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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]

November 13, 2023

Company name: RHYTHM CO.,LTD.

Stock exchange listing: Tokyo

Code number: 7769

URL: <https://www.rhythm.co.jp/>

Representative: Takeo Yumoto

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President and Representative Director
Director and Managing Executive Officer

Scheduled date of filing quarterly securities report: November 13, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: No

Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	14,538	(12.4)	166	(61.6)	439	(39.7)	(83)	-
September 30, 2022	16,599	19.8	433	62.6	729	68.4	600	33.1

(Note) Comprehensive income: Six months ended September 30, 2023: ¥ 1,708 million [(37.6)%]
Six months ended September 30, 2022: ¥ 2,738 million [277.4%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	(10.14)	-
September 30, 2022	72.72	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	43,956	30,179	68.7
March 31, 2023	39,738	28,873	72.7

(Reference) Equity: As of September 30, 2023: ¥ 30,179 million
As of March 31, 2023: ¥ 28,873 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	0.00	-	48.50	48.50
Fiscal year ending March 31, 2024	-	0.00			
Fiscal year ending March 31, 2024 (Forecast)			-	48.50	48.50

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	33,000	5.7	850	(4.1)	1,250	0.3	400	(49.6)	48.44

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2023: 8,385,093 shares

March 31, 2023: 8,385,093 shares

2) Number of treasury shares at the end of the period:

September 30, 2023: 128,638 shares

March 31, 2023: 128,028 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2023: 8,256,809 shares

Six months ended September 30, 2022: 8,257,766 shares

Quarterly Consolidated Financial Statements
 Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	9,899	11,164
Notes and accounts receivable - trade	4,115	4,338
Electronically recorded monetary claims - operating	1,844	1,879
Inventories	8,345	9,465
Other	967	1,043
Allowance for doubtful accounts	(1)	(4)
Total current assets	25,171	27,887
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,894	5,204
Other, net	5,008	5,880
Total property, plant and equipment	9,902	11,084
Intangible assets		
Goodwill	46	-
Other	487	265
Total intangible assets	533	265
Investments and other assets		
Investment securities	2,585	3,143
Deferred tax assets	162	45
Other	1,458	1,600
Allowance for doubtful accounts	(76)	(71)
Total investments and other assets	4,130	4,718
Total non-current assets	14,567	16,068
Total assets	39,738	43,956
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,293	3,736
Current portion of long-term borrowings	907	1,112
Income taxes payable	128	164
Provision for bonuses	343	378
Provision for bonuses for directors (and other officers)	15	-
Other provisions	14	13
Other	1,642	1,968
Total current liabilities	6,344	7,373
Non-current liabilities		
Bonds payable	1,500	2,500
Long-term borrowings	2,257	2,601
Retirement benefit liability	188	286
Other	575	1,015
Total non-current liabilities	4,521	6,403
Total liabilities	10,865	13,776

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	12,372	12,372
Capital surplus	7,540	7,540
Retained earnings	4,584	4,100
Treasury shares	(278)	(279)
Total shareholders' equity	24,219	23,734
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	839	1,267
Foreign currency translation adjustment	3,541	4,960
Remeasurements of defined benefit plans	272	217
Total accumulated other comprehensive income	4,653	6,445
Total net assets	28,873	30,179
Total liabilities and net assets	39,738	43,956

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	16,599	14,538
Cost of sales	13,140	11,505
Gross profit	3,458	3,032
Selling, general and administrative expenses	3,025	2,866
Operating profit	433	166
Non-operating income		
Interest income	2	6
Dividend income	62	75
Rental income	164	172
Foreign exchange gains	145	129
Other	52	31
Total non-operating income	427	415
Non-operating expenses		
Interest expenses	14	11
Rental expenses	57	64
Special retirement expenses	-	34
Other	59	32
Total non-operating expenses	131	142
Ordinary profit	729	439
Extraordinary income		
Gain on sale of non-current assets	3	0
Gain on bargain purchase	-	299
Total extraordinary income	3	299
Extraordinary losses		
Loss on disposal of non-current assets	0	0
Loss on sale of non-current assets	1	-
Impairment losses	-	601
Total extraordinary losses	1	602
Profit before income taxes	730	136
Income taxes - current	188	204
Income taxes - deferred	(56)	16
Total income taxes	132	220
Profit (loss)	598	(83)
Loss attributable to non-controlling interests	(2)	-
Profit (loss) attributable to owners of parent	600	(83)

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit (loss)	598	(83)
Other comprehensive income		
Valuation difference on available-for-sale securities	107	427
Foreign currency translation adjustment	2,037	1,419
Remeasurements of defined benefit plans, net of tax	(4)	(55)
Total other comprehensive income	2,140	1,791
Comprehensive income	2,738	1,708
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,740	1,708
Comprehensive income attributable to non-controlling interests	(2)	-

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	730	136
Depreciation	686	647
Impairment losses	-	601
Amortization of goodwill	100	50
Gain on bargain purchase	-	(299)
Increase (decrease) in allowance for doubtful accounts	(4)	(4)
Increase (decrease) in retirement benefit liability	(30)	(63)
Decrease (increase) in retirement benefit asset	(10)	25
Increase (decrease) in provision for bonuses	7	19
Increase (decrease) in provision for bonuses for directors (and other officers)	(11)	(15)
Interest and dividend income	(64)	(82)
Interest expenses	14	11
Foreign exchange losses (gains)	(113)	1
Loss (gain) on disposal of non-current assets	0	0
Loss (gain) on sale of non-current assets	(1)	(0)
Decrease (increase) in trade receivables	5	(23)
Decrease (increase) in inventories	(1,357)	(115)
Increase (decrease) in trade payables	348	241
Increase (decrease) in accrued consumption taxes	119	77
Decrease (increase) in other assets	(172)	(73)
Increase (decrease) in other liabilities	0	23
Subtotal	244	1,159
Interest and dividends received	64	79
Interest paid	(12)	(15)
Income taxes refund (paid)	(242)	(193)
Net cash provided by (used in) operating activities	55	1,029
Cash flows from investing activities		
Purchase of property, plant and equipment	(445)	(565)
Proceeds from sale of property, plant and equipment	7	0
Purchase of intangible assets	(86)	(162)
Purchase of investment securities	(1)	(2)
Proceeds from collection of loans receivable	2	3
Payments for acquisition of businesses	-	(703)
Other, net	14	(1)
Net cash provided by (used in) investing activities	(509)	(1,431)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(70)	-
Proceeds from long-term borrowings	2,500	1,000
Repayments of long-term borrowings	(394)	(450)
Proceeds from issuance of bonds	1,500	1,000
Redemption of bonds	(3,000)	-
Purchase of treasury shares	(0)	(1)
Proceeds from sale of treasury shares	0	-
Dividends paid	(309)	(400)
Repayments of finance lease liabilities	(98)	(125)
Net cash provided by (used in) financing activities	126	1,021
Effect of exchange rate change on cash and cash equivalents	807	645
Net increase (decrease) in cash and cash equivalents	479	1,265
Cash and cash equivalents at beginning of period	9,941	9,899
Cash and cash equivalents at end of period	10,421	11,164