

# Consolidated Financial Review for the Second Quarter Ended July 31, 2018 [Japanese standards] (Consolidated)

Company name: RYOYO ELECTRO CORPORATION  
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 URL: <https://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 : September 7, 2018  
 Due date of starting delivery of dividends : October 1, 2018  
 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, 2018 (2/1/2018-7/31/2018)

### (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 7/31/18	45,133	(2.0)	791	14.7	892	8.2
Six months ended 7/31/17	46,049	(6.6)	689	(12.5)	824	2.9

Note: Comprehensive income

Six months ended 7/31/18: (565) million yen ( -%)

Six months ended 7/31/17: (433) 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 7/31/18	619	7.8	25.28	25.18
Six months ended 7/31/17	575	1.9	23.47	23.37

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 7/31/18	75,333	63,103	83.7	2,571.27
As of 1/31/18	78,111	64,404	82.4	2,625.66

(Reference) Equity

As of 7/31/18: 63,052 million yen

As of 1/31/18: 64,344 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 1/31/18	—	30.00	—	30.00	60.00
Year ending 1/31/19	—	30.00	—	—	—
Year ending 1/31/19 (Estimate)	—	—	—	30.00	60.00

Note: Revision to dividend forecast for this period: None

## 3. Financial forecast for the year ending January 31, 2019 (2/1/2018–1/31/2019)

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 1/31/19	93,000	0.8	1,200	377.2	1,400	223.8	960	351.1	39.16

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, 2018: 26,800,000 shares  
January 31, 2018: 26,800,000 shares
  - ② Number of shares of treasury stock as of:  
July 31, 2018: 2,277,941 shares  
January 31, 2018: 2,293,760 shares
  - ③ Average number of shares outstanding as of:  
July 31, 2018: 24,514,315 shares  
July 31, 2017: 24,507,055 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, 2019

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, 2018	As of July 31, 2018
	Amount	Amount
<b>(Assets)</b>		
<b>Current Assets</b>		
Cash and deposits	14,040	13,480
Notes and accounts receivable-trade	25,912	24,475
Securities	649	657
Merchandise and finished goods	10,857	11,674
Deferred tax assets	497	452
Other	1,378	1,170
Allowance for doubtful accounts	(2)	(2)
Total current assets	53,332	51,907
<b>Noncurrent assets</b>		
Property, plant and equipment	163	194
Intangible assets	454	400
Investments and other assets		
Investment securities	21,930	20,386
Net defined benefit asset	1,458	1,521
Other	1,152	1,186
Allowance for doubtful accounts	(381)	(263)
Total investments and other assets	24,160	22,830
Total noncurrent assets	24,778	23,425
Total assets	78,111	75,333

# Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2018	As of July 31, 2018
	Amount	Amount
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	9,653	8,509
Income taxes payable	419	279
Accrued consumption taxes	87	144
Provision for bonuses	205	193
Other	716	745
Total current liabilities	11,082	9,873
<b>Noncurrent liabilities</b>		
Net defined benefit liability	790	796
Deferred tax liabilities	1,429	1,035
Other	405	524
Total noncurrent liabilities	2,624	2,356
Total liabilities	13,706	12,230
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	36,287	36,162
Treasury shares	(2,707)	(2,689)
Total shareholders' equity	60,588	60,481
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,013	2,067
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	430	203
Remeasurements of defined benefit plans	313	300
Total accumulated other comprehensive income	3,756	2,571
<b>Subscription rights to shares</b>	59	50
Total net assets	64,404	63,103
Total liabilities and net assets	78,111	75,333

# Consolidated Statements of Income

(Millions of yen)

	Six months ended July 31, 2017	Six months ended July 31, 2018
	Amount	Amount
Net sales	46,049	45,133
Cost of sales	41,865	40,652
<b>Gross profit</b>	<b>4,184</b>	<b>4,480</b>
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	(2)	(3)
Salaries and bonuses	1,328	1,408
Provision for bonuses	199	192
Retirement benefit expenses	59	36
Rent expenses	171	181
Depreciation	118	104
Other	1,619	1,770
Total selling, general and administrative expenses	3,494	3,689
<b>Operating income</b>	<b>689</b>	<b>791</b>
Non-operating income		
Interest income	29	54
Dividend income	61	81
Purchase discounts	3	3
Gain on investments in partnership	63	12
Other	12	18
Total non-operating income	171	170
Non-operating expenses		
Sales discounts	2	6
Foreign exchange losses	27	51
Commission fee	2	9
Loss on abandonment of non-current assets	0	1
Other	3	0
Total non-operating expenses	36	68
<b>Ordinary income</b>	<b>824</b>	<b>892</b>
Extraordinary income		
Gain on sales of investment securities	42	—
Total extraordinary income	42	—
Extraordinary losses		
Loss on sales of investment securities	30	—
Total extraordinary losses	30	—
<b>Income before income taxes and minority interests</b>	<b>836</b>	<b>892</b>
Income taxes-current	243	197
Income taxes-deferred	18	74
Total income taxes	261	272
<b>Profit</b>	<b>575</b>	<b>619</b>
<b>Profit attributable to owners of parent</b>	<b>575</b>	<b>619</b>

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

(Consolidated Comprehensive Statement of Income)

(Millions of yen)

	Six months ended July 31, 2017	Six months ended July 31, 2018
	Amount	Amount
<b>Profit attributable to owners of parent</b>	575	619
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	100	(946)
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	(241)	(226)
Remeasurements of defined benefit plans, net of tax	0	(12)
Total other comprehensive income	(141)	(1,185)
<b>Comprehensive income</b>	433	(565)
(Details)		
Comprehensive income attributable to owners of parent	433	(565)
Comprehensive income attributable to non-controlling interests	—	—

# Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended July 31, 2017	Six months ended July 31, 2018
	Amount	Amount
<b>I. Cash flows from operating activities</b>		
Income before income taxes and minority interests	836	892
Depreciation	119	104
Loss (gain) on sales and retirement of property, plant and equipment	0	0
Loss (gain) on investments in partnership	(63)	(12)
Foreign exchange losses (gains)	(9)	6
Increase (decrease) in provision	18	(128)
Increase (decrease) in net defined benefit liability	5	2
Interest and dividend income	(91)	(135)
Loss (gain) on sales of investment securities	(11)	—
Decrease (increase) in notes and accounts receivable-trade	4,661	1,336
Decrease (increase) in inventories	(707)	(855)
Increase (decrease) in notes and accounts payable-trade	(490)	(1,096)
Increase (decrease) in accrued consumption taxes	14	57
Other, net	(271)	208
Subtotal	4,011	380
Interest and dividend income received	95	121
Income taxes (paid) refund	(140)	(289)
Net cash provided by (used in) operating activities	3,965	212
<b>II. Cash flows from investing activities</b>		
Payments into time deposits	(666)	(274)
Proceeds from withdrawal of time deposits	242	210
Proceeds from redemption of securities	1,000	—
Purchase of property, plant and equipment and intangible assets	(25)	(69)
Proceeds from sales of property, plant and equipment and intangible assets	—	5
Purchase of investment securities	(2,190)	(6)
Proceeds from sales of investment securities	918	—
Payments of loans receivable from subsidiaries and associates	(26)	(98)
Collection of loans receivable from subsidiaries and affiliates	99	98
Proceeds from distribution of investment in partnerships	126	128
Purchase of insurance funds	(18)	(20)
Other, net	(0)	61
Net cash provided by (used in) investing activities	(542)	35
<b>III. Cash flows from financing activities</b>		
Cash dividends paid	(489)	(733)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(490)	(733)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	(136)	(130)
<b>V. Net increase (decrease) in cash and cash equivalents</b>	2,795	(615)
<b>VI. Cash and cash equivalents at beginning of period</b>	19,343	13,893
<b>VII. Cash and cash equivalents at end of period</b>	22,138	13,277



## Consolidated Sales by Product

(Millions of yen)

	Six months ended July 31, 2017		Six months ended July 31, 2018		Increase (Decrease)
	Amount	Composition(%)	Amount	Composition(%)	
Semiconductors/Devices	24,448	53.1	24,281	53.8	(167)
ICT/Solutions	21,601	46.9	20,851	46.2	(749)
Total	46,049	100.0	45,133	100.0	(916)