

# Consolidated Financial Review for the Second Quarter Ended July 31, 2014 [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: September 11, 2014

Due date of starting delivery of dividends: October 1, 2014

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, 2014 (2/1/2014-7/31/2014)

### (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 | %    |
| Six months ended 7/31/14 | 53,987          | 22.7   | 859              | 7.3  | 1,083           | 12.1 |
| Six months ended 7/31/13 | 44,000          | ( 1.5) | 801              | 74.6 | 966             | 96.4 |

Note: Comprehensive income

Six months ended 7/31/14: 856 million yen (-48.7%)

Six months ended 7/31/13: 1,669 million yen (582.9%)

|                          | Net income      |       | Net income per share | Fully diluted net income per share |
|--------------------------|-----------------|-------|----------------------|------------------------------------|
|                          | Millions of yen | %     | Yen                  | Yen                                |
| Six months ended 7/31/14 | 747             | 14.6  | 29.63                | 29.47                              |
| Six months ended 7/31/13 | 652             | 172.7 | 25.26                | 25.18                              |

### (2) Consolidated financial position

|               | Total assets    | Net assets      | Equity ratio | Net assets per share |
|---------------|-----------------|-----------------|--------------|----------------------|
|               | Millions of yen | Millions of yen | %            | Yen                  |
| As of 7/31/14 | 78,912          | 63,589          | 80.5         | 2,517.67             |
| As of 1/31/14 | 79,893          | 63,112          | 78.9         | 2,498.70             |

(Reference) Equity

Year ended 7/31/14: 63,509 million yen

Year ended 1/31/14: 63,032 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 1/31/14             | —                  | 15.00            | —                 | 15.00      | 30.00 |
| Year ending 1/31/15            | —                  | 15.00            | —                 | —          | —     |
| Year ending 1/31/15 (Estimate) | —                  | —                | —                 | 15.00      | 30.00 |

Note: Revision to dividend forecast for this period: None

## 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                  |
| Year ending 1/31/15 | 105,000         | 7.3 | 2,200            | 33.2 | 2,500           | 20.3 | 1,500           | 11.7 | 59.46                |

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: None

(3) Changes in principles, procedures and method of presentation for the quarterly consolidated financial statements

① Changes in accounting policies: None

② Other changes: None

③ Changes in accounting estimate: None

④ Restatement of revisions: None

(4) Number of shares outstanding (common stock)

① Number of shares of common stock issued as of:

(Including treasury stock)

July 31, 2014: 28,200,000 shares

January 31, 2014: 28,800,000 shares

② Number of shares of treasury stock as of:

July 31, 2014: 2,974,382 shares

January 31, 2014: 3,573,940 shares

③ Average number of shares outstanding as of:

July 31, 2014: 25,225,904 shares

July 31, 2013: 25,826,804 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, 2015

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<br>January 31, 2014 | As of<br>July 31, 2014 |
|-------------------------------------|---------------------------|------------------------|
|                                     | Amount                    | Amount                 |
| <b>( Assets )</b>                   |                           |                        |
| <b>Current Assets</b>               |                           |                        |
| Cash and deposits                   | 11,215                    | 16,120                 |
| Notes and accounts receivable-trade | 30,185                    | 29,396                 |
| Short-term investment securities    | 8,500                     | 3,000                  |
| Merchandise and finished goods      | 13,313                    | 13,454                 |
| Deferred tax assets                 | 218                       | 183                    |
| Other                               | 934                       | 895                    |
| Allowance for doubtful accounts     | (17)                      | (17)                   |
| Total current assets                | 64,350                    | 63,034                 |
| <b>Noncurrent assets</b>            |                           |                        |
| Property, plant and equipment       | 240                       | 226                    |
| Intangible assets                   | 536                       | 504                    |
| Investments and other assets        |                           |                        |
| Investment securities               | 12,558                    | 13,498                 |
| Other                               | 2,209                     | 1,650                  |
| Allowance for doubtful accounts     | (1)                       | (1)                    |
| Total investments and other assets  | 14,766                    | 15,147                 |
| Total noncurrent assets             | 15,543                    | 15,877                 |
| Total assets                        | 79,893                    | 78,912                 |

# Consolidated Balance Sheets

(Millions of yen)

|   | As of<br>January 31, 2014 | As of<br>July 31, 2014 |
|---|---------------------------|------------------------|
|   | Amount                    | Amount                 |
| <b>(Liabilities)</b>                                  |                           |                        |
| <b>Current liabilities</b>                            |                           |                        |
| Notes and accounts payable-trade                      | 13,022                    | 11,687                 |
| Income taxes payable                                  | 620                       | 411                    |
| Accrued consumption taxes                             | 36                        | 3                      |
| Provision for bonuses                                 | 128                       | 105                    |
| Other   | 727                       | 673                    |
| Total current liabilities                             | 14,534                    | 12,881                 |
| <b>Noncurrent liabilities</b>                         |                           |                        |
| Provision for retirement benefits                     | 917                       | 937                    |
| Deferred tax liabilities                              | 477                       | 750                    |
| Other   | 851                       | 753                    |
| Total noncurrent liabilities                          | 2,246                     | 2,441                  |
| Total liabilities                                     | 16,781                    | 15,322                 |
| <b>(Net assets)</b>                                   |                           |                        |
| <b>Shareholders' equity</b>                           |                           |                        |
| Capital stock   | 13,672                    | 13,672                 |
| Capital surplus                                       | 13,336                    | 13,336                 |
| Retained earnings                                     | 38,555                    | 38,262                 |
| Treasury stock  | (3,945)                   | (3,283)                |
| Total shareholders' equity                            | 61,618                    | 61,987                 |
| <b>Accumulated other comprehensive income</b>         |                           |                        |
| Valuation difference on available-for-sale securities | 1,248                     | 1,720                  |
| Deferred gains or losses on hedges                    | (0)                       | (0)                    |
| Foreign currency translation adjustment               | 166                       | (197)                  |
| Total accumulated other comprehensive income          | 1,413                     | 1,522                  |
| <b>Subscription rights to shares</b>                  | 79                        | 79                     |
| Total net assets                                      | 63,112                    | 63,589                 |
| Total liabilities and net assets                      | 79,893                    | 78,912                 |

# Consolidated Statements of Income

(Millions of yen)

|  | Six months ended<br>July 31, 2013 | Six months ended<br>July 31, 2014 |
|--|-----------------------------------|-----------------------------------|
|  | Amount                            | Amount                            |
| Net sales  | 44,000                            | 53,987                            |
| Cost of sales  | 39,977                            | 49,809                            |
| <b>Gross profit</b>                                      | <b>4,022</b>                      | <b>4,178</b>                      |
| Selling, general and administrative expenses             |                                   |                                   |
| Provision of allowance for doubtful accounts             | (7)                               | (0)                               |
| Salaries and bonuses                                     | 1,319                             | 1,343                             |
| Provision for bonuses                                    | 134                               | 105                               |
| Retirement benefit expenses                              | 68                                | 68                                |
| Rent expenses  | 179                               | 175                               |
| Depreciation   | 93                                | 76                                |
| Other  | 1,433                             | 1,548                             |
| Total selling, general and administrative expenses       | 3,221                             | 3,319                             |
| <b>Operating income</b>                                  | <b>801</b>                        | <b>859</b>                        |
| Non-operating income                                     |                                   |                                   |
| Interest income  | 87                                | 81                                |
| Dividends income   | 34                                | 76                                |
| Foreign exchange gains                                   | 3                                 | —                                 |
| Purchase discounts                                       | 5                                 | 5                                 |
| Gain on investments in partnership                       | 32                                | 76                                |
| Other  | 10                                | 13                                |
| Total non-operating income                               | 174                               | 253                               |
| Non-operating expenses                                   |                                   |                                   |
| Sales discounts  | 1                                 | 1                                 |
| Foreign exchange losses                                  | —                                 | 24                                |
| Loss on valuation of securities                          | 6                                 | —                                 |
| Loss on abandonment of noncurrent assets                 | 0                                 | 1                                 |
| Other  | 0                                 | 1                                 |
| Total non-operating expenses                             | 9                                 | 29                                |
| <b>Ordinary income</b>                                   | <b>966</b>                        | <b>1,083</b>                      |
| Extraordinary income                                     |                                   |                                   |
| Gain on sales of investment securities                   | 15                                | 32                                |
| Gain on bad debts recovered                              | —                                 | 1                                 |
| Surrender value of insurance                             | —                                 | 78                                |
| Total extraordinary income                               | 15                                | 112                               |
| <b>Income before income taxes and minority interests</b> | <b>982</b>                        | <b>1,196</b>                      |
| Income taxes—current                                     | 390                               | 404                               |
| Income taxes—deferred                                    | (60)                              | 43                                |
| Total income taxes                                       | 329                               | 448                               |
| <b>Income before minority interests</b>                  | <b>652</b>                        | <b>747</b>                        |
| <b>Net income</b>  | <b>652</b>                        | <b>747</b>                        |

## Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Comprehensive Statement of Income)

(Millions of yen)

|  | Six months ended<br>July 31, 2013 | Six months ended<br>July 31, 2014 |
|--|-----------------------------------|-----------------------------------|
|  | Amount                            | Amount                            |
| <b>Income before minority interests</b>                      | 652                               | 747                               |
| <b>Other comprehensive income</b>                            |                                   |                                   |
| Valuation difference on available-for-sale securities        | 299                               | 472                               |
| Deferred gains or losses on hedges                           | (0)                               | 0                                 |
| Foreign currency translation adjustment                      | 718                               | (363)                             |
| Total other comprehensive income                             | 1,017                             | 108                               |
| <b>Comprehensive income</b>                                  | 1,669                             | 856                               |
| (Details)  |                                   |                                   |
| Comprehensive income attributable to owners<br>of the parent | 1,669                             | 856                               |
| Comprehensive income attributable to<br>minority interests   | —                                 | —                                 |

# Consolidated Statements of Cash Flows

(Millions of yen)

|  | Six months ended<br>July 31, 2013 | Six months ended<br>July 31, 2014 |
|--|-----------------------------------|-----------------------------------|
|  | Amount                            | Amount                            |
| <b>I. Cash flows from operating activities</b>                             |                                   |                                   |
| Income before income taxes and minority interests                          | 982                               | 1,196                             |
| Depreciation and amortization  | 99                                | 98                                |
| Loss (gain) on sales and retirement of property, plant and equipment       | 0                                 | (0)                               |
| Gain on investments in partnership   | (32)                              | (76)                              |
| Foreign exchange losses (gains)  | (14)                              | 2                                 |
| Increase (decrease) in provision   | 25                                | (2)                               |
| Interest and dividends income  | (122)                             | (158)                             |
| Loss (gain) on sales of investment securities                              | (15)                              | (32)                              |
| Surrender value of insurance   | —                                 | (78)                              |
| Decrease (Increase) in notes and accounts receivable-trade                 | (255)                             | 564                               |
| Decrease (increase) in inventories   | (259)                             | (227)                             |
| Increase (decrease) in notes and accounts payable-trade                    | 811                               | (1,240)                           |
| Increase (decrease) in accrued consumption taxes                           | 23                                | (32)                              |
| Other, net   | (421)                             | 3                                 |
| Subtotal   | 821                               | 17                                |
| Interest and dividends income received                                     | 119                               | 180                               |
| Income taxes (paid) refund   | (168)                             | (610)                             |
| Net cash provided by (used in) operating activities                        | 773                               | (411)                             |
| <b>II. Cash flows from investing activities</b>                            |                                   |                                   |
| Payments into time deposits  | (2,500)                           | —                                 |
| Proceeds from withdrawal of time deposits                                  | 2,000                             | —                                 |
| Purchase of short-term investment securities                               | (3,000)                           | (1,000)                           |
| Proceeds from redemption of securities                                     | 9,000                             | 7,500                             |
| Purchase of property, plant and equipment and intangible assets            | (53)                              | (58)                              |
| Proceeds from sales of property, plant and equipment and intangible assets | 0                                 | —                                 |
| Purchase of investment securities  | (5,292)                           | (1,441)                           |
| Proceeds from sales of investment securities                               | 149                               | 75                                |
| Proceeds from distribution of investment in partnerships                   | 61                                | 209                               |
| Proceeds from cancellation of insurance funds                              | —                                 | 578                               |
| Other, net   | 43                                | 44                                |
| Net cash provided by (used in) investing activities                        | 408                               | 5,908                             |
| <b>III. Cash flows from financing activities</b>                           |                                   |                                   |
| Cash dividends paid  | (386)                             | (377)                             |
| Repayments of lease obligations  | (1)                               | (84)                              |
| Other, net   | (0)                               | (0)                               |
| Net cash provided by (used in) financing activities                        | (387)                             | (462)                             |
| <b>IV. Effect of exchange rate change on cash and cash equivalents</b>     | <b>413</b>                        | <b>(139)</b>                      |
| <b>V. Net increase (decrease) in cash and cash equivalents</b>             | <b>1,206</b>                      | <b>4,895</b>                      |
| <b>VI. Cash and cash equivalents at beginning of period</b>                | <b>13,226</b>                     | <b>11,023</b>                     |
| <b>VII. Cash and cash equivalents at end of the period</b>                 | <b>14,432</b>                     | <b>15,918</b>                     |



## Consolidated Sales by Product

(Millions of yen)

|                        | Six months ended<br>July 31, 2013 |                | Six months ended<br>July 31, 2014 |                | Increase<br>(Decrease) |
|------------------------|-----------------------------------|----------------|-----------------------------------|----------------|------------------------|
|                        | Amount                            | Composition(%) | Amount                            | Composition(%) |                        |
| Semiconductors/Devices | 27,040                            | 61.5           | 32,053                            | 59.4           | 5,013                  |
| ICT/Solutions          | 16,959                            | 38.5           | 21,934                            | 40.6           | 4,974                  |
| Total                  | 44,000                            | 100.0          | 53,987                            | 100.0          | 9,987                  |