

Consolidated Financial Review for the Third Quarter Ended October 31, 2016 [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: December 9, 2016

Due date of starting delivery of dividends: -

Supplementary materials for the quarterly financial results: None

Investor conference for the quarterly financial results: None

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

1. Financial highlights for the third quarter ended October 31, 2016 (2/1/2016-10/31/2016)

(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	%
Nine months ended 10/31/16	72,965	(13.8)	1,102	180.2	1,136	63.8
Nine months ended 10/31/15	84,672	4.6	393	(71.7)	693	(58.6)

Note: Comprehensive income

Nine months ended 10/31/16: 175 million yen (274.6%)

Nine months ended 10/31/15: 46 million yen (-97.3%)

	Profit attributable to owners of parent		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Nine months ended 10/31/16	683	31.3	27.87	27.74
Nine months ended 10/31/15	520	(53.8)	20.98	20.87

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 10/31/16	75,720	63,037	83.2	2,569.70
As of 1/31/16	76,865	63,921	83.1	2,591.70

(Reference) Equity

Year ended 10/31/16: 62,977 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	97,000	(13.6)	1,350	53.9	1,350	23.2	850	14.3	34.65

Note: Revisions to financial forecast for this period: Yes

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)

October 31, 2016: 27,600,000 shares

January 31, 2016: 28,200,000 shares

② Number of shares of treasury stock as of:

October 31, 2016: 3,092,360 shares

January 31, 2016: 3,563,991 shares

③ Average number of shares outstanding as of:

October 31, 2016: 24,532,396 shares

October 31, 2015: 24,817,618 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 October 31, 2016
	Amount	Amount
(Assets)		
Current Assets		
Cash and deposits	13,535	18,090
Notes and accounts receivable-trade	33,523	28,441
Securities	1,538	1,000
Merchandise and finished goods	11,184	11,360
Deferred tax assets	354	377
Other	2,110	1,434
Allowance for doubtful accounts	(5)	(5)
Total current assets	62,241	60,698
Noncurrent assets		
Property, plant and equipment	180	157
Intangible assets	669	680
Investments and other assets		
Investment securities	11,670	12,351
Net defined benefit asset	1,075	1,148
Other	1,064	718
Allowance for doubtful accounts	(36)	(34)
Total investments and other assets	13,774	14,184
Total noncurrent assets	14,624	15,022
Total assets	76,865	75,720

Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2016	As of October 31, 2016
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	9,565	9,594
Income taxes payable	142	140
Accrued consumption taxes	6	12
Provision for bonuses	130	241
Other	1,150	846
Total current liabilities	10,994	10,836
Noncurrent liabilities		
Net defined benefit liability	802	814
Deferred tax liabilities	542	793
Other	603	238
Total noncurrent liabilities	1,948	1,846
Total liabilities	12,943	12,683
(Net assets)		
Shareholders' equity		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	38,997	38,105
Treasury stock	(4,178)	(3,649)
Total shareholders' equity	61,827	61,464
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,085	1,712
Deferred gains or losses on hedges	9	(0)
Foreign currency translation adjustment	743	(385)
Remeasurements of defined benefit plans	183	186
Total accumulated other comprehensive income	2,021	1,513
Subscription rights to shares	72	59
Total net assets	63,921	63,037
Total liabilities and net assets	76,865	75,720

Consolidated Statements of Income

(Millions of yen)

	Nine months ended October 31, 2015	Nine months ended October 31, 2016
	Amount	Amount
Net sales	84,672	72,965
Cost of sales	79,040	66,891
Gross profit	5,631	6,074
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	(3)	(0)
Salaries and bonuses	2,011	1,913
Provision for bonuses	246	244
Retirement benefit expenses	78	102
Rent expenses	259	249
Depreciation	138	185
Other	2,507	2,276
Total selling, general and administrative expenses	5,238	4,971
Operating income	393	1,102
Non-operating income		
Interest income	76	44
Dividends income	85	84
Purchase discounts	9	7
Gain on valuation of investment securities	14	18
Gain on investments in partnership	164	—
Other	22	22
Total non-operating income	373	178
Non-operating expenses		
Sales discounts	3	2
Loss on redemption of securities	—	50
Foreign exchange losses	53	74
Commission fee	11	9
Loss on abandonment of noncurrent assets	2	0
Other	2	6
Total non-operating expenses	73	143
Ordinary income	693	1,136
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
Loss on valuation of investment securities	—	104
Impairment loss	141	—
Total extraordinary losses	243	205
Income before income taxes and minority interests	820	1,057
Income taxes—current	516	365
Income taxes—deferred	(216)	8
Total income taxes	300	374
Profit	520	683
Profit attributable to owners of parent	520	683

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Comprehensive Statement of Income)

(Millions of yen)

	Nine months ended October 31, 2015	Nine months ended October 31, 2016
	Amount	Amount
Profit attributable to owners of parent	520	683
Other comprehensive income		
Valuation difference on available-for-sale securities	(282)	627
Deferred gains or losses on hedges	(0)	(9)
Foreign currency translation adjustment	(184)	(1,128)
Remeasurements of defined benefit plans, net of tax	(6)	2
Total other comprehensive income	(473)	(508)
Comprehensive income	46	175
(Details)		
Comprehensive income attributable to owners of the parent	46	175
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Sales by Product

(Millions of yen)

	Nine months ended October 31, 2015		Nine months ended October 31, 2016		Increase (Decrease)
	Amount	Composition(%)	Amount	Composition(%)	
Semiconductors/Devices	54,913	64.9	44,107	60.4	(10,806)
ICT/Solutions	29,758	35.1	28,858	39.6	(899)
Total	84,672	100.0	72,965	100.0	(11,706)