

Financial Review for the Year Ended January 31, 2019

Company name:	RYOYO ELECTRO CORPORATION
Headquarters address:	12-22 Tsukiji 1-chome, Chuo-ku, Tokyo 104-8408 Japan
URL:	https://www.ryoyo.co.jp
Stock exchange listing:	Tokyo Stock Exchange 1st Section
Code number:	8068
Company representative:	Moritaka Nakamura, President
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Due date of annual shareholders meeting	: April 25, 2019
Due date of starting delivery of dividends	: April 26, 2019
Due date of submitting of financial statement	: April 25, 2019
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, 2019 (2/1/2018-1/31/2019)

(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 1/31/19	93,799	1.7	1,257	400.1	1,474	241.0
Year ended 1/31/18	92,234	(6.3)	251	(81.7)	432	(72.0)

Note: Comprehensive income

Year ended 1/31/19: (796) million yen (-%)

Year ended 1/31/18: 772 million yen (-61.3%)

	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 1/31/19	1,020	379.5	41.62	41.46	1.6	1.9	1.3
Year ended 1/31/18	212	(74.1)	8.68	8.65	0.3	0.6	0.3

(Reference) Investment profit/loss on equity method:

Year ended 1/31/19: - million yen

Year ended 1/31/18: - 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 1/31/19	75,948	62,208	81.7	2,531.90
As of 1/31/18	78,111	64,404	82.4	2,625.66

(Reference) Equity

Year ended 1/31/19: 62,085 million yen

Year ended 1/31/18: 64,344 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 1/31/19	588	543	(1,468)	13,416
Year ended 1/31/18	3,074	(7,236)	(1,224)	13,893

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 1/31/18	30.00	30.00	60.00	1,470	691.0	2.3
Year ended 1/31/19	30.00	30.00	60.00	1,471	144.2	2.3
Year ending 1/31/20 (Estimate)	40.00	40.00	80.00	—	172.1	—

3. Financial forecast for the year ending January 31, 2020 (2/1/2019-1/31/2020)

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 7/31/19	48,500	7.5	850	7.4	900	0.8	640	3.3	26.10
Year ending 1/31/20	98,000	4.5	1,500	19.3	1,600	8.5	1,140	11.7	46.49

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: None

② Other changes: None

③ Change in accounting estimate: None

④ Restatement of revisions: None

(3) Number of shares outstanding (common shares)

① Number of shares of common shares issued as of:

(Including treasury shares)

January 31, 2019: 26,800,000 shares

January 31, 2018: 26,800,000 shares

② Number of shares of treasury shares:

January 31, 2019: 2,278,591 shares

January 31, 2018: 2,293,760 shares

③ Average number of shares outstanding as of:

January 31, 2019: 24,518,026 shares

January 31, 2018: 24,506,765 shares

1. Financial highlights for the year ended January 31, 2019 (2/1/2018–1/31/2019)

(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 1/31/19	85,016	1.5	1,077	909.6	1,241	401.8
Year ended 1/31/18	83,744	(5.0)	106	(90.8)	247	(81.4)

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended 1/31/19	827	1,171.3	33.74	33.61
Year ended 1/31/18	65	(89.9)	2.66	2.64

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of 1/31/19	70,488	57,601	81.5	2,344.00
As of 1/31/18	72,327	59,618	82.3	2,430.33

(Reference) Equity

Year ended 1/31/19: 57,478 million yen

Year ended 1/31/18: 59,558 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, 2020

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, 2018	As of January 31, 2019
	Amount	Amount
(Assets)		
Current Assets		
Cash and deposits	14,040	13,416
Notes and accounts receivable-trade	25,912	25,585
Securities	649	544
Merchandise and finished goods	10,857	12,124
Deferred tax assets	497	409
Other	1,378	1,444
Allowance for doubtful accounts	(2)	(2)
Total current assets	53,332	53,523
Noncurrent assets		
Property, plant and equipment		
Tools, furniture and fixtures, net	81	91
Land	5	5
Other, net	76	91
Total property, plant and equipment	163	188
Intangible assets	454	404
Investments and other assets		
Investment securities	21,930	19,439
Net defined benefit asset	1,458	1,431
Other	1,152	1,305
Allowance for doubtful accounts	(381)	(344)
Total investments and other assets	24,160	21,832
Total noncurrent assets	24,778	22,425
Total assets	78,111	75,948

Consolidated Balance Sheets

(Millions of yen)

	As of January 31, 2018	As of January 31, 2019
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	9,653	10,092
Income taxes payable	419	126
Accrued consumption taxes	87	248
Provision for bonuses	205	241
Other	716	815
Total current liabilities	11,082	11,523
Noncurrent liabilities		
Net defined benefit liability	790	802
Deferred tax liabilities	1,429	876
Other	405	537
Total noncurrent liabilities	2,624	2,216
Total liabilities	13,706	13,739
(Net assets)		
Shareholders' equity		
Capital stock	13,672	13,672
Capital surplus	13,336	13,336
Retained earnings	36,287	35,827
Treasury shares	(2,707)	(2,690)
Total shareholders' equity	60,588	60,145
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,013	1,569
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	430	189
Remeasurements of defined benefit plans	313	182
Total accumulated other comprehensive income	3,756	1,940
Subscription rights to shares	59	123
Total net assets	64,404	62,208
Total liabilities and net assets	78,111	75,948

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Statement of Income)

(Millions of yen)

	Year ended January 31, 2018	Year ended January 31, 2019
	Amount	Amount
Net sales	92,234	93,799
Cost of sales	84,643	84,874
Gross profit	7,591	8,925
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	229	77
Salaries and bonuses	2,900	3,027
Provision for bonuses	205	240
Retirement benefit expenses	129	93
Rent expenses	345	362
Depreciation	224	217
Other	3,304	3,650
Total selling, general and administrative expenses	7,339	7,667
Operating income	251	1,257
Non-operating income		
Interest income	73	110
Dividend income	157	123
Purchase discounts	8	6
Gain on investments in partnership	55	60
Other	19	24
Total non-operating income	313	325
Non-operating expenses		
Sales discounts	7	12
Foreign exchange losses	99	75
Commission fee	9	18
Loss on abandonment of noncurrent assets	12	1
Other	3	1
Total non-operating expenses	132	108
Ordinary income	432	1,474
Extraordinary income		
Gain on sales of investment securities	242	145
Gain on liquidation of subsidiaries and associates	—	16
Total extraordinary income	242	162
Extraordinary losses		
Loss on sales of investment securities	33	—
Loss on valuation of investment securities	28	104
Loss on liquidation of subsidiaries and associates	124	—
Total extraordinary losses	186	104
Income before income taxes and minority interests	488	1,532
Income taxes—current	507	282
Income taxes—deferred	(231)	229
Total income taxes	275	512
Profit	212	1,020
Profit attributable to owners of parent	212	1,020

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

(Consolidated Comprehensive Statement of Income)

(Millions of yen)

	Year ended January 31, 2018	Year ended January 31, 2019
	Amount	Amount
Profit attributable to owners of parent	212	1,020
Other comprehensive income		
Valuation difference on available-for-sale securities	567	(1,444)
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	(98)	(240)
Remeasurements of defined benefit plans, net of tax	91	(131)
Total other comprehensive income	559	(1,816)
Comprehensive income	772	(796)
(Details)		
Comprehensive income attributable to owners of parent	772	(796)
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statements of Changes in Net Assets

Previous period (From February 1, 2017 to January 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	13,672	13,336	38,244	(3,649)	61,602
Changes of items during the period					
Dividends from surplus			(1,225)		(1,225)
Profit attributable to owners of parent			212		212
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares			0	0	0
Retirement of treasury shares			(944)	944	—
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	(1,956)	942	(1,014)
Balance at the end of current period	13,672	13,336	36,287	(2,707)	60,588

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remesurements of defined benefit plans		
Balance at the beginning of current period	2,446	(0)	528	222	59	64,859
Changes of items during the period						
Dividends from surplus						(1,225)
Profit attributable to owners of parent						212
Purchase of treasury shares						(2)
Disposal of treasury shares						0
Retirement of treasury shares						—
Net changes of items other than shareholders' equity	567	(0)	(98)	91	—	559
Total changes of items during the period	567	(0)	(98)	91	—	(454)
Balance at the end of current period	3,013	(0)	430	313	59	64,404

Consolidated Statements of Changes in Net Assets

Current period (From February 1, 2018 to January 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	13,672	13,336	36,287	(2,707)	60,588
Changes of items during the period					
Dividends from surplus			(1,470)		(1,470)
Profit attributable to owners of parent			1,020		1,020
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares			0	0	0
Exercise of subscription rights to shares			(9)	18	9
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	(460)	17	(442)
Balance at the end of current period	13,672	13,336	35,827	(2,690)	60,145

	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	Remesurements of defined benefit plans		
Balance at the beginning of current period	3,013	(0)	430	313	59	64,404
Changes of items during the period						
Dividends from surplus						(1,470)
Profit attributable to owners of parent						1,020
Purchase of treasury shares						(1)
Disposal of treasury shares						0
Exercise of subscription rights to shares						9
Net changes of items other than shareholders' equity	(1,444)	0	(240)	(131)	63	(1,753)
Total changes of items during the period	(1,444)	0	(240)	(131)	63	(2,195)
Balance at the end of current period	1,569	(0)	189	182	123	62,208

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended January 31, 2018	Year ended January 31, 2019
	Amount	Amount
I. Cash flows from operating activities		
Income before income taxes	488	1,532
Depreciation and amortization	226	217
Loss (gain) on sales and retirement of noncurrent assets	12	0
Share-based compensation expenses	—	72
Loss (gain) on investments in partnership	(55)	(60)
Foreign exchange losses (gains)	(17)	(3)
Increase (decrease) in provision	253	1
Increase (decrease) in net defined benefit liability	0	3
Interest and dividend income	(230)	(234)
Loss (gain) on sales of investment securities	(208)	(145)
Loss (gain) on valuation of investment securities	28	104
Loss on liquidation of subsidiaries and associates	124	—
Decrease (Increase) in notes and accounts receivable-trade	3,308	196
Decrease (increase) in inventories	(291)	(1,310)
Increase (decrease) in notes and accounts payable-trade	92	518
Increase (decrease) in accrued consumption taxes	62	160
Other, net	(604)	(168)
Subtotal	3,189	886
Interest and dividend income received	231	212
Income taxes refund (paid)	(346)	(509)
Net cash provided by (used in) operating activities	3,074	588
II. Cash flows from investing activities		
Payments into time deposits	(1,028)	(1,049)
Proceeds from withdrawal of time deposits	1,050	1,192
Purchase of securities	(552)	—
Proceeds from redemption of securities	2,000	100
Purchase of property, plant and equipment and intangible assets	(81)	(165)
Proceeds from sales of property, plant and equipment and intangible assets	0	5
Purchase of investment securities	(12,876)	(8)
Proceeds from sales of investment securities	4,080	220
Purchase of shares of subsidiaries and associates	—	(3)
Payments of loans receivable from subsidiaries and associates	(72)	(99)
Collection of loans receivable from subsidiaries and affiliates	99	99
Proceeds from distribution of investment in partnerships	153	183
Purchase of insurance funds	(39)	(50)
Other, net	28	118
Net cash provided by (used in) investing activities	(7,236)	543
III. Cash flows from financing activities		
Cash dividends paid	(1,222)	(1,467)
Purchase of treasury shares	(2)	(1)
Proceeds from sales of treasury shares	0	0
Net cash provided by (used in) financing activities	(1,224)	(1,468)
IV. Effect of exchange rate changes on cash and cash equivalents	(62)	(140)
V. Net increase (decrease) in cash and cash equivalents	(5,449)	(476)
VI. Cash and cash equivalents at beginning of period	19,343	13,893
VII. Cash and cash equivalents at end of period	13,893	13,416

Consolidated Sales by Product

(Millions of yen)

	Year ended January 31, 2018		Year ended January 31, 2019		Increase (Decrease)
	Amount	Composition (%)	Amount	Composition (%)	
Semiconductors/Devices	50,925	55.2	49,906	53.2	(1,018)
ICT/Solutions	41,309	44.8	43,893	46.8	2,583
Total	92,234	100.0	93,799	100.0	1,565