

Financial Review for the Year Ended January 31, 2017

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, 2017
 Due date of starting delivery of dividends : April 28, 2017
 Due date of submitting of financial statement: April 27, 2017
 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, 2017 (2/1/2016-1/31/2017)

(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 1/31/17	98,417	(12.4)	1,373	56.6	1,545	41.0
Year ended 1/31/16	112,332	2.0	876	(57.3)	1,096	(56.1)

Note: Comprehensive income

Year ended 1/31/17: 1,998 million yen (-%)

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

	Profit attributable to owners of parent		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 1/31/17	822	10.7	33.54	33.40	1.3	2.0	1.4
Year ended 1/31/16	743	(55.9)	30.01	29.86	1.1	1.4	0.8

(Reference) Investment profit/loss on equity method:

Year ended 1/31/17: - million yen

Year ended 1/31/16: - 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 1/31/17	77,973	64,859	83.1	2,644.10
As of 1/31/16	76,865	63,921	83.1	2,591.70

(Reference) Equity

Year ended 1/31/17: 64,799 million yen

Year ended 1/31/16: 63,849 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 1/31/17	6,675	198	(1,058)	19,343
Year ended 1/31/16	1,169	3,223	(1,654)	13,535

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 1/31/16	15.00	15.00	30.00	739	100.0	1.2
Year ended 1/31/17	20.00	20.00	40.00	980	119.2	1.5
Year ending 1/31/18 (Estimate)	30.00	30.00	60.00	—	133.7	—

3. Financial forecast for the year ending January 31, 2018 (2/1/2017-1/31/2018)

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 7/31/17	48,000 (2.6)	650 (17.5)	700 (12.7)	450 (20.3)	18.36
Year ending 1/31/18	100,000 1.6	1,550 12.9	1,650 6.8	1,100 33.7	44.88

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, 2017: 27,600,000 shares

January 31, 2016: 28,200,000 shares

② Number of shares of treasury stock:

January 31, 2017: 3,092,672 shares

January 31, 2016: 3,563,991 shares

③ Average number of shares outstanding as of:

January 31, 2017: 24,526,133 shares

January 31, 2016: 24,771,876 shares

(Reference) Non-consolidated financial review

1. Financial highlights for the year ended January 31, 2017 (2/1/2016-1/31/2017)

(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 1/31/17	88,187	(11.3)	1,163	71.9	1,326	48.8
Year ended 1/31/16	99,432	0.2	676	(63.6)	891	(60.8)

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended 1/31/17	645	10.3	26.33	26.22
Year ended 1/31/16	585	(60.6)	23.64	23.52

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 1/31/17	72,742	60,213	82.7	2,454.51
As of 1/31/16	71,240	59,277	83.1	2,403.18

(Reference) Equity

Year ended 1/31/17: 60,153 million yen

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

Indication regarding the implementation status of auditing procedure

This Financial Review is not subject to audit procedure under the Financial Instruments and Exchange Act.

Caution on estimates for the year ending January 31, 2018

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, 2016	As of January 31, 2017
	Amount	Amount
(Assets)		
Current Assets		
Cash and deposits	13,535	19,517
Notes and accounts receivable-trade	33,523	29,291
Securities	1,538	1,000
Merchandise and finished goods	11,184	10,582
Deferred tax assets	354	291
Other	2,110	1,247
Allowance for doubtful accounts	(5)	(5)
Total current assets	62,241	61,925
Noncurrent assets		
Property, plant and equipment		
Tools, furniture and fixtures, net	102	92
Land	5	5
Other, net	71	63
Total property, plant and equipment	180	161
Intangible assets	669	630
Investments and other assets		
Investment securities	11,670	13,368
Net defined benefit asset	1,075	1,216
Other	1,064	716
Allowance for doubtful accounts	(36)	(44)
Total investments and other assets	13,774	15,256
Total noncurrent assets	14,624	16,048
Total assets	76,865	77,973

Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2016	As of January 31, 2017
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	9,565	9,633
Income taxes payable	142	205
Accrued consumption taxes	6	25
Provision for bonuses	130	186
Other	1,150	910
Total current liabilities	10,994	10,961
Noncurrent liabilities		
Net defined benefit liability	802	778
Deferred tax liabilities	542	1,162
Other	603	211
Total noncurrent liabilities	1,948	2,153
Total liabilities	12,943	13,114
(Net assets)		
Shareholders' equity		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	38,997	38,244
Treasury stock	(4,178)	(3,649)
Total shareholders' equity	61,827	61,602
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,085	2,446
Deferred gains or losses on hedges	9	(0)
Foreign currency translation adjustment	743	528
Remeasurements of defined benefit plans	183	222
Total accumulated other comprehensive income	2,021	3,197
Subscription rights to shares	72	59
Total net assets	63,921	64,859
Total liabilities and net assets	76,865	77,973

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Statement of Income)

(Millions of yen)

	Year ended January 31, 2016	Year ended January 31, 2017
	Amount	Amount
Net sales	112,332	98,417
Cost of sales	104,479	90,318
Gross profit	7,852	8,099
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	20	7
Salaries and bonuses	2,869	2,750
Provision for bonuses	130	187
Retirement benefit expenses	107	136
Rent expenses	339	334
Depreciation	197	249
Other	3,311	3,059
Total selling, general and administrative expenses	6,976	6,726
Operating income	876	1,373
Non-operating income		
Interest income	96	65
Dividend income	113	111
Purchase discounts	11	10
Gain on valuation of investment securities	—	66
Gain on investments in partnership	179	71
Other	19	28
Total non-operating income	420	353
Non-operating expenses		
Sales discounts	4	4
Loss on redemption of securities	—	50
Loss on valuation of investment securities	73	—
Foreign exchange losses	103	108
Commission fee	14	11
Loss on abandonment of noncurrent assets	2	0
Other	2	5
Total non-operating expenses	201	180
Ordinary income	1,096	1,545
Extraordinary income		
Gain on sales of investment securities	370	105
Total extraordinary income	370	105
Extraordinary losses		
Loss on sales of investment securities	101	100
Loss on valuation of investment securities	—	104
Impairment loss	141	—
Loss on valuation of shares of subsidiaries and associates	—	99
Other	—	4
Total extraordinary losses	243	309
Income before income taxes and minority interests	1,222	1,341
Income taxes—current	611	396
Income taxes—deferred	(132)	122
Total income taxes	479	519
Profit	743	822
Profit attributable to owners of parent	743	822

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Comprehensive Statement of Income)

(Millions of yen)

	Year ended January 31, 2016	Year ended January 31, 2017
	Amount	Amount
Profit attributable to owners of parent	743	822
Other comprehensive income		
Valuation difference on available-for-sale securities	(758)	1,360
Deferred gains or losses on hedges	9	(9)
Foreign currency translation adjustment	(161)	(214)
Remeasurements of defined benefit plans, net of tax	(28)	38
Total other comprehensive income	(937)	1,175
Comprehensive income	(194)	1,998
(Details)		
Comprehensive income attributable to owners of the parent	(194)	1,998
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statements of Changes in Net Assets

Previous 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)
Profit attributable to owners of parent			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)
Profit attributable to owners of parent						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 Changes in Net Assets

Current period (From February 1, 2016 to January 31, 2017)

(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	38,997	(4,178)	61,827
Changes of items during the period					
Dividends from surplus			(859)		(859)
Profit attributable to owners of parent			822		822
Purchase of treasury stock				(200)	(200)
Retirement of treasury stock			(703)	703	—
Exercise subscription rights to shares			(13)	25	12
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	(753)	528	(224)
Balance at the end of current period	13,672	13,336	38,244	(3,649)	61,602

	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	1,085	9	743	183	72	63,921
Changes of items during the period						
Dividends from surplus						(859)
Profit attributable to owners of parent						822
Purchase of treasury stock						(200)
Retirement of treasury stock						—
Exercise subscription rights to shares						12
Net changes of items other than shareholders' equity	1,360	(9)	(214)	38	(12)	1,162
Total changes of items during the period	1,360	(9)	(214)	38	(12)	937
Balance at the end of current period	2,446	(0)	528	222	59	64,859

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended January 31, 2016	Year ended January 31, 2017
	Amount	Amount
I. Cash flows from operating activities		
Income before income taxes	1,222	1,341
Depreciation and amortization	239	249
Loss (gain) on sales and retirement of noncurrent assets	2	1
Impairment loss	141	—
Loss (gain) on investments in partnership	(179)	(71)
Foreign exchange losses (gains)	35	(10)
Increase (decrease) in provision	30	66
Increase (decrease) in net defined benefit liability	(12)	(24)
Interest and dividends income	(209)	(176)
Loss (gain) on redemption of securities	—	50
Loss (gain) on sales of investment securities	(268)	(4)
Loss (gain) on valuation of investment securities	73	38
Loss on valuation of shares of subsidiaries and associates	—	99
Decrease (Increase) in notes and accounts receivable-trade	802	3,879
Decrease (increase) in inventories	3,286	486
Increase (decrease) in notes and accounts payable-trade	(3,188)	381
Increase (decrease) in accrued consumption taxes	3	19
Other, net	(43)	569
Subtotal	1,936	6,894
Interest and dividends income received	235	190
Income taxes refund (paid)	(1,002)	(409)
Net cash provided by (used in) operating activities	1,169	6,675
II. Cash flows from investing activities		
Payments into time deposits	—	(1,180)
Proceeds from withdrawal of time deposits	750	1,015
Proceeds from redemption of securities	2,000	1,470
Purchase of property, plant and equipment and intangible assets	(411)	(193)
Proceeds from sales of property, plant and equipment and intangible assets	—	0
Purchase of investment securities	(3,290)	(3,149)
Proceeds from sales of investment securities	2,774	1,801
Proceeds from redemption of investment securities	1,200	300
Purchase of shares of subsidiaries and associates	(204)	—
Payments of loans receivable from subsidiaries and associates	—	(33)
Proceeds from distribution of investment in partnerships	393	169
Purchase of insurance funds	—	(3)
Other, net	11	1
Net cash provided by (used in) investing activities	3,223	198
III. Cash flows from financing activities		
Cash dividends paid	(746)	(857)
Purchase of treasury stock	(908)	(201)
Net cash provided by (used in) financing activities	(1,654)	(1,058)
IV. Effect of exchange rate changes on cash and cash equivalents	(71)	(8)
V. Net increase (decrease) in cash and cash equivalents	2,666	5,807
VI. Cash and cash equivalents at beginning of period	10,868	13,535
VII. Cash and cash equivalents at end of period	13,535	19,343

Consolidated Sales by Product

(Millions of yen)

	Year ended January 31, 2016		Year ended January 31, 2017		Increase (Decrease)
	Amount	Composition (%)	Amount	Composition (%)	
Semiconductors/Devices	72,312	64.4	58,409	59.3	(13,902)
ICT/Solutions	40,020	35.6	40,008	40.7	(11)
Total	112,332	100.0	98,417	100.0	(13,914)