

Financial Review for the Year Ended January 31, 2011

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 annual shareholders meeting : April 27, 2011

Due date of starting delivery of dividends : April 28, 2011

Due date of submitting of financial statement: April 27, 2011

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

1. Financial highlights for the year ended January 31, 2011 (2/1/2010-1/31/2011)

(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	%
Year ended 1/31/11	94,353	15.9	1,368	—	1,583	396.5
Year ended 1/31/10	81,381	(27.7)	18	(98.1)	318	(78.5)

	Net income		Net income per share	Fully diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Millions of yen	%	Yen	Yen	%	%	%
Year ended 1/31/11	1,112	239.0	40.48	—	1.8	2.1	1.5
Year ended 1/31/10	328	—	11.86	—	0.5	0.4	0.0

(Reference) Investment profit/loss on equity method:

Year ended 1/31/11: 81 million yen

Year ended 1/31/10: 100 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 1/31/11	72,857	62,227	85.4	2,329.00
As of 1/31/10	76,749	62,922	82.0	2,273.74

(Reference) Equity

Year ended 1/31/11: 62,227 million yen

Year ended 1/31/10: 62,922 million yen

(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 the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended 1/31/11	(5,384)	(2,761)	(1,651)	11,646
Year ended 1/31/10	8,371	(4,656)	(965)	21,828

2. Dividends

	Cash dividends per share			Total dividends Paid (Full Year)	Payout ratio	Dividends on equity
	Six months ended	Year ended	Total			
(Base date)	Yen	Yen	Yen	Millions of yen	%	%
Year ended 1/31/10	15.00	15.00	30.00	968	252.9	1.3
Year ending 1/31/11	15.00	15.00	30.00	815	74.1	1.3
Year ending 1/31/12 (Estimate)	15.00	15.00	30.00	—	88.7	—

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
Six months ending 7/31/11	46,000	(1.9)	550	(13.5)	650	(16.1)	380	(24.6)	13.82
Year ending 1/31/12	95,000	0.7	1,400	2.3	1,600	1.1	930	(16.4)	33.83

4. Others

(1) Important changes in subsidiaries

(Change on specific subsidiaries with changes in scope of consolidation): None

(2) Changes in principles, procedures and method of presentation for consolidated financial statements

① Changes in accounting policies: None

② Other changes: None

(3) Number of shares outstanding (common stock)

① Number of shares of common stock issued as of:

(Including treasury stock)

January 31, 2011: 32,072,398 shares

January 31, 2010: 32,072,398 shares

② Number of shares of treasury stock:

January 31, 2011: 5,353,962 shares

January 31, 2010: 4,398,918 shares

(Reference) Non-consolidated financial review

1. Financial highlights for the year ended January 31, 2011 (2/1/2010-1/31/2011)

(1) 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	%
Year ended 1/31/11	83,539	16.5	1,113	—	1,313	418.6
Year ended 1/31/10	71,735	(31.6)	(61)	—	253	(78.8)

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended 1/31/11	3,215	—	116.98	—
Year ended 1/31/10	270	—	9.77	—

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 1/31/11	69,986	60,455	86.4	2,262.70
As of 1/31/10	70,887	58,602	82.7	2,117.64

(Reference) Equity

Year ended 1/31/11: 60,455 million yen

Year ended 1/31/10: 58,602 million yen

Caution on estimates for the year ending January 31, 2012

The above forecast was made based on the information available as of the date of this release. Actual results could significantly differ from the above forecast due to a variety of factors.

※ This financial review is only the translation of Japanese version.

Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2010	As of January 31, 2011
	Amount	Amount
(Assets)		
Current Assets		
Cash and deposits	21,828	11,646
Notes and accounts receivable-trade	24,705	26,806
Short-term investment securities	6,000	9,000
Merchandise and finished goods	8,605	11,071
Deferred tax assets	211	163
Other	1,757	1,130
Allowance for doubtful accounts	(356)	(124)
Total current assets	62,750	59,693
Noncurrent assets		
Property, plant and equipment		
Tools, furniture and fixtures, net	75	65
Land	5	5
Other, net	132	108
Total property, plant and equipment	213	179
Intangible assets	398	269
Investments and other assets		
Investment securities	12,010	9,445
Deferred tax assets	103	—
Other	1,275	3,271
Allowance for doubtful accounts	(1)	(2)
Total investments and other assets	13,387	12,714
Total noncurrent assets	13,999	13,163
Total assets	76,749	72,857

Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2010	As of January 31, 2011
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	10,400	8,520
Income taxes payable	83	262
Accrued consumption taxes	110	0
Provision for bonuses	96	156
Other	2,097	569
Total current liabilities	12,788	9,508
Noncurrent liabilities		
Provision for retirement benefits	921	903
Deferred tax liabilities	—	100
Other	116	116
Total noncurrent liabilities	1,038	1,121
Total liabilities	13,827	10,629
(Net assets)		
Shareholders' equity		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	41,770	42,052
Treasury stock	(5,499)	(6,322)
Total shareholders' equity	63,279	62,738
Valuation and translation adjustment		
Valuation difference on available-for-sale securities	317	609
Deferred gains or losses on hedges	0	(0)
Foreign currency translation adjustment	(675)	(1,120)
Total valuation and translation adjustments	(357)	(511)
Total net assets	62,922	62,227
Total liabilities and net assets	76,749	72,857

Consolidated Statements of Income

(Millions of yen)

	Year ended January 31, 2010	Year ended January 31, 2011
	Amount	Amount
Net sales	81,381	94,353
Cost of sales	74,444	86,195
Gross profit	6,936	8,158
Selling, general and administrative expenses		
Salaries and bonuses	2,933	2,795
Provision for bonuses	96	156
Retirement benefit expenses	280	224
Rent expenses	497	444
Depreciation	250	250
Other	2,860	2,919
Total selling, general and administrative expenses	6,918	6,790
Operating income	18	1,368
Non-operating income		
Interest income	164	163
Dividends income	4	27
Equity in earnings of affiliates	100	81
Purchase discounts	13	12
Other	49	43
Total non-operating income	332	327
Non-operating expenses		
Sales discounts	4	4
Foreign exchange losses	22	103
Loss on abandonment of long-term assets	3	2
Other	1	2
Total non-operating expenses	31	112
Ordinary income	318	1,583
Extraordinary income		
Gain on sales of investment securities	217	—
Gain on reversal of debts	—	675
Total extraordinary income	217	675
Extraordinary loss		
Provision of allowance for doubtful accounts	45	—
Special extra retirement payments	225	—
Loss on sales of stocks of subsidiaries and affiliates	—	777
Legal expenses	—	38
Total extraordinary loss	270	815
Income before income taxes	265	1,443
Income taxes—current	44	277
Income taxes—deferred	(107)	52
Total income taxes	(63)	330
Net income	328	1,112

Consolidated Statements of Net Assets

Previous period (From February 1, 2009 to January 31, 2010)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at January 31, 2009	13,672	13,336	42,354	(5,498)	63,864
Net increase/decrease during the fiscal year					
Cash dividends			(968)		(968)
Net income for year			328		328
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(0)	(0)	0	0
Increase from newly consolidated subsidiary			56		56
Net increase/decrease other than shareholders' equity					
Total increase/decrease during the fiscal year	—	(0)	(584)	(0)	(584)
Balance at January 31, 2010	13,672	13,336	41,770	(5,499)	63,279

	Valuation and translation adjustments		
	Unrealized gains or losses on investments in securities	Unrealized gains or losses on deferred hedge	Foreign currency translation adjustment
Balance at January 31, 2009	6	(0)	(732)
Net increase/decrease during the fiscal year			
Cash dividends			
Net income for year			
Purchase of treasury stock			
Disposal of treasury stock			
Increase from newly consolidated subsidiary			
Net increase/decrease other than shareholders' equity	311	0	57
Total increase/decrease during the fiscal year	311	0	57
Balance at January 31, 2010	317	0	(675)

Current period (From February 1, 2010 to January 31, 2011)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at January 31, 2010	13,672	13,336	41,770	(5,499)	63,279
Net increase/decrease during the fiscal year					
Cash dividends			(830)		(830)
Net income for year			1,112		1,112
Purchase of treasury stock				(823)	(823)
Disposal of treasury stock			(0)	0	0
Net increase/decrease other than shareholders' equity					
Total increase/decrease during the fiscal year	—	—	282	(823)	(540)
Balance at January 31, 2011	13,672	13,336	42,052	(6,322)	62,738

	Valuation and translation adjustments		
	Unrealized gains or losses on investments in securities	Unrealized gains or losses on deferred hedge	Foreign currency translation adjustment
Balance at January 31, 2010	317	0	(675)
Net increase/decrease during the fiscal year			
Cash dividends			
Net income for year			
Purchase of treasury stock			
Disposal of treasury stock			
Net increase/decrease other than shareholders' equity	291	(0)	(445)
Total increase/decrease during the fiscal year	291	(0)	(445)
Balance at January 31, 2011	609	(0)	(1,120)

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended January 31, 2010	Year ended January 31, 2011
	Amount	Amount
I. Cash flows from operating activities		
Income before income taxes	265	1,443
Depreciation and amortization	250	250
Loss (gain) on sales and retirement of property and equipment	3	2
Foreign exchange losses (gains)	(17)	53
Increase (decrease) in provision	(727)	(189)
Interest and dividends income	(169)	(190)
Loss (gain) on sales of investment securities	(217)	—
Loss (gain) on sales of stocks of subsidiaries and affiliates	—	777
Equity in (earnings) losses of affiliates	(100)	(81)
Decrease (Increase) in notes and accounts receivable-trade	3,734	(2,357)
Decrease (increase) in inventories	2,696	(2,625)
Increase (decrease) in notes and accounts payable-trade	954	(1,565)
Increase (decrease) in accrued consumption taxes	4	(110)
Other, net	1,077	(1,034)
Subtotal	7,755	(5,627)
Interest and dividends income received	254	242
Income taxes refund (paid)	361	0
Net cash provided by (used in) operating activities	8,371	(5,384)
II. Cash flows from investing activities		
Payments into time deposits	(1,168)	(2,000)
Proceeds from withdrawal of time deposits	1,168	—
Purchase of short-term investment securities	(1,000)	—
Proceeds from redemption of securities	5,000	6,000
Purchase of property, equipment and intangible assets	(90)	(96)
Proceeds from sales of property, equipment and intangible assets	2	0
Purchase of investment securities	(8,807)	(11,004)
Proceeds from sales of investment securities	805	—
Purchase of stocks of subsidiaries and affiliates	(47)	—
Proceeds from sales of stocks of subsidiaries and affiliates	—	4,320
Payments of loans receivable to subsidiaries and affiliates	(30)	—
Purchase of insurance funds	(500)	—
Other, net	12	18
Net cash provided by (used in) investing activities	(4,656)	(2,761)
III. Cash flows from financing activities		
Cash dividends paid	(964)	(828)
Purchase of treasury stock	—	(823)
Other, net	(0)	—
Net cash provided by (used in) financing activities	(965)	(1,651)

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended January 31, 2010	Year ended January 31, 2011
	Amount	Amount
IV. Effect of exchange rate changes on cash and cash equivalents	46	(383)
V. Net increase (decrease) in cash and cash equivalents	2,796	(10,181)
VI. Cash and cash equivalents at the beginning of the period	18,769	21,828
VII. Increase in cash and cash equivalents from newly consolidated subsidiary	262	—
VIII. Cash and cash equivalents at the end of the period	21,828	11,646

Consolidated Sales by Product

(Millions of yen)

	Year ended January 31, 2010		Year ended January 31, 2011		Increase (Decrease)
	Amount	Composition (%)	Amount	Composition (%)	
(Semiconductors)					
Integrated Circuits	35,363	43.4	39,614	42.0	4,250
Discrete Electronic Components	14,412	17.7	18,703	19.8	4,291
Sub total	49,776	61.1	58,318	61.8	8,541
Computer Systems and Peripherals	24,956	30.7	27,823	29.5	2,866
Electronic Devices	6,648	8.2	8,212	8.7	1,564
Total	81,381	100.0	94,353	100.0	12,972