

# Consolidated Financial Review for the Second Quarter Ended July 31, 2017 [Japanese standards] (Consolidated)

Company name: **RYOYO ELECTRO CORPORATION**  
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Due date of submitting of quarterly financial statement: September 8, 2017

Due date of starting delivery of dividends: October 2, 2017

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, 2017 (2/1/2017-7/31/2017)

### (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	%
Six months ended 7/31/17	46,049	(6.6)	689	(12.5)	824	2.9
Six months ended 7/31/16	49,291	(16.0)	787	(29.6)	801	(44.2)

Note: Comprehensive income

Six months ended 7/31/17: 433 million yen (—%)

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

	Profit attributable to owners of parent		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Six months ended 7/31/17	575	1.9	23.47	23.37
Six months ended 7/31/16	564	(48.6)	23.00	22.88

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 7/31/17	77,316	64,802	83.7	2,641.81
As of 1/31/17	77,973	64,859	83.1	2,644.10

(Reference) Equity

As of 7/31/17: 64,742 million yen

As of 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	—	30.00	—	—	—
Year ending 1/31/18 (Estimate)	—	—	—	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
Year ending 1/31/18	100,000	1.6	1,550	12.9	1,650	6.8	1,100	33.7	44.89

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)

July 31, 2017: 26,800,000 shares

January 31, 2017: 27,600,000 shares

② Number of shares of treasury stock as of:

July 31, 2017: 2,293,244 shares

January 31, 2017: 3,092,672 shares

③ Average number of shares outstanding as of:

July 31, 2017: 24,507,055 shares

July 31, 2016: 24,544,837 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 July 31, 2017
	Amount	Amount
<b>( Assets )</b>		
<b>Current Assets</b>		
Cash and deposits	19,517	22,726
Notes and accounts receivable-trade	29,291	24,471
Securities	1,000	1,000
Merchandise and finished goods	10,582	11,245
Deferred tax assets	291	296
Other	1,247	1,271
Allowance for doubtful accounts	(5)	(2)
Total current assets	61,925	61,009
<b>Noncurrent assets</b>		
Property, plant and equipment	161	161
Intangible assets	630	537
Investments and other assets		
Investment securities	13,368	13,729
Net defined benefit asset	1,216	1,272
Other	716	650
Allowance for doubtful accounts	(44)	(44)
Total investments and other assets	15,256	15,608
Total noncurrent assets	16,048	16,306
Total assets	77,973	77,316

# Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2017	As of July 31, 2017
	Amount	Amount
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	9,633	9,026
Income taxes payable	205	314
Accrued consumption taxes	25	39
Provision for bonuses	186	199
Other	910	708
Total current liabilities	10,961	10,287
<b>Noncurrent liabilities</b>		
Net defined benefit liability	778	789
Deferred tax liabilities	1,162	1,230
Other	211	207
Total noncurrent liabilities	2,153	2,227
Total liabilities	13,114	12,514
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	38,244	37,384
Treasury stock	(3,649)	(2,706)
Total shareholders' equity	61,602	61,686
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,446	2,546
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	528	286
Remeasurements of defined benefit plans	222	222
Total accumulated other comprehensive income	3,197	3,055
<b>Subscription rights to shares</b>	59	59
Total net assets	64,859	64,802
Total liabilities and net assets	77,973	77,316

## Consolidated Statements of Income

(Millions of yen)

	Six months ended July 31, 2016	Six months ended July 31, 2017
	Amount	Amount
Net sales	49,291	46,049
Cost of sales	45,180	41,865
<b>Gross profit</b>	<b>4,110</b>	<b>4,184</b>
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	(0)	(2)
Salaries and bonuses	1,320	1,328
Provision for bonuses	125	199
Retirement benefit expenses	68	59
Rent expenses	165	171
Depreciation	122	118
Other	1,521	1,619
Total selling, general and administrative expenses	3,322	3,494
<b>Operating income</b>	<b>787</b>	<b>689</b>
Non-operating income		
Interest income	27	29
Dividends income	82	61
Purchase discounts	5	3
Gain on investments in partnership	—	63
Other	18	12
Total non-operating income	134	171
Non-operating expenses		
Sales discounts	2	2
Loss on redemption of securities	50	—
Loss on valuation of investment securities	18	—
Foreign exchange losses	40	27
Commission fee	6	2
Loss on abandonment of noncurrent assets	0	0
Other	3	3
Total non-operating expenses	120	36
<b>Ordinary income</b>	<b>801</b>	<b>824</b>
Extraordinary income		
Gain on sales of investment securities	105	42
Other	20	—
Total extraordinary income	126	42
Extraordinary losses		
Loss on sales of investment securities	100	30
Total extraordinary losses	100	30
<b>Income before income taxes and minority interests</b>	<b>826</b>	<b>836</b>
Income taxes—current	240	243
Income taxes—deferred	21	18
Total income taxes	262	261
<b>Profit</b>	<b>564</b>	<b>575</b>
<b>Profit attributable to owners of parent</b>	<b>564</b>	<b>575</b>

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

(Consolidated Comprehensive Statement of Income)

(Millions of yen)

	Six months ended July 31, 2016	Six months ended July 31, 2017
	Amount	Amount
<b>Profit attributable to owners of parent</b>	564	575
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	256	100
Deferred gains or losses on hedges	(9)	(0)
Foreign currency translation adjustment	(961)	(241)
Remeasurements of defined benefit plans, net of tax	3	0
Total other comprehensive income	(711)	(141)
<b>Comprehensive income</b>	(147)	433
(Details)		
Comprehensive income attributable to owners of the parent	(147)	433
Comprehensive income attributable to non-controlling interests	—	—

# Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended July 31, 2016	Six months ended July 31, 2017
	Amount	Amount
<b>I. Cash flows from operating activities</b>		
Income before income taxes and minority interests	826	836
Depreciation	122	119
Loss (gain) on sales and retirement of property, plant and equipment	0	0
Loss (gain) on investments in partnership	2	(63)
Foreign exchange losses (gains)	(47)	(9)
Increase (decrease) in provision	(5)	18
Increase (decrease) in net defined benefit liability	(2)	5
Interest and dividend income	(110)	(91)
Loss (gain) on redemption of securities	50	—
Loss (gain) on valuation of investment securities	18	—
Loss (gain) on sales of investment securities	(4)	(11)
Decrease (increase) in notes and accounts receivable-trade	2,878	4,661
Decrease (increase) in inventories	938	(707)
Increase (decrease) in notes and accounts payable-trade	367	(490)
Increase (decrease) in accrued consumption taxes	1	14
Other, net	(343)	(271)
Subtotal	4,693	4,011
Interest and dividend income received	123	95
Income taxes (paid) refund	(166)	(140)
Net cash provided by (used in) operating activities	4,650	3,965
<b>II. Cash flows from investing activities</b>		
Payments into time deposits	(596)	(666)
Proceeds from withdrawal of time deposits	—	242
Proceeds from redemption of securities	1,493	1,000
Purchase of property, plant and equipment and intangible assets	(165)	(25)
Proceeds from sales of property, plant and equipment and intangible assets	0	—
Purchase of investment securities	(2,521)	(2,190)
Proceeds from sales of investment securities	1,555	918
Payments of loans receivable from subsidiaries and associates	(7)	(26)
Collection of loans receivable from subsidiaries and affiliates	—	99
Proceeds from distribution of investment in partnerships	47	126
Purchase of insurance funds	—	(18)
Other, net	3	(0)
Net cash provided by (used in) investing activities	(190)	(542)
<b>III. Cash flows from financing activities</b>		
Cash dividends paid	(368)	(489)
Purchase of treasury stock	(200)	(0)
Net cash provided by (used in) financing activities	(569)	(490)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	(436)	(136)
<b>V. Net increase (decrease) in cash and cash equivalents</b>	3,454	2,795
<b>VI. Cash and cash equivalents at beginning of period</b>	13,535	19,343
<b>VII. Cash and cash equivalents at end of period</b>	16,990	22,138



## Consolidated Sales by Product

(Millions of yen)

	Six months ended July 31, 2016		Six months ended July 31, 2017		Increase (Decrease)
	Amount	Composition(%)	Amount	Composition(%)	
Semiconductors/Devices	29,470	59.8	24,448	53.1	(5,022)
ICT/Solutions	19,820	40.2	21,601	46.9	1,781
Total	49,291	100.0	46,049	100.0	(3,241)