

Consolidated Financial Review for the Second Quarter Ended July 31, 2020 [Japanese standards] (Consolidated)

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
 Inquiries: Masayuki Takahashi, Executive General Manager, Administration Headquarters
 Tel: +81-3-3543-7711 E-mail: irmanager@ryoyo.co.jp

Due date of submitting of quarterly financial statement : September 10, 2020
 Due date of starting delivery of dividends : October 1, 2020
 Supplementary materials for the quarterly financial results : Yes
 Investor conference for the quarterly financial results : Yes

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

1. Financial highlights for the second quarter ended July 31, 2020 (2/1/2020-7/31/2020)

(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 %
Six months ended 7/31/20	45,629 (15.9)	740 (30.2)	839 (26.4)
Six months ended 7/31/19	54,229 20.2	1,061 34.1	1,140 27.8

Note: Comprehensive income

Six months ended 7/31/20: 51 million yen (-94.4%)
 Six months ended 7/31/19: 924 million yen (-%)

	Profit attributable to owners of parent	Net income per share	Fully diluted net income per share
	Millions of yen %	Yen	Yen
Six months ended 7/31/20	580 (27.1)	23.58	23.49
Six months ended 7/31/19	796 28.5	32.44	32.25

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 7/31/20	72,959	61,257	83.9	2,480.17
As of 1/31/20	78,117	62,135	79.4	2,524.47

(Reference) Equity

As of 7/31/20: 61,214 million yen
 As of 1/31/20: 62,033 million yen

2. Dividends

	Three months ended	Six months ended	Nine months ended	Year ended	Total
(Base date)	Yen	Yen	Yen	Yen	Yen
Year ended 1/31/20	—	40.00	—	40.00	80.00
Year ending 1/31/21	—	60.00	—	—	—
Year ending 1/31/21 (Estimate)	—	—	—	120.00	180.00

Note: Revision to dividend forecast for this period: None

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	95,000	(12.5)	1,700	(21.1)	1,400	(36.0)	1,040	(20.2)	45.41

Note: Revisions to financial forecast for this period: Yes

4. Others

- (1) Important changes in subsidiaries
(Change on specific subsidiaries with changes in scope of consolidation): Yes
Newly added: StyleZ Corp. Excluded: —
- (2) Use of simplified accounting method and special accounting policy for the quarterly consolidated financial reporting: None
- (3) Changes in principles, procedures and method of presentation for the quarterly consolidated financial statements
 - ① Changes in accounting policies: None
 - ② Other changes: None
 - ③ Changes in accounting estimate: None
 - ④ Restatement of revisions: None
- (4) Number of shares outstanding (common shares)
 - ① Number of shares of common shares issued as of:
(Including treasury shares)
July 31, 2020: 26,800,000 shares
January 31, 2020: 26,800,000 shares
 - ② Number of shares of treasury shares:
July 31, 2020: 2,118,573 shares
January 31, 2020: 2,227,199 shares
 - ③ Average number of shares outstanding as of:
July 31, 2020: 24,624,423 shares
July 31, 2019: 24,543,948 shares

Indication regarding the implementation status of the quarterly review procedure

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

Caution on forecast for the year ending January 31, 2021

Forecasts regarding future performance in these materials are based on information available to management at the time this report was prepared. Actual results may differ significantly from these statements for a number of reasons.

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

Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2020	As of July 31, 2020
	Amount	Amount
(Assets)		
Current Assets		
Cash and deposits	12,417	22,911
Notes and accounts receivable - trade	28,152	19,472
Securities	—	1,496
Merchandise and finished goods	12,598	12,302
Work in process	—	145
Other	1,288	1,152
Allowance for doubtful accounts	(2)	(5)
Total current assets	54,453	57,475
Non-current assets		
Property, plant and equipment	229	231
Intangible assets		
Goodwill	—	631
Other	311	267
Total Intangible assets	311	899
Investments and other assets		
Investment securities	20,334	11,557
Retirement benefit asset	1,627	1,669
Other	1,481	1,447
Allowance for doubtful accounts	(320)	(320)
Total investments and other assets	23,122	14,353
Total non-current assets	23,664	15,483
Total assets	78,117	72,959

Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2020	As of July 31, 2020
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable – trade	12,006	8,712
Short-term borrowings	—	42
Income taxes payable	730	172
Accrued consumption taxes	226	164
Provision for bonuses	467	225
Other	1,123	1,027
Total current liabilities	14,554	10,344
Non-current liabilities		
Retirement benefit liability	182	219
Long-term borrowings	—	98
Deferred tax liabilities	827	759
Other	418	280
Total non-current liabilities	1,427	1,357
Total liabilities	15,982	11,701
(Net assets)		
Shareholders' equity		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	35,337	34,919
Treasury shares	(2,630)	(2,502)
Total shareholders' equity	59,715	59,425
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,141	1,727
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	79	(19)
Remeasurements of defined benefit plans	97	81
Total accumulated other comprehensive income	2,317	1,788
Share acquisition rights	102	43
Total net assets	62,135	61,257
Total liabilities and net assets	78,117	72,959

Consolidated Statements of Income

(Millions of yen)

	Six months ended July 31, 2019	Six months ended July 31, 2020
	Amount	Amount
Net sales	54,229	45,629
Cost of sales	49,201	40,970
Gross profit	5,027	4,659
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	(0)	(0)
Salaries and bonuses	1,546	1,526
Provision for bonuses	187	193
Retirement benefit expenses	23	42
Rent expenses	181	198
Depreciation	112	125
Other	1,915	1,832
Total selling, general and administrative expenses	3,966	3,918
Operating profit	1,061	740
Non-operating income		
Interest income	37	18
Dividend income	103	93
Purchase discounts	3	1
Gain on investments in investment partnerships	25	1
Other	8	57
Total non-operating income	178	171
Non-operating expenses		
Interest expenses	—	21
Sales discounts	3	22
Foreign exchange losses	82	20
Commission expenses	9	7
Loss on abandonment of non-current assets	0	0
Other	2	0
Total non-operating expenses	98	72
Ordinary profit	1,140	839
Extraordinary income		
Gain on sales of investment securities	—	156
Gain on contribution of securities to retirement benefit trust	—	47
Total extraordinary income	—	203
Extraordinary losses		
Loss on sales of investment securities	—	172
Settlement package	—	39
Loss on valuation of investment securities	6	—
Total extraordinary losses	6	211
Profit before income taxes	1,133	832
Income taxes – current	305	82
Income taxes – deferred	31	169
Total income taxes	337	251
Profit	796	580
Profit attributable to owners of parent	796	580

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Comprehensive Statement of Income)

(Millions of yen)

	Six months ended July 31, 2019	Six months ended July 31, 2020
	Amount	Amount
Profit attributable to owners of parent	796	580
Other comprehensive income		
Valuation difference on available-for-sale securities	362	(413)
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(205)	(98)
Remeasurements of defined benefit plans, net of tax	(28)	(16)
Total other comprehensive income	128	(528)
Comprehensive income	924	51
(Details)		
Comprehensive income attributable to owners of parent	924	51
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended July 31, 2019	Six months ended July 31, 2020
	Amount	Amount
I. Cash flows from operating activities		
Profit before income taxes	1,133	832
Depreciation	113	134
Amortization of goodwill	—	10
Loss (gain) on sales and retirement of property, plant and equipment	2	0
Share-based remuneration expenses	9	22
Loss (gain) on investments in investment partnerships	(25)	(1)
Foreign exchange losses (gains)	0	(21)
Increase (decrease) in provision	(25)	(302)
Increase (decrease) in retirement benefit liability	(21)	(56)
Interest and dividend income	(140)	(111)
Interest expenses	—	21
Loss (gain) on valuation of investment securities	6	—
Loss (gain) on sales of investment securities	—	15
Settlement package	—	39
Decrease (increase) in trade receivables	(3,101)	8,785
Decrease (increase) in inventories	(0)	191
Increase (decrease) in trade payables	(820)	(3,239)
Increase (decrease) in accrued consumption taxes	(152)	(93)
Other, net	(65)	(372)
Subtotal	(3,088)	5,853
Interest and dividends received	135	117
Interest paid	—	(21)
Settlement package paid	—	(38)
Income taxes (paid) refund	(60)	(634)
Net cash provided by (used in) operating activities	(3,013)	5,277
II. Cash flows from investing activities		
Payments into time deposits	(12)	(21)
Proceeds from withdrawal of time deposits	13	—
Purchase of property, plant and equipment and intangible assets	(89)	(49)
Proceeds from sales of property, plant and equipment and intangible assets	0	0
Purchase of investment securities	(7)	(2,480)
Proceeds from sales of investment securities	—	9,146
Proceeds from redemption of investment securities	500	—
Purchase of shares of subsidiaries and associates	(59)	(98)
Loan advances to subsidiaries and associates	(220)	—
Proceeds from distributions from investment partnerships	2	85
Purchase of insurance funds	(30)	(30)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(383)
Other, net	31	77
Net cash provided by (used in) investing activities	128	6,246
III. Cash flows from financing activities		
Proceeds from short-term borrowings	—	9,700
Repayments of short-term borrowings	—	(9,700)
Dividends paid	(734)	(982)
Purchase of treasury shares	(0)	(0)
Repayments of lease obligations	—	(18)
Other, net	—	(7)
Net cash provided by (used in) financing activities	(735)	(1,010)
IV. Effect of exchange rate changes on cash and cash equivalents	(73)	(40)
V. Net increase (decrease) in cash and cash equivalents	(3,693)	10,473
VI. Cash and cash equivalents at beginning of period	13,416	12,417
VII. Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	94	—
VIII. Cash and cash equivalents at end of period	9,817	22,890

Consolidated Sales by Product

(Millions of yen)

	Six months ended July 31, 2019		Six months ended July 31, 2020		Increase (Decrease)
	Amount	Composition (%)	Amount	Composition (%)	
Semiconductors/Devices	27,557	50.8	21,403	46.9	(6,153)
ICT/Solutions	26,671	49.2	24,226	53.1	(2,445)
Total	54,229	100.0	45,629	100.0	(8,599)