

Consolidated Financial Review for the Second Quarter Ended July 31, 2021 [Japanese standards] (Consolidated)

Company name: **RYOYO ELECTRO CORPORATION**
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 URL: <https://www.ryoyo.co.jp>
 Stock exchange listing: Tokyo Stock Exchange 1st Section
 Code number: 8068
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Due date of submitting of quarterly financial statement : September 9, 2021
 Due date of starting delivery of dividends : October 1, 2021
 Supplementary materials for the quarterly financial results : Yes
 Investor conference for the quarterly financial results : None

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

1. Financial highlights for the second quarter ended July 31, 2021 (2/1/2021-7/31/2021)

(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 7/31/21	52,264	14.5	949	28.2	1,125	34.0
Six months ended 7/31/20	45,629	(15.9)	740	(30.2)	839	(26.4)

Note: Comprehensive income

Six months ended 7/31/21: 1,174 million yen (-%)
 Six months ended 7/31/20: 51 million yen (-94.4%)

	Profit attributable to owners of parent		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Six months ended 7/31/21	830	43.0	47.74	46.33
Six months ended 7/31/20	580	(27.1)	23.58	23.49

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 7/31/21	62,909	37,952	60.3	2,140.51
As of 1/31/21	59,336	37,992	64.0	2,188.90

(Reference) Equity

As of 7/31/21: 37,907 million yen
 As of 1/31/21: 37,948 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 1/31/21	—	60.00	—	120.00	180.00
Year ending 1/31/22	—	60.00	—	—	—
Year ending 1/31/22 (Estimate)	—	—	—	60.00	120.00

Note: Revision to dividend forecast for this period: None

3. Financial forecast for the year ending January 31, 2022 (2/1/2021-1/31/2022)

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 1/31/22	100,000	4.4	2,000	57.9	1,950	115.4	1,350	67.5	77.64

Note: Revisions to financial forecast for this period: None

4. Others

- (1) Important changes in subsidiaries
(Change on specific subsidiaries with changes in scope of consolidation): None
Newly added: — 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, 2021: 26,800,000 shares
January 31, 2021: 26,800,000 shares
 - ② Number of shares of treasury shares:
July 31, 2021: 9,090,577 shares
January 31, 2021: 9,463,367 shares
 - ③ Average number of shares outstanding as of:
July 31, 2021: 17,388,152 shares
July 31, 2020: 24,624,423 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, 2022

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, 2021	As of July 31, 2021
	Amount	Amount
(Assets)		
Current Assets		
Cash and deposits	7,644	9,450
Notes and accounts receivable - trade	25,484	27,296
Securities	999	502
Merchandise and finished goods	11,614	14,402
Work in process	150	43
Other	1,535	1,259
Allowance for doubtful accounts	(6)	(4)
Total current assets	47,423	52,952
Non-current assets		
Property, plant and equipment	214	196
Intangible assets		
Goodwill	599	567
Other	245	232
Total intangible assets	844	800
Investments and other assets		
Investment securities	8,143	6,258
Deferred tax assets	39	52
Retirement benefit asset	1,520	1,541
Other	1,804	1,541
Allowance for doubtful accounts	(653)	(433)
Total investments and other assets	10,854	8,959
Total non-current assets	11,913	9,957
Total assets	59,336	62,909

Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2021	As of July 31, 2021
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable – trade	11,263	12,702
Short-term borrowings	6,637	9,175
Income taxes payable	92	193
Accrued consumption taxes	231	45
Provision for bonuses	264	254
Other	1,335	1,068
Total current liabilities	19,825	23,440
Non-current liabilities		
Long-term borrowings	79	62
Deferred tax liabilities	919	968
Retirement benefit liability	212	214
Other	308	269
Total non-current liabilities	1,518	1,516
Total liabilities	21,344	24,956
(Net assets)		
Shareholders' equity		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	33,460	32,111
Treasury shares	(24,461)	(23,498)
Total shareholders' equity	36,006	35,621
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,119	2,125
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	(126)	219
Remeasurements of defined benefit plans	(50)	(59)
Total accumulated other comprehensive income	1,941	2,285
Share acquisition rights	43	45
Total net assets	37,992	37,952
Total liabilities and net assets	59,336	62,909

Consolidated Statements of Income

(Millions of yen)

	Six months ended July 31, 2020	Six months ended July 31, 2021
	Amount	Amount
Net sales	45,629	52,264
Cost of sales	40,970	47,282
Gross profit	4,659	4,981
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	(0)	(1)
Salaries and bonuses	1,526	1,631
Provision for bonuses	193	224
Retirement benefit expenses	42	95
Rent expenses	198	199
Depreciation	125	76
Other	1,832	1,805
Total selling, general and administrative expenses	3,918	4,032
Operating profit	740	949
Non-operating income		
Interest income	18	9
Dividend income	93	67
Purchase discounts	1	0
Foreign exchange gains	—	25
Gain on investments in investment partnerships	1	123
Other	57	21
Total non-operating income	171	247
Non-operating expenses		
Interest expenses	21	45
Sales discounts	22	3
Foreign exchange losses	20	—
Commission expenses	7	4
Loss on abandonment of non-current assets	0	0
Other	0	18
Total non-operating expenses	72	71
Ordinary profit	839	1,125
Extraordinary income		
Gain on sales of investment securities	156	24
Gain on contribution of securities to retirement benefit trust	47	—
Total extraordinary income	203	24
Extraordinary losses		
Loss on sales of investment securities	172	23
Settlement package	39	—
Total extraordinary losses	211	23
Profit before income taxes	832	1,126
Income taxes – current	82	258
Income taxes – deferred	169	38
Total income taxes	251	296
Profit	580	830
Profit attributable to owners of parent	580	830

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Comprehensive Statement of Income)

(Millions of yen)

	Six months ended July 31, 2020	Six months ended July 31, 2021
	Amount	Amount
Profit attributable to owners of parent	580	830
Other comprehensive income		
Valuation difference on available-for-sale securities	(413)	6
Deferred gains or losses on hedges	0	(0)
Foreign currency translation adjustment	(98)	346
Remeasurements of defined benefit plans, net of tax	(16)	(8)
Total other comprehensive income	(528)	344
Comprehensive income	51	1,174
(Details)		
Comprehensive income attributable to owners of parent	51	1,174
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended July 31, 2020	Six months ended July 31, 2021
	Amount	Amount
I. Cash flows from operating activities		
Profit before income taxes	832	1,126
Depreciation	134	89
Amortization of goodwill	10	32
Loss (gain) on sales and retirement of property, plant and equipment	0	0
Share-based remuneration expenses	22	27
Loss (gain) on investments in investment partnerships	(1)	(123)
Foreign exchange losses (gains)	(21)	24
Increase (decrease) in provision	(302)	(233)
Increase (decrease) in retirement benefit liability	(56)	8
Interest and dividend income	(111)	(76)
Interest expenses	21	45
Loss (gain) on sales of investment securities	15	(1)
Settlement package	39	—
Decrease (increase) in trade receivables	8,785	(1,343)
Decrease (increase) in inventories	191	(2,565)
Increase (decrease) in trade payables	(3,239)	1,269
Increase (decrease) in accrued consumption taxes	(93)	(185)
Other, net	(372)	(39)
Subtotal	5,853	(1,946)
Interest and dividends received	117	82
Interest paid	(21)	(42)
Settlement package paid	(38)	—
Income taxes (paid) refund	(634)	132
Net cash provided by (used in) operating activities	5,277	(1,774)
II. Cash flows from investing activities		
Payments into time deposits	(21)	—
Proceeds from sales of securities	—	496
Proceeds from redemption of securities	—	500
Purchase of property, plant and equipment and intangible assets	(49)	(47)
Proceeds from sales of property, plant and equipment and intangible assets	0	1
Purchase of investment securities	(2,480)	(108)
Proceeds from sales of investment securities	9,146	1,504
Purchase of shares of subsidiaries and associates	(98)	—
Proceeds from distributions from investment partnerships	85	123
Purchase of insurance funds	(30)	(79)
Proceeds from cancellation of insurance funds	—	85
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(383)	(99)
Other, net	77	1
Net cash provided by (used in) investing activities	6,246	2,375
III. Cash flows from financing activities		
Proceeds from short-term borrowings	9,700	38,999
Repayments of short-term borrowings	(9,700)	(36,702)
Dividends paid	(982)	(2,074)
Purchase of treasury shares	(0)	(1)
Proceeds from issuance of share acquisition rights	—	19
Proceeds from disposal of treasury shares from exercise of subscription rights to shares	—	791
Repayments of lease obligations	(18)	(18)
Other, net	(7)	—
Net cash provided by (used in) financing activities	(1,010)	1,014
IV. Effect of exchange rate change on cash and cash equivalents	(40)	190
V. Net increase (decrease) in cash and cash equivalents	10,473	1,806
VI. Cash and cash equivalents at beginning of period	12,417	7,644
VII. Cash and cash equivalents at end of period	22,890	9,450

Consolidated Sales by Product

(Millions of yen)

	Six months ended July 31, 2020		Six months ended July 31, 2021		Increase (Decrease)
	Amount	Composition (%)	Amount	Composition (%)	
Semiconductors/Devices	21,403	46.9	28,377	54.3	6,973
ICT/Solutions	24,226	53.1	23,886	45.7	(339)
Total	45,629	100.0	52,264	100.0	6,634