

Consolidated Financial Review

for the First Quarter Ended April 30, 2017

[Japanese standards] (Consolidated)

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 submitting of quarterly financial statement: June 9, 2017

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 first quarter ended April 30, 2017 (2/1/2017-4/30/2017)

(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	%
Three months ended 4/30/17	23,305	(8.3)	325	(27.4)	331	(36.2)
Three months ended 4/30/16	25,418	(15.1)	448	(32.1)	519	(27.5)

Note: Comprehensive income

Three months ended 4/30/17: (272) million yen (-%)

Three months ended 4/30/16: 195 million yen (-79.5%)

	Profit attributable to owners of parent		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Three months ended 4/30/17	218	(36.4)	8.93	8.89
Three months ended 4/30/16	343	(42.8)	13.99	13.92

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 4/30/17	77,567	64,097	82.6	2,613.00
As of 1/31/17	77,973	64,859	83.1	2,644.10

(Reference) Equity

Year ended 4/30/17: 64,037 million yen

Year ended 1/31/17: 64,799 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 1/31/17	—	20.00	—	20.00	40.00
Year ending 1/31/18	—	—	—	—	—
Year ending 1/31/18 (Estimate)	—	30.00	—	30.00	60.00

Note: Revision to dividend forecast for this period: None

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

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)

April 30, 2017: 26,800,000 shares

January 31, 2017: 27,600,000 shares

② Number of shares of treasury stock as of:

April 30, 2017: 2,292,842 shares

January 31, 2017: 3,092,672 shares

③ Average number of shares outstanding as of:

April 30, 2017: 24,507,230 shares

April 30, 2016: 24,582,642 shares

Indication regarding the implementation status of the quarterly review procedure

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

Caution on forecast for the year ending January 31, 2018

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, 2017	As of April 30, 2017
	Amount	Amount
(Assets)		
Current Assets		
Cash and deposits	19,517	18,917
Notes and accounts receivable-trade	29,291	28,604
Securities	1,000	—
Merchandise and finished goods	10,582	11,323
Deferred tax assets	291	358
Other	1,247	1,595
Allowance for doubtful accounts	(5)	(2)
Total current assets	61,925	60,796
Noncurrent assets		
Property, plant and equipment	161	159
Intangible assets	630	578
Investments and other assets		
Investment securities	13,368	14,087
Net defined benefit asset	1,216	1,244
Other	716	744
Allowance for doubtful accounts	(44)	(44)
Total investments and other assets	15,256	16,032
Total noncurrent assets	16,048	16,770
Total assets	77,973	77,567

Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2017	As of April 30, 2017
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	9,633	9,815
Income taxes payable	205	216
Accrued consumption taxes	25	6
Provision for bonuses	186	344
Other	910	1,016
Total current liabilities	10,961	11,400
Noncurrent liabilities		
Net defined benefit liability	778	790
Deferred tax liabilities	1,162	1,064
Other	211	214
Total noncurrent liabilities	2,153	2,069
Total liabilities	13,114	13,470
(Net assets)		
Shareholders' equity		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	38,244	37,028
Treasury stock	(3,649)	(2,706)
Total shareholders' equity	61,602	61,331
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,446	2,202
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	528	280
Remeasurements of defined benefit plans	222	222
Total accumulated other comprehensive income	3,197	2,706
Subscription rights to shares	59	59
Total net assets	64,859	64,097
Total liabilities and net assets	77,973	77,567

Consolidated Statements of Income

(Millions of yen)

	Three months ended April 30, 2016	Three months ended April 30, 2017
	Amount	Amount
Net sales	25,418	23,305
Cost of sales	23,306	21,240
Gross profit	2,112	2,065
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	(0)	(2)
Salaries and bonuses	604	595
Provision for bonuses	137	176
Retirement benefit expenses	34	29
Rent expenses	82	85
Depreciation	58	63
Other	746	789
Total selling, general and administrative expenses	1,663	1,739
Operating income	448	325
Non-operating income		
Interest income	11	13
Dividends income	33	10
Purchase discounts	3	2
Foreign exchange gains	38	—
Other	12	5
Total non-operating income	99	31
Non-operating expenses		
Sales discounts	1	0
Loss on valuation of investment securities	23	—
Foreign exchange losses	—	19
Loss on abandonment of noncurrent assets	0	0
Commission fee	3	1
Other	1	3
Total non-operating expenses	28	25
Ordinary income	519	331
Income before income taxes and minority interests	519	331
Income taxes—current	211	169
Income taxes—deferred	(35)	(57)
Total income taxes	175	112
Profit	343	218
Profit attributable to owners of parent	343	218

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Comprehensive Statement of Income)

(Millions of yen)

	Three months ended April 30, 2016	Three months ended April 30, 2017
	Amount	Amount
Profit attributable to owners of parent	343	218
Other comprehensive income		
Valuation difference on available-for-sale securities	181	(243)
Deferred gains or losses on hedges	(22)	(0)
Foreign currency translation adjustment	(311)	(247)
Remeasurements of defined benefit plans, net of tax	3	0
Total other comprehensive income	(148)	(490)
Comprehensive income	195	(272)
(Details)		
Comprehensive income attributable to owners of the parent	195	(272)
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Sales by Product

(Millions of yen)

	Three months ended April 30, 2016		Three months ended April 30, 2017		Increase (Decrease)
	Amount	Composition (%)	Amount	Composition (%)	
Semiconductors/Devices	14,701	57.8	12,021	51.6	(2,680)
ICT/Solutions	10,717	42.2	11,284	48.4	567
Total	25,418	100.0	23,305	100.0	(2,113)