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February 10, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022

[Under Japanese GAAP]

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 Listing: Tokyo Stock Exchange
 Securities code: 7734
 URL: <http://www.rikenkeiki.co.jp/>
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 Scheduled date to file quarterly securities report: February 10, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary materials on quarterly financial results: None
 Holding of quarterly financial results briefing: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results (Cumulative)

(% indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Net profit attributable to owners of parent | |
|-------------------|-----------------|------|------------------|------|-----------------|------|---|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Nine months ended | | | | | | | | |
| December 31, 2022 | 34,768 | 24.6 | 10,457 | 55.8 | 10,324 | 50.1 | 7,119 | 47.5 |
| December 31, 2021 | 27,909 | 19.4 | 6,710 | 55.6 | 6,876 | 55.9 | 4,827 | 57.5 |

Note: Comprehensive income For the nine months ended December 31, 2022: ¥8,406 million [46.3%]
 For the nine months ended December 31, 2021: ¥5,745 million [66.9%]

| | Earnings per share -Basic- | Earnings per share -Diluted- |
|-------------------|-------------------------------|---------------------------------|
| | Yen | Yen |
| Nine months ended | | |
| December 31, 2022 | 305.79 | - |
| December 31, 2021 | 207.42 | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity-to-asset ratio | Net assets per share |
|-------------------|-----------------|-----------------|-----------------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of | | | | |
| December 31, 2022 | 77,595 | 62,005 | 79.9 | 2,663.08 |
| March 31, 2022 | 71,606 | 56,858 | 78.4 | 2,412.75 |

Reference: Equity As of December 31, 2022 ¥62,005 million
 As of March 31, 2022 ¥56,160 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, 2022 | - | 21.00 | - | 39.00 | 60.00 |
| Fiscal year ending | | | | | |
| March 31, 2023 | - | 40.00 | - | | |
| Fiscal year ending | | | | | |
| March 31, 2023 (Forecast) | | | | 40.00 | 80.00 |

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(% indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Net profit attributable to owners of parent | | Earnings per share |
|-----------|-----------------|------|------------------|------|-----------------|------|---|------|--------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 42,800 | 14.5 | 11,450 | 36.3 | 12,000 | 36.1 | 8,400 | 40.8 | 360.80 |

Note: Revision to the forecast of the financial results most recently announced: None

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: - companies (Company name)

Excluded: - companies (Company name)

- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

- (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 December 31, 2022 | 23,661,000 shares |
| As of March 31, 2022 | 23,661,000 shares |

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

| | |
|-------------------------|----------------|
| As of December 31, 2022 | 377,565 shares |
| As of March 31, 2022 | 384,642 shares |

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

| | |
|-------------------------------------|-------------------|
| Nine months ended December 31, 2022 | 23,280,598 shares |
| Nine months ended December 31, 2021 | 23,271,742 shares |

- * Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

- * Proper use of earnings forecasts, and other special matters

The forward-looking statements such as financial results forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable, and the Company does not guarantee their achievement of them. Actual financial results may differ significantly from the forecasts due to various factors. For the assumptions underlying the financial results forecasts and cautions concerning the use thereof, please refer to “(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-Looking Information” in “1. Qualitative Information on Financial Results for the First Nine Months of the Current Fiscal Year” on page 3 of the attachment.

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1. Qualitative Information on Financial Results for the First Nine Months of the Current Fiscal Year

(1) Explanation of Operating Results

In the first nine months of the fiscal year under review, the Japanese economy showed signs of recovery following the easing of the government's restrictions on activities imposed due to the spread of COVID-19. However, the outlook remains uncertain due to global inflation, concerns over foreign exchange rates such as the weak yen, and soaring resource prices caused by the situation with Russia and Ukraine.

In the industrial disaster prevention and safety device industry to which the Group belongs, capital investment in the semiconductor industry in East Asia (mainly Japan, China and Taiwan), our main customer, as well as the lithium-ion battery industry in China and the EU region, remained steady. However, sufficient caution is necessary regarding the impact of a supply shortage of components, such as semiconductors, soaring resource prices, and other factors, and the outlook will remain uncertain.

Under these circumstances, in addition to taking measures to prevent COVID-19, the Group has continued to reduce costs by streamlining production, thoroughly cut expenses, developed sales activities online, aggressively invested in new product development, and enhanced its quality control and service systems.

As a result of these measures, net sales for the first nine months of the fiscal year under review were 34,768 million yen (up 24.6% year-on-year), operating profit was 10,457 million yen (up 55.8% year-on-year), ordinary profit came to 10,324 million yen (up 50.1% year-on-year), and net profit attributable to owners of parent was 7,119 million yen (up 47.5% year-on-year).

As the Group engages in a single segment of the manufacture and sale of various types of industrial measurement devices and their related businesses, in place of the operating results by segment, sales by device type are described below.

(i) Fixed gas detection alarm devices

Net sales of fixed gas detection alarm devices for the first nine months of the fiscal year under review were 23,825 million yen (up 22.2% year-on-year).

(ii) Portable gas detection alarm devices

Net sales of portable gas detection alarm devices for the first nine months of the fiscal year under review were 10,036 million yen (up 32.9% year-on-year).

(iii) Other measurement devices

Net sales of other measurement devices for the first nine months of the fiscal year under review were 907 million yen (up 5.0% year-on-year).

(2) Explanation of Financial Position

At the end of the third quarter of the fiscal year under review, assets totaled 77,595 million yen, an increase of 5,989 million yen (up 8.4%) compared with the end of the previous fiscal year. Current assets increased 6,280 million yen from the end of the previous fiscal year to 49,532 million yen. This was mainly due to a 3,475 million yen increase in notes and accounts receivable-trade, a 1,853 million yen increase in work in process, a 1,542 million yen increase in raw materials and supplies, and a 1,208 million yen increase in cash and deposits, despite a 2,257 million yen decrease in securities. Non-current assets fell 290 million yen from the end of the previous fiscal year to 28,063 million yen. This was mainly due to a 338 million yen decrease in buildings and structures, net, despite a 124 million yen increase in land.

At the end of the third quarter of the fiscal year under review, liabilities totaled 15,590 million yen, an increase of 842 million yen (up 5.7%) compared with the end of the previous fiscal year. Current liabilities increased 889 million yen from the end of the previous fiscal year to 13,020 million yen. This was mainly due to a 2,065 million yen increase in notes and accounts payable-trade, a 533 million yen decrease in income taxes payable and a 407 million yen decrease in provision for bonuses. Non-current liabilities fell 46 million yen from the end of the previous fiscal year to 2,569 million yen.

At the end of the third quarter of the fiscal year under review, net assets totaled 62,005 million yen, an increase of 5,146 million yen (up 9.1%) compared with the end of the previous fiscal year. This was mainly due to a 5,471 million yen increase in retained earnings as a result of recording 7,119 million yen in net profit attributable to owners of parent and dividend payment of 1,839 million yen, which offset a 796 million yen decrease in capital surplus and a 698 million yen decrease in non-controlling interests as a result of the acquisition of additional shares of a subsidiary of RKI Instruments, Inc., a consolidated subsidiary in the United States.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-Looking Information

There is no change to the full-year financial results forecasts stated in the Consolidated Financial Results for the Six Months Ended September 30, 2022, released on November 10, 2022.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Unit: Thousand yen)

| | As of the end of the previous fiscal year (March 31, 2022) | As of the end of the third quarter of the fiscal year under review (December 31, 2022) |
|---|--|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 11,551,206 | 12,759,650 |
| Notes and accounts receivable–trade | 9,198,690 | 12,674,635 |
| Electronically recorded monetary claims-operating | 3,519,418 | 3,788,040 |
| Securities | 9,952,268 | 7,694,938 |
| Merchandise and finished goods | 2,744,435 | 2,776,976 |
| Work in process | 3,307,349 | 5,161,101 |
| Raw materials and supplies | 2,391,516 | 3,934,506 |
| Other | 591,190 | 746,448 |
| Allowance for doubtful accounts | (3,697) | (3,869) |
| Total current assets | 43,252,378 | 49,532,428 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 11,317,187 | 10,979,132 |
| Machinery, equipment and vehicles, net | 358,475 | 375,972 |
| Land | 4,079,123 | 4,203,463 |
| Construction in progress | 46,435 | 222,879 |
| Other, net | 1,639,162 | 1,447,925 |
| Total property, plant and equipment | 17,440,385 | 17,229,373 |
| Intangible assets | | |
| Goodwill | 595,387 | 597,520 |
| Customer-related assets | 830,848 | 888,746 |
| Other | 436,567 | 372,445 |
| Total intangible assets | 1,862,803 | 1,858,712 |
| Investments and other assets | | |
| Investment securities | 5,881,220 | 5,680,441 |
| Retirement benefit asset | 1,813,344 | 1,878,808 |
| Other | 1,359,851 | 1,419,581 |
| Allowance for doubtful accounts | (3,500) | (3,500) |
| Total investments and other assets | 9,050,916 | 8,975,331 |
| Total non-current assets | 28,354,106 | 28,063,418 |
| Total assets | 71,606,484 | 77,595,846 |

(Unit: Thousand yen)

| | As of the end of the previous fiscal year (March 31, 2022) | As of the end of the third quarter of the fiscal year under review (December 31, 2022) |
|---|--|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable–trade | 4,625,929 | 6,691,087 |
| Short-term borrowings | 995,000 | 1,215,000 |
| Current portion of bonds payable | 300,000 | - |
| Income taxes payable | 1,786,207 | 1,253,014 |
| Provision for bonuses | 920,836 | 512,998 |
| Provision for product warranties | 98,239 | 98,455 |
| Provision for loss on orders received | 32,008 | 38,599 |
| Other | 3,372,969 | 3,211,277 |
| Total current liabilities | 12,131,190 | 13,020,432 |
| Non-current liabilities | | |
| Long-term borrowings | 850,580 | 594,400 |
| Asset retirement obligations | 11,133 | 11,133 |
| Other | 1,754,861 | 1,964,251 |
| Total non-current liabilities | 2,616,574 | 2,569,785 |
| Total liabilities | 14,747,765 | 15,590,217 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,565,500 | 2,565,500 |
| Capital surplus | 1,885,187 | 1,088,370 |
| Retained earnings | 49,604,449 | 55,075,783 |
| Treasury shares | (226,384) | (222,609) |
| Total shareholders' equity | 53,828,752 | 58,507,045 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,853,706 | 1,641,986 |
| Foreign currency translation adjustment | 477,683 | 1,856,596 |
| Total accumulated other comprehensive income | 2,331,389 | 3,498,583 |
| Non-controlling interests | 698,577 | - |
| Total net assets | 56,858,719 | 62,005,628 |
| Total liabilities and net assets | 71,606,484 | 77,595,846 |

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

First nine months

(Unit: Thousand yen)

| | First nine months of the previous fiscal year (From April 1, 2021 to December 31, 2021) | First nine months of the fiscal year under review (From April 1, 2022 to December 31, 2022) |
|---|--|--|
| Net sales | 27,909,322 | 34,768,490 |
| Cost of sales | 13,991,487 | 15,906,351 |
| Gross profit | 13,917,835 | 18,862,138 |
| Selling, general and administrative expenses | 7,207,063 | 8,404,820 |
| Operating profit | 6,710,772 | 10,457,318 |
| Non-operating income | | |
| Interest income | 33,156 | 58,692 |
| Dividend income | 99,257 | 109,574 |
| Foreign exchange gains | 50,698 | - |
| Insurance claim and dividend income | 9,381 | 8,237 |
| Gain on sale of securities | 115 | 19,133 |
| Gain on valuation of securities | 3,496 | - |
| Miscellaneous income | 54,268 | 61,159 |
| Total non-operating income | 250,373 | 256,797 |
| Non-operating expenses | | |
| Interest expenses | 35,636 | 31,535 |
| Loss on retirement of non-current assets | 4,892 | 589 |
| Foreign exchange loss | - | 8,392 |
| Compensation expenses | 40,591 | - |
| Loss on sale of securities | - | 18,467 |
| Loss on valuation of securities | - | 323,114 |
| Miscellaneous losses | 3,554 | 7,780 |
| Total non-operating expenses | 84,674 | 389,880 |
| Ordinary profit | 6,876,471 | 10,324,235 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 386 | 2,559 |
| Total extraordinary income | 386 | 2,559 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 262 | 1,141 |
| Impairment losses | - | 26,160 |
| Loss on disposal of non-current assets | - | 102,000 |
| Loss on valuation of investment securities | - | 79,528 |
| Total extraordinary losses | 262 | 208,830 |
| Profit before income taxes | 6,876,595 | 10,117,963 |
| Income taxes—current | 1,827,101 | 2,570,993 |
| Income taxes—deferred | 152,616 | 434,800 |
| Total income taxes | 1,979,718 | 3,005,794 |
| Net profit | 4,896,877 | 7,112,169 |
| Net profit (loss) attributable to non-controlling interests | 69,842 | (6,840) |
| Net profit attributable to owners of parent | 4,827,034 | 7,119,009 |

Quarterly Consolidated Statement of Comprehensive Income

First nine months

(Unit: Thousand yen)

| | First nine months of the previous fiscal year (From April 1, 2021 to December 31, 2021) | First nine months of the fiscal year under review (From April 1, 2022 to December 31, 2022) |
|--|--|--|
| Net profit | 4,896,877 | 7,112,169 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 336,853 | (211,719) |
| Foreign currency translation adjustment | 511,466 | 1,506,476 |
| Total other comprehensive income | 848,320 | 1,294,757 |
| Comprehensive income | 5,745,197 | 8,406,926 |
| (attributable to) | | |
| Comprehensive income attributable to owners of parent | 5,577,671 | 8,286,203 |
| Comprehensive income attributable to non-controlling interests | 167,526 | 120,723 |

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Change in Scope of Consolidation or Adoption of the Equity Method)

(Material Changes in the Scope of Consolidation)

RIKEN KEIKI GmbH is included in the scope of consolidation due to its increased importance from the first quarter of the fiscal year under review.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

During the second quarter of the fiscal year under review, capital surplus decreased by 796,816 thousand yen due to the acquisition of additional shares of RKI Instruments, Inc., a consolidated subsidiary of the Company, from non-controlling shareholders.

As a result, capital surplus was 1,088,370 thousand yen at the end of the third quarter of the fiscal year under review.

(Changes in Accounting Policies)

(Adoption of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has adopted the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Implementation Guidance on Fair Value Measurement Accounting Standard") from the beginning of the first quarter of the fiscal year under review, adopting the new accounting policies defined in the Implementation Guidance on Fair Value Measurement Accounting Standard over the future, according to the transitional treatment specified in Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement Accounting Standard. This has no impact on the quarterly consolidated financial statements.