

**Fiscal 2007 - 09**

# **7th Medium-Term Management Plan**

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# 7th Medium-Term Management Plan

1. Business Environment

2. Basic Stance

3. Basic Strategies

- Growth Strategy
- Segment Strategy
- Establishment of a Strong Business  
Infrastructure

4. Managerial Benchmarks

# Business Environment

## Changes in the Market / Industry

- Promoting a ubiquitous society
- Rise of emerging nations (BRICs, other)
- Changes in business models due to advancements in IT
- M&A globalization

## Changes in Competition

- Changes in semiconductor trading companies in line with semiconductor manufacturing trends
- Concentrating on the solutions business
- Strengthening businesses through new line card

## Changes in Business Models

- CSR-oriented management
- Strengthening risk management
- Toward speedier and borderless corporate management

**Ryosan  
Group**

## Changes in Information Technology

- Developments in next-generation network (NGN)
- Growth in businesses using the Internet
- Developments in information security technology
- Diversification in electronic information terminals

## Changes in Semiconductor / Parts Manufacturing

- Spin off the semiconductor business
- Alliance with major device manufacturers
- Specialization by choosing and concentrating on areas of expertise

## Changes in Products / Technologies

- Full-fledged start up of digital broadcasting
- Diversification of application
- Increase in interface speed
- Higher performance platforms (multi-cores, other)

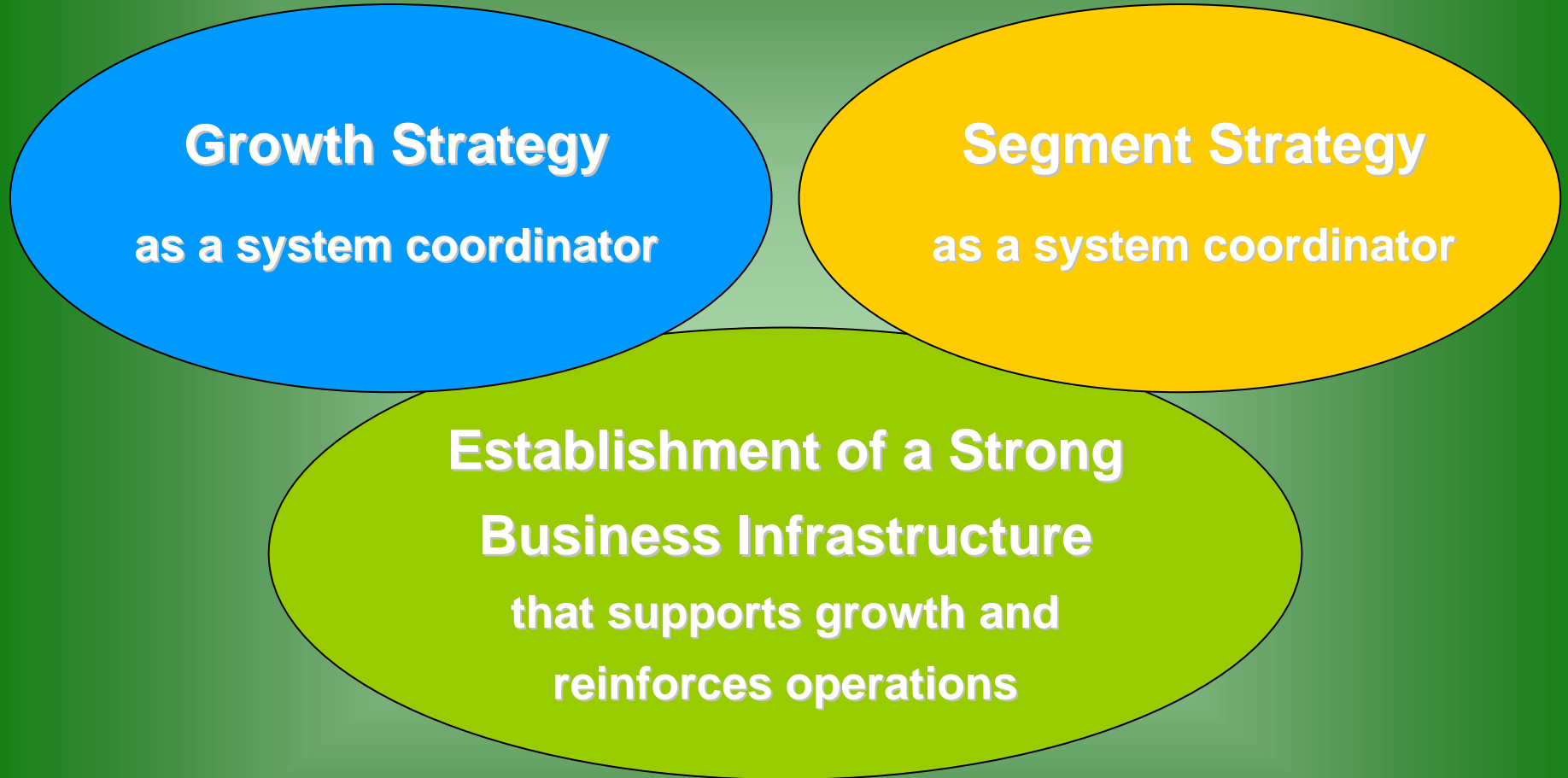
**Key Words** ▶ **Globalization, Speed and CSR**

# Basic Stance

**Pursuing Management Essence,  
Advancing Management Innovation,  
*and* Yielding Management Results**  
*are the keys to conducting*

**Open and Transparent  
Corporate Management  
*and* Business Activities  
with Abundant Creativity**

# Basic Strategies



# Growth Strategy as a Systems Coordinator

A comprehensive product lineup to broaden the Group's operating spheres

Efforts to ensure complete sales of all inventories and maximum utilization of technological capabilities

Overseas semiconductor product business expansion

China bloc conception including Hong Kong, China, Taiwan and Korea business expansion

direction

Delivering a product lineup capable of generating substantial demand in global markets

measures

- Establishing and implementing a project team structure with the president as leader
- Bolstering the product lineup through the effective use of equity participation

## Bolstering the Product Lineup

Expanding System LSI Products

Microcomputers

ASICs

ASSPs

ASCPs

PJ Product  
Lineup Strategy

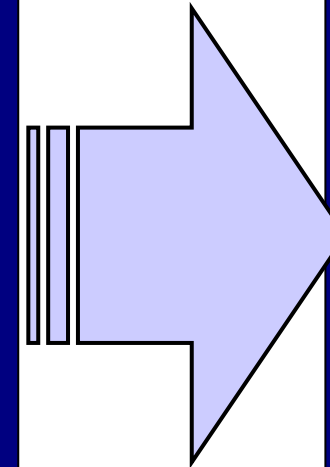
Expanding Commodities,  
Software and Others

Memory-related

Sensor and  
Module-related

Electronic  
Components and  
LCD-related

Embedded  
Software-related



Expanding the  
Group's Operating  
Spheres

Existing  
Customers

New  
Customers

direction

**Strengthening the ability to completely sell inventories and technological capabilities on the world stage**

measures

**Augmenting the number of sales engineers and strengthening the capabilities of systems and development engineers**

**Strengthening the ability to ensure the complete sale of all inventories**

Strengthening sales capabilities

- Increasing the number of sales engineers

**Strengthening technological capabilities**

Strengthening system technology capabilities

-Increasing the number of system engineers targeting multi-suppliers

Reinforcing microcomputer software and ASIC design capabilities

- Bolstering multi-supplier-related development engineers

**direction**

**Build a solid business base in the semiconductor business as a second resource**

**measures**

- Strengthening sales strategies of existing supplier products
- Reinforcing product lineup in response to customer needs
- Building a business structure that takes into consideration the characteristics of overseas suppliers

} **Bolster strategies**

**Strengthen Sales Strategies (Existing Suppliers)**

**NXP (Philips)**

**Continuous promotion of four projects**

(TV/Automotive/MMS/IDE (RFID))

**Other Overseas Semiconductors**

**Expand sales of Taiwan memories**

(Winbond/Macronix/Kingston)

**Expand sales of ASSPs with competitive advantage**

(Solomon(LCD drivers)/  
Genesis(exclusive TV use)/  
Dibcom(DVB-H/T)/(Winbond(ISP))

**Reinforce Product Strategies**

**Expand product lineup**

- Cultivate major semiconductor suppliers
- Cultivate suppliers capable of meeting the the needs of all customers

**Bolster Business Structure**

**Build a business structure that takes into consideration the characteristics of overseas suppliers**

- Establish a structure that complements the supplier bottleneck
- Create specialist sales and marketing teams by individual supplier

# China bloc conception including Hong Kong, China, Taiwan and Korea business expansion

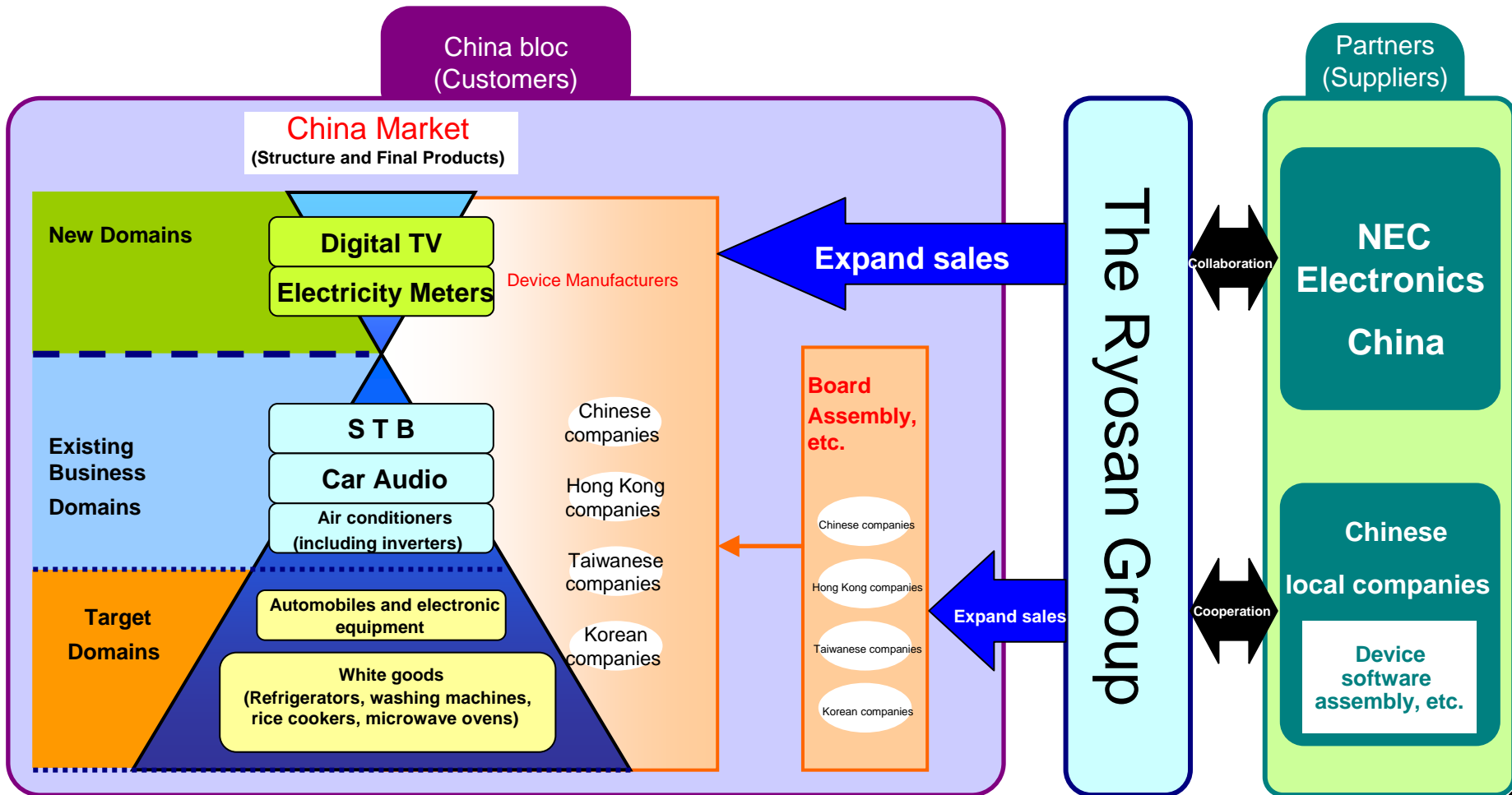
Growth Strategy

direction

Capture local companies in the expanding China market

measures

- Expand local business by strengthening collaboration with NEC Electronics China
- Develop business through cooperation with Chinese companies



# Segment Strategy as a System Coordinator

## Positioning of the Four Businesses

Semiconductor  
Business Strategy

.....

Improve the quality of  
business strategies as a  
**strategic, mainstay business**

Electronic Components  
Business Strategy

.....

Improve the quality of  
business strategies as a  
**stable cornerstone business**

Electronic Equipment  
Business Strategy

.....

Improve the quality of  
business strategies as a  
**synergy-driven business**

Products  
Business Strategy

.....

Improve the quality of  
business strategies as a  
**signature trading business**

- Expand sales through the strategic distribution of management resources (people / goods / money)
- A comprehensive product lineup to broaden the Group's operating spheres and efforts to ensure complete sales of all inventories
- Establish a technical and sales structure capable of competing on the world stage

## Market Strategy

1. **Capture priority customers and expand sales in growth fields**
  - Automotive and electronic equipment fields, digital AV
  - Build an offensive structure comprising designated client relationship officers in specialist departments by region (Reinforce specialist sales structure by supplier) (Bolster product knowledge and proposal capabilities)
2. **Align sales strategies with suppliers**
3. **Strengthen efforts to cultivate new markets**
  - Foster new customers by augmenting the product lineup
  - Expand business domains through the use of embedded software

## Technology Strategy

- Strengthen the ability to completely sell all inventories and implementation capabilities in technical departments
1. **Bolster systems technology in response to multi-supplier products and the customized development support structure**
  2. **Strategic application of external resources**

## Product Strategy

1. **Strengthen sales of competitive products in growth fields**  
Micro computers, system LSIs, PMDs, RF & Microwave devices
2. **Expand lineup and sales of memory products**  
DRAM, Flash, DIMM
3. **Expand lineup of appealing products**  
Uncover best-fit products that address customer needs

## Overseas Strategy

- Effective business strategy proposals and improved practical business activity that fit regional characteristics
1. **Hong Kong, China, Taiwan**
    - Bolster the sales structure for multi-market products (Enhance and utilize product knowledge capabilities of local employees)
    - Reinforce cooperative ties with NEC Electronics China (System LSIs.....Digital AV field, Automobile and electronics fields)
  2. **Korea**
    - Focus on automotive, electronic equipment and Digital AV / STB fields
    - Capture major prime customers

- Incorporate product expansion efforts based on the special characteristics of suppliers (product strengths and sales policies)
- Expand business by unearthing competitive products
- Strengthen the ability to completely sell all inventories through collaboration with sales bases

## Market Strategy

### Expand sales in growth sectors

- Digital home appliances, automobile and electronic equipment, amusement and mobile, industrial and measurement equipment

## Overseas Strategy

### Reconstruct local businesses

Strengthen collaboration between domestic and overseas bases to cover business shifts

## Product Strategy

Improve sales expansion efforts for products with growth potential

Unearth competitive products

## System equipment business strategy

- Expand business by building new business models focusing on the embedded business

### Market Strategy

#### Foster device companies and capture leading companies

- Cultivate existing customers by enhancing product lineup
- Unearth new customers and negotiations through the effective use of embedded software proposals
- Promote embedded businesses in peripheral equipment

### Overseas Strategy

Continue initiatives in connection with the shift of businesses overseas

### Product Strategy

#### Enhance IT solutions product lineup

Intel-boards, FA-PCs, FA Boards, Medical-use PC, FT servers, Drawer, Switches, RAID card, etc.

#### Build embedded software schemes

Communications software, image software, streaming image software, operations monitoring software, development tools, etc.

### Technology Strategy

#### Build technology support schemes

RD-ID systems,  
Build embedded systems  
Technical inspection of servers, WSs, boards, etc.

#### Accumulate and utilize inherent technological assets

Material solutions (Ceramics, etc.)  
HDD analysis technology services  
Production management and historical production management systems

## Facilities equipment business strategy

- Strengthen the development of new suppliers, improve business activities

### Market Strategy

#### Priority sales to prime customers

- Secure major negotiations (Anelva and Laser F equipment)
- Bolster sales through enhancements in compact equipment (new SBUs) product lineup
- Unearth new demand in the Kyushu area

### Product Strategy

#### New supplier product lineups as the trigger for new negotiations

- Lineup of compact equipment
- Reinforce sales of embedded and material businesses

### Overseas Strategy

Strengthen initiatives in connection with the shift of businesses overseas

- Strengthen partnerships with customers as a thermal solutions provider
- Bolstering automated production systems in an effort to overcome price competition from Chinese products

## Market Strategy

**Secure a dominant position in the market through dynamic activities as a thermal solutions provider**

**Provide products that contribute to enhancing customer value**

**Focus on the high growth and stable growth fields**

**Flat-panel TVs, high-performance home electric appliance and industrial equipment**

## Product Strategy

**Increase market share through the development of proprietary technology products**

**Expand sales of Wave Coolers and NOSV-type Heat Sinks**

## Production Strategy

**Realize low-cost production to overcome the threat of Chinese products**

**Bolster 24-hour automated production systems**

## Technology Strategy

**Improve capabilities in proactive product development that address customer needs**

**Fast-paced development that takes advantage of thermal simulation technology**

## Overseas Strategy

**Promote a customer-oriented structure in all regions in East Asia**

**Augment production capacity by automating plants in China**

**Reinforce QCD capabilities in plants in Thailand and Malaysia**

# Establishment of a Strong Business Infrastructure that Supports Growth and Reinforces Operations

## Establish Highly Social Corporate Governance

- Pursue CSR management with the aim of fulfilling the Company's responsibilities as a public entity
- Establish an internal control system in accordance with the Corporation Law and the Financial Instruments and Exchange Law
- Rebuild a consolidated account settlement structure and realize prompt settlement of consolidated accounts
- Advanced financial strategies for improved corporate value

## Qualitatively Strengthen Management Structure

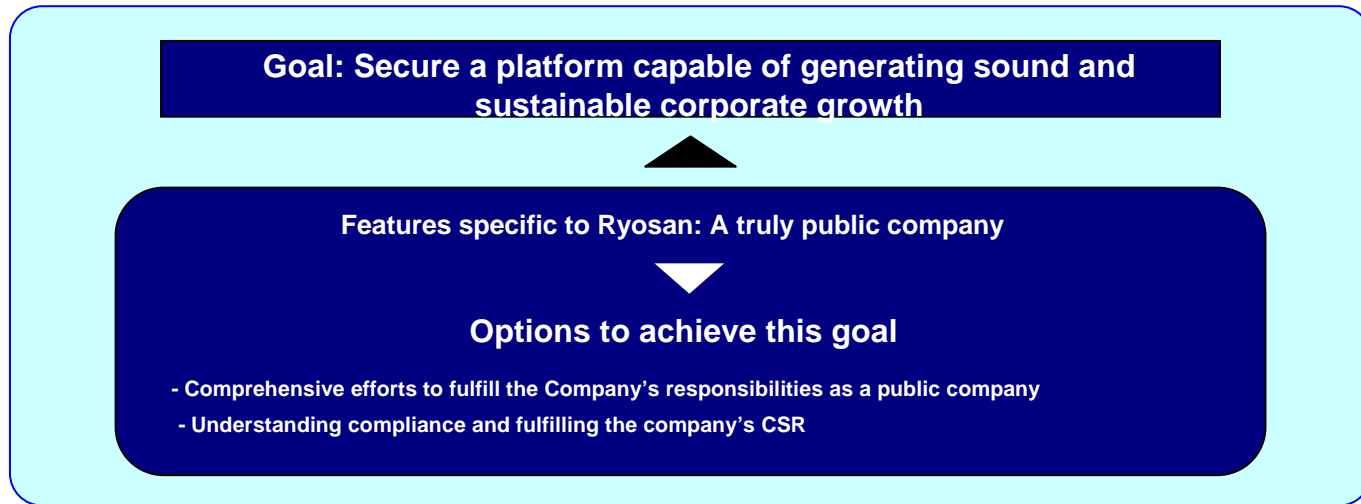
- Implement initiatives that structurally reform management of overseas business affiliates
- Strictly adhere to business management which stresses "controlling today's costs by forecasting tomorrow's revenue" across each sales base
- Improve the quality of management information systems from a consolidated perspective

## Further Reform of the Personnel System

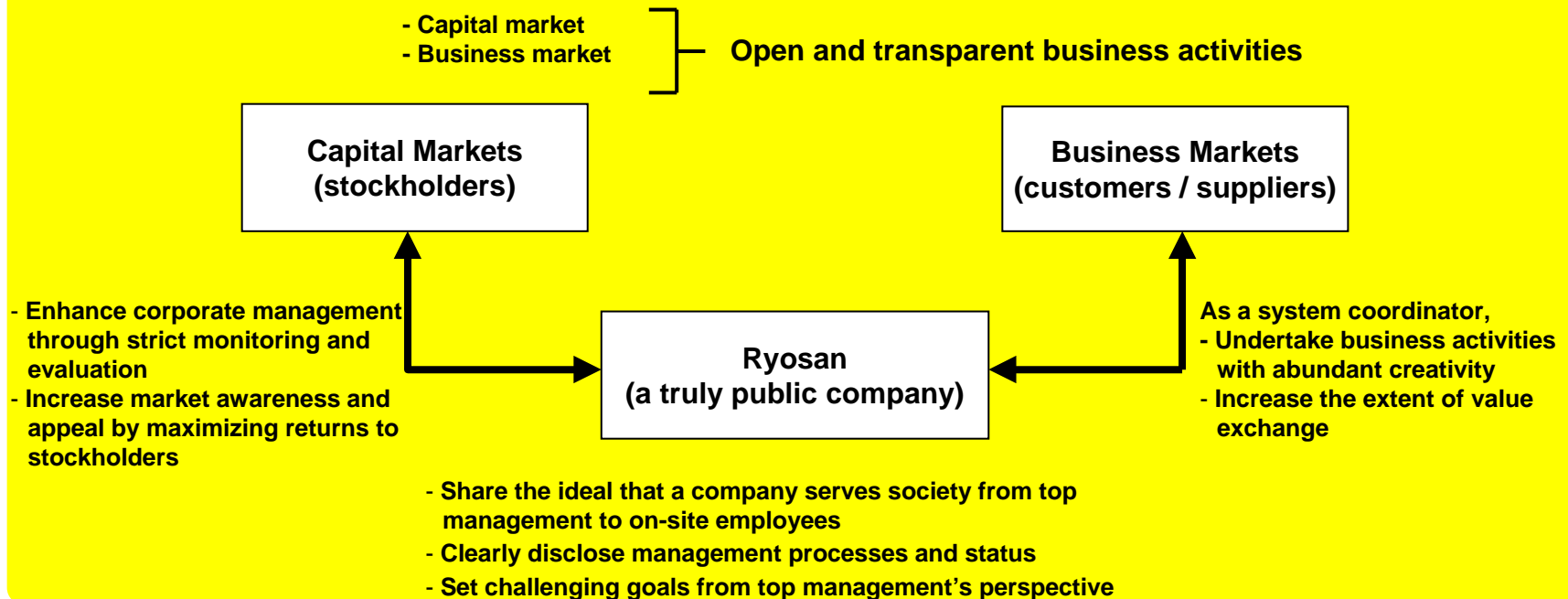
- Introduce a personnel system for local overseas employees that is both results-based and people-oriented
- Nurture and strengthen human resources that serve as the heart of the organization through the effective use of rotation and allocation by competencies
- Establish a re-employment system for employees in administrative positions

## Strengthen the RS (Ryosan) Culture

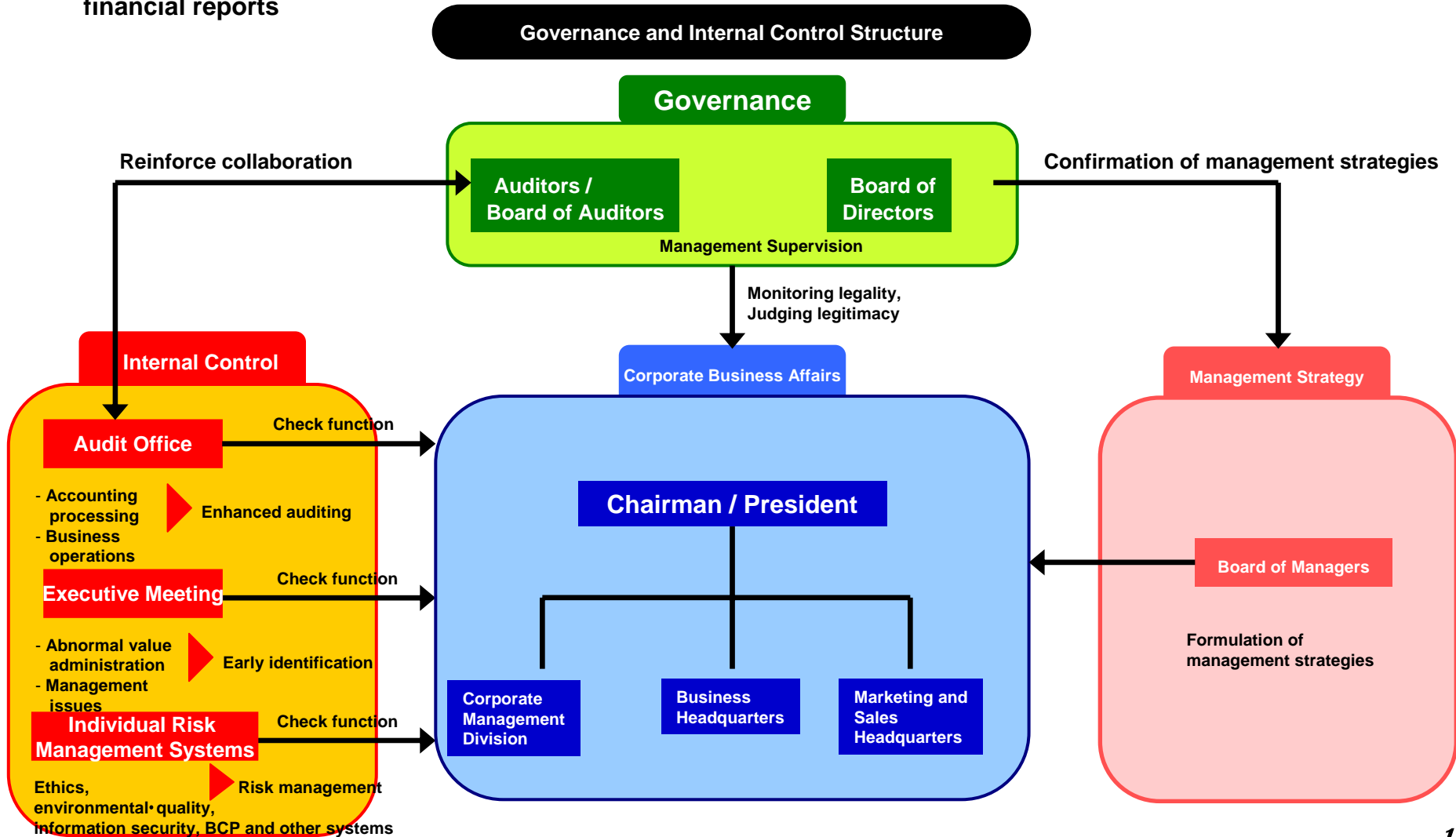
- Review the Ryosan SPIRIT and Ryosan VISION in order to sustain quality
- Rebuild the training system to better instill the values of the Ryosan culture (the Round Up system and nurturing management of the next generation)



**Refining Corporate Capabilities as a Public Entity**



- Review the Ryosan Group's internal regulations
- Strengthen risk management structure for ethics, environment·quality, information security, BCP and other systems
- Enhance internal systems and structure, including overseas business affiliates, to increase the reliability of financial reports



**Direction of Financial  
Strategies**

Increase corporate (stockholder) value

**Major Policy**

Maintain a stable and sound financial structure and strategically utilize treasury stock

**Major Benchmarks**

1. Earnings per share (Final fiscal year target: more than ¥200)
2. Consolidate dividend payout ratio (Annual: more than 40%)

**Measures**

- Positive returns to stockholders based on favorable dividend payout policies
- Strategic use of treasury stock (three millions shares acquired): M&A etc.

# Management Benchmarks

## Consolidated Management Benchmarks

	5th Medium-Term Management Plan *Fiscal 2003 (Actual)	6th Medium-Term Management Plan * Fiscal 2006 (Actual)	7th Medium-Term Management Plan * Fiscal 2009 (Target)
Earnings Per Share	¥150	¥174	More than ¥200
Dividend Payout Ratio	27%	46%	More than 40%

