

Consolidated Financial Review

for the Second Quarter Ended July 31, 2011

[Japanese standards] (Consolidated)

Company name: **RYOYO ELECTRO CORPORATION**
 Headquarters address: 12-22 Tsukiji 1-chome, Chuo-ku, Tokyo 104-8408 Japan
 URL: <http://www.ryoyo.co.jp>
 Stock exchange listing: Tokyo Stock Exchange 1st Section
 Code number: 8068
 Company representative: Kenhachiro Ogawa, President
 Inquiries: Yutaka Horikiri, Senior Managing Director, Administration Headquarters
 Tel: +81-3-3543-7711 E-mail: irmanager@ryoyo.co.jp

Due date of submitting of quarterly financial statement: September 9, 2011

Due date of starting delivery of dividends: October 3, 2011

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, 2011 (2/1/2011-7/31/2011)

(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	%
Six months ended 7/31/11	44,136	(5.9)	799	25.7	909	17.4
Six months ended 7/31/10	46,888	17.7	636	—	774	—

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Six months ended 7/31/11	520	3.2	19.47	—
Six months ended 7/31/10	503	—	18.21	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 7/31/11	73,442	62,405	85.0	2,335.72
As of 1/31/11	72,857	62,227	85.4	2,329.00

(Reference) Equity

Year ended 7/31/11: 62,405 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	95,000	0.7	1,400	2.3	1,600	1.1	930	(16.4)	34.81

Note: Revisions to financial forecast for this period: None

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)

July 31, 2011: 29,800,000 shares

January 31, 2011: 32,072,398 shares

② Number of shares of treasury stock as of:

July 31, 2011: 3,081,952 shares

January 31, 2011: 5,353,962 shares

③ Average number of shares outstanding as of:

July 31, 2011: 26,718,244 shares

July 31, 2010: 27,673,297 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 July 31, 2011	As of January 31, 2011
	Amount	Amount
(Assets)		
Current Assets		
Cash and deposits	18,093	11,646
Notes and accounts receivable-trade	25,258	26,806
Short-term investment securities	11,000	9,000
Merchandise and finished goods	11,388	11,071
Deferred tax assets	130	163
Other	381	1,130
Allowance for doubtful accounts	(24)	(124)
Total current assets	66,229	59,693
Noncurrent assets		
Property, plant and equipment	211	179
Intangible assets	256	269
Investments and other assets		
Investment securities	5,502	9,445
Other	1,244	3,271
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	6,744	12,714
Total noncurrent assets	7,212	13,163
Total assets	73,442	72,857

Consolidated Balance Sheets

(Millions of yen)

	As of July 31, 2011	As of January 31, 2011
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	8,834	8,520
Income taxes payable	312	262
Accrued consumption taxes	36	0
Provision for bonuses	110	156
Other	603	569
Total current liabilities	9,898	9,508
Noncurrent liabilities		
Provision for retirement benefits	893	903
Deferred tax liabilities	133	100
Other	111	116
Total noncurrent liabilities	1,138	1,121
Total liabilities	11,036	10,629
(Net assets)		
Shareholders' equity		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	39,488	42,052
Treasury stock	(3,639)	(6,322)
Total shareholders' equity	62,857	62,738
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	609	609
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	(1,061)	(1,120)
Total valuation and translation adjustments	(451)	(511)
Total net assets	62,405	62,227
Total liabilities and net assets	73,442	72,857

Consolidated Statements of Income

(Millions of yen)

	Six months ended July 31, 2010	Six months ended July 31, 2011
	Amount	Amount
Net sales	46,888	44,136
Cost of sales	42,824	40,116
Gross profit	4,064	4,019
Selling, general and administrative expenses		
Salaries and bonuses	1,351	1,279
Provision for bonuses	113	110
Retirement benefit expenses	112	103
Rent expenses	223	219
Depreciation	124	117
Other	1,504	1,388
Total selling, general and administrative expenses	3,428	3,220
Operating income	636	799
Non-operating income		
Interest income	87	68
Dividends income	13	21
Equity in earnings of affiliates	81	—
Purchase discounts	5	7
Other	16	23
Total non-operating income	205	121
Non-operating expenses		
Sales discounts	2	1
Foreign exchange losses	62	6
Loss on abandonment of noncurrent assets	1	4
Other	0	0
Total non-operating expenses	67	11
Ordinary income	774	909
Extraordinary income		
Gain on reversal of debts	675	—
Reversal of allowance for doubtful accounts	—	101
Total extraordinary income	675	101
Extraordinary loss		
Loss on sales of stocks of subsidiaries and affiliates	777	—
Legal expenses	35	8
Bad debts written off	—	143
Total extraordinary losses	812	151
Income before income taxes and minority interests	637	858
Income taxes—current	39	274
Income taxes—deferred	94	64
Total income taxes	134	338
Income before minority interests	—	520
Net income	503	520

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended July 31, 2010	Six months ended July 31, 2011
	Amount	Amount
I. Cash flows from operating activities		
Income before income taxes and minority interests	637	858
Depreciation and amortization	124	117
Loss (gain) on sales and retirement of property, plant and equipment	2	4
Foreign exchange losses (gains)	18	16
Increase (decrease) in provision	(239)	(157)
Interest and dividends income	(101)	(90)
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	(2, 449)	1, 536
Decrease (increase) in inventories	(2, 131)	(327)
Increase (decrease) in notes and accounts payable-trade	943	403
Increase (decrease) in accrued consumption taxes	(82)	36
Other, net	(787)	775
Subtotal	(3, 369)	3, 172
Interest and dividends income received	142	94
Income taxes (paid) refund	9	(203)
Net cash provided by (used in) operating activities	(3, 217)	3, 064
II. Cash flows from investing activities		
Proceeds from redemption of securities	2, 000	2, 000
Purchase of property, plant and equipment and intangible assets	(53)	(142)
Proceeds from sales of property, plant and equipment and intangible assets	0	0
Purchase of investment securities	(6, 002)	(55)
Proceeds from sales of stocks of subsidiaries and affiliates	4, 320	—
Other, net	2	10
Net cash provided by (used in) investing activities	267	1, 811
III. Cash flows from financing activities		
Cash dividends paid	(414)	(399)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(414)	(399)
IV. Effect of exchange rate change on cash and cash equivalents	(119)	(29)
V. Net increase (decrease) in cash and cash equivalents	(3, 484)	4, 446
VI. Cash and cash equivalents at beginning of period	21, 828	11, 646
VII. Cash and cash equivalents at end of the period	18, 343	16, 093

Consolidated Sales by Product

(Millions of yen)

	Six months ended July 31, 2010		Six months ended July 31, 2011		Increase (Decrease)
	Amount	Composition (%)	Amount	Composition (%)	
(Semiconductors)					
Integrated Circuits	19,852	42.4	15,689	35.5	(4,163)
Discrete Electronic Components	8,969	19.1	8,282	18.8	(686)
Sub total	28,822	61.5	23,971	54.3	(4,850)
Computer Systems and Peripherals	14,089	30.0	16,218	36.8	2,128
Electronic Devices	3,977	8.5	3,946	8.9	(30)
Total	46,888	100.0	44,136	100.0	(2,752)