Ryosan Company, Limited

FY2013 Results Meeting

Fiscal year ended March 31, 2014

May 27, 2014

Naoto Mimatsu,

President

Results for FY2013

9th Medium-Term Management Plan

FY2014 Business Plan

(Supplementary) Technology Strategy

Notice

Business forecasts and all statement related to the future contained in this presentation are based on information currently possessed by the Company and on certain assumptions which we judge to be rational. Actual business performance may differ greatly depending on a variety of factors. The following is a list of major factors:

･Economic conditions in key markets (Japan and the rest of Asia), rapid changes in consumption trends and supply-demand balance for products
･Sharp fluctuations in the dollar-yen exchange rate
･Substantial fluctuation in prices in capital markets

Overview of Consolidated Results

	FY2011		FY2012		FY2013		
	Results	Of total	Results	Of total	Results	Of total	% Chg. YoY
Net sales	2,178		2,065		2,383		+15.4%
Gross margin	167	7.7%	166	8.1%	186	7.8%	+11.6%
SG & A expenses	132	6.1%	129	6.3%	134	5.6%	+3.6%
Operating income	35	1.6%	36	1.8%	51	2.2%	+40.0%
Ordinary income	44	2.1%	41	2.0%	50	2.1%	+22.9%
Net income	18	0.9%	28	1.4%	32	1.4%	+14.5%
Earnings per share	¥55.90		¥84.40		¥101.86		

	Results	Of total	Results	Of total	Results	Of total	% Chg. YoY
Domestic sales	1,492	69%	1,312	64%	1,246	52%	(5.0)%
Overseas sales	686	31%	752	36%	1,137	48%	+51.1%

(Unit: 100 millions of yen)

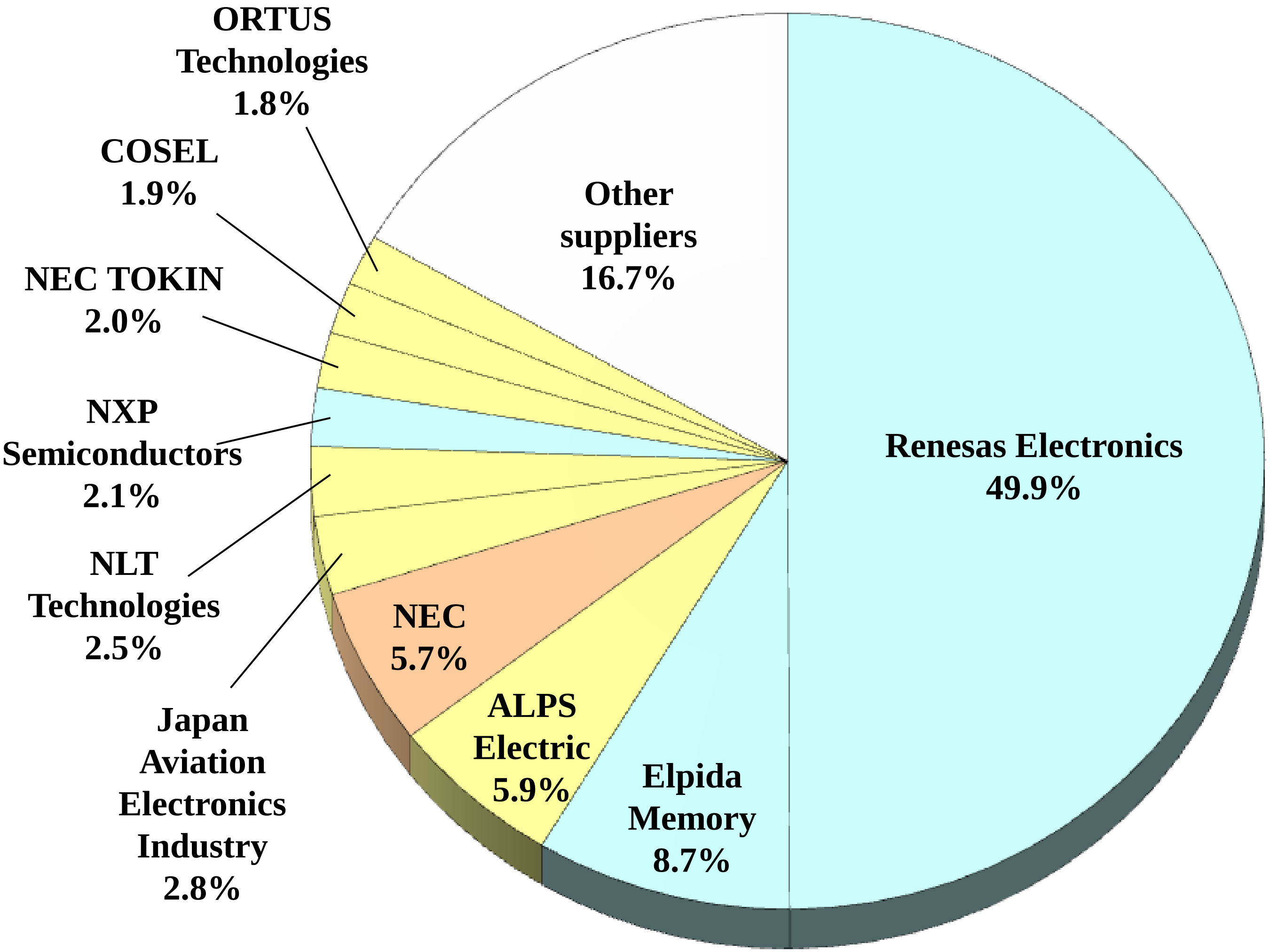
Overview of Results by Business Segment

		FY2011		FY2012		FY2013		
		Results	Of total	Results	Of total	Results	Of total	% Chg. YoY
Semiconductors	Net Sales	1,323		1,311		1,615		+23.1%
	Operating income	24.0	1.8%	19.3	1.5%	32.0	2.0%	+65.6%
Electronic Components	Net Sales	554		510		543		+6.5%
	Operating income	18.0	3.3%	12.0	2.4%	14.6	2.7%	+21.9%
Electronic Equipment	Net Sales	246		195		174		(10.4)%
	Operating income	8.7	3.6%	8.5	4.4%	7.0	4.1%	(16.8)%
Ryosan Products (Heat sinks)	Net Sales	54		48		50		+4.6%
	Operating income	2.2	4.1%	0.1	0.3%	(0.5)	-	-
Adjustments		(17.9)		(3.3)		(1.8)		
Total	Net Sales	2,178		2,065		2,383		+15.4%
	Operating income	35.1	1.6%	36.7	1.8%	51.4	2.2%	+40.0%

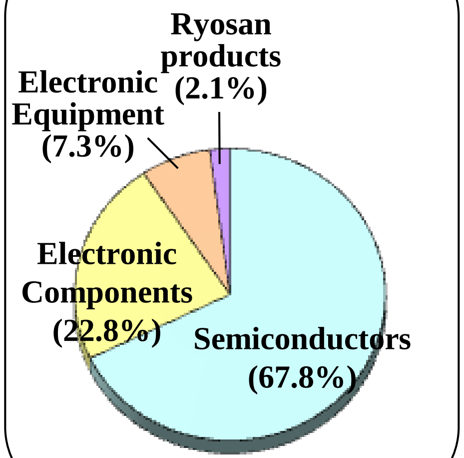
*Numbers for FY2012 and later have been calculated using the revised allocation method for company-wide expenses, etc.

(Unit: 100 millions of yen)

Main Suppliers



[Percentage of net sales by business segment]



* Honorifics omitted

* Percentage (%) is based on actual sales of products purchased from suppliers for the FY2013.

Main Clients

<<Top 40 companies by net sales>>

	Top 1-10	Top 11-20	Top 21-30	Top 31-40
Clients (alphabetical order)	ALPINE	ALPS Electric	Canon	ADVANTEST
	HITACHI	Brother Industries	Fuji Film	BLUEWAY (C)
	Mitsubishi Electric	CASIO COMPUTER	Fuji Xerox	Clarion
	NEC	Calsonic Kansei	JVC KENWOOD	Furuno Electric
	NIKON	DENSO	NINTENDO	KONICA MINOLTA
	OMRON	Fujitsu	Stanley Electric	K-PRO (K)
	PIONEER	Hyundai Motor (K)	TOSHIBA TEC	Sharp
	SAMSUNG (K)	JABIL (U)	Wuhan Fiberhome (C)	TCL (C)
	Sumitomo Wiring Systems	Mamiya-OP	YAMAHA	TOPRO (C)
	Wacom	Panasonic	Yazaki Corporation	Yokowo
Percentage Sales of all clients	(Top 10) 52%	(Top 20) 68%	(Top 30) 75%	(Top 40) 79%

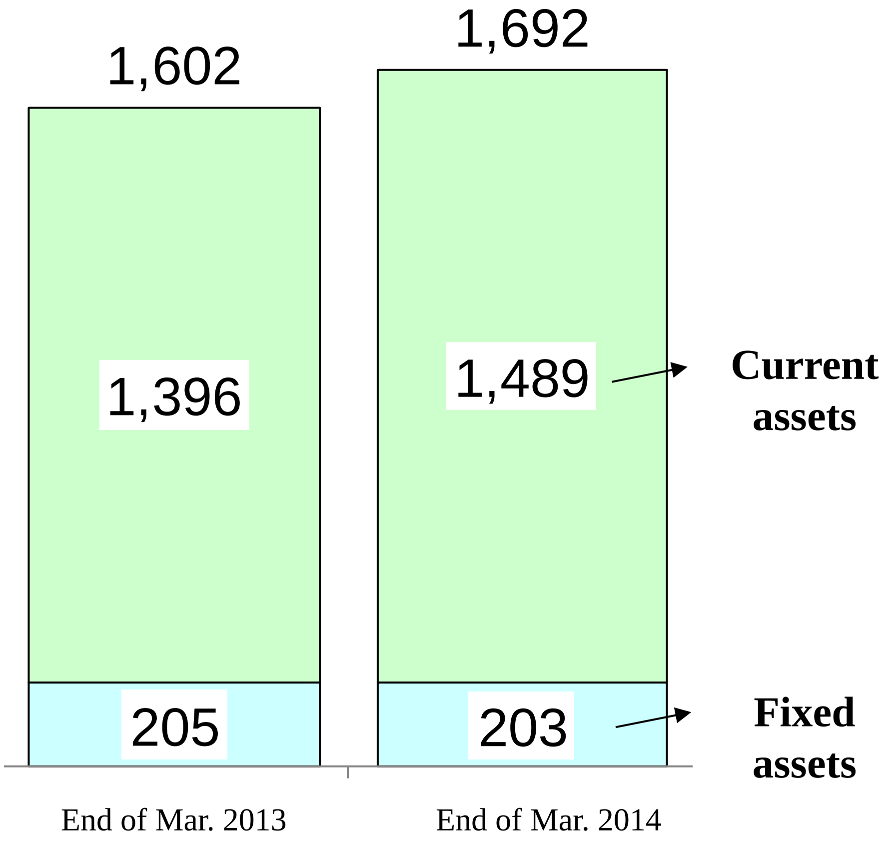
* Honorifics omitted

* Ranking and percentage (%) are based on actual sales for the FY2013.

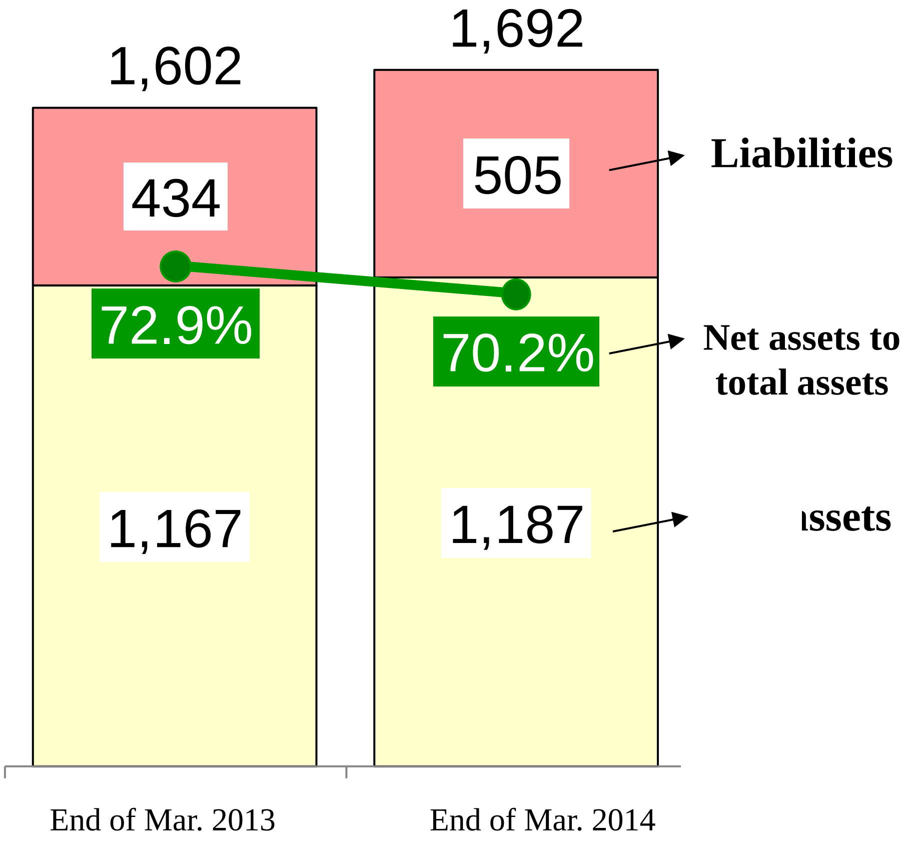
* (K), (U) and (C) represent clients in Korea, US and China, respectively.

Consolidated Balance Sheet

◆ Assets



◆ Liabilities/net assets



Major increases/decreases

	Results	Increase/ decrease
Trade notes and accounts receivable	751	+70
Merchandise and finished products	214	+26

	Results	Increase/ decrease
Trade accounts payable	303	+50
Short-term loans in foreign currency	156	+27

(Unit: 100 millions of yen)

Consolidated Statement of Cash Flow

	FY2012	FY2013		
	Results	Results	Main factors	
Cash flows from operating activities	176	15	- Income before income taxes and minority interests - Increase in notes and accounts payable - Increase in notes and accounts receivable-trade - Increase in inventories	50 37 (49) (15)
Cash flows from investing activities	24	(4)	- Purchase of property, plant and equipment	(2)
Free cash flow	201	10		
Cash flows from financing activities	(44)	(22)	- Cash dividends paid - Purchase of treasury stock - Increase in short-term loans payable	(19) (18) 15
Balance of cash and cash equivalents	504	499		

(Unit: 100 millions of yen)

Results for FY2013

9th Medium-Term Management Plan

FY2014 Business Plan

(Supplementary) Technology Strategy

Corporate Philosophy (RS21)

Fundamental Belief	● Strong belief that "the corporation is a public institution."
Basic Philosophy (Business & Mission)	● Enhance electronics system coordination ● Facilitate the harmonious fusion of human and technological progress
Management Philosophy (Management Principles)	● Grow as a mission-based corporation ● Create corporate value ● Increase value convertibility

Three functions (essential functions of an electronics systems coordinator)

"The Information Function"	Provide customers with accurate information by gathering data on the needs of the times and the trends in technology
"The Solutions Function"	Integrate expertise and knowledge with advanced technology to contribute to client solutions
"The Distribution Function"	Deliver what the client needs at the required time and in optimum condition

Constantly evolving these three functions enhances the level of customer satisfaction and our value

Management Environment and Issues to be Addressed

◆ Management Environment (Electronics Industry)

- Expansion of horizontal specialization alliances & reduction of entry barriers
- Slow growth of Japanese market & growing number of Japanese corporations shifting production overseas/engaging in overseas procurement
- Diversifying customer needs (from individual components to modules and OEM/ODM)

◆ Issues to be Addressed

- Reconstructing our business portfolio
- Expanding our corporate activities on a global scale
- Revising our profit/financial structure

Basic Stance

[Basic stance of the 9th Medium-Term Management Plan]

"Innovation" and "growth"

Pursuing a business model shift which responds to changes in our business structure and sustainable independent growth

Universal Management Policy

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.

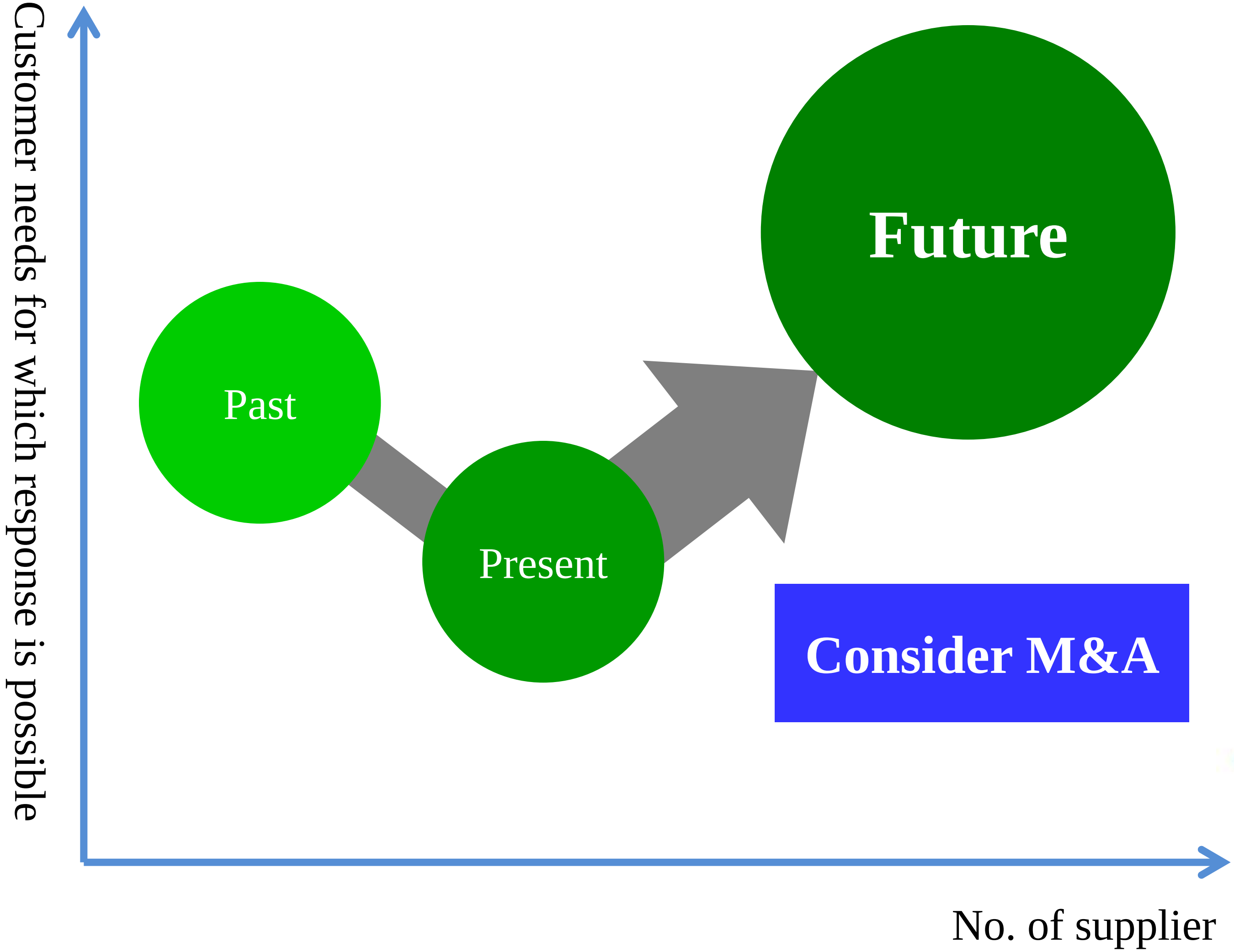
Growth Strategies

◆ Further promotion of multi-vendor support to respond to customers' diversifying needs

◆ Strengthening global support to expand overseas business

◆ Strengthening system solution capabilities (capabilities in system engineering plus embedded systems) to create new business models

Further promotion of multi-vendor support to respond to customers' diversifying needs



Customer needs for which response is possible

Past

Present

Future

Consider M&A

No. of supplier

RYOSAN

- Renesas Electronics Corporation

SAXIS

- NXP Semiconductors N.V.
- Macronix International Co., Ltd.
- Entropic Communications, Inc.
- Everspin Technologies, Inc.
- THine Electronics, Inc.

GYRONICS

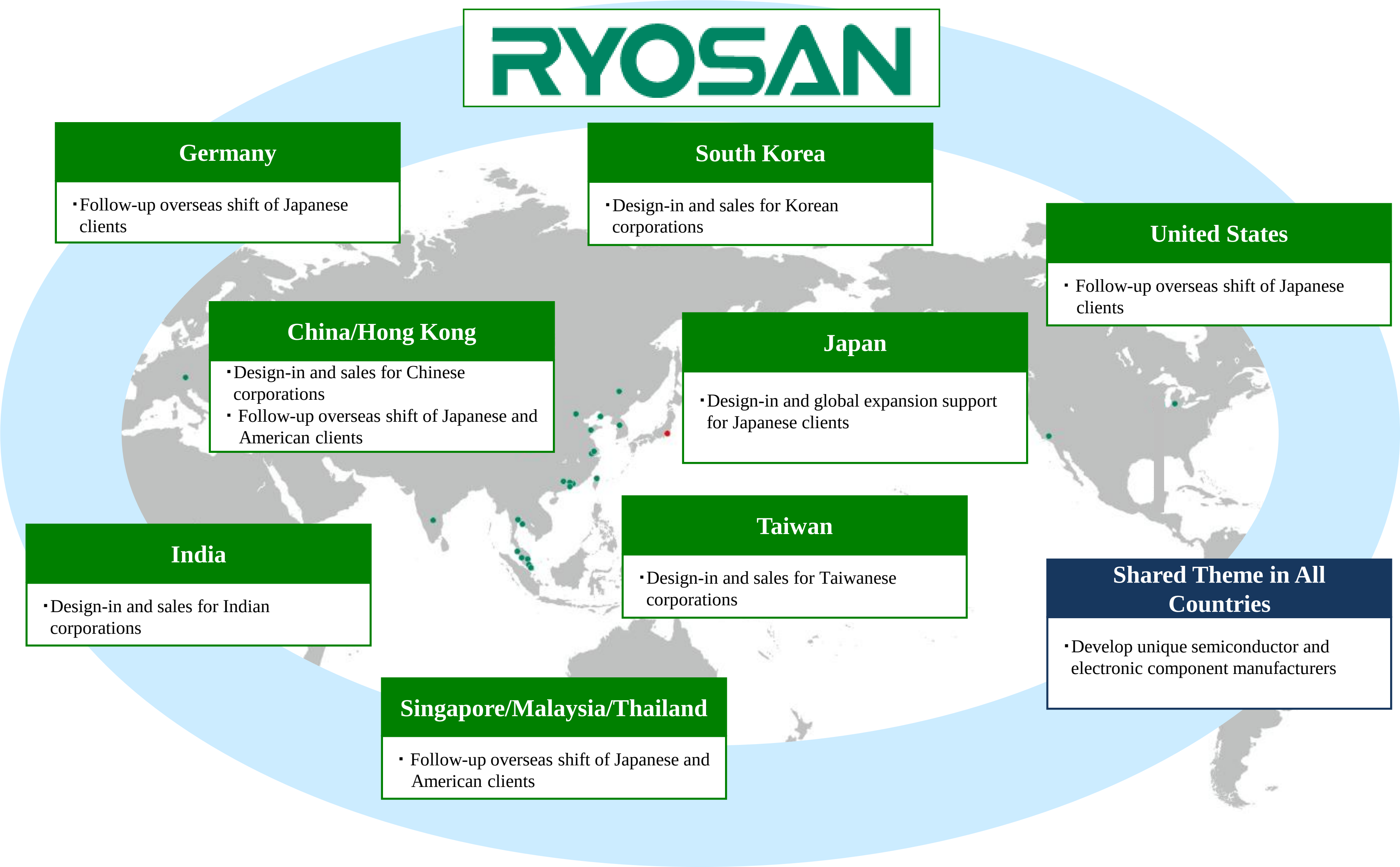
- Winbond Electronics Corp.
- Micrel Inc.
- STMicroelectronics N.V.
- Applied Micro Circuits Corporation
- Atmel Corporation
- Faraday Technology Corporation

RINNOVENT

- ON Semiconductor
- Yamaha Corporation

⋮

Strengthening global support to expand overseas business



RYOSAN

Germany

- Follow-up overseas shift of Japanese clients

South Korea

- Design-in and sales for Korean corporations

United States

- Follow-up overseas shift of Japanese clients

China/Hong Kong

- Design-in and sales for Chinese corporations
- Follow-up overseas shift of Japanese and American clients

Japan

- Design-in and global expansion support for Japanese clients

Taiwan

- Design-in and sales for Taiwanese corporations

India

- Design-in and sales for Indian corporations

Singapore/Malaysia/Thailand

- Follow-up overseas shift of Japanese and American clients

Shared Theme in All Countries

- Develop unique semiconductor and electronic component manufacturers

Strengthening system solution capabilities to create new business models

Ryosan’s System Solution

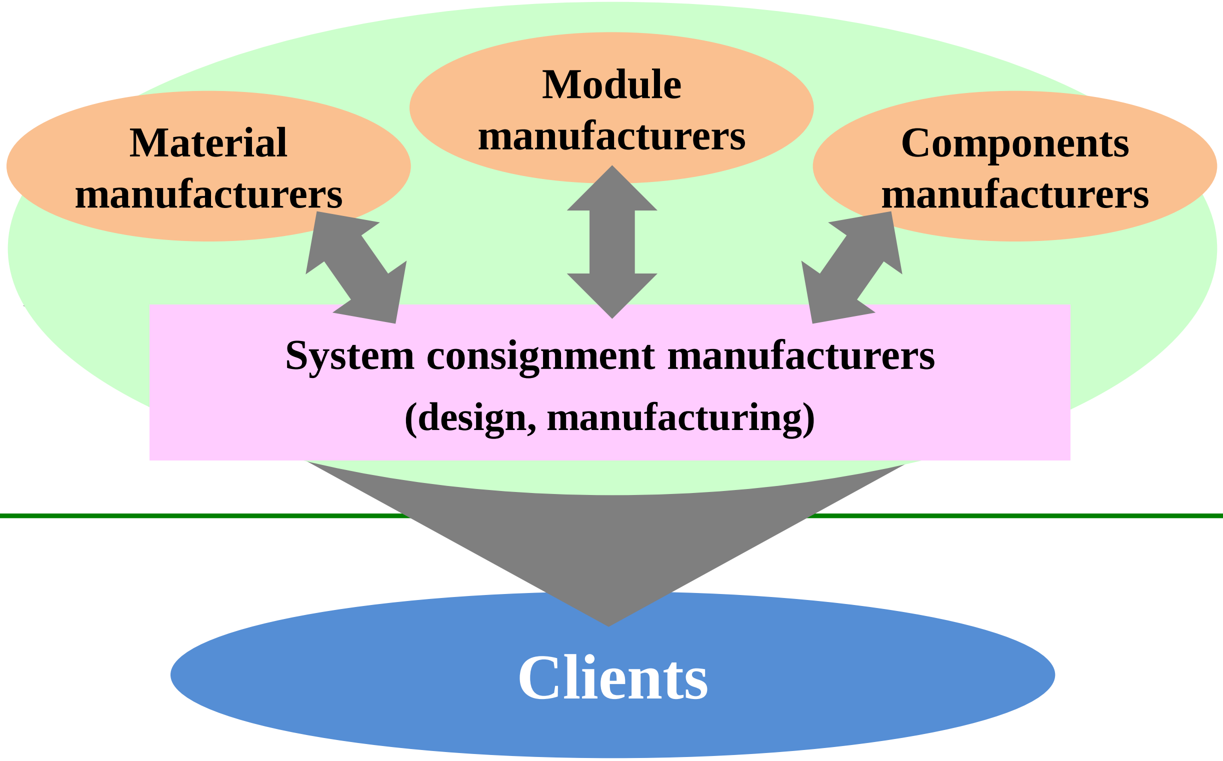
Systems Technological Capability (Realization)

- Enhance system technological capability in growth fields and high-consumption fields
- Accumulate element technology in the above fields

＋

Embedded Systems Capability (Coordination)

- Implement value-added proposals based on our core in-house technology (modules, boards, etc.)



Material manufacturers

Module manufacturers

Components manufacturers

System consignment manufacturers (design, manufacturing)

Clients

Segment Strategies

Semiconductors segment strategy	◆ Seeks to expand our business by strengthening design-in activities for products of the major manufacturer Renesas Electronics and foreign semiconductor manufacturers.
Electronic components segment strategy	◆ Seeks to expand our business in fields such as car electronics and industry by augmenting sales promotion activities which are aligned with supplier strategy.

Segment Strategies

Electronic equipment segment	◆ Seeks to expand our business by strengthening our embedded system capability as a base for focusing on our system solution business which promotes module and component business through new resources, as well as by strengthening our facilities equipment business through advancement of the 3 business elements of hardware, materials and service.
Ryosan products segment	◆ Although transfer of the heat sink production business to Sankyo Tateyama, Inc. scheduled for September 1, 2014, Ryosan will continue to focus on sales activities for heat sinks as an agent.
Technology strategy	◆ With a focus on semiconductor technology that we have accumulated over a period of many years as a technological trading company, the Ryosan Group will expand the field of technical support for electronic components and embedded products, and shall strengthen system technological capability which supports system solution capability.

Infrastructure Strategies

◆ Reinforcing management in terms of quality

- Strengthen governance through outside directors and outside auditors.
- Enhance global internal controls.
- Strengthen CSR at group companies.
- Enhance global risk response capability (legal and tax aspects).

◆ Strengthening of our management structure

(Strengthening of consolidated management)

- Develop global information system (sales, logistics, accounting).
- Develop system to strengthen the profit/financial structure of group companies.
- Increase efficiency of headquarters functions (Headquarters Management Division).
- Utilize human resources through diversity management.

Basic Policy Regarding Redistribution of Profits to the Shareholders

◆ Basic policy

- Sustain stable and high dividends; seek resumption of 80 yen dividends by FY2016.
- Continue to consider share repurchases based on trends in consolidated business performance, etc.

◆ Consolidated dividend payout ratio

- 50% or higher each year.

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Overview of Consolidated Business Plan

	FY2013		FY2014		
	Results	Of total	Plan	Of total	% Chg. YoY
Net sales	2,383		2,270		(4.8)%
Gross margin	186	7.8%	186	8.2%	(0.0)%
SG & A expenses	134	5.6%	135	5.9%	+0.3%
Operating income	51	2.2%	51	2.2%	(0.9)%
Ordinary income	50	2.1%	53	2.3%	+4.9%
Net income	32	1.4%	34	1.4%	+5.5%
Earnings per share	¥101.86		¥108.06		

	Results	Of total	Plan	Of total	% Chg. YoY
Domestic sales	1,246	52%	1,250	55%	+0.3%
Overseas sales	1,137	48%	1,020	45%	(10.3)%

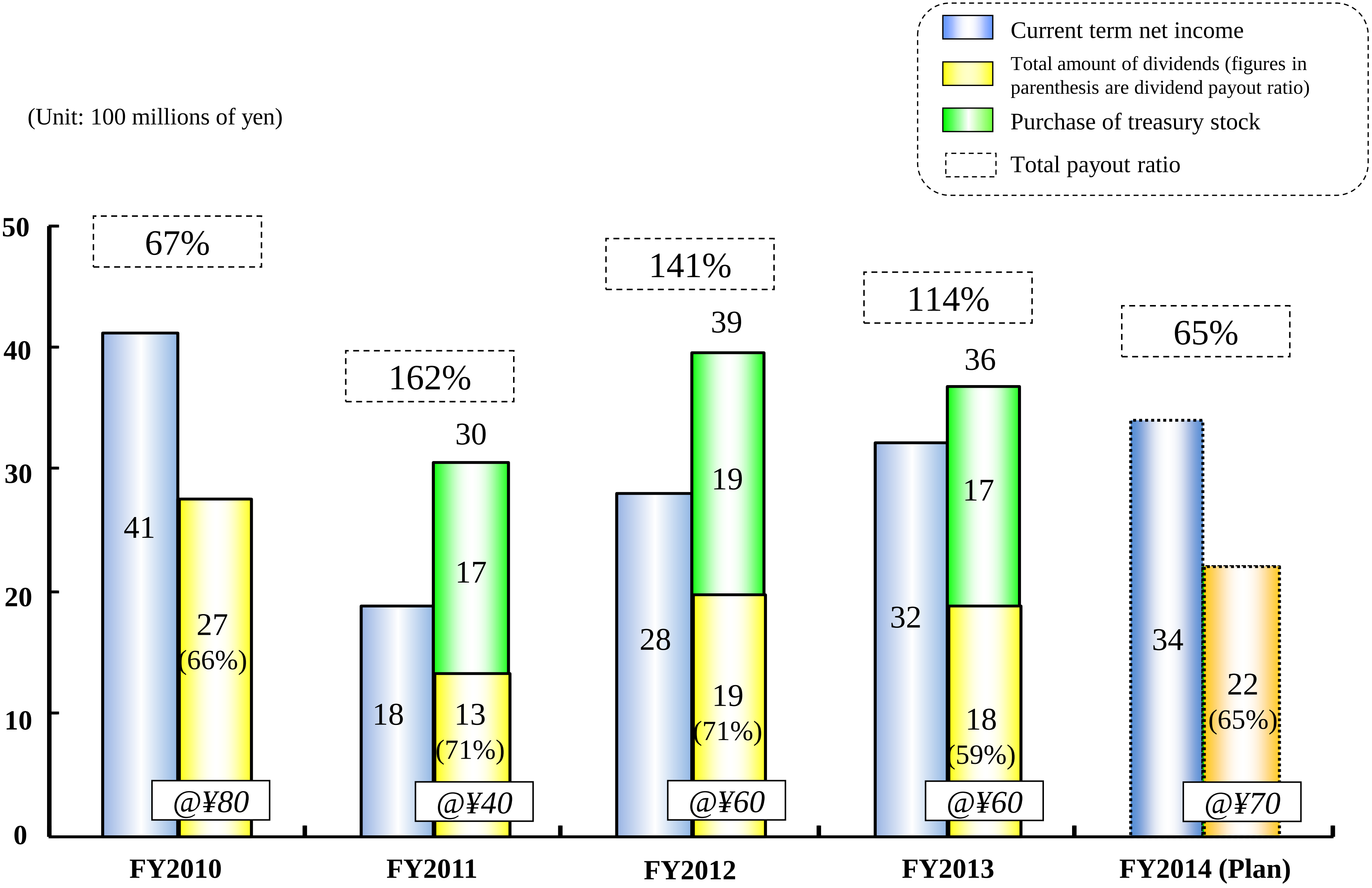
(Unit: 100 millions of yen)

Overview of Business Plan by Segment

		FY2013		FY2014		
		Results	Of total	Plan	Of total	% Chg. YoY
Semiconductors	Net Sales	1,615		1,470		(9.0)%
	Operating income	32.0	2.0%	31.5	2.1%	(1.7)%
Electronic Components	Net Sales	543		560		+3.1%
	Operating income	14.6	2.7%	15.5	2.8%	+5.7%
Electronic Equipment	Net Sales	174		195		+11.4%
	Operating income	7.0	4.1%	5.5	2.8%	(22.4)%
Ryosan Products (Heat sinks)	Net Sales	50		45		(11.0)%
	Operating income	(0.5)	－	1.0	2.2%	－
Adjustments		(1.8)		(2.5)		
Total	Net Sales	2,383		2,270		(4.8)%
	Operating income	51.4	2.2%	51.0	2.2%	(0.9)%

(Unit: 100 millions of yen)

Plan for Redistribution of Profit to Shareholders



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Basic Policy & Technology Strategy

[Basic Policy]

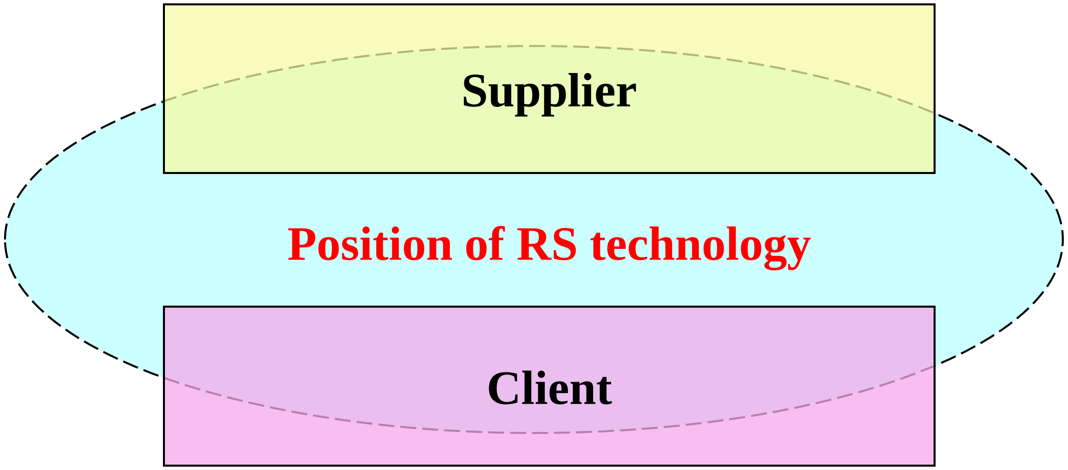
Create added value by providing practical technology and contribute to sales (design-in) expansion and profit maximization in Ryosan’s main businesses.

[Technology Strategy]

- **Expansion of specialty systems and deep cultivation of technological capability**
- **Advance expansion of technology for growth fields & global expansion of in-house technology**
- **Expansion of activity from semiconductor base to Ryosan’s main businesses**

Position of technology

Technology for selling out devices



Device technology

∨

RS technology

∧

System technology
(Client set)

Provision/pursuit of practical technology which matches conditions at each client

■Development technical capabilities and device applied technical capabilities gained through many years of experience

I. Deep knowledge of characteristics/problems related to device application; technical capabilities which maximize the performance of devices.

II. Proposal/realization capabilities with in-depth understanding of the client’s unique development style and set specifications (system)

Realization Measures

～Strengthening technology that sells out～

- **Strengthening system technical capabilities (including elemental technology) and proposal capabilities**
- **Strengthening development capabilities through commissioned development (ASIC/software development)**
- **Strengthening technical support capabilities (device applied technical capabilities) for complementing overseas suppliers**
- **Making kit proposals which include all products handled by RS and expand technological activities into module business**
- **Promoting reference and customization of in-house technology for overseas client acquisition strategy**

■ Strengthening system technical abilities (including elemental technology) and proposal capabilities

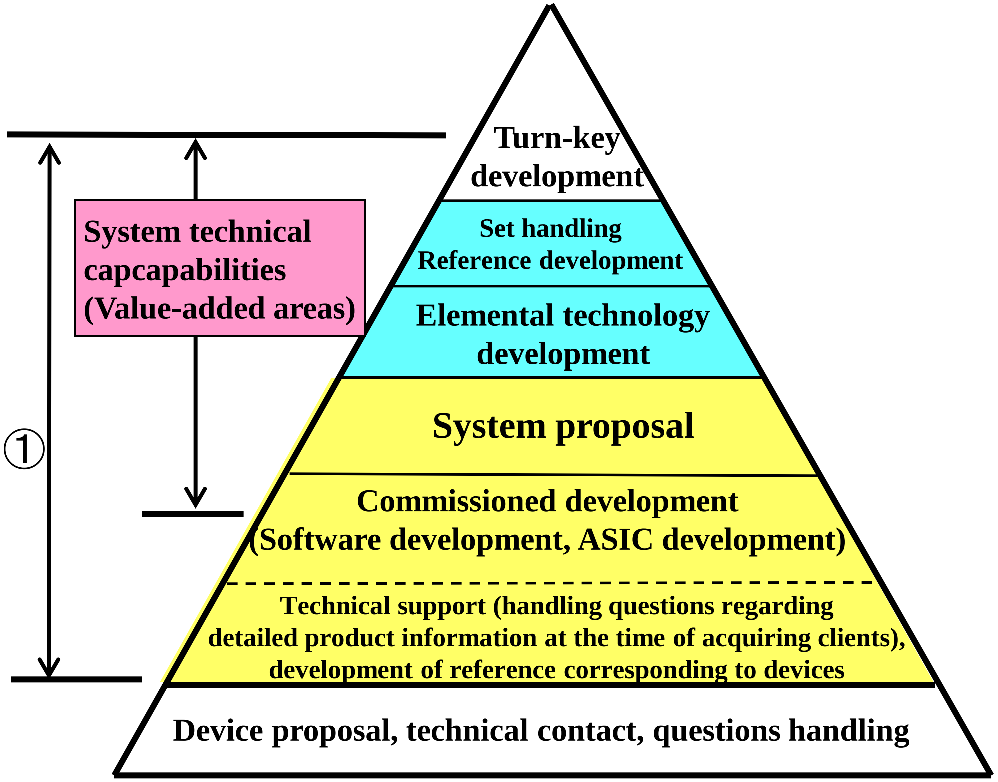
- **Expand by focusing on growth fields, high-consumption fields, and fields which are consistent with our growth strategy**
  - **In-vehicle electrical components (AV, ADAS, EV/HEV, automatic driving),**
  - **Home equipment (Smart grids, LED/organic EL lighting),**
  - **Mobile devices (wearable devices, LTE, DSC), medical/health devices**

- **Accumulate element technology in above fields**
  - **Image/audio processing, communication I/F**
    (Ethernet AVB, CAN FD, DALI/DMX, PLC)
  - **Wireless communication (Wi-Fi, BT, Sub-Giga), sensor technology**
  - **Energy-saving technology, analog technology**
    (Mixed-Signal, power source, etc.)

- **Construction and supply of platforms (middleware, software)**
  - **Smartphone collaboration (Miracast), in-vehicle BSW (Autosar), etc.**

Strengthening system technical capabilities (including elemental technology) and proposal capabilities

Strengthening value-added areas by improving and enhancing supported systems



System technical capcapabilities (Value-added areas)

①

Turn-key development

Set handling
Reference development

Elemental technology development

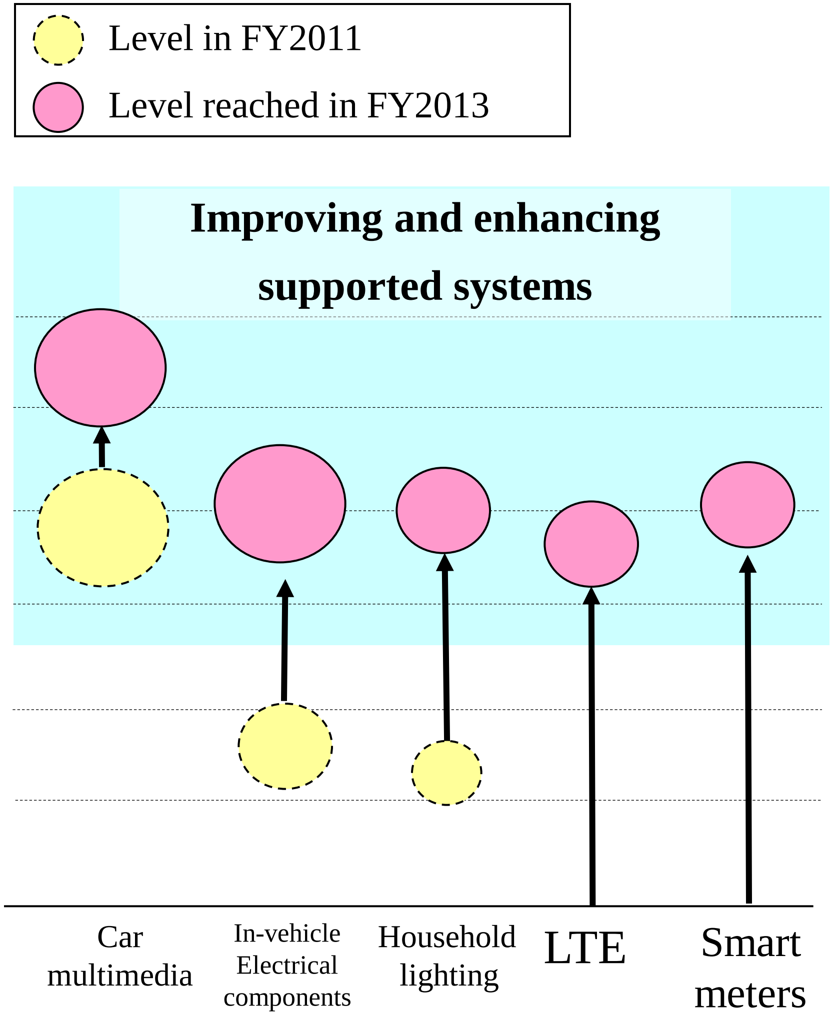
System proposal

Commissioned development (Software development, ASIC development)

Technical support (handling questions regarding detailed product information at the time of acquiring clients), development of reference corresponding to devices

Device proposal, technical contact, questions handling

①: Fields covered by Technical Division



○ Level in FY2011

● Level reached in FY2013

Improving and enhancing supported systems

Car multimedia

In-vehicle Electrical components

Household lighting

LTE

Smart meters

■Technical support capabilities (device applied technical capabilities) for complementing overseas suppliers

Item for strengthening technical capabilities	System and product	Supplier	Details
Kit solution proposal	Large household appliances, lighting, car multimedia	Company A Company B	Company A: ･NFC chip+ARM microcomputer (Corex-M4/M0) ･Touch-panel+ARM microcomputer (Cortex-M4), 7 others Company B: PHY attached to in-vehicle camera assessment board
Creation of RS original materials	All products	Company C Company B	Company C: Leaflets: 5, Production introduction material: 5 Company B: MEMS CLK: 1
Reference board and software design	Power supply LED lighting Speech recognition Near field communication	Companies A, B Companies A, D Company A Company A	Power Supply: Company A business record: 16 projects Company B business record: 2 projects LED: Company A business record: 3 projects Company D business record: 0 projects Audio recognition: Not able to acquire audio recognition M/W; finished creating demonstration software using audio synthesis IC control Short-range communication: Finished demonstration software using energy harvest function
Device application evaluation	Gigabit Ethernet PHY Ripple Blocker MEMS Power supply IC	Company B Company B Company D Company D	･Finished accumulation of know-how through actual business ･Created and measured assessment board. Reported results to suppliers. ･Not able to acquire samples (software/hardware) due to supplier circumstances ･Currently creating an assessment board for power supply system using STLux
Error analysis and isolation of problems, proposal of solutions	All handled products	Company A Company B Company D Company E	11 projects：10 closed, 1 pending 3 projects：2 closed, 1 continued 2 projects：Closed 2 projects：All closed

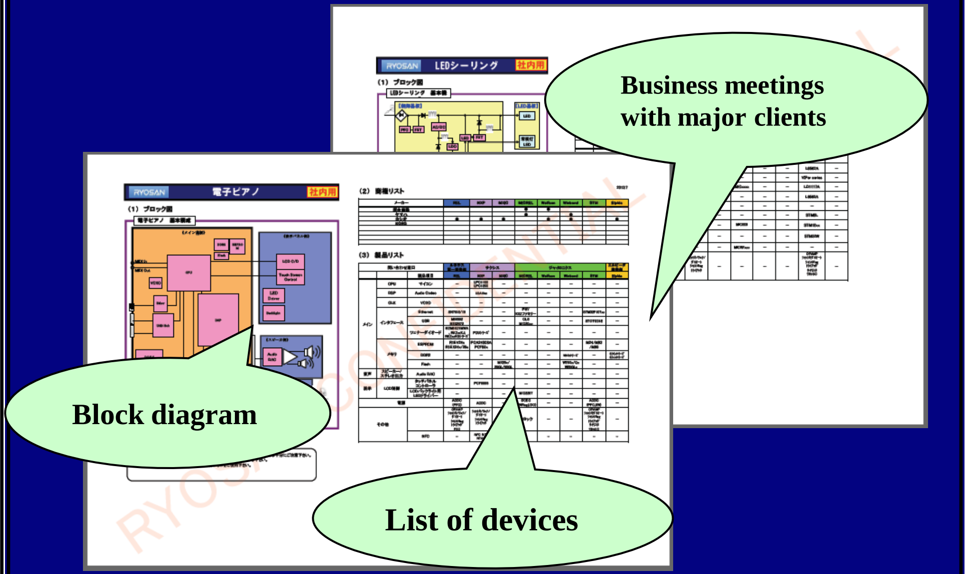
Making kit proposals which include all products handled by RS and expand technological activities into module business

Kit proposals

【Continue company-wide projects】

Continue to implement kit business meetings by sharing business information in related divisions

Creation/implementation of kit proposal materials



Navigation system, in-vehicle air conditioning, LED ceiling, washing machine, toilet seat, etc.

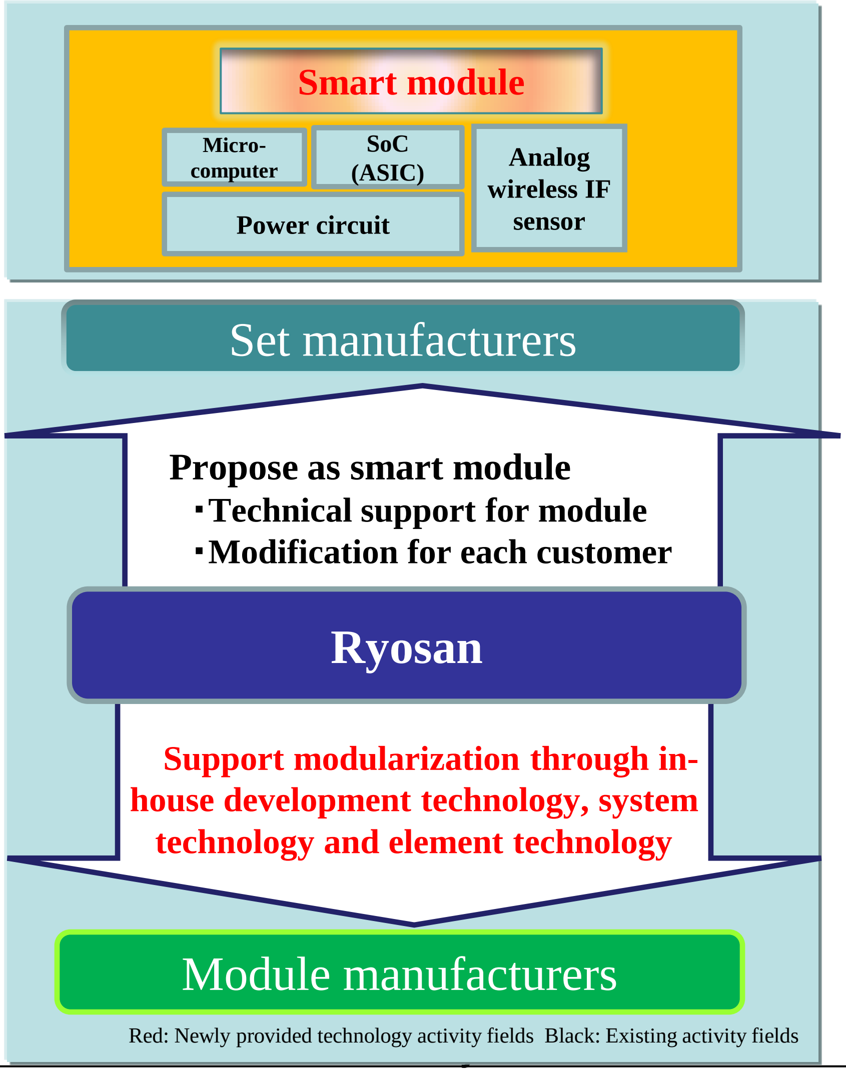
Business performance in more than 20 fields
→ Expand while targeting growth fields

Kit proposals using RS original board

Construct a speedy demonstration environment

■Making kit proposals which include all products handled by RS and expand technological activities into module business

Module business



Red: Newly provided technology activity fields Black: Existing activity fields

- **Collaboration with related business headquarters within Ryosan**
- **Cooperate with module manufacturers to find new products, conduct technical collaboration and support development**
- **Establish a specialized team within technical headquarters (Enhance sequentially in relation to sales volume)**
- **Expand globally (China, Korea, etc.)**

■Promoting reference and customization of in-house technology for overseas client strategy

- **Reference development and expansion for in-vehicle electronic components**
  - Construct basic software (BSW)
    - → Expand to China and Korea
  - Refine EPS motor control software

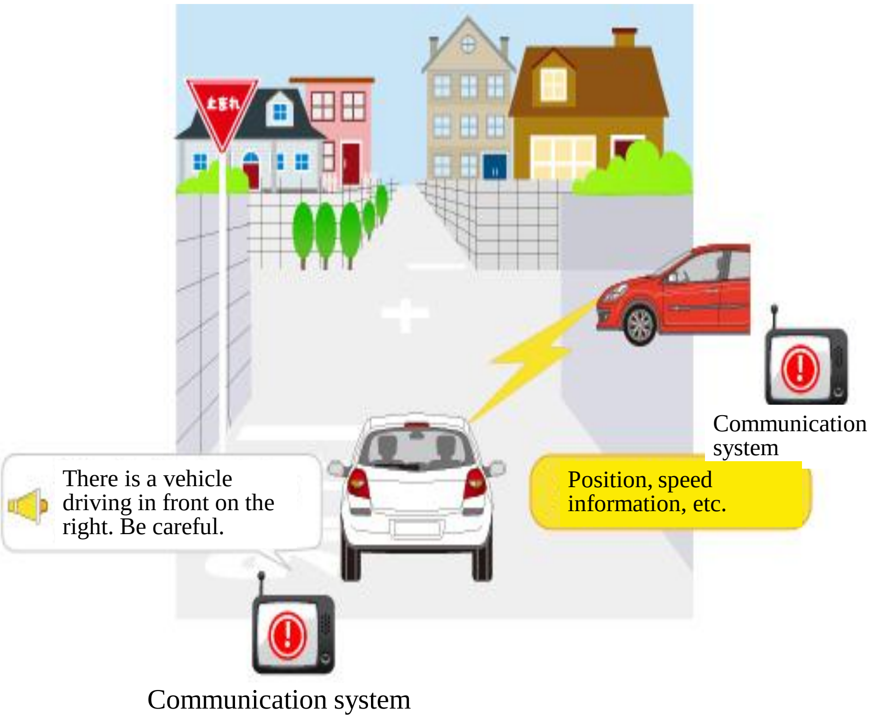
- **Expand solutions for local China**
  - Cooperate with exclusive Chinese distributors to set targets

    Construct and expand technical system for strategic clients and fields

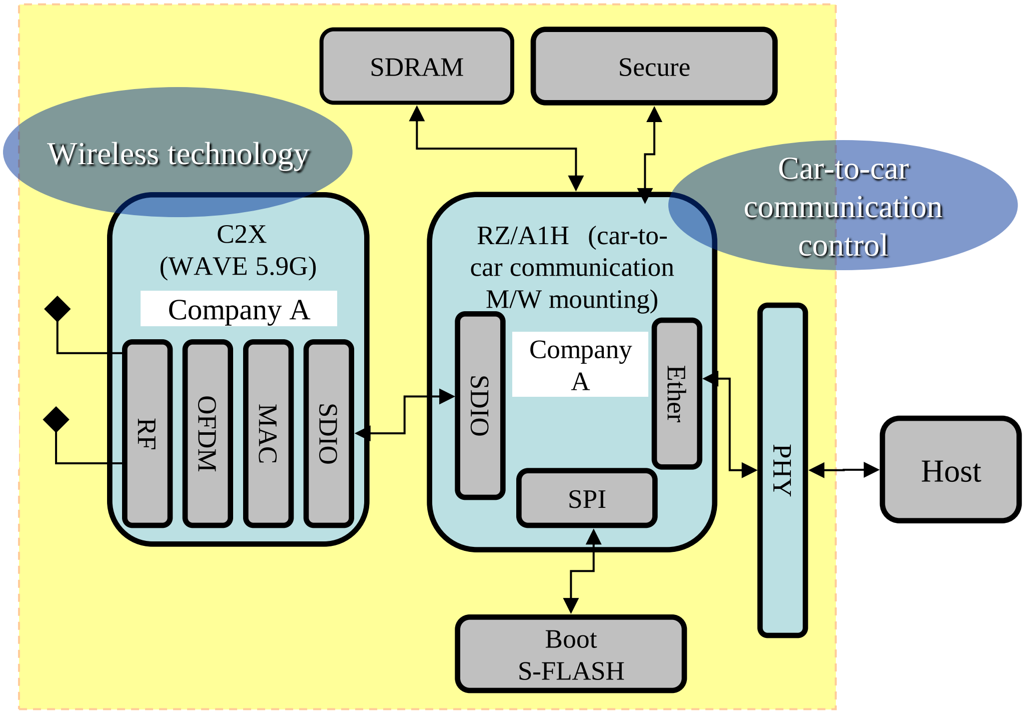
- **Increase kit sales; expand module business into China and Korea**

Example of Expanded Support System) Car-to-Car Communication

Device support is possible for C2X (base band, RF) and control microcomputers (RZ/A1H).
Also, we are constructing a total support system for devices and software including car-to-car communication M/W for Europe and North America.



Example of car-to-car communication system



Example of Expanded Support System) Miracast

Total support for a solution consisting of a new standard which uses Wi-Fi (wireless) to connect smartphones and in-vehicle equipment.

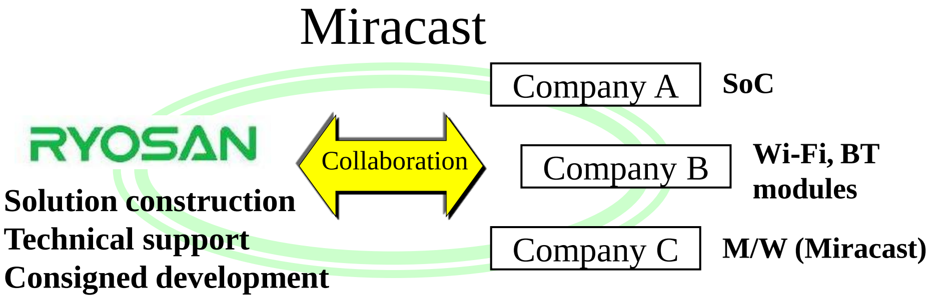
Providing one-stop service for Wi-Fi modules, Miracast soft porting, and SoC technology.

【Miracast application example】
Navigation application of a smartphone is used on in-vehicle equipment
Information of in-vehicle equipment is displayed on a smartphone

◆Exhibiting booth at ESEC 2013 REL
May 12 to 14, 2013 at Tokyo Big Sight

◆ Exhibiting booth at Embedded Technology 2013 REL
November 20 to 22, 2013 at Pacifico Yokohama

◆Exhibiting booth at Car-Ele Japan
January 15 to 17, Tokyo Big Sight



SoC

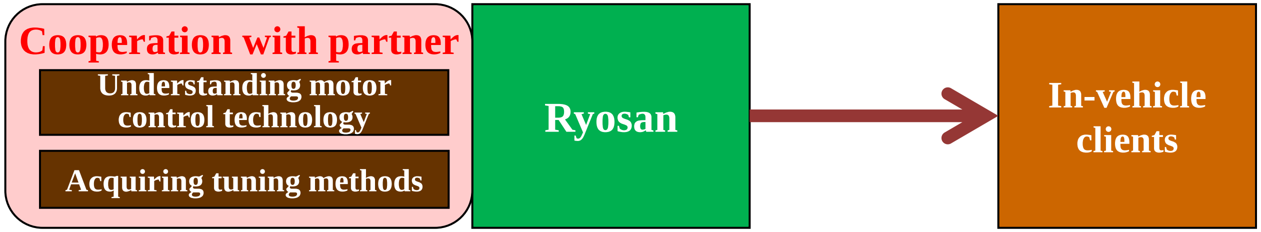
Wi-Fi, BT modules

M/W (Miracast)

Solution construction
Technical support
Consigned development

Example of Expanded Support System) EPS Motor Control

Through cooperation with design houses who possess technical know-how in motor control, acquire motor control technology and develop modify programs which meet client specifications



Cooperation with partner

Understanding motor control technology

Acquiring tuning methods

Ryosan

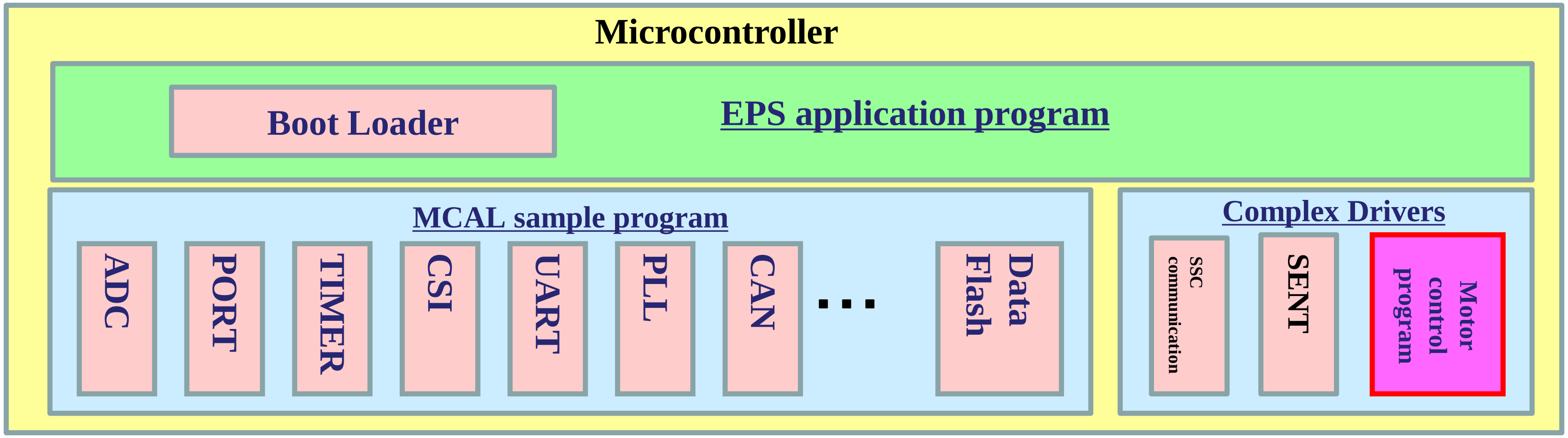
In-vehicle clients

[Details of technical support]

①Operation verification and modification which matches client motor units

②Design of MCAL sample programs, boot programs

***MCAL: Driver program in compliance with AUTOSAR**



Microcontroller

Boot Loader

EPS application program

MCAL sample program

- ADC
- PORT
- TIMER
- CSI
- UART
- PLL
- CAN
- …
- Data Flash

Complex Drivers

- SSC communication
- SENT
- Motor control program

▨ **: Designed by Ryosan** 🟪 **: Designed by Ryosan + partner**