

Financial Review for the Year Ended January 31, 2016

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
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Due date of annual shareholders meeting : April 27, 2016
 Due date of starting delivery of dividends : April 28, 2016
 Due date of submitting of financial statement: April 27, 2016
 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, 2016 (2/1/2015-1/31/2016)

(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 1/31/16	112,332	2.0	876	(57.3)	1,096	(56.1)
Year ended 1/31/15	110,107	12.5	2,053	24.3	2,498	20.3

Note: Comprehensive income

Year ended 1/31/16: (194) million yen (-%)

Year ended 1/31/15: 3,017 million yen (-5.8%)

	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 1/31/16	743	(55.9)	30.01	29.86	1.1	1.4	0.8
Year ended 1/31/15	1,683	25.4	66.74	66.39	2.6	3.1	1.9

(Reference) Investment profit/loss on equity method:

Year ended 1/31/16: - million yen

Year ended 1/31/15: - 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 1/31/16	76,865	63,921	83.1	2,591.70
As of 1/31/15	82,937	65,583	79.0	2,595.83

(Reference) Equity

Year ended 1/31/16: 63,849 million yen

Year ended 1/31/15: 65,511 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 1/31/16	1,169	3,223	(1,654)	13,535
Year ended 1/31/15	(4,827)	5,293	(755)	10,868

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 1/31/15	15.00	15.00	30.00	765	44.9	1.2
Year ending 1/31/16	15.00	15.00	30.00	739	100.0	1.2
Year ending 1/31/17 (Estimate)	20.00	20.00	40.00	—	70.9	—

3. Financial forecast for the year ending January 31, 2017 (2/1/2016-1/31/2017)

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

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	Millions of yen %	Millions of yen %	Millions of yen %	Millions of yen %	Yen
Six months ending 7/31/16	53,000 (9.6)	800 (28.5)	800 (44.4)	530 (51.7)	21.51
Year ending 1/31/17	110,000 (2.1)	2,100 139.5	2,100 91.6	1,390 87.0	56.42

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: None

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, 2016: 28,200,000 shares

January 31, 2015: 28,200,000 shares

② Number of shares of treasury stock:

January 31, 2016: 3,563,991 shares

January 31, 2015: 2,962,905 shares

③ Average number of shares outstanding as of:

January 31, 2016: 24,771,876 shares

January 31, 2015: 25,228,440 shares

(Reference) Non-consolidated financial review

1. Financial highlights for the year ended January 31, 2016 (2/1/2015-1/31/2016)

(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 1/31/16	99,432	0.2	676	(63.6)	891	(60.8)
Year ended 1/31/15	99,240	14.2	1,861	42.7	2,276	36.2

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended 1/31/16	585	(60.6)	23.64	23.52
Year ended 1/31/15	1,487	49.8	58.98	58.66

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 1/31/16	71,240	59,277	83.1	2,403.18
As of 1/31/15	77,083	60,906	78.9	2,410.49

(Reference) Equity

Year ended 1/31/16: 59,204 million yen

Year ended 1/31/15: 60,833 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, 2017

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, 2015	As of January 31, 2016
	Amount	Amount
(Assets)		
Current Assets		
Cash and deposits	11,616	13,535
Notes and accounts receivable-trade	34,446	33,523
Securities	2,000	1,538
Merchandise and finished goods	14,482	11,184
Deferred tax assets	214	354
Other	2,438	2,110
Allowance for doubtful accounts	(20)	(5)
Total current assets	65,177	62,241
Noncurrent assets		
Property, plant and equipment		
Tools, furniture and fixtures, net	81	102
Land	5	5
Other, net	109	71
Total property, plant and equipment	196	180
Intangible assets	645	669
Investments and other assets		
Investment securities	14,979	11,670
Net defined benefit asset	798	1,075
Other	1,141	1,064
Allowance for doubtful accounts	(1)	(36)
Total investments and other assets	16,917	13,774
Total noncurrent assets	17,759	14,624
Total assets	82,937	76,865

Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2015	As of January 31, 2016
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	12,753	9,565
Income taxes payable	573	142
Accrued consumption taxes	3	6
Provision for bonuses	119	130
Other	1,356	1,150
Total current liabilities	14,806	10,994
Noncurrent liabilities		
Net defined benefit liability	895	802
Deferred tax liabilities	948	542
Other	703	603
Total noncurrent liabilities	2,547	1,948
Total liabilities	17,353	12,943
(Net assets)		
Shareholders' equity		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	38,813	38,997
Treasury stock	(3,270)	(4,178)
Total shareholders' equity	62,551	61,827
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,843	1,085
Deferred gains or losses on hedges	(0)	9
Foreign currency translation adjustment	904	743
Remeasurements of defined benefit plans	211	183
Total accumulated other comprehensive income	2,959	2,021
Subscription rights to shares	72	72
Total net assets	65,583	63,921
Total liabilities and net assets	82,937	76,865

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Statement of Income)

(Millions of yen)

	Year ended January 31, 2015	Year ended January 31, 2016
	Amount	Amount
Net sales	110,107	112,332
Cost of sales	101,306	104,479
Gross profit	8,801	7,852
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	3	20
Salaries and bonuses	2,842	2,869
Provision for bonuses	119	130
Retirement benefit expenses	137	107
Rent expenses	349	339
Depreciation	153	197
Other	3,142	3,311
Total selling, general and administrative expenses	6,747	6,976
Operating income	2,053	876
Non-operating income		
Interest income	145	96
Dividend income	137	113
Purchase discounts	12	11
Gain on investments in partnership	205	179
Other	22	19
Total non-operating income	523	420
Non-operating expenses		
Sales discounts	3	4
Loss on valuation of investment securities	49	73
Foreign exchange losses	15	103
Commission fee	7	14
Loss on abandonment of noncurrent assets	1	2
Other	0	2
Total non-operating expenses	78	201
Ordinary income	2,498	1,096
Extraordinary income		
Gain on sales of investment securities	212	370
Gain on bad debts recovered	1	—
Surrender value of insurance	78	—
Total extraordinary income	292	370
Extraordinary losses		
Loss on sales of investment securities	11	101
Impairment loss	—	141
Special extra retirement payments	70	—
Settlement package	20	—
Total extraordinary losses	101	243
Income before income taxes and minority interests	2,689	1,222
Income taxes—current	980	611
Income taxes—deferred	25	(132)
Total income taxes	1,005	479
Income before minority interests	1,683	743
Net income	1,683	743

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Comprehensive Statement of Income)

(Millions of yen)

	Year ended January 31, 2015	Year ended January 31, 2016
	Amount	Amount
Income before minority interests	1,683	743
Other comprehensive income		
Valuation difference on available-for-sale securities	595	(758)
Deferred gains or losses on hedges	0	9
Foreign currency translation adjustment	738	(161)
Remeasurements of defined benefit plans, net of tax	—	(28)
Total other comprehensive income	1,333	(937)
Comprehensive income	3,017	(194)
(Details)		
Comprehensive income attributable to owners of the parent	3,017	(194)
Comprehensive income attributable to minority interests	—	—

Consolidated Statements of Changes in Net Assets

Previous period (From February 1, 2014 to January 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	13,672	13,336	38,555	(3,945)	61,618
Changes of items during the period					
Dividends from surplus			(756)		(756)
Net income			1,683		1,683
Purchase of treasury stock				(1)	(1)
Retirement of treasury stock			(662)	662	—
Exercise subscription rights to shares			(6)	13	6
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	258	674	932
Balance at the end of current period	13,672	13,336	38,813	(3,270)	62,551

	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	Remeasurements of defined benefit plans		
Balance at the beginning of current period	1,248	(0)	166	—	79	63,112
Changes of items during the period						
Dividends from surplus						(756)
Net income						1,683
Purchase of treasury stock						(1)
Retirement of treasury stock						—
Exercise subscription rights to shares						6
Net changes of items other than shareholders' equity	595	0	738	211	(6)	1,538
Total changes of items during the period	595	0	738	211	(6)	2,471
Balance at the end of current period	1,843	(0)	904	211	72	65,583

Consolidated Statements of Changes in Net Assets

Current period (From February 1, 2015 to January 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	13,672	13,336	38,813	(3,270)	62,551
Cumulative effects of changes in accounting policies			188		188
Restarted balance	13,672	13,336	39,002	(3,270)	62,740
Changes of items during the period					
Dividends from surplus			(748)		(748)
Net income			743		743
Purchase of treasury stock				(908)	(908)
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	(4)	(908)	(913)
Balance at the end of current period	13,672	13,336	38,997	(4,178)	61,827

	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	Remeasurements of defined benefit plans		
Balance at the beginning of current period	1,843	(0)	904	211	72	65,583
Cumulative effects of changes in accounting policies						188
Restarted balance	1,843	(0)	904	211	72	65,772
Changes of items during the period						
Dividends from surplus						(748)
Net income						743
Purchase of treasury stock						(908)
Net changes of items other than shareholders' equity	(758)	9	(161)	(28)	—	(937)
Total changes of items during the period	(758)	9	(161)	(28)	—	(1,850)
Balance at the end of current period	1,085	9	743	183	72	63,921

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended January 31, 2015	Year ended January 31, 2016
	Amount	Amount
I. Cash flows from operating activities		
Income before income taxes	2,689	1,222
Depreciation and amortization	217	239
Loss (gain) on sales and retirement of noncurrent assets	(0)	2
Impairment loss	—	141
Loss (gain) on investments in partnership	(205)	(179)
Foreign exchange losses (gains)	146	35
Increase (decrease) in provision	(923)	30
Increase (decrease) in net defined benefit liability	927	(12)
Interest and dividends income	(283)	(209)
Loss (gain) on sales of investment securities	(201)	(268)
Loss (gain) on valuation of investment securities	49	73
Surrender value of insurance	(78)	—
Decrease (Increase) in notes and accounts receivable-trade	(3,645)	802
Decrease (increase) in inventories	(908)	3,286
Increase (decrease) in notes and accounts payable-trade	(998)	(3,188)
Increase (decrease) in accrued consumption taxes	(33)	3
Other, net	(838)	(43)
Subtotal	(4,086)	1,936
Interest and dividends income received	310	235
Income taxes refund (paid)	(1,052)	(1,002)
Net cash provided by (used in) operating activities	(4,827)	1,169
II. Cash flows from investing activities		
Payments into time deposits	(757)	—
Proceeds from withdrawal of time deposits	315	750
Purchase of short-term investment securities	(1,000)	—
Proceeds from redemption of securities	9,500	2,000
Purchase of property, plant and equipment and intangible assets	(287)	(411)
Proceeds from sales of property, plant equipment and intangible	4	—
Purchase of investment securities	(5,766)	(3,290)
Proceeds from sales of investment securities	2,066	2,774
Proceeds from redemption of investment securities	—	1,200
Purchase of shares of subsidiaries and associates	—	(204)
Proceeds from distribution of investment in partnerships	514	393
Proceeds from cancellation of insurance funds	578	—
Other, net	125	11
Net cash provided by (used in) investing activities	5,293	3,223
III. Cash flows from financing activities		
Cash dividends paid	(754)	(746)
Purchase of treasury stock	(1)	(908)
Net cash provided by (used in) financing activities	(755)	(1,654)
IV. Effect of exchange rate changes on cash and cash equivalents	135	(71)
V. Net increase (decrease) in cash and cash equivalents	(154)	2,666
VI. Cash and cash equivalents at beginning of period	11,023	10,868
VII. Cash and cash equivalents at end of period	10,868	13,535

Consolidated Sales by Product

(Millions of yen)

	Year ended January 31, 2015		Year ended January 31, 2016		Increase (Decrease)
	Amount	Composition (%)	Amount	Composition (%)	
Semiconductors/Devices	68,144	61.9	72,312	64.4	4,167
ICT/Solutions	41,962	38.1	40,020	35.6	(1,942)
Total	110,107	100.0	112,332	100.0	2,224