	16,456	–	16,456
Long-term borrowings	–	2,189,460	–	2,189,460
Lease liabilities (Non-current liabilities)	–	30,639	–	30,639
Total liabilities	–	10,506,759	–	10,506,759

(Note) Explanation of the valuation techniques and inputs used to calculate fair value

#### Investment securities

Listed shares are valued with quoted prices. Because listed shares are traded in active markets, their fair value is classified as Level 1 fair value.

#### Short-term and long-term loans receivable

The fair value of these loans receivable is calculated as the present value of the sum of principal and interest amounts, discounted using the estimated rates applicable for new loans, and is classified as Level 2 fair value.

### Short-term borrowings and lease liabilities

Fair value is calculated as the present value of the sum of principal and interest amounts, discounted using the estimated rates applicable for similar new borrowings or lease transactions, and is classified as Level 2 fair value.

### Long-term borrowings

The fair value of long-term borrowings is calculated as the present value of the sum of principal and interest amounts, discounted using an interest rate that reflects the remaining term of the liability and credit risk, and is classified as Level 2 fair value. Long-term borrowings using floating interest rates are subject to the special accounting treatment for interest rate swaps. Fair value is calculated as the present value of the sum of principal and interest amounts treated as a single item together with the relevant interest rate swap, discounted using an interest rate that reflects the remaining term of the liability and credit risk, and is classified as Level 2 fair value.

### **Per Share Information**

- |                             |            |
|-----------------------------|------------|
| 1. Net assets per share     | 999.00 yen |
| 2. Basic earnings per share | 72.11 yen  |

Note: Net assets per share and basic earnings per share have been calculated based on the total number of shares outstanding at the fiscal year-end and the average number of shares outstanding during the period after deducting treasury shares. The number of treasury shares at the fiscal year-end includes the number of treasury shares held by the trust that was established upon introduction of the Board Benefit Trust (BBT) and Stock Benefit Trust (Employee Stockholding Association Purchase-type). The average number of shares outstanding during the period includes the average number of treasury shares during the period held by the trust that was established upon introduction of the Board Benefit Trust (BBT) and Stock Benefit Trust (Employee Stockholding Association Purchase-type).

### **Significant Subsequent Events**

Not applicable.

## Non-Consolidated Statements of Changes in Net Assets

94th fiscal year (April 1, 2022 - March 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus		Retained earnings	
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings General reserve
Balance at beginning of period	8,514,018	6,532,977	6,532,977	1,107,369	12,000,000
Changes during period					
Dividends of surplus					
Profit					
Purchase of treasury shares					
Disposal of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	-	-	-	-	-
Balance at end of period	8,514,018	6,532,977	6,532,977	1,107,369	12,000,000

	Shareholders' equity				Valuation and translation adjustments	Total net assets
	Retained earnings		Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	
	Other retained earnings	Total retained earnings				
	Retained earnings brought forward					
Balance at beginning of period	18,868,141	31,975,510	(466,193)	46,556,313	4,248,930	50,805,243
Changes during period						
Dividends of surplus	(1,282,272)	(1,282,272)		(1,282,272)		(1,282,272)
Profit	4,232,310	4,232,310		4,232,310		4,232,310
Purchase of treasury shares			(94)	(94)		(94)
Disposal of treasury shares			60,193	60,193		60,193
Net changes in items other than shareholders' equity					653,994	653,994
Total changes during period	2,950,038	2,950,038	60,098	3,010,137	653,994	3,664,131
Balance at end of period	21,818,180	34,925,549	(406,095)	49,566,451	4,902,924	54,469,375

Note: Figures presented are rounded down to the nearest thousand yen.

## Notes to Non-Consolidated Financial Statements

### Notes to Significant Accounting Policies

#### 1. Valuation methods for assets

##### (1) Valuation methods for securities

- Held-to-maturity bonds Stated at amortized cost (straight-line method).
- Shares of subsidiaries and affiliates Stated at cost determined by the moving-average method.
- Available-for-sale securities  
Securities other than shares, etc. without market prices Stated at fair value. (Unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets, and costs of securities sold are determined by the moving-average method.)
- Shares, etc. without market prices Stated at cost determined by the moving-average method.

##### (2) Valuation methods for inventories

Stated at cost determined by the moving-average method. (The carrying amounts in the non-consolidated balance sheets are written down due to a decline in profitability).

#### 2. Depreciation and amortization of assets

##### (1) Property, plant and equipment (excluding leased assets)

The declining-balance method is applied. (However, buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings), and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated by the straight-line method.)

The estimated useful lives of major items are as follows:

Buildings and structures 3 to 47 years

Machinery and equipment 8 years

Tools, furniture and fixtures 2 to 15 years

##### (2) Intangible assets (excluding leased assets)

The straight-line method is applied. (Internal use software is amortized by the straight-line method over its estimated useful life as internally determined (five years)).

##### (3) Leased assets

The straight-line method is applied assuming the lease periods as useful lives with no residual value.

### 3. Standards for the recognition of allowances

- |   |   |
|---|---|
| (1) Allowance for doubtful accounts                               | To cover losses from bad debts for notes and accounts receivable - trade, loans receivable and others, an allowance for doubtful accounts is provided based on historical experience of bad debts for general receivables. For specific receivables, such as highly doubtful receivables, the collectibility is individually considered and the estimated amount of uncollectible accounts is provided as the allowance.  |
| (2) Provision for bonuses   | To cover bonus payments to employees, a provision for bonuses is provided in the amount to be paid for services rendered by employees based mainly on the estimated amount of future bonus payment.   |
| (3) Provision for bonuses for directors (and other officers)      | To cover bonus payments to Directors (excluding Directors who are Audit & Supervisory Committee Members) and Executive Officers, the Company records a provision for bonuses for directors (and other officers) in the amount of the portion applicable to the fiscal year, based on the estimated amount of future bonus payment.  |
| (4) Provision for share awards for directors (and other officers) | To cover provision of shares in the Company to Directors and Executive Officers, the Company records a provision for executive officer incentive plan trust based on the estimated amount of share provision obligations as of the end of the current fiscal year.  |
| (5) Provision for retirement benefits                             | <p>To cover payments of retirement benefits to employees, the Company records a provision based on the estimated amount of retirement benefit obligations and plan assets as of the end of the current fiscal year.</p> <p>Past service cost is amortized by the straight-line method over a certain term within the average remaining service period of the eligible employees (13 years).</p> <p>Actuarial differences are amortized by the straight-line method over a certain term within the average remaining service period of the eligible employees (13 years) for each applicable fiscal year, and expensed from the year following the year in which the gain or loss is recognized.</p> |

### 4. Standards for the recognition of revenue and expenses

Revenue from the sale of products and merchandise arises mainly from the manufacture and sale of compound products, film products and food wrapping film products, and the sale of merchandise. The Company or its consolidated subsidiary assumes performance obligations to deliver these products or merchandise in accordance with sales contracts with customers. The Company or its consolidated subsidiary considers that these performance obligations are fulfilled at the time of delivery, when the customer gains control over the product or merchandise, and revenue is recognized at this time. However, revenue from sales within Japan is recognized at the time of shipment. For export sales, the Company considers that its performance obligations are fulfilled when the products arrive at the place agreed upon with the customer, and revenue is recognized at that time.

Furthermore, with regard to transactions in which the Company is considered to act in the capacity of an agent, the net amount receivable in exchange for merchandise provided by the third-party supplier, after deducting the amount payable to the third-party supplier, is recognized as revenue.

5. Other significant matters in preparing non-consolidated financial statements

(1) Method of recognizing retirement benefits

Method of accounting for unrecognized actuarial differences and unrecognized past service cost in retirement benefits is different from the accounting method applied in the consolidated financial statements.

(2) Significant hedge accounting

For interest rate swap contracts, the Company applies the method in which the amount paid or received under the swap contract is added to or deducted from the interest on the hedged assets and liabilities (the exceptional accrual method), in cases where the requirements for the method are satisfied.

(3) Transactions of delivering the Company's own stock to employees etc. through trusts

• Board Benefit Trust (BBT)

In accordance with the resolution at the 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 officers toward their contributions to improving the mid- to long-term corporate performance and increasing the corporate value.

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 officers. At the time of their retirement, the Group provides shares in the Company to those 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 officers in the future, a trust bank acquires the Company's treasury shares through third-party allotment by using the trust of money established by the Company. Such shares are managed as trust assets separately.

Accounting method

The gross method is applied pursuant to "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No.30, March 26, 2015).

Expenses and provisions corresponding thereto are recorded based on the number of points granted to officers in accordance with the plan.

Shares in the Company held by the trust

The shares in the Company held by 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 fiscal year under review were 270,072 thousand yen and 587 thousand shares, respectively.



- Stock Benefit Trust (Employee Stockholding Association Purchase-type)

For the purpose of promoting welfare benefits for employees, the Company conducts transactions of delivering the Company's own stock to employees through trusts.

Overview of transactions	<p>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").</p> <p>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.</p>
Accounting method	<p>"Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No.30, March 26, 2015) is applied.</p>
Shares in the Company held by the trust	<p>The shares in the Company held by 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 fiscal year under review were 135,858 thousand yen and 266 thousand shares, respectively.</p>

### Notes to Revenue Recognition

Information fundamental to an understanding of revenue generated from contracts with customers is as stated in "Notes to Revenue Recognition" in Notes to Consolidated Financial Statements.

## Notes to Non-Consolidated Balance Sheets

1. Accumulated depreciation of property, plant and equipment: 44,877,568 thousand yen
2. Guaranteed liabilities

The Company guarantees loans of subsidiaries and associates obtained from financial institutions, etc.

	(Thousands of yen)
RIKEN VIETNAM CO., LTD.	1,685,942
RIKEN ELASTOMERS (THAILAND) CO., LTD.	488,750
RIKEN ELASTOMERS CORPORATION	469,114
RIKEN AMERICAS CORPORATION	283,460
SHANGHAI RIKEN TECHNOS CORPORATION	183,685
RIKEN U.S.A. CORPORATION	113,509
RIKEN TECHNOS (JIANGSU) CORPORATION	31,072
RIKEN TECHNOS INTERNATIONAL KOREA CORPORATION	30,870

3. Monetary receivables from and payables to subsidiaries and associates are as follows.
  - (1) Short-term monetary receivables: 2,858,142 thousand yen
  - (2) Short-term monetary payables: 186,514 thousand yen

## Notes to Non-Consolidated Statements of Income

Transactions with subsidiaries and associates

	(Thousands of yen)
(1) Net sales	6,650,637
(2) Purchases	1,020,390
(3) Selling, general and administrative expenses	212,896
(4) Transactions other than operating transactions	1,719,275

## Notes to Non-Consolidated Statements of Changes in Net Assets

Number of treasury shares

Number of treasury shares as of the fiscal year-end

Common stock 854 thousand shares

- Notes: 1. Common stock includes 587 thousand treasury shares held by the trust that was established upon introduction of the Board Benefit Trust (BBT).
2. Common stock includes 266 thousand treasury shares held by the trust that was established upon introduction of the Stock Benefit Trust (Employee Stockholding Association Purchase-type).

## Notes to Tax Effect Accounting

Significant components of deferred tax assets and liabilities

(Thousands of yen)

Deferred tax assets	
Allowance for doubtful accounts	25,261
Provision for retirement benefits	707,561
Impairment losses	324,454
Asset retirement obligations	100,231
Provision for bonuses	209,920
Enterprise tax payable	37,500
Loss on valuation of investment securities	176,471
Loss on valuation of shares of subsidiaries and associates	56,137
Loss on valuation of investments in capital of subsidiaries and associates	705,578
Valuation difference on available-for-sale securities	6,302
Other	209,784
Subtotal of deferred tax assets	<u>2,559,206</u>
Valuation allowance related to net operating losses carryforward	—
Valuation allowance related to total deductible temporary difference, etc.	(1,200,649)
Subtotal of valuation allowance	<u>(1,200,649)</u>
Total deferred tax assets	<u>1,358,556</u>
Deferred tax liabilities	
Property, plant and equipment (asset retirement obligations)	(34,506)
Prepaid pension costs	(281,828)
Valuation difference on available-for-sale securities	(1,945,072)
Other	(15,922)
Total deferred tax liabilities	<u>(2,277,329)</u>
Net deferred tax assets	<u>(918,773)</u>

## Notes to Transactions with Related Parties

Subsidiaries, etc.

(Thousands of yen)

Type	Name of company, etc.	Percentage of voting rights, etc., held (or held of the Company)	Relationship with related party	Transaction details	Transaction amount	Description	Fiscal year-end balance
Subsidiary	RIKEN TECHNOS INTERNATIONAL CORPORATION	Directly holds 100%	Sales of the Company products	Sales of the Company products (Note)	3,774,687	Accounts receivable-trade	1,349,359

Transaction terms and policies regarding determination of transaction terms

(Note) Terms of sales of the Company products are the same as those available generally and upon consideration of the market price.

### Per Share Information

1. Net assets per share 861.05 yen
2. Basic earnings per share 66.96 yen

Note: Net assets per share and basic earnings per share have been calculated based on the total number of shares outstanding at the fiscal year-end and the average number of shares outstanding during the period after deducting treasury shares. The number of treasury shares at the fiscal year-end includes the number of treasury shares held by the trust that was established upon introduction of the Board Benefit Trust (BBT) and Stock Benefit Trust (Employee Stockholding Association Purchase-type). The average number of shares outstanding during the period includes the average number of treasury shares during the period held by the trust that was established upon introduction of the Board Benefit Trust (BBT) and Stock Benefit Trust (Employee Stockholding Association Purchase-type).

### Significant Subsequent Events

Not applicable.