

Consolidated Financial Review

for the Third Quarter Ended October 31, 2011

[Japanese standards] (Consolidated)

Company name: **RYOYO ELECTRO CORPORATION**
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 URL: <http://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: December 9, 2011

Due date of starting delivery of dividends: -

Supplementary materials for the quarterly financial results: None

Investor conference for the quarterly financial results: None

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

1. Financial highlights for the third quarter ended October 31, 2011 (2/1/2011-10/31/2011)

(1) Consolidated operating results

Note: Percentages indicated changes from the same period of previous year.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended 10/31/11	64,636	(9.9)	1,094	(4.9)	1,242	(6.1)
Nine months ended 10/31/10	71,699	20.0	1,151	—	1,323	—

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Nine months ended 10/31/11	697	(30.4)	26.11	—
Nine months ended 10/31/10	1,002	—	36.28	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 10/31/11	71,625	61,663	86.1	2,307.94
As of 1/31/11	72,857	62,227	85.4	2,329.00

(Reference) Equity

Year ended 10/31/11: 61,663 million yen

Year ended 1/31/11: 62,227 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 1/31/11	—	15.00	—	15.00	30.00
Year ending 1/31/12	—	15.00	—	—	—
Year ending 1/31/12 (Estimate)	—	—	—	15.00	30.00

Note: Revision to dividend forecast for this period: None

3. Financial forecast for the year ending January 31, 2012 (2/1/2011–1/31/2012)

Note: Percentages indicated changes from the same period of previous year.

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending 1/31/12	85,000	(9.9)	1,400	2.3	1,600	1.1	930	(16.4)	34.81

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: Yes

(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

(4) Number of shares outstanding (common stock)

① Number of shares of common stock issued as of:

(Including treasury stock)

October 31, 2011: 29,800,000 shares

January 31, 2011: 32,072,398 shares

② Number of shares of treasury stock as of:

October 31, 2011: 3,082,043 shares

January 31, 2011: 5,353,962 shares

③ Average number of shares outstanding as of:

October 31, 2011: 26,718,155 shares

October 31, 2010: 27,631,608 shares

Indication regarding the implementation status of the quarterly review procedure

The review procedure of the quarterly financial statement based on the Financial Instruments and Exchange Act is not completed at the time of disclosure of this financial result.

Caution on forecast for the year ending January 31, 2012

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 October 31, 2011	As of January 31, 2011
	Amount	Amount
(Assets)		
Current Assets		
Cash and deposits	13,899	11,646
Notes and accounts receivable-trade	23,451	26,806
Short-term investment securities	11,000	9,000
Merchandise and finished goods	12,663	11,071
Deferred tax assets	163	163
Other	583	1,130
Allowance for doubtful accounts	(21)	(124)
Total current assets	61,739	59,693
Noncurrent assets		
Property, plant and equipment	223	179
Intangible assets	286	269
Investments and other assets		
Investment securities	8,056	9,445
Deferred tax assets	37	—
Other	1,284	3,271
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	9,376	12,714
Total noncurrent assets	9,886	13,163
Total assets	71,625	72,857

Consolidated Balance Sheets

(Millions of yen)

	As of October 31, 2011	As of January 31, 2011
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	7,771	8,520
Income taxes payable	345	262
Accrued consumption taxes	0	0
Provision for bonuses	216	156
Other	622	569
Total current liabilities	8,955	9,508
Noncurrent liabilities		
Provision for retirement benefits	889	903
Deferred tax liabilities	—	100
Other	117	116
Total noncurrent liabilities	1,006	1,121
Total liabilities	9,962	10,629
(Net assets)		
Shareholders' equity		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	39,265	42,052
Treasury stock	(3,639)	(6,322)
Total shareholders' equity	62,634	62,738
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	358	609
Deferred gains or losses on hedges	9	(0)
Foreign currency translation adjustment	(1,338)	(1,120)
Total valuation and translation adjustments	(971)	(511)
Total net assets	61,663	62,227
Total liabilities and net assets	71,625	72,857

Consolidated Statements of Income

(Millions of yen)

	Nine months ended October 31, 2010	Nine months ended October 31, 2011
	Amount	Amount
Net sales	71,699	64,636
Cost of sales	65,505	58,659
Gross profit	6,193	5,976
Selling, general and administrative expenses		
Salaries and bonuses	1,948	1,871
Provision for bonuses	225	216
Retirement benefit expenses	168	155
Rent expenses	335	329
Depreciation	187	153
Other	2,176	2,154
Total selling, general and administrative expenses	5,042	4,881
Operating income	1,151	1,094
Non-operating income		
Interest income	127	102
Dividends income	13	21
Equity in earnings of affiliates	81	—
Purchase discounts	9	11
Other	26	30
Total non-operating income	259	165
Non-operating expenses		
Sales discounts	2	1
Foreign exchange losses	80	10
Loss on abandonment of noncurrent assets	2	4
Other	1	0
Total non-operating expenses	86	16
Ordinary income	1,323	1,242
Extraordinary income		
Gain on reversal of debts	675	—
Reversal of allowance for doubtful accounts	—	103
Total extraordinary income	675	103
Extraordinary loss		
Loss on sales of stocks of subsidiaries and affiliates	777	—
Legal expenses	35	8
Bad debts written off	—	143
Loss on valuation of investment securities	—	22
Total extraordinary losses	812	174
Income before income taxes and minority interests	1,186	1,172
Income taxes—current	136	447
Income taxes—deferred	47	27
Total income taxes	183	474
Income before minority interests	—	697
Net income	1,002	697

Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended October 31, 2010	Nine months ended October 31, 2011
	Amount	Amount
I. Cash flows from operating activities		
Income before income taxes and minority interests	1,186	1,172
Depreciation and amortization	187	153
Loss (gain) on sales and retirement of property, plant and equipment	2	4
Foreign exchange losses (gains)	54	16
Increase (decrease) in provision	(119)	(57)
Interest and dividends income	(140)	(123)
Loss (gain) on valuation of investment securities	—	22
Loss (gain) on sales of stocks of subsidiaries and affiliates	777	—
Equity in (earnings) losses of affiliates	(81)	—
Decrease (Increase) in notes and accounts receivable-trade	(3,074)	3,228
Decrease (increase) in inventories	(1,939)	(1,695)
Increase (decrease) in notes and accounts payable-trade	29	(629)
Increase (decrease) in accrued consumption taxes	(105)	0
Other, net	(1,167)	539
Subtotal	(4,391)	2,631
Interest and dividends income received	195	121
Income taxes (paid) refund	5	(346)
Net cash provided by (used in) operating activities	(4,190)	2,406
II. Cash flows from investing activities		
Payment into time deposits	(2,000)	—
Proceeds from redemption of securities	6,000	2,000
Purchase of property, plant and equipment and intangible assets	(65)	(212)
Proceeds from sales of property, plant and equipment and intangible assets	0	0
Purchase of investment securities	(6,003)	(3,056)
Proceeds from sales of stocks of subsidiaries and affiliates	4,320	—
Collection of loans receivable to subsidiaries and affiliates	2	—
Other, net	4	(22)
Net cash provided by (used in) investing activities	2,258	(1,291)
III. Cash flows from financing activities		
Cash dividends paid	(758)	(732)
Purchase of treasury stock	(314)	(0)
Other, net	—	(0)
Net cash provided by (used in) financing activities	(1,072)	(733)
IV. Effect of exchange rate change on cash and cash equivalents	(317)	(129)
V. Net increase (decrease) in cash and cash equivalents	(3,322)	252
VI. Cash and cash equivalents at beginning of period	21,828	11,646
VII. Cash and cash equivalents at end of the period	18,505	11,899

Consolidated Sales by Product

(Millions of yen)

	Nine months ended October 31, 2010		Nine months ended October 31, 2011		Increase (Decrease)
	Amount	Composition(%)	Amount	Composition(%)	
(Semiconductors)					
Integrated Circuits	30,755	42.9	22,588	34.9	(8,167)
Discrete Electronic Components	14,017	19.6	12,126	18.8	(1,890)
Sub total	44,772	62.5	34,714	53.7	(10,058)
Computer Systems and Peripherals	20,736	28.9	23,932	37.0	3,196
Electronic Devices	6,189	8.6	5,988	9.3	(201)
Total	71,699	100.0	64,636	100.0	(7,063)