

Financial Review for the Year Ended January 31, 2020

Company name:	RYOYO ELECTRO CORPORATION
Headquarters address:	12-22 Tsukiji 1-chome, Chuo-ku, Tokyo 104-8408 Japan
URL:	https://www.ryoyo.co.jp
Stock exchange listing:	Tokyo Stock Exchange 1st Section
Code number:	8068
Company representative:	Moritaka Nakamura, President
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Due date of annual shareholders meeting	: April 28, 2020
Due date of starting delivery of dividends	: April 30, 2020
Due date of submitting of financial statement	: April 28, 2020
Supplementary materials for the quarterly financial results	: Yes
Investor conference for the quarterly financial results (for security analysts and institutional investors)	: Yes

Note: Figures are rounded down to the nearest million yen.

1. Financial highlights for the year ended January 31, 2020 (2/1/2019-1/31/2020)

(1) Consolidated operating results

Note: Percentages indicated changes from the same period of previous year.

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 1/31/20	108,538	15.7	2,154	71.3	2,187	48.3
Year ended 1/31/19	93,799	1.7	1,257	400.1	1,474	241.0

Note: Comprehensive income

Year ended 1/31/20:	1,680	million yen	(-%)
Year ended 1/31/19:	(796)	million yen	(-%)

	Profit attributable to owners of parent		Net income per share	Fully diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Millions of yen	%	Yen	Yen	%	%	%
Year ended 1/31/20	1,303	27.7	53.06	52.76	2.1	2.8	2.0
Year ended 1/31/19	1,020	379.5	41.62	41.46	1.6	1.9	1.3

(Reference) Investment profit/loss on equity method:

Year ended 1/31/20:	-	million yen
Year ended 1/31/19:	-	million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 1/31/20	78,117	62,135	79.4	2,524.47
As of 1/31/19	75,538	62,208	82.2	2,531.90

(Reference) Equity

Year ended 1/31/20: 62,033 million yen

Year ended 1/31/19: 62,085 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended 1/31/20	1,463	(766)	(1,743)	12,417
Year ended 1/31/19	588	543	(1,468)	13,416

2. Dividends

	Cash dividends per share			Total dividends Paid (Full Year)	Payout ratio	Dividends on equity
	Six months ended	Year ended	Total			
(Base date)	Yen	Yen	Yen	Millions of yen	%	%
Year ended 1/31/19	30.00	30.00	60.00	1,471	144.2	2.3
Year ended 1/31/20	40.00	40.00	80.00	1,965	150.8	3.2
Year ending 1/31/21 (Estimate)	60.00	120.00	180.00	—	289.1	—

3. Financial forecast for the year ending January 31, 2021 (2/1/2020–1/31/2021)

Note: Percentages indicated changes from the same period of previous year.

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending 1/31/21	105,000	(3.3)	2,200	2.1	2,200	0.6	1,530	17.4	62.26

4. Others

(1) Important changes in subsidiaries

(Change on specific subsidiaries with changes in scope of consolidation): None

Newly added: — Excluded: —

(2) Changes in principles, procedures and method of presentation for consolidated financial statements

① Changes in accounting policies: None

② Other changes: None

③ Change in accounting estimate: None

④ Restatement of revisions: None

(3) Number of shares outstanding (common shares)

① Number of shares of common shares issued as of:

(Including treasury shares)

January 31, 2020: 26,800,000 shares

January 31, 2019: 26,800,000 shares

② Number of shares of treasury shares:

January 31, 2020: 2,227,199 shares

January 31, 2019: 2,278,591 shares

③ Average number of shares outstanding as of:

January 31, 2020: 24,558,567 shares

January 31, 2019: 24,518,026 shares

(Reference) Non-consolidated financial review

1. Financial highlights for the year ended January 31, 2020 (2/1/2019-1/31/2020)

(1) Operating results

Note: Percentages indicated changes from the same period of previous year.

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 1/31/20	92,807	9.2	1,859	72.6	1,891	52.4
Year ended 1/31/19	85,016	1.5	1,077	909.6	1,241	401.8

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended 1/31/20	1,058	28.0	43.12	42.87
Year ended 1/31/19	827	1,171.3	33.74	33.61

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 1/31/20	71,814	57,548	80.0	2,337.79
As of 1/31/19	70,111	57,601	82.0	2,344.00

(Reference) Equity

Year ended 1/31/20: 57,446 million yen

Year ended 1/31/19: 57,478 million yen

Indication regarding the implementation status of auditing procedure

This Financial Review is not subject to audit procedure under the Financial Instruments and Exchange Act.

Caution on estimates for the year ending January 31, 2021

The above forecast was made based on the information available as of the date of this release. Actual results could significantly differ from the above forecast due to a variety of factors.

※ This financial review is only the translation of Japanese version.

Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2019	As of January 31, 2020
	Amount	Amount
(Assets)		
Current Assets		
Cash and deposits	13,416	12,417
Notes and accounts receivable - trade	25,585	28,152
Securities	544	—
Merchandise and finished goods	12,124	12,598
Other	1,444	1,288
Allowance for doubtful accounts	(2)	(2)
Total current assets	53,113	54,453
Non-current assets		
Property, plant and equipment		
Tools, furniture and fixtures, net	91	96
Land	5	5
Other, net	91	126
Total property, plant and equipment	188	229
Intangible assets	404	311
Investments and other assets		
Investment securities	19,439	20,334
Retirement benefit asset	1,431	1,627
Other	1,305	1,481
Allowance for doubtful accounts	(344)	(320)
Total investments and other assets	21,832	23,122
Total noncurrent assets	22,425	23,664
Total assets	75,538	78,117

Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2019	As of January 31, 2020
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable – trade	10,092	12,006
Income taxes payable	126	730
Accrued consumption taxes	248	226
Provision for bonuses	241	467
Other	815	1,123
Total current liabilities	11,523	14,554
Non-current liabilities		
Retirement benefit liability	802	182
Deferred tax liabilities	466	827
Other	537	418
Total noncurrent liabilities	1,806	1,427
Total liabilities	13,329	15,982
(Net assets)		
Shareholders' equity		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	35,827	35,337
Treasury shares	(2,690)	(2,630)
Total shareholders' equity	60,145	59,715
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,569	2,141
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	189	79
Remeasurements of defined benefit plans	182	97
Total accumulated other comprehensive income	1,940	2,317
Subscription rights to shares	123	102
Total net assets	62,208	62,135
Total liabilities and net assets	75,538	78,117

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Statement of Income)

(Millions of yen)

	Year ended January 31, 2019	Year ended January 31, 2020
	Amount	Amount
Net sales	93,799	108,538
Cost of sales	84,874	98,177
Gross profit	8,925	10,361
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	77	(0)
Salaries and bonuses	3,027	3,191
Provision for bonuses	240	434
Retirement benefit expenses	93	57
Rent expenses	362	362
Depreciation	217	264
Other	3,650	3,896
Total selling, general and administrative expenses	7,667	8,206
Operating profit	1,257	2,154
Non-operating income		
Interest income	110	62
Dividend income	123	167
Purchase discounts	6	7
Gain on investments in partnership	60	18
Other	24	16
Total non-operating income	325	272
Non-operating expenses		
Sales discounts	12	5
Foreign exchange losses	75	181
Commission expenses	18	20
Loss on abandonment of non-current assets	1	4
Other	1	26
Total non-operating expenses	108	239
Ordinary profit	1,474	2,187
Extraordinary income		
Gain on contribution of securities to retirement benefit trust	—	700
Gain on sales of investment securities	145	430
Gain on liquidation of subsidiaries and associates	16	9
Total extraordinary income	162	1,140
Extraordinary losses		
Loss on valuation of investment securities	104	1,107
Total extraordinary losses	104	1,107
Income before income taxes and minority interests	1,532	2,219
Income taxes – current	282	771
Income taxes – deferred	229	145
Total income taxes	512	916
Profit	1,020	1,303
Profit attributable to owners of parent	1,020	1,303

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Comprehensive Statement of Income)

(Millions of yen)

	Year ended January 31, 2019	Year ended January 31, 2020
	Amount	Amount
Profit attributable to owners of parent	1,020	1,303
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,444)	571
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(240)	(110)
Remeasurements of defined benefit plans, net of tax	(131)	(84)
Total other comprehensive income	(1,816)	377
Comprehensive income	(796)	1,680
(Details)		
Comprehensive income attributable to owners of parent	(796)	1,680
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statements of Changes in Net Assets

Previous period (From February 1, 2018 to January 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	13,672	13,336	36,287	(2,707)	60,588
Changes of items during the period					
Dividends from surplus			(1,470)		(1,470)
Profit attributable to owners of parent			1,020		1,020
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares			0	0	0
Exercise of share acquisition rights			(9)	18	9
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	(460)	17	(442)
Balance at the end of current period	13,672	13,336	35,827	(2,690)	60,145

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remesurements of defined benefit plans		
Balance at the beginning of current period	3,013	(0)	430	313	59	64,404
Changes of items during the period						
Dividends from surplus						(1,470)
Profit attributable to owners of parent						1,020
Purchase of treasury shares						(1)
Disposal of treasury shares						0
Exercise of share acquisition rights						9
Net changes of items other than shareholders' equity	(1,444)	0	(240)	(131)	63	(1,753)
Total changes of items during the period	(1,444)	0	(240)	(131)	63	(2,195)
Balance at the end of current period	1,569	(0)	189	182	123	62,208

Consolidated Statements of Changes in Net Assets

Current period (From February 1, 2019 to January 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	13,672	13,336	35,827	(2,690)	60,145
Changes of items during the period					
Dividends from surplus			(1,718)		(1,718)
Profit attributable to owners of parent			1,303		1,303
Purchase of treasury shares				(1)	(1)
Exercise of share acquisition rights		(15)		36	20
Restricted stock payment		10		24	35
Increasing and decreasing by consolidated subsidiaries merging with unconsolidated subsidiaries			(69)		(69)
Transfer from retained earnings to capital surplus		4	(4)		—
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	(490)	60	(429)
Balance at the end of current period	13,672	13,336	35,337	(2,630)	59,715

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedge	Foreign currency translation adjustment	Remesurements of defined benefit plans		
Balance at the beginning of current period	1,569	(0)	189	182	123	62,208
Changes of items during the period						
Dividends from surplus						(1,718)
Profit attributable to owners of parent						1,303
Purchase of treasury shares						(1)
Exercise of share acquisition rights						20
Restricted stock payment						35
Increasing and decreasing by consolidated subsidiaries merging with unconsolidated subsidiaries						(69)
Transfer from retained earnings to capital surplus						—
Net changes of items other than shareholders' equity	571	0	(110)	(84)	(20)	356
Total changes of items during the period	571	0	(110)	(84)	(20)	(73)
Balance at the end of current period	2,141	(0)	79	97	102	62,135

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended January 31, 2019	Year ended January 31, 2020
	Amount	Amount
I. Cash flows from operating activities		
Income before income taxes	1,532	2,219
Depreciation and amortization	217	275
Loss (gain) on sales and retirement of non-current assets	0	6
Share-based compensation expenses	72	27
Loss (gain) on investments in partnership	(60)	(18)
Foreign exchange losses (gains)	(3)	0
Increase (decrease) in provision	1	203
Increase (decrease) in net defined benefit liability	3	(742)
Interest and dividend income	(234)	(229)
Loss (gain) on sales of investment securities	(145)	(429)
Loss (gain) on valuation of investment securities	104	1,107
Decrease (Increase) in notes and accounts receivable-trade	196	(2,630)
Decrease (increase) in inventories	(1,310)	(506)
Increase (decrease) in notes and accounts payable-trade	518	1,949
Increase (decrease) in accrued consumption taxes	160	(20)
Other, net	(168)	231
Subtotal	886	1,444
Interest and dividend income received	212	230
Interest paid	—	(1)
Income taxes (paid) refund	(509)	(208)
Net cash provided by (used in) operating activities	588	1,463
II. Cash flows from investing activities		
Payments into time deposits	(1,049)	(100)
Proceeds from withdrawal of time deposits	1,192	100
Proceeds from sales of securities	—	500
Proceeds from redemption of securities	100	—
Purchase of property, plant and equipment and intangible assets	(165)	(164)
Proceeds from sales of property, plant and equipment and intangible assets	5	1
Purchase of investment securities	(8)	(7,168)
Proceeds from sales of investment securities	220	5,740
Proceeds from redemption of investment securities	—	500
Purchase of shares of subsidiaries and associates	(3)	(59)
Proceeds from liquidation of affiliates	—	66
Payments of loans receivable from subsidiaries and associates	(99)	(220)
Collection of loans receivable from subsidiaries and affiliates	99	—
Proceeds from distribution of investment in partnerships	183	23
Purchase of insurance funds	(50)	(60)
Other, net	118	73
Net cash provided by (used in) investing activities	543	(766)
III. Cash flows from financing activities		
Cash dividends paid	(1,467)	(1,716)
Purchase of treasury shares	(1)	(1)
Proceeds from sales of treasury shares	0	—
Repayments of lease obligations	—	(26)
Net cash provided by (used in) financing activities	(1,468)	(1,743)
IV. Effect of exchange rate changes on cash and cash equivalents	(140)	(47)
V. Net increase (decrease) in cash and cash equivalents	(476)	(1,093)
VI. Cash and cash equivalents at beginning of period	13,893	13,416
VII. Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	94
VIII. Cash and cash equivalents at end of period	13,416	12,417

Consolidated Sales by Product

(Millions of yen)

	Year ended January 31, 2019		Year ended January 31, 2020		Increase (Decrease)
	Amount	Composition (%)	Amount	Composition (%)	
Semiconductors/Devices	49,906	53.2	54,338	50.1	4,432
ICT/Solutions	43,893	46.8	54,199	49.9	10,306
Total	93,799	100.0	108,538	100.0	14,738