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Consolidated Financial Results for the Year Ended March 31, 2023 [Japanese GAAP]

May 15, 2023

Company name: RHYTHM CO.,LTD.

Stock exchange listing: Tokyo

Code number: 7769

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

Representative: Takeo Yumoto

Contact: Katsuhiko Yamazaki

Phone: +81-48-643-7241

President and Representative Director

Director and Managing Executive Officer

Scheduled date of Annual General Meeting of Shareholders: June 21, 2023

Scheduled date of commencing dividend payments: June 22, 2023

Scheduled date of filing annual securities report: June 21, 2023

Availability of supplementary briefing material on annual financial results: No

Schedule of annual financial results briefing session: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 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 | % |
| Fiscal year ended March 31, 2023 | 31,231 | 4.1 | 886 | (0.7) | 1,246 | (3.1) | 794 | (23.0) |
| March 31, 2022 | 29,999 | 9.9 | 892 | 180.5 | 1,286 | 118.7 | 1,031 | - |

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥ 2,220 million [(1.0) %]
Fiscal year ended March 31, 2022: ¥ 2,242 million [-%]

| | Basic earnings per share | Diluted earnings per share | Rate of return on equity | Ordinary profit to total assets ratio | Operating profit to net sales ratio |
|-------------------|--------------------------|----------------------------|--------------------------|---------------------------------------|-------------------------------------|
| Fiscal year ended | Yen | Yen | % | % | % |
| March 31, 2023 | 96.16 | - | 2.8 | 3.2 | 2.8 |
| March 31, 2022 | 124.92 | - | 4.0 | 3.5 | 3.0 |

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2023: ¥ - million
Fiscal year ended March 31, 2022: ¥ - million

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio | Net assets per share |
|----------------|-----------------|-----------------|------------------------|----------------------|
| As of | Millions of yen | Millions of yen | % | Yen |
| March 31, 2023 | 39,738 | 28,873 | 72.7 | 3,496.81 |
| March 31, 2022 | 38,293 | 27,006 | 70.5 | 3,269.61 |

(Reference) Equity: As of March 31, 2023: ¥ 28,873 million
As of March 31, 2022: ¥ 27,000 million

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of period |
|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Fiscal year ended | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| March 31, 2023 | 1,185 | (1,070) | (467) | 9,899 |
| March 31, 2022 | 1,245 | (876) | (1,203) | 9,941 |

2. Dividends

| | Annual dividends | | | | | Total dividends | Payout ratio (consolidated) | Dividends to net assets (consolidated) |
|--|------------------|-----------------|-----------------|----------|-------|-----------------|-----------------------------|--|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total | | | |
| Fiscal year ended | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| March 31, 2022 | - | 0.00 | - | 37.50 | 37.50 | 309 | 30.0 | 1.2 |
| March 31, 2023 | - | 0.00 | - | 48.50 | 48.50 | 400 | 50.4 | 1.4 |
| Fiscal year ending March 31, 2024 (Forecast) | - | 0.00 | - | 48.50 | 48.50 | | 50.1 | |

(Note) Breakdown of the year-end dividend for the fiscal year ended March 31, 2023 :

| | |
|------------------------|-------|
| Commemorative dividend | - yen |
| Special dividend | - yen |

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 |
| Six months ending September 30, 2023 | 15,000 | (9.6) | 350 | (19.2) | 500 | (31.4) | 150 | (75.0) | 18.17 |
| Full year | 31,500 | 0.9 | 1,100 | 24.1 | 1,400 | 12.3 | 800 | 0.8 | 96.88 |

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

| | | | |
|------------|---|----------------|---|
| New | - | (Company name: |) |
| Exclusion: | - | (Company name: |) |

(2) 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

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

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

| | |
|-----------------|------------------|
| March 31, 2023: | 8,385,093 shares |
| March 31, 2022: | 8,385,093 shares |

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

| | |
|-----------------|----------------|
| March 31, 2023: | 128,028 shares |
| March 31, 2022: | 127,150 shares |

3) Average number of shares outstanding during the period:

| | |
|-----------------------------------|------------------|
| Fiscal Year ended March 31, 2023: | 8,257,514 shares |
| Fiscal Year ended March 31, 2022: | 8,258,463 shares |

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

| Fiscal year ended | Net sales | | Operating profit | | Ordinary profit | | Net income | |
|-------------------|-----------------|------|------------------|------|-----------------|-------|-----------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| March 31, 2023 | 16,038 | 9.1 | 349 | 24.5 | 918 | (1.2) | 28 | (94.8) |
| March 31, 2022 | 14,695 | 21.2 | 280 | - | 929 | 81.0 | 541 | 145.2 |

| Fiscal year ended | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| | Yen | Yen |
| March 31, 2023 | 3.41 | - |
| March 31, 2022 | 65.59 | - |

(2) Non-consolidated Financial Position

| As of | Total assets | Net assets | Capital adequacy ratio | Net assets per share |
|----------------|-----------------|-----------------|------------------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| March 31, 2023 | 30,262 | 21,729 | 71.8 | 2,631.66 |
| March 31, 2022 | 30,106 | 21,534 | 71.5 | 2,607.75 |

(Reference) Equity: As of March 31, 2023: ¥ 21,729 million
As of March 31, 2022: ¥ 21,534 million

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 9,941 | 9,899 |
| Notes and accounts receivable - trade, and contract assets | 4,107 | 4,115 |
| Electronically recorded monetary claims - operating | 1,785 | 1,844 |
| Inventories | 7,397 | 8,345 |
| Prepaid expenses | 158 | 179 |
| Other | 680 | 788 |
| Allowance for doubtful accounts | (0) | (1) |
| Total current assets | 24,069 | 25,171 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 12,034 | 12,392 |
| Accumulated depreciation | (6,864) | (7,498) |
| Buildings and structures, net | 5,170 | 4,894 |
| Machinery, equipment and vehicles | 8,992 | 10,002 |
| Accumulated depreciation | (6,874) | (7,631) |
| Machinery, equipment and vehicles, net | 2,117 | 2,370 |
| Tools, furniture and fixtures | 5,511 | 5,184 |
| Accumulated depreciation | (5,302) | (4,994) |
| Tools, furniture and fixtures, net | 209 | 189 |
| Land | 2,008 | 2,049 |
| Leased assets | 561 | 653 |
| Accumulated depreciation | (222) | (417) |
| Leased assets, net | 339 | 235 |
| Construction in progress | 20 | 163 |
| Total property, plant and equipment | 9,864 | 9,902 |
| Intangible assets | | |
| Goodwill | 213 | 46 |
| Software | 87 | 76 |
| Other | 158 | 411 |
| Total intangible assets | 458 | 533 |
| Investments and other assets | | |
| Investment securities | 2,067 | 2,585 |
| Long-term loans receivable | 79 | 73 |
| Distressed receivables | 2 | 2 |
| Deferred tax assets | 198 | 162 |
| Retirement benefit asset | 517 | 249 |
| Other | 1,116 | 1,132 |
| Allowance for doubtful accounts | (81) | (76) |
| Total investments and other assets | 3,900 | 4,130 |
| Total non-current assets | 14,223 | 14,567 |
| Total assets | 38,293 | 39,738 |

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|--|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 3,563 | 3,293 |
| Short-term borrowings | 70 | - |
| Current portion of bonds payable | 3,000 | - |
| Current portion of long-term borrowings | 435 | 907 |
| Accounts payable - other | 457 | 545 |
| Accrued expenses | 269 | 318 |
| Income taxes payable | 262 | 128 |
| Contract liabilities | 106 | 92 |
| Provision for bonuses | 334 | 343 |
| Provision for bonuses for directors (and other officers) | 11 | 15 |
| Other provisions | 17 | 14 |
| Other | 650 | 685 |
| Total current liabilities | 9,178 | 6,344 |
| Non-current liabilities | | |
| Bonds payable | - | 1,500 |
| Long-term borrowings | 1,074 | 2,257 |
| Deferred tax liabilities | 113 | 156 |
| Retirement benefit liability | 523 | 188 |
| Other | 396 | 418 |
| Total non-current liabilities | 2,107 | 4,521 |
| Total liabilities | 11,286 | 10,865 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 12,372 | 12,372 |
| Capital surplus | 7,584 | 7,540 |
| Retained earnings | 4,100 | 4,584 |
| Treasury shares | (276) | (278) |
| Total shareholders' equity | 23,780 | 24,219 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 366 | 839 |
| Foreign currency translation adjustment | 2,561 | 3,541 |
| Remeasurements of defined benefit plans | 291 | 272 |
| Total accumulated other comprehensive income | 3,219 | 4,653 |
| Non-controlling interests | 6 | - |
| Total net assets | 27,006 | 28,873 |
| Total liabilities and net assets | 38,293 | 39,738 |

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|--|---|---|
| Net sales | 29,999 | 31,231 |
| Cost of sales | 23,192 | 24,447 |
| Gross profit | 6,807 | 6,784 |
| Selling, general and administrative expenses | 5,914 | 5,897 |
| Operating profit | 892 | 886 |
| Non-operating income | | |
| Interest income | 3 | 7 |
| Dividend income | 77 | 98 |
| Rental income | 325 | 335 |
| Foreign exchange gains | 35 | 73 |
| Subsidy income | 105 | - |
| Other | 126 | 106 |
| Total non-operating income | 673 | 621 |
| Non-operating expenses | | |
| Interest expenses | 43 | 24 |
| Rental expenses | 158 | 156 |
| Other | 77 | 81 |
| Total non-operating expenses | 280 | 261 |
| Ordinary profit | 1,286 | 1,246 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 34 | 2 |
| Gain on sale of investment securities | 7 | - |
| Total extraordinary income | 42 | 2 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 7 | 1 |
| Loss on sale of non-current assets | 4 | 1 |
| Loss on sale of investment securities | 2 | - |
| Impairment losses | 69 | 95 |
| Goodwill impairment loss | 121 | - |
| Total extraordinary losses | 204 | 99 |
| Profit before income taxes | 1,125 | 1,150 |
| Income taxes - current | 357 | 317 |
| Income taxes for prior periods | (58) | - |
| Income taxes - deferred | (186) | 47 |
| Total income taxes | 112 | 364 |
| Profit | 1,012 | 785 |
| Loss attributable to non-controlling interests | (19) | (8) |
| Profit attributable to owners of parent | 1,031 | 794 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|--|---|---|
| Profit | 1,012 | 785 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 154 | 472 |
| Foreign currency translation adjustment | 1,078 | 980 |
| Remeasurements of defined benefit plans, net of tax | (3) | (18) |
| Total other comprehensive income | 1,230 | 1,434 |
| Comprehensive income | 2,242 | 2,220 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,261 | 2,228 |
| Comprehensive income attributable to non-controlling interests | (19) | (8) |

Consolidated Statements of Changes in Equity
For the fiscal year ended March 31, 2022

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 12,372 | 7,584 | 3,350 | (275) | 23,031 |
| Cumulative effects of changes in accounting policies | | | (33) | | (33) |
| Restated balance | 12,372 | 7,584 | 3,316 | (275) | 22,998 |
| Changes during period | | | | | |
| Dividends of surplus | | | (247) | | (247) |
| Profit attributable to owners of parent | | | 1,031 | | 1,031 |
| Purchase of treasury shares | | | | (1) | (1) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | - | 783 | (1) | 782 |
| Balance at end of period | 12,372 | 7,584 | 4,100 | (276) | 23,780 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 211 | 1,482 | 295 | 1,989 | 25 | 25,046 |
| Cumulative effects of changes in accounting policies | | | | | | (33) |
| Restated balance | 211 | 1,482 | 295 | 1,989 | 25 | 25,013 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (247) |
| Profit attributable to owners of parent | | | | | | 1,031 |
| Purchase of treasury shares | | | | | | (1) |
| Net changes in items other than shareholders' equity | 154 | 1,078 | (3) | 1,230 | (19) | 1,210 |
| Total changes during period | 154 | 1,078 | (3) | 1,230 | (19) | 1,993 |
| Balance at end of period | 366 | 2,561 | 291 | 3,219 | 6 | 27,006 |

For the fiscal year ended March 31, 2023

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 12,372 | 7,584 | 4,100 | (276) | 23,780 |
| Changes during period | | | | | |
| Dividends of surplus | | | (309) | | (309) |
| Profit attributable to owners of parent | | | 794 | | 794 |
| Disposal of treasury shares | | (0) | | 0 | 0 |
| Purchase of treasury shares | | | | (1) | (1) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (44) | | | (44) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | (44) | 484 | (1) | 438 |
| Balance at end of period | 12,372 | 7,540 | 4,584 | (278) | 24,219 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|---|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 366 | 2,561 | 291 | 3,219 | 6 | 27,006 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (309) |
| Profit attributable to owners of parent | | | | | | 794 |
| Disposal of treasury shares | | | | | | 0 |
| Purchase of treasury shares | | | | | | (1) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | (44) |
| Net changes in items other than shareholders' equity | 472 | 980 | (18) | 1,434 | (6) | 1,427 |
| Total changes during period | 472 | 980 | (18) | 1,434 | (6) | 1,866 |
| Balance at end of period | 839 | 3,541 | 272 | 4,653 | - | 28,873 |

Consolidated Statements of Cash Flows

(Millions of yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 1,125 | 1,150 |
| Depreciation | 1,319 | 1,383 |
| Subsidy income | (105) | - |
| Impairment losses | 69 | 95 |
| Impairment loss of goodwill | 121 | - |
| Amortization of goodwill | 285 | 186 |
| Increase (decrease) in allowance for doubtful accounts | (4) | (5) |
| Increase (decrease) in retirement benefit liability | 30 | (103) |
| Decrease (increase) in retirement benefit asset | (62) | (23) |
| Increase (decrease) in provision for bonuses | 58 | 8 |
| Increase (decrease) in provision for bonuses for directors (and other officers) | 9 | 3 |
| Interest and dividend income | (80) | (106) |
| Interest expenses | 43 | 24 |
| Foreign exchange losses (gains) | (74) | (1) |
| Loss (gain) on disposal of non-current assets | 7 | 1 |
| Loss (gain) on sale of non-current assets | (34) | (1) |
| Loss (gain) on sale of intangible assets | 4 | - |
| Loss (gain) on sale of investment securities | (5) | - |
| Decrease (increase) in trade receivables | (58) | 107 |
| Decrease (increase) in inventories | (1,658) | (631) |
| Increase (decrease) in trade payables | 424 | (446) |
| Increase (decrease) in accrued consumption taxes | (408) | 179 |
| Decrease (increase) in other assets | 19 | (161) |
| Increase (decrease) in other liabilities | 168 | (142) |
| Subtotal | 1,195 | 1,518 |
| Subsidies received | 105 | - |
| Interest and dividends received | 80 | 106 |
| Interest paid | (42) | (20) |
| Income taxes paid | (93) | (419) |
| Net cash provided by (used in) operating activities | 1,245 | 1,185 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (908) | (957) |
| Proceeds from sale of property, plant and equipment | 50 | 4 |
| Purchase of intangible assets | (37) | (134) |
| Proceeds from sale of intangible assets | 2 | - |
| Purchase of investment securities | (2) | (3) |
| Proceeds from sales of investments securities | 6 | - |
| Proceeds from collection of loans receivable | 5 | 5 |
| Other, net | 6 | 15 |
| Net cash provided by (used in) investing activities | (876) | (1,070) |

(Millions of yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|--|---|---|
| Cash flows from financing activities | | |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | - | (42) |
| Increase (decrease) in short-term borrowings | (313) | (70) |
| Proceeds from long-term borrowings | - | 2,500 |
| Repayments of long-term borrowings | (434) | (844) |
| Proceeds from issuance of bonds | - | 1,500 |
| Redemption of bonds | - | (3,000) |
| Purchase of treasury shares | (1) | (1) |
| Proceeds from sale of treasury shares | - | 0 |
| Dividends paid | (247) | (309) |
| Repayments of finance lease liabilities | (206) | (199) |
| Net cash provided by (used in) financing activities | (1,203) | (467) |
| Effect of exchange rate change on cash and cash equivalents | 500 | 310 |
| Net increase (decrease) in cash and cash equivalents | (334) | (42) |
| Cash and cash equivalents at beginning of period | 10,276 | 9,941 |
| Cash and cash equivalents at end of period | 9,941 | 9,899 |