

First Half Earnings Report for Fiscal Year 2022, Ending March 31, 2023 [Japanese Standards] (Consolidated)

Company name:	Ryosan Company, Limited	Stock listing:	Prime Market, Tokyo Stock Exchange
Securities code:	8140	URL	https://www.ryosan.co.jp/
Representative:	Kazuhiko Inaba, Representative Director, President		
Inquiries:	Hideo Yuasa, Executive Officer, General Manager, Finance and Accounting Headquarters	TEL:	+81-3-3862-2591
Scheduled filing date of quarterly earnings report:	November 14, 2022		
Scheduled payment date of dividend:	November 29, 2022		
Supplementary materials for the quarterly financial results:	Yes		
Investor conference for the quarterly financial results:	Yes (for security analysts and institutional investors)		

(Millions of yen rounded down)

1. Consolidated results for the first half of fiscal year 2022 (April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (Cumulative)

(% change compared with the same period of the previous fiscal year (YoY))

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First Half, Fiscal Year 2022	167,731	35.0	9,007	119.8	6,587	62.3	4,475	53.8
First Half, Fiscal Year 2021	124,247	27.8	4,097	227.2	4,059	142.3	2,909	95.9

(Note) Comprehensive income

First Half, Fiscal Year 2022: 8,179 million yen (194.9%)

First Half, Fiscal Year 2021: 2,773 million yen (108.6%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Half, Fiscal Year 2022	191.02	—
First Half, Fiscal Year 2021	124.17	—

(2) Consolidated financial position

	Total assets	Net assets	Net assets to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2022	205,332	101,271	49.3	4,322.03
March 31, 2022	190,548	94,724	49.7	4,043.20

(Reference) Shareholders' equity

September 30, 2022: 101,271 million yen

March 31, 2022: 94,724 million yen

2. Dividends

	Dividends per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2021	—	50.00	—	70.00	120.00
Fiscal Year 2022	—	75.00	—	—	—
Fiscal Year 2022 (Forecast)	—	—	—	75.00	150.00

(Note) Revision of dividend forecasts: None

3. Forecast of results for the fiscal year 2022 (April 1, 2022 to March 31, 2023)

(% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	300,000	10.0	13,000	46.8	10,000	23.7	7,000	30.6	298.79

(Note) Revision of financial results forecasts: None

*** Notes**

(1) Transfer of major subsidiaries during the scope of consolidation of these six months ended September 30, 2022 (transfer of specified subsidiaries in line with changes in the consolidated range): None

New: — (Company name:) Excluded: — (Company name:)

(2) Application of accounting procedures specific to preparing quarterly financial statements: None

(3) Changes in accounting principles, changes in accounting estimates, and restatements

1) Changes in accordance with revisions to accounting standards and related practices of accounting principles: None

2) Changes in items of accounting principles other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares issued and outstanding (common shares)

1. Total number of shares issued and outstanding (including treasury shares) at the period-end:	September 30, 2022	25,000,000 shares	March 31, 2022	25,000,000 shares
2. Total number of treasury shares at the period-end:	September 30, 2022	1,568,443 shares	March 31, 2022	1,571,817 shares
3. Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)	First Half, Fiscal Year 2022	23,428,101 shares	First Half, Fiscal Year 2021	23,428,443 shares

This quarterly consolidated earnings report is not subject to the quarterly review by certified public accountants or auditing corporations.

Caution with respect to forward-looking statements

The estimates referred in this report are based on the information available as of the date of this release. Ryosan Company Limited (Ryosan) does not promise the realization of the estimates in this report. The actual results may significantly differ from the estimates due to a variety of factors. For details on the conditions that form the assumptions used for earnings forecasts and notes on using earnings forecasts, please refer to appendix page 3, "1. Qualitative Information Regarding this Quarterly Statement (3) Qualitative Information Concerning Consolidated Forecast and Other Future Predictions."

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1. Qualitative Information Regarding this Quarterly Statement

(1) Qualitative Information Concerning Consolidated Operating Results

1) Overview

During the consolidated first half of fiscal year 2022 (April 1 to September 30, 2022), sentiment about the global economy braced for a downturn. Although the impact of the COVID-19 pandemic eased, the protraction of the crisis in Ukraine and intermittent lockdowns in China spurred rising commodity prices and aggravated confusion in supply chains. Meanwhile, the United States Federal Reserve raised policy rates.

Similar trends impacted the Japanese economy. Although moves toward recovery continued, concerns about issues such as loss of economic momentum overseas, supply restrictions and a steep drop in the value of the Japanese yen continued to demand vigilance.

In the electronics industry, Ryosan's main field, uncertainty mounted. A squeeze in supplies of semiconductors and electronic components continued to impact production activities, while demand was strong in some areas but weak in others.

Against the macroeconomic background described above, Ryosan expanded sales across a diverse range of fields. Although production adjustments by the automotive sector had an impact, Ryosan served market needs to secure advance supplies of products. The weakening yen also had a favorable impact on sales. In the consolidated first half under review, net sales leapt to 167,731 million yen (up 35.0% from the same period of the previous fiscal year). Operating income more than doubled to 9,007 million yen (up 119.8%), lifted by increased revenue and measures to rein in selling, general and administrative expenses.

Ordinary income soared to 6,587 million yen (up 62.3%), despite appropriation of foreign exchange losses due to revaluation of foreign-currency-denominated liabilities. Profit attributable to owners of parent jumped to 4,475 million yen (up 53.8%).

2) Business Segment Information

a. Devices

During the consolidated first half under review, sales increased year-on-year, paced by products for the industrial machinery sector. Net sales rose to 146,271 million yen (up 33.4% from the same period of the previous fiscal year). Operating income more than doubled to 8,278 million yen (up 139.0%).

b. Solutions

Large projects in products for the communications sector contributed. Net income lifted to 21,460 million yen (up 46.7% from the same period of the previous fiscal year), while operating income surged to 1,167 million yen (up 76.2%).

(2) Qualitative Information Concerning Consolidated Financial Position

As of September 30, 2022, total assets increased by 14,783 million yen compared with the end of the previous fiscal year, to 205,332 million yen.

Also, net assets increased by 6,547 million yen compared with the end of the previous fiscal year, to 101,271 million yen, with the ratio of net assets to total assets being 49.3%.

Overview of Cash Flows

As of September 30, 2022, cash and cash equivalents increased by 1,843 million yen compared with the end of the previous fiscal year, to 13,860 million yen.

Net cash provided by (used in) operating activities

Regarding cash flow from operating activities in this consolidated first half period, funds in total increased by 2,011 million yen. Profit before income taxes was 6,588 million yen and inventories and accounts receivable–other increased by 4,357 million yen and 3,207 million yen, respectively, while notes and accounts receivable–trade increased by 12,787 million yen. For a comparison, in net cash from operating activities in the same period of the previous fiscal year, funds had decreased by 5,134 million yen.

Net cash provided by (used in) investing activities

Regarding cash flow from investing activities in this consolidated first half period, funds in total decreased by 154 million yen due to such factors as purchase of intangible assets. For a comparison, in net cash from investing activities in the same period of the previous fiscal year, funds had decreased by 172 million yen.

Net cash provided by (used in) financing activities

Regarding cash flow from financing activities in this consolidated first half period, funds in total decreased by 259 million yen. Commercial papers decreased by 1,999 million yen and cash dividends paid amounted to 1,634 million yen, while short-term loans payable increased by 3,462 million yen. For a comparison, in net cash from financing activities in the same period of the previous fiscal year, funds had increased by 1,121 million yen.

(3) Qualitative Information Concerning Consolidated Forecast and Other Future Predictions

The forecast of consolidated business results is unchanged from the forecast published on October 25, 2022.

2. Consolidated Quarterly Financial Statements and Main Notes

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Fiscal Year Ended March 31, 2022 (As of March 31, 2022)	Second Quarter of the Fiscal Year Ending March 31, 2023 (As of September 30, 2022)
ASSETS		
Current assets		
Cash and deposits	12,066	13,918
Notes and accounts receivable –trade	92,574	109,041
Inventories	52,647	51,105
Accounts receivable – other	18,721	16,974
Other	1,094	1,057
Allowance for doubtful accounts	(276)	(626)
Total current assets	176,827	191,470
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,563	2,526
Land	5,178	5,180
Leased assets, net	394	349
Other, net	201	207
Total property, plant and equipment	8,338	8,264
Intangible assets	985	1,079
Investments and other assets		
Investment securities	3,001	3,021
Deferred tax assets	295	365
Other	1,206	1,248
Allowance for doubtful accounts	(106)	(118)
Total investments and other assets	4,397	4,517
Total non-current assets	13,720	13,861
Total assets	190,548	205,332

(Millions of yen)

	Fiscal Year Ended March 31, 2022 (As of March 31, 2022)	Second Quarter of the Fiscal Year Ending March 31, 2023 (As of September 30, 2022)
LIABILITIES		
Current liabilities		
Accounts payable – trade	42,976	44,301
Short-term loans payable	38,079	46,958
Commercial papers	4,999	2,999
Lease obligations	224	184
Accounts payable – other	3,469	3,488
Accrued expenses	1,930	873
Income taxes payable	1,798	2,115
Provision for bonuses	-	712
Other	391	386
Total current liabilities	93,869	102,020
Non-current liabilities		
Lease obligations	202	190
Deferred tax liabilities	597	835
Net defined benefit liability	1,068	924
Asset retirement obligations	23	23
Other	62	64
Total non-current liabilities	1,953	2,039
Total liabilities	95,823	104,060
NET ASSETS		
Shareholders' equity		
Capital stock	17,690	17,690
Capital surplus	19,114	19,060
Retained earnings	59,586	62,422
Treasury shares	(6,534)	(6,473)
Total shareholders' equity	89,857	92,700
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,257	1,239
Deferred gains or losses on hedges	1	(1)
Foreign currency translation adjustment	3,634	7,362
Remeasurements of defined benefit plans	(25)	(29)
Total accumulated other comprehensive income	4,867	8,571
Total net assets	94,724	101,271
Total liabilities and net assets	190,548	205,332

(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income
(Consolidated Quarterly Statement of Income)
(Scope of Consolidation of this First Half Period)

(Millions of yen)

	First Half of the Fiscal Year Ended March 31, 2022 (April 1, 2021 to Sept. 30, 2021)	First Half of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to Sept. 30, 2022)
Net sales	124,247	167,731
Cost of Sales	112,621	150,158
Gross Profit	11,625	17,573
Selling, general and administrative expenses	7,528	8,565
Operating income	4,097	9,007
Non-operating income		
Interest income	18	14
Dividend income	37	40
Share of profit of entities accounted for using equity method	-	26
Commission fee	13	145
Rent income	27	24
Miscellaneous income	45	116
Total non-operating income	142	367
Non-operating expenses		
Interest expenses	76	388
Foreign exchange losses	4	2,387
Share of loss of entities accounted for using equity method	86	-
Miscellaneous loss	13	11
Total non-operating expenses	180	2,787
Ordinary income	4,059	6,587
Extraordinary income		
Gain on sales of non-current assets	-	0
Gain on sales of golf memberships	1	-
Total extraordinary income	1	0
Extraordinary losses		
Impairment loss	19	-
Total extraordinary losses	19	-
Profit before income taxes	4,041	6,588
Income taxes	1,132	2,113
Profit	2,909	4,475
Profit attributable to owners of parent	2,909	4,475

(Consolidated Quarterly Statement of Comprehensive Income)

(Scope of Consolidation of this First Half Period)

(Millions of yen)

	First Half of the Fiscal Year Ended March 31, 2022 (April 1, 2021 to Sept. 30, 2021)	First Half of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to Sept. 30, 2022)
Profit	2,909	4,475
Other comprehensive income		
Valuation difference on available-for-sale securities	(85)	(17)
Deferred gains or losses on hedges	1	(2)
Foreign currency translation adjustment	(44)	3,727
Remeasurements of defined benefit plans, net of tax	(6)	(3)
Total other comprehensive income	(135)	3,704
Comprehensive income	2,773	8,179
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,773	8,179

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First Half of the Fiscal Year Ended March 31, 2022 (April 1, 2021 to Sept. 30, 2021)	First Half of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to Sept. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	4,041	6,588
Depreciation	319	305
Impairment loss	19	-
Increase (decrease) in allowance for doubtful accounts	(73)	307
Increase (decrease) in net defined benefit liability	(144)	(156)
Interest and dividend income	(56)	(54)
Interest expenses	76	388
Share of (profit) loss of entities accounted for using equity method	86	(26)
Loss (gain) on sales of property, plant and equipment	-	(0)
Decrease (increase) in notes and accounts receivable - trade	(239)	(12,787)
Decrease (increase) in inventories	(11,292)	4,357
Increase (decrease) in notes and accounts payable - trade	3,081	(1,318)
Decrease (increase) in accounts receivable - other	(72)	3,207
Other	2	3,170
Subtotal	(4,250)	3,980
Interest and dividend income received	55	54
Interest expenses paid	(77)	(363)
Income taxes (paid) refund	(861)	(1,660)
Net cash provided by (used in) operating activities	(5,134)	2,011
Cash flows from investing activities		
Purchases of property, plant and equipment	(79)	(26)
Proceeds from sales of property, plant and equipment	-	0
Purchase of intangible assets	(31)	(113)
Purchases of investment securities	(15)	(15)
Decrease (increase) in time deposits	48	-
Payments into time deposits	-	(8)
Proceeds from sales of membership	3	-
Proceeds from distribution of investment in partnerships	4	8
Purchase of insurance funds	(102)	-
Net cash provided by (used in) investing activities	(172)	(154)
Cash flows from financing activities		
Increase (decrease) in commercial papers	-	(1,999)
Net increase (decrease) in short-term loans payable	2,851	3,462
Repayments of lease obligations	(92)	(82)
Purchase of treasury shares	(0)	(68)
Cash dividends paid	(1,637)	(1,634)
Proceeds from sale of treasury shares	-	63
Net cash provided by (used in) financing activities	1,121	(259)
Effect of exchange rate change on cash and cash equivalents	(53)	246
Net increase (decrease) in cash and cash equivalents	(4,239)	1,843
Cash and cash equivalents at the beginning of the period	20,636	12,016
Cash and cash equivalents at the end of the period	16,396	13,860

(4) Notes Regarding Consolidated Quarterly Financial Statements

(Notes Regarding Going Concern)

None

(Notes Regarding Substantial Changes in Shareholders' Equity)

None

(Segment Information)

I. Information Concerning Sales and Income or Loss Amount by Reporting Segment Consolidated First Half of the Fiscal Year Ended March 31, 2022 (April 1, 2021 to September 30, 2021)

(Millions of yen)

	Reporting Segment			Adjusted amount (Note 1)	Amounts shown on consolidated quarterly statement of income (Note 2)
	Devices	Solutions	Total		
Net sales					
Sales to external customers	109,617	14,629	124,247	—	124,247
Internal sales or exchange between segments	—	—	—	—	—
Total	109,617	14,629	124,247	—	124,247
Segment income (loss)	3,463	662	4,126	(28)	4,097

(Notes)

1. The adjusted amount of minus 28 million yen represents corporate expenses (mainly general and administrative expenses) which are not allocated to the reporting segment.
2. Segment income has been adjusted with operating income in consolidated quarterly statement of income.

Consolidated First Half of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to September 30, 2022)

(Millions of yen)

	Reporting Segment			Adjusted amount (Note 1)	Amounts shown on consolidated quarterly statement of income (Note 2)
	Devices	Solutions	Total		
Net sales					
Sales to external customers	146,271	21,460	167,731	—	167,731
Internal sales or exchange between segments	—	—	—	—	—
Total	146,271	21,460	167,731	—	167,731
Segment income (loss)	8,278	1,167	9,446	(438)	9,007

(Notes)

1. The adjusted amount of minus 438 million yen represents corporate expenses (mainly general and administrative expenses) which are not allocated to the reporting segment.
2. Segment income has been adjusted with operating income in consolidated quarterly statement of income.

II. Information Concerning Sales and Income or Loss Amount by Sales Destination
Fiscal year 2021, first half of the fiscal year ended March 31, 2022
(April 1, 2021 to September 30, 2021)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	67,273	51,685	5,288	124,247	—	124,247
Internal sales or exchange between segments	10,957	200	14	11,172	(11,172)	—
Total	78,230	51,886	5,303	135,420	(11,172)	124,247
Segment income	1,759	2,088	118	3,966	131	4,097

(Notes)

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions covered:
Asia: Hong Kong, China, Thailand, South Korea, etc.
Other: United States, etc.

Fiscal year 2022, first half of the fiscal year ending March 31, 2023
(April 1, 2022 to September 30, 2022)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	87,315	75,063	5,352	167,731	—	167,731
Internal sales or exchange between segments	9,833	357	31	10,222	(10,222)	—
Total	97,148	75,421	5,383	177,953	(10,222)	167,731
Segment income	4,882	3,534	281	8,699	308	9,007

(Notes)

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions covered:
Asia: Hong Kong, China, Thailand, Singapore, etc.
Other: United States, etc.

III. Information Concerning Sales by Region
Fiscal year 2021, first half of the fiscal year ended March 31, 2022
(April 1, 2021 to September 30, 2021)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	63,407	33,438	21,716	5,685	124,247
Ratio to consolidated net sales (%)	51.0	26.9	17.5	4.6	100.0

(Note) Net sales are on the basis of customer location and classified by country or region.

Fiscal year 2022, first half of the fiscal year ending March 31, 2023
(April 1, 2022 to September 30, 2022)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	85,602	45,577	31,018	5,533	167,731
Ratio to consolidated net sales (%)	51.0	27.2	18.5	3.3	100.0

(Note) Net sales are on the basis of customer location and classified by country or region.