

Financial Review for the Year Ended January 31, 2014

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 24, 2014
 Due date of starting delivery of dividends : April 25, 2014
 Due date of submitting of financial statement: April 24, 2014
 Supplementary materials for the quarterly financial results: Yes
 Investor conference for the quarterly financial results
 (for security analysts and institutional investors) : Yes

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

1. Financial highlights for the year ended January 31, 2014 (2/1/2013-1/31/2014)

(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 1/31/14	97,887	12.3	1,651	128.7	2,077	128.3
Year ended 1/31/13	87,183	2.4	722	(47.4)	909	(42.7)

Note: Comprehensive income

Year ended 1/31/13: 3,204 million yen (267.2%)

Year ended 1/31/13: 872 million yen (76.7%)

	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 1/31/14	1,342	216.8	52.17	51.96	2.2	2.7	1.7
Year ended 1/31/13	423	(51.8)	16.41	16.37	0.7	1.3	0.8

(Reference) Investment profit/loss on equity method:

Year ended 1/31/14: — million yen

Year ended 1/31/13: — 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 1/31/14	79,893	63,112	78.9	2,498.70
As of 1/31/13	72,490	61,303	84.5	2,371.67

(Reference) Equity

Year ended 1/31/13: 63,032 million yen

Year ended 1/31/13: 61,252 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 1/31/14	(3,084)	1,715	(1,425)	11,023
Year ended 1/31/13	826	(498)	(777)	13,226

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 1/31/13	15.00	15.00	30.00	774	182.8	1.3
Year ending 1/31/14	15.00	15.00	30.00	765	57.5	1.2
Year ending 1/31/15 (Estimate)	15.00	15.00	30.00	—	50.5	—

3. Financial forecast for the year ending January 31, 2015 (2/1/2014–1/31/2015)

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 7/31/14	51,500	17.0	1,000	24.8	1,150	19.0	700	7.3	27.75
Year ending 1/31/15	105,000	7.3	2,200	33.2	2,500	20.3	1,500	11.7	59.46

4. Others

(1) Important changes in subsidiaries

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

Newly added: — Excluded: —

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

① Changes in accounting policies: Yes

② Other changes: None

③ Change in accounting estimate: Yes

④ Restatement of revisions: None

(3) Number of shares outstanding (common stock)

① Number of shares of common stock issued as of:

(Including treasury stock)

January 31, 2014: 28,800,000 shares

January 31, 2013: 28,800,000 shares

② Number of shares of treasury stock:

January 31, 2014: 3,573,940 shares

January 31, 2013: 2,973,074 shares

③ Average number of shares outstanding as of:

January 31, 2014: 25,736,118 shares

January 31, 2013: 25,827,335 shares

(Reference) Non-consolidated financial review

1. Financial highlights for the year ended January 31, 2014 (2/1/2013-1/31/2014)

(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 1/31/14	86,897	13.4	1,304	70.9	1,670	75.4
Year ended 1/31/13	76,659	0.4	763	(35.2)	952	(30.9)

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended 1/31/14	993	110.5	38.60	38.44
Year ended 1/31/13	471	(33.3)	18.27	18.23

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 1/31/14	75,124	59,580	79.2	2,358.72
As of 1/31/13	69,329	59,250	85.4	2,292.18

(Reference) Equity

Year ended 1/31/14: 59,501 million yen

Year ended 1/31/13: 59,200 million yen

Indication regarding the implementation status of auditing procedure

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

Caution on estimates for the year ending January 31, 2015

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, 2013	As of January 31, 2014
	Amount	Amount
(Assets)		
Current Assets		
Cash and deposits	13,226	11,215
Notes and accounts receivable-trade	23,295	30,185
Short-term investment securities	10,999	8,500
Merchandise and finished goods	11,348	13,313
Deferred tax assets	119	218
Other	583	934
Allowance for doubtful accounts	(20)	(17)
Total current assets	59,551	64,350
Noncurrent assets		
Property, plant and equipment		
Tools, furniture and fixtures, net	119	95
Land	5	5
Other, net	139	139
Total property, plant and equipment	265	240
Intangible assets	602	536
Investments and other assets		
Investment securities	10,884	12,558
Other	1,188	2,209
Allowance for doubtful accounts	(2)	(1)
Total investments and other assets	12,070	14,766
Total noncurrent assets	12,938	15,543
Total assets	72,490	79,893

Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2013	As of January 31, 2014
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	8,937	13,022
Income taxes payable	180	620
Accrued consumption taxes	21	36
Provision for bonuses	110	128
Other	904	727
Total current liabilities	10,153	14,534
Noncurrent liabilities		
Provision for retirement benefits	889	917
Deferred tax liabilities	46	477
Other	95	851
Total noncurrent liabilities	1,032	2,246
Total liabilities	11,186	16,781
(Net assets)		
Shareholders' equity		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	37,987	38,555
Treasury stock	(3,295)	(3,945)
Total shareholders' equity	61,700	61,618
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	514	1,248
Deferred gains or losses on hedges	0	(0)
Foreign currency translation adjustment	(962)	166
Total accumulated other comprehensive income	(447)	1,413
Subscription rights to shares	50	79
Total net assets	61,303	63,112
Total liabilities and net assets	72,490	79,893

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Statement of Income)

(Millions of yen)

	Year ended January 31, 2013	Year ended January 31, 2014
	Amount	Amount
Net sales	87,183	97,887
Cost of sales	79,810	89,607
Gross profit	7,373	8,279
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	0	(3)
Salaries and bonuses	2,745	2,791
Provision for bonuses	110	128
Retirement benefit expenses	184	137
Rent expenses	409	356
Depreciation	172	180
Other	3,028	3,036
Total selling, general and administrative expenses	6,651	6,627
Operating income	722	1,651
Non-operating income		
Interest income	151	191
Dividends income	77	59
Purchase discounts	9	11
Gain on investments in partnership	3	137
Other	31	32
Total non-operating income	273	432
Non-operating expenses		
Sales discounts	2	3
Foreign exchange losses	72	—
Commission fee	—	0
Loss on abandonment of noncurrent assets	10	0
Other	1	1
Total non-operating expenses	86	6
Ordinary income	909	2,077
Extraordinary income		
Gain on sales of investment securities	—	20
Total extraordinary income	—	20
Income before income taxes and minority interests	909	2,097
Income taxes—current	475	830
Income taxes—deferred	10	(75)
Total income taxes	486	755
Income before minority interests	423	1,342
Net income	423	1,342

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Comprehensive Statement of Income)

(Millions of yen)

	Year ended January 31, 2013	Year ended January 31, 2014
	Amount	Amount
Income before minority interests	423	1,342
Other comprehensive income		
Valuation difference on available-for-sale securities	206	733
Deferred gains or losses on hedges	1	(0)
Foreign currency translation adjustment	240	1,128
Total other comprehensive income	448	1,861
Comprehensive income	872	3,204
(Details)		
Comprehensive income attributable to owners of the parent	872	3,204
Comprehensive income attributable to minority interests	—	—

Consolidated Statements of Changes in Net Assets

Previous period (From February 1, 2012 to January 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	13,672	13,336	39,446	(4,402)	62,052
Changes of items during the period					
Dividends from surplus			(774)		(774)
Net income			423		423
Purchase of treasury stock				(0)	(0)
Retirement of treasury stock			(1,108)	1,108	—
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	(1,459)	1,107	(351)
Balance at the end of current period	13,672	13,336	37,987	(3,295)	61,700

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedge	Foreign currency translation adjustment		
Balance at the end of previous period	307	(0)	(1,203)	—	61,155
Changes of items during the period					
Dividends from surplus					(774)
Net income					423
Purchase of treasury stock					(0)
Retirement of treasury stock					—
Net changes of items other than shareholders' equity	206	1	240	50	499
Total changes of items during the period	206	1	240	50	147
Balance at the end of current period	514	0	(962)	50	61,303

Consolidated Statements of Changes in Net Assets

Current period (From February 1, 2013 to January 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	13,672	13,336	37,987	(3,295)	61,700
Changes of items during the period					
Dividends from surplus			(774)		(774)
Net income			1,342		1,342
Purchase of treasury stock				(649)	(649)
Disposal of treasury stock			(0)	0	0
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	567	(649)	(82)
Balance at the end of current period	13,672	13,336	38,555	(3,945)	61,618

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedge	Foreign currency translation adjustment		
Balance at the end of previous period	514	0	(962)	50	61,303
Changes of items during the period					
Dividends from surplus					(774)
Net income					1,342
Purchase of treasury stock					(649)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	733	(0)	1,128	28	1,890
Total changes of items during the period	733	(0)	1,128	28	1,808
Balance at the end of current period	1,248	(0)	166	79	63,112

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended January 31, 2013	Year ended January 31, 2014
	Amount	Amount
I. Cash flows from operating activities		
Income before income taxes	909	2,097
Depreciation and amortization	176	192
Loss (gain) on sales and retirement of noncurrent assets	7	0
Loss (gain) on investments in partnership	(3)	(137)
Foreign exchange losses (gains)	(44)	(29)
Increase (decrease) in provision	20	41
Interest and dividends income	(229)	(251)
Loss (gain) on valuation of investment securities	—	(20)
Decrease (Increase) in notes and accounts receivable-trade	(1,201)	(6,013)
Decrease (increase) in inventories	99	(1,592)
Increase (decrease) in notes and accounts payable-trade	1,062	3,370
Increase (decrease) in accrued consumption taxes	(87)	13
Other, net	609	(603)
Subtotal	1,318	(2,931)
Interest and dividends income received	220	243
Income taxes refund (paid)	(712)	(397)
Net cash provided by (used in) operating activities	826	(3,084)
II. Cash flows from investing activities		
Payments into time deposits	(7,000)	(2,692)
Proceeds from withdrawal of time deposits	7,000	4,500
Purchase of short-term investment securities	(2,000)	(3,500)
Proceeds from redemption of securities	9,000	10,500
Purchase of property, plant and equipment and intangible assets	(469)	(96)
Proceeds from sales of property, plant equipment and intangible assets	3	0
Purchase of investment securities	(7,104)	(7,189)
Proceeds from sales of investment securities	—	185
Purchase of stocks of subsidiaries and affiliates	—	(10)
Proceeds from distribution of investment in partnerships	60	111
Other, net	12	(92)
Net cash provided by (used in) investing activities	(498)	1,715
III. Cash flows from financing activities		
Cash dividends paid	(774)	(772)
Purchase of treasury stock	(0)	(649)
Other, net	(2)	(2)
Net cash provided by (used in) financing activities	(777)	(1,425)
IV. Effect of exchange rate changes on cash and cash equivalents	338	591
V. Net increase (decrease) in cash and cash equivalents	(110)	(2,202)
VI. Cash and cash equivalents at beginning of period	13,336	13,226
VII. Cash and cash equivalents at end of period	13,226	11,023

Consolidated Sales by Product

(Millions of yen)

	Year ended January 31, 2013		Year ended January 31, 2014		Increase (Decrease)
	Amount	Composition (%)	Amount	Composition (%)	
(Semiconductors)					
Integrated Circuits	30,325	34.8	31,970	32.7	1,645
Discrete Electronic Components	14,097	16.2	16,700	17.0	2,602
Sub total	44,422	51.0	48,671	49.7	4,248
Computer Systems and Peripherals	34,034	39.0	38,623	39.5	4,589
Electronic Devices	8,726	10.0	10,592	10.8	1,865
Total	87,183	100.0	97,887	100.0	10,703