

# Consolidated Financial Review for the Second Quarter Ended July 31, 2016 [Japanese standards] (Consolidated)

Company name: **RYOYO ELECTRO CORPORATION**  
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Due date of submitting of quarterly financial statement: September 9, 2016

Due date of starting delivery of dividends: October 3, 2016

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, 2016 (2/1/2016-7/31/2016)

### (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	%
Six months ended 7/31/16	49,291	(16.0)	787	(29.6)	801	(44.2)
Six months ended 7/31/15	58,651	8.6	1,118	30.1	1,437	32.7

Note: Comprehensive income

Six months ended 7/31/16: -147 million yen (-%)

Six months ended 7/31/15: 1,023 million yen (19.5%)

	Profit attributable to owners of parent		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Six months ended 7/31/16	564	(48.6)	23.00	22.88
Six months ended 7/31/15	1,097	46.9	44.07	43.85

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 7/31/16	75,304	63,205	83.9	2,576.55
As of 1/31/16	76,865	63,921	83.1	2,591.70

(Reference) Equity

Year ended 7/31/16: 63,145 million yen

Year ended 1/31/16: 63,849 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 1/31/16	—	15.00	—	15.00	30.00
Year ending 1/31/17	—	20.00	—	—	—
Year ending 1/31/17 (Estimate)	—	—	—	20.00	40.00

Note: Revision to dividend forecast for this period: None

## 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
Year ending 1/31/17	110,000	(2.1)	2,100	139.5	2,100	91.6	1,390	87.0	56.63

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: Yes

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, 2016: 27,600,000 shares

January 31, 2016: 28,200,000 shares

② Number of shares of treasury stock as of:

July 31, 2016: 3,092,147 shares

January 31, 2016: 3,563,991 shares

③ Average number of shares outstanding as of:

July 31, 2016: 24,544,837 shares

July 31, 2015: 24,909,729 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, 2017

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 January 31, 2016	As of July 31, 2016
	Amount	Amount
<b>( Assets )</b>		
<b>Current Assets</b>		
Cash and deposits	13,535	17,525
Notes and accounts receivable-trade	33,523	29,841
Securities	1,538	1,000
Merchandise and finished goods	11,184	9,982
Deferred tax assets	354	352
Other	2,110	2,190
Allowance for doubtful accounts	(5)	(5)
Total current assets	62,241	60,887
<b>Noncurrent assets</b>		
Property, plant and equipment	180	165
Intangible assets	669	725
Investments and other assets		
Investment securities	11,670	11,872
Net defined benefit asset	1,075	1,124
Other	1,064	563
Allowance for doubtful accounts	(36)	(34)
Total investments and other assets	13,774	13,526
Total noncurrent assets	14,624	14,417
Total assets	76,865	75,304

# Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2016	As of July 31, 2016
	Amount	Amount
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	9,565	9,254
Income taxes payable	142	267
Accrued consumption taxes	6	6
Provision for bonuses	130	123
Other	1,150	925
Total current liabilities	10,994	10,578
<b>Noncurrent liabilities</b>		
Net defined benefit liability	802	804
Deferred tax liabilities	542	619
Other	603	96
Total noncurrent liabilities	1,948	1,520
Total liabilities	12,943	12,099
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	38,997	38,476
Treasury stock	(4,178)	(3,649)
Total shareholders' equity	61,827	61,835
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,085	1,341
Deferred gains or losses on hedges	9	(0)
Foreign currency translation adjustment	743	(217)
Remeasurements of defined benefit plans	183	186
Total accumulated other comprehensive income	2,021	1,310
<b>Subscription rights to shares</b>	72	59
Total net assets	63,921	63,205
Total liabilities and net assets	76,865	75,304

## Consolidated Statements of Income

(Millions of yen)

	Six months ended July 31, 2015	Six months ended July 31, 2016
	Amount	Amount
Net sales	58,651	49,291
Cost of sales	54,028	45,180
<b>Gross profit</b>	<b>4,623</b>	<b>4,110</b>
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	(14)	(0)
Salaries and bonuses	1,378	1,320
Provision for bonuses	145	125
Retirement benefit expenses	53	68
Rent expenses	173	165
Depreciation	79	122
Other	1,688	1,521
Total selling, general and administrative expenses	3,504	3,322
<b>Operating income</b>	<b>1,118</b>	<b>787</b>
Non-operating income		
Interest income	57	27
Dividends income	68	82
Purchase discounts	6	5
Gain on valuation of investment securities	44	—
Gain on investments in partnership	166	—
Other	9	18
Total non-operating income	352	134
Non-operating expenses		
Sales discounts	2	2
Loss on redemption of securities	—	50
Loss on valuation of investment securities	—	18
Foreign exchange losses	20	40
Commission fee	7	6
Loss on abandonment of noncurrent assets	0	0
Other	2	3
Total non-operating expenses	33	120
<b>Ordinary income</b>	<b>1,437</b>	<b>801</b>
Extraordinary income		
Gain on sales of investment securities	370	105
Other	—	20
Total extraordinary income	370	126
Extraordinary losses		
Loss on sales of investment securities	101	100
Total extraordinary losses	101	100
<b>Income before income taxes and minority interests</b>	<b>1,705</b>	<b>826</b>
Income taxes—current	566	240
Income taxes—deferred	41	21
Total income taxes	607	262
<b>Profit</b>	<b>1,097</b>	<b>564</b>
<b>Profit attributable to owners of parent</b>	<b>1,097</b>	<b>564</b>

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

(Consolidated Comprehensive Statement of Income)

(Millions of yen)

	Six months ended July 31, 2015	Six months ended July 31, 2016
	Amount	Amount
<b>Profit attributable to owners of parent</b>	1,097	564
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(21)	256
Deferred gains or losses on hedges	0	(9)
Foreign currency translation adjustment	(52)	(961)
Remeasurements of defined benefit plans, net of tax	(0)	3
Total other comprehensive income	(74)	(711)
<b>Comprehensive income</b>	1,023	(147)
(Details)		
Comprehensive income attributable to owners of the parent	1,023	(147)
Comprehensive income attributable to non-controlling interests	—	—

# Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended July 31, 2015	Six months ended July 31, 2016
	Amount	Amount
<b>I. Cash flows from operating activities</b>		
Income before income taxes and minority interests	1,705	826
Depreciation	108	122
Loss (gain) on sales and retirement of property, plant and equipment	0	0
Loss (gain) on investments in partnership	(166)	2
Foreign exchange losses (gains)	56	(47)
Increase (decrease) in provision	10	(5)
Increase (decrease) in net defined benefit liability	(80)	(2)
Interest and dividend income	(125)	(110)
Loss (gain) on redemption of securities	—	50
Loss (gain) on valuation of investment securities	(44)	18
Loss (gain) on sales of investment securities	(268)	(4)
Decrease (Increase) in notes and accounts receivable-trade	1,366	2,878
Decrease (increase) in inventories	(978)	938
Increase (decrease) in notes and accounts payable-trade	(1,123)	367
Increase (decrease) in accrued consumption taxes	3	1
Other, net	178	(343)
Subtotal	643	4,693
Interest and dividend income received	136	123
Income taxes (paid) refund	(617)	(166)
Net cash provided by (used in) operating activities	163	4,650
<b>II. Cash flows from investing activities</b>		
Payments into time deposits	(240)	(596)
Proceeds from withdrawal of time deposits	384	—
Proceeds from redemption of securities	1,000	1,493
Purchase of property, plant and equipment and intangible assets	(330)	(165)
Proceeds from sales of property, plant and equipment and intangible assets	—	0
Purchase of investment securities	(2,569)	(2,521)
Proceeds from sales of investment securities	2,771	1,555
Proceeds from redemption of investment securities	900	—
Purchase of shares of subsidiaries and associates	(154)	—
Payments of loans receivable from subsidiaries and associates	—	(7)
Proceeds from distribution of investment in partnerships	302	47
Other, net	9	3
Net cash provided by (used in) investing activities	2,073	(190)
<b>III. Cash flows from financing activities</b>		
Cash dividends paid	(377)	(368)
Purchase of treasury stock	(907)	(200)
Net cash provided by (used in) financing activities	(1,285)	(569)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	(10)	(436)
<b>V. Net increase (decrease) in cash and cash equivalents</b>	941	3,454
<b>VI. Cash and cash equivalents at beginning of period</b>	10,868	13,535
<b>VII. Cash and cash equivalents at end of period</b>	11,810	16,990



## Consolidated Sales by Product

(Millions of yen)

	Six months ended July 31, 2015		Six months ended July 31, 2016		Increase (Decrease)
	Amount	Composition (%)	Amount	Composition (%)	
Semiconductors/Devices	37,922	64.7	29,470	59.8	(8,451)
ICT/Solutions	20,729	35.3	19,820	40.2	(909)
Total	58,651	100.0	49,291	100.0	(9,360)