

Consolidated Financial Review for the Second Quarter Ended July 31, 2022 [Japanese standards] (Consolidated)

Company name: **RYOYO ELECTRO CORPORATION**
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 URL: <https://www.ryoyo.co.jp>
 Stock exchange listing: Tokyo Stock Exchange Prime Section
 Code number: 8068
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Due date of submitting of quarterly financial statement : September 8, 2022
 Due date of starting delivery of dividends : October 3, 2022
 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, 2022 (2/1/2022-7/31/2022)

(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 7/31/22	60,809	16.4	2,513	164.7	2,478	120.2
Six months ended 7/31/21	52,264	14.5	949	28.2	1,125	34.0

Note: Comprehensive income

Six months ended 7/31/22: 3,065 million yen (161.0%)

Six months ended 7/31/21: 1,174 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 7/31/22	1,780	114.5	88.31	88.17
Six months ended 7/31/21	830	43.0	47.74	46.33

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 7/31/22	81,271	45,072	55.4	2,230.20
As of 1/31/22	72,652	42,309	58.2	2,130.47

(Reference) Equity

As of 7/31/22: 45,043 million yen

As of 1/31/22: 42,278 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 1/31/22	—	60.00	—	60.00	120.00
Year ending 1/31/23	—	50.00	—	—	—
Year ending 1/31/23 (Estimate)	—	—	—	60.00	110.00

Note: Revision to dividend forecast for this period: Yes

3. Financial forecast for the year ending January 31, 2023 (2/1/2022–1/31/2023)

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 1/31/23	113,000	0.8	3,600	59.4	3,400	41.6	2,350	25.4	116.54

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): 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: Yes
 - 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, 2022: 26,800,000 shares
January 31, 2022: 26,800,000 shares
 - ② Number of shares of treasury shares:
July 31, 2022: 6,602,911 shares
January 31, 2022: 6,955,177 shares
 - ③ Average number of shares outstanding as of:
July 31, 2022: 20,164,242 shares
July 31, 2021: 17,388,152 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, 2023

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, 2022	As of July 31, 2022
	Amount	Amount
(Assets)		
Current Assets		
Cash and deposits	9,204	11,614
Notes and accounts receivable - trade	28,663	31,255
Electronically recorded monetary claims - operating	3,494	3,181
Securities	500	—
Merchandise and finished goods	19,466	24,399
Work in process	122	185
Other	1,505	1,012
Allowance for doubtful accounts	(5)	(1)
Total current assets	62,952	71,645
Non-current assets		
Property, plant and equipment	219	238
Intangible assets		
Goodwill	535	503
Other	297	299
Total intangible assets	832	803
Investments and other assets		
Investment securities	5,721	5,801
Deferred tax assets	53	58
Retirement benefit asset	1,621	1,625
Other	1,737	1,637
Allowance for doubtful accounts	(485)	(537)
Total investments and other assets	8,648	8,585
Total non-current assets	9,700	9,626
Total assets	72,652	81,271

Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2022	As of July 31, 2022
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable – trade	14,726	16,746
Short-term borrowings	11,763	15,254
Income taxes payable	427	852
Accrued consumption taxes	35	30
Provision for bonuses	560	391
Other	1,370	1,495
Total current liabilities	28,884	34,771
Non-current liabilities		
Deferred tax liabilities	865	960
Retirement benefit liability	321	315
Other	271	152
Total non-current liabilities	1,458	1,428
Total liabilities	30,342	36,199
(Net assets)		
Shareholders' equity		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	31,164	31,734
Treasury shares	(17,978)	(17,067)
Total shareholders' equity	40,194	41,675
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,794	2,001
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	412	1,497
Remeasurements of defined benefit plans	(122)	(130)
Total accumulated other comprehensive income	2,083	3,368
Share acquisition rights	30	28
Total net assets	42,309	45,072
Total liabilities and net assets	72,652	81,271

Consolidated Statements of Income

(Millions of yen)

	Six months ended July 31, 2021	Six months ended July 31, 2022
	Amount	Amount
Net sales	52,264	60,809
Cost of sales	47,282	54,073
Gross profit	4,981	6,736
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	(1)	(3)
Salaries and bonuses	1,631	1,586
Provision for bonuses	224	338
Retirement benefit expenses	95	86
Rent expenses	199	209
Depreciation	76	72
Other	1,805	1,933
Total selling, general and administrative expenses	4,032	4,222
Operating profit	949	2,513
Non-operating income		
Interest income	9	11
Dividend income	67	68
Purchase discounts	0	0
Foreign exchange gains	25	—
Gain on investments in investment partnerships	123	3
Other	21	10
Total non-operating income	247	94
Non-operating expenses		
Interest expenses	45	48
Sales discounts	3	—
Foreign exchange losses	—	65
Commission expenses	4	0
Loss on abandonment of non-current assets	0	2
Other	18	12
Total non-operating expenses	71	130
Ordinary profit	1,125	2,478
Extraordinary income		
Gain on sales of investment securities	24	—
Total extraordinary income	24	—
Extraordinary losses		
Loss on sales of investment securities	23	—
Total extraordinary losses	23	—
Profit before income taxes	1,126	2,478
Income taxes - current	258	683
Income taxes - deferred	38	14
Total income taxes	296	697
Profit	830	1,780
Profit attributable to owners of parent	830	1,780

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Comprehensive Statement of Income)

(Millions of yen)

	Six months ended July 31, 2021	Six months ended July 31, 2022
	Amount	Amount
Profit attributable to owners of parent	830	1,780
Other comprehensive income		
Valuation difference on available-for-sale securities	6	207
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	346	1,085
Remeasurements of defined benefit plans, net of tax	(8)	(7)
Total other comprehensive income	344	1,284
Comprehensive income	1,174	3,065
(Details)		
Comprehensive income attributable to owners of parent	1,174	3,065
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended July 31, 2021	Six months ended July 31, 2022
	Amount	Amount
I. Cash flows from operating activities		
Profit before income taxes	1,126	2,478
Depreciation	89	88
Amortization of goodwill	32	32
Loss (gain) on sale and retirement of non-current assets	0	2
Share-based payment expenses	27	24
Loss (gain) on investments in investment partnerships	(123)	(3)
Foreign exchange losses (gains)	24	152
Increase (decrease) in provisions	(233)	(172)
Increase (decrease) in retirement benefit liability	8	6
Interest and dividend income	(76)	(80)
Interest expenses	45	48
Loss (gain) on sales of investment securities	(1)	—
Decrease (increase) in trade receivables	(1,343)	(624)
Decrease (increase) in inventories	(2,565)	(4,130)
Increase (decrease) in trade payables	1,269	1,094
Increase (decrease) in accrued consumption taxes	(185)	(6)
Other, net	(39)	700
Subtotal	(1,946)	(387)
Interest and dividends received	82	87
Interest paid	(42)	(50)
Income taxes refund (paid)	132	(294)
Net cash provided by (used in) operating activities	(1,774)	(645)
II. Cash flows from investing activities		
Payments into time deposits	—	(749)
Proceeds from withdrawal of time deposits	—	483
Proceeds from sales of securities	496	—
Proceeds from redemption of securities	500	500
Purchase of property, plant and equipment and intangible assets	(47)	(132)
Proceeds from sales of property, plant and equipment and intangible assets	1	—
Purchase of investment securities	(108)	(4)
Proceeds from sale of investment securities	1,504	—
Proceeds from sale of shares of subsidiaries and associates	—	0
Loan advances to subsidiaries and associates	—	(59)
Proceeds from distributions from investment partnerships	123	13
Purchase of insurance funds	(79)	(70)
Proceeds from cancellation of insurance funds	85	101
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(99)	—
Other, net	1	(2)
Net cash provided by (used in) investing activities	2,375	80
III. Cash flows from financing activities		
Proceeds from short-term borrowings	38,999	63,999
Repayments of short-term borrowings	(36,702)	(61,425)
Dividends paid	(2,074)	(1,187)
Purchase of treasury shares	(1)	(0)
Proceeds from sale of treasury shares	—	0
Proceeds from issuance of share acquisition rights	19	—
Proceeds from disposal of treasury shares from exercise of subscription rights to shares	791	636
Repayments of lease obligations	(18)	(15)
Net cash provided by (used in) financing activities	1,014	2,007
IV. Effect of exchange rate change on cash and cash equivalents	190	334
V. Net increase (decrease) in cash and cash equivalents	1,806	1,776
VI. Cash and cash equivalents at beginning of period	7,644	9,204
VII. Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	332
VIII. Cash and cash equivalents at end of period	9,450	11,313

Consolidated Sales by Product

(Millions of yen)

	Six months ended July 31, 2021		Six months ended July 31, 2022		Increase (Decrease)
	Amount	Composition (%)	Amount	Composition (%)	
Semiconductors/Devices	28,377	54.3	35,991	59.2	7,614
ICT/Solutions	23,886	45.7	24,818	40.8	931
Total	52,264	100.0	60,809	100.0	8,545