

Ryosan Company, Limited
FY2014 Results Meeting
Fiscal year ended March 31, 2015

May 20, 2015
Naoto Mimatsu,
President

Results for FY2014

9th Medium-Term Management Plan (Revision)

FY2015 Business Plan

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 for FY2014

- ◆ Operating income exceeded the amount of the previous fiscal year and the previous plan made the operating income to net sales improved up to 2.5%

(Unit: 100 millions of yen)

	FY2013		FY2014					
	Results	Of total	Results	Of total	% Chg. YoY	Previous plan	Of total	Comparison with previous plan
Net sales	2,383		2,335		(2.0)%	2,290		+2.0%
Gross margin	186	7.8%	195	8.4%	+4.9%	187	8.2%	+4.4%
SG & A expenses	134	5.6%	135	5.8%	+1.0%	133	5.8%	+2.2%
Operating income	51	2.2%	59	2.5%	+15.2%	54	2.4%	+9.7%
Ordinary income	50	2.1%	54	2.3%	+8.3%	53	2.3%	+3.2%
Net income	32	1.4%	32	1.4%	(0.7)%	34	1.5%	(5.9)%
Earnings per share (yen)	101.86		101.80		(0.1)%	108.06		(5.8)%
Domestic sales	1,246	52%	1,258	54%	+1.0%	1,240	54%	+1.5%
Overseas sales	1,137	48%	1,076	46%	(5.3)%	1,050	46%	+2.5%

* The previous plan was disclosed on October 29, 2014.

Overview of Results for FY2014 by Business Segment

- ◆ Operating income increased in all the business segment even though net sales decreased from the previous year in Semiconductors segment

(Unit: 100 millions of yen)

		FY2013		FY2014					
		Results	Of total	Results	Of total	% Chg. YoY	Previous plan	Of total	Comparison with previous plan
Semiconductors	Net sales	1,615		1,512		(6.4)%	1,495		+1.2%
	Operating income	32.0	2.0%	34.8	2.3%	+8.7%	33.0	2.2%	+5.5%
Electronic Components	Net sales	593		629		+5.9%	610		+3.1%
	Operating income	14.1	2.4%	16.1	2.6%	+14.4%	15.5	2.5%	+4.3%
Electronic Equipment	Net sales	174		193		+10.8%	185		+4.8%
	Operating income	7.0	4.1%	10.5	5.4%	+48.4%	8.0	4.3%	+31.6%
Adjustments		(1.8)		(2.2)			(2.5)		
Total	Net sales	2,383		2,335		(2.0)%	2,290		+2.0%
	Operating income	51.4	2.2%	59.2	2.5%	+15.2%	54.0	2.4%	+9.7%

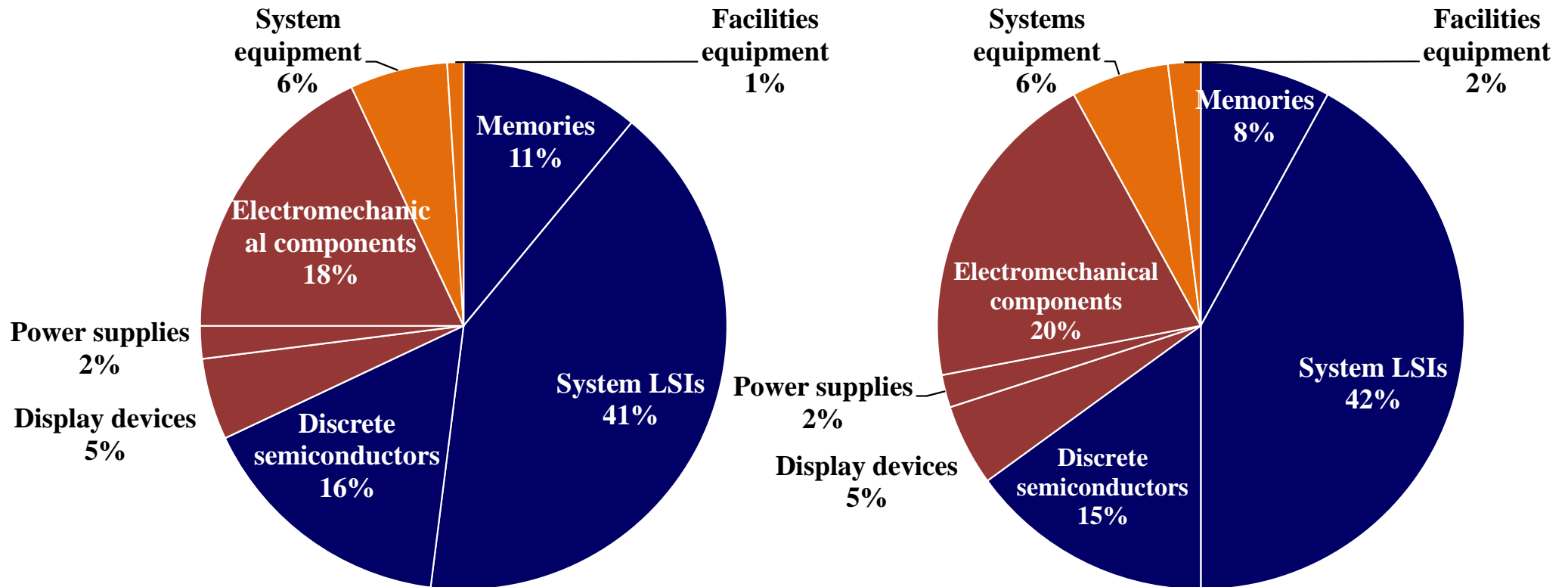
* With the transfer of the heat sink production business, the business is split into three segments: Semiconductors, Electronic Components and Electronic Equipment.

Percentage of Net Sales by Product

- ◆ Memories shrank while electromechanical components expanded with no other significant changes in composition

FY2013

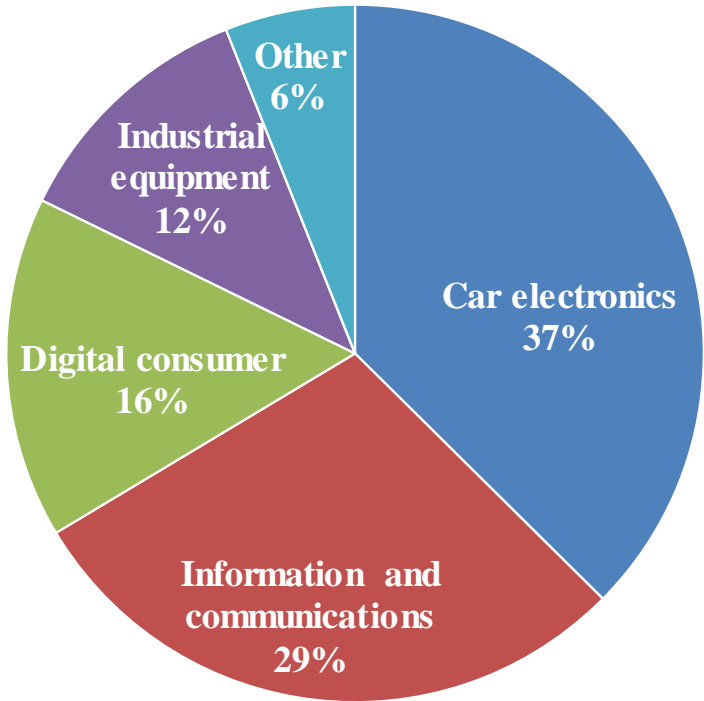
FY2014



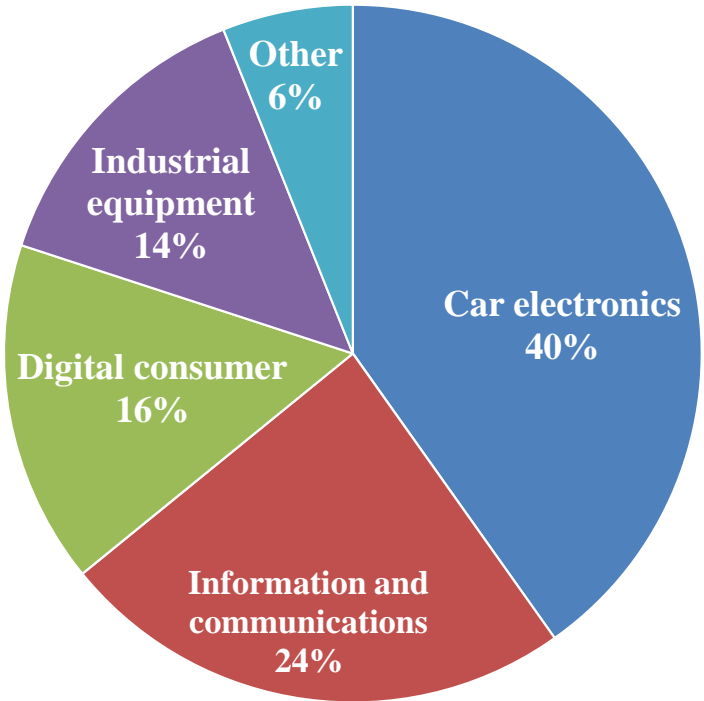
Percentage of Net Sales by Field

◆ Car electronics field expanded

FY2013



FY2014



Consolidated Balance Sheet

◆ No significant change in structure

(Unit: 100 millions of yen)

	End of Mar. 2014	End of Mar. 2015	Difference	Main factors
Current assets	1,489	1,492	+3	<ul style="list-style-type: none"> ▪ Cash and deposits +59 ▪ Trade notes and accounts receivable (60)
Fixed assets	203	195	(7)	
Total assets	1,692	1,688	(3)	
Liabilities	505	470	(35)	<ul style="list-style-type: none"> ▪ Trade accounts payable (27) ▪ Short-term loans in foreign currency (19)
Net assets	1,187	1,218	+31	<ul style="list-style-type: none"> ▪ Net income +32 ▪ Foreign currency translation adjustments +27 ▪ Cash dividends paid (20) ▪ Purchase of treasury stock (13)
Total liabilities and net assets	1,692	1,688	(3)	
Net assets to total assets	70.2%	72.2%	+2.0	

Consolidated Statement of Cash Flow

◆ Free cash flow increased due to a decrease in notes and accounts receivable-trade, etc.

(Unit: 100 millions of yen)

	FY2013	FY2014	Difference	Main factors
Cash flows from operating activities	15	116	+101	<ul style="list-style-type: none"> ▪ Income before income taxes +54 ▪ Decrease in notes and accounts receivable-trade +86 ▪ Decrease in notes and accounts payable-trade (39)
Cash flows from investing activities	(4)	9	+14	<ul style="list-style-type: none"> ▪ Proceeds from transfer of business +12
Free cash flow	10	126	+116	
Cash flows from financing activities	(22)	(75)	(52)	<ul style="list-style-type: none"> ▪ Short-term loans payable (40) ▪ Cash dividends paid (20) ▪ Purchase of treasury stock (13)
Balance of cash and cash equivalents	499	559	+59	

Results for FY2014

9th Medium-Term Management Plan (Revision)

FY2015 Business Plan

Ryosan Company, Limited

9th Medium-Term Management Plan (Revision)

(FY2014 - FY2017)

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

1. Ideal state for Ryosan

Realizing electronics system coordination

- Commercialization of system solution business
- Global distributor

2. Description of initiatives

Reestablishment of growth path

Creating new business models
(Strengthening system solution capability)

Further promotion of multi-vendor support
(Expanding new supplier and product in existing business)

Strengthening global support to expand overseas business
(Aiming at being global distributor)

Project
business

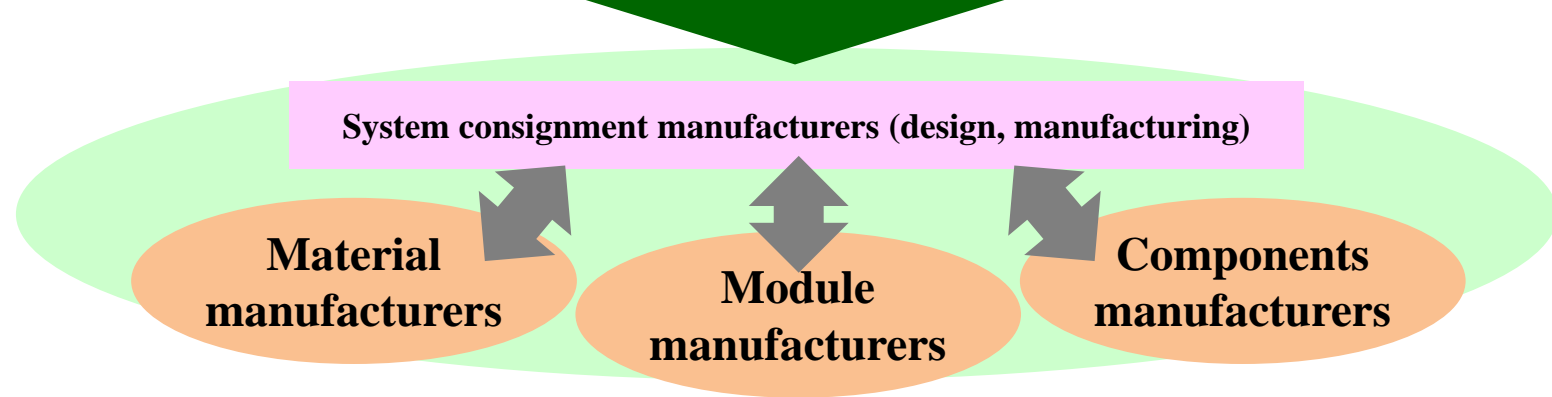
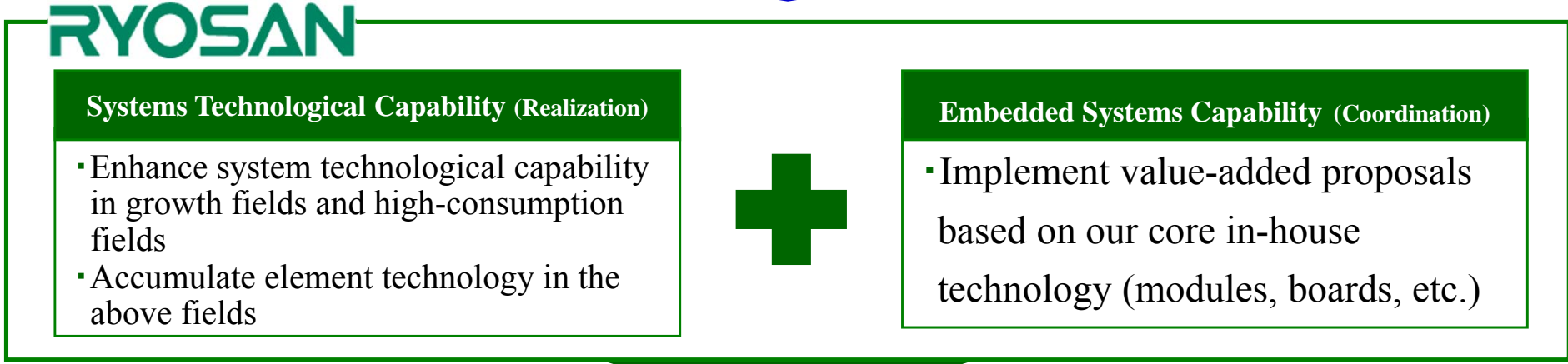
Expanding
existing
business

Improvement of capital efficiency

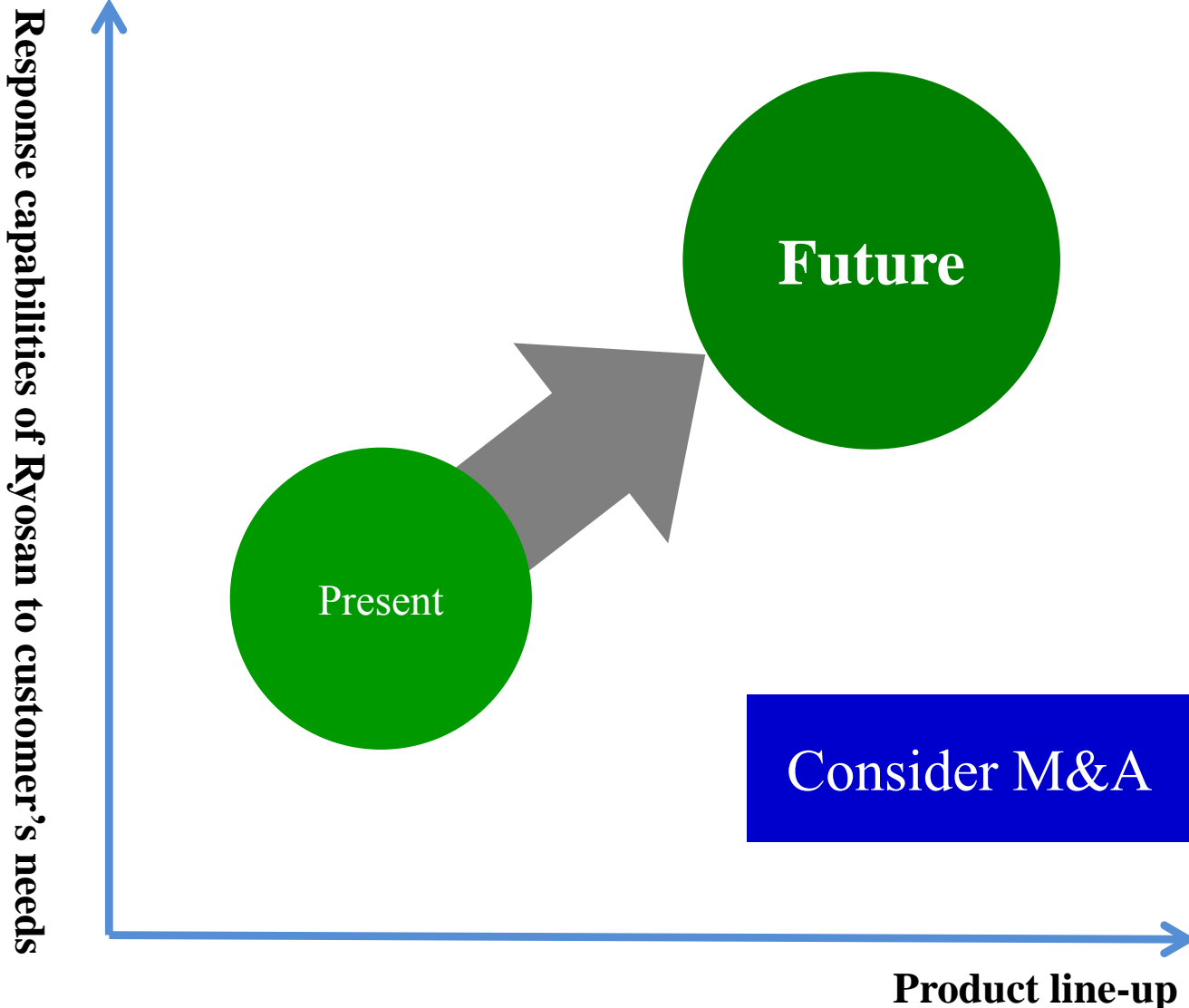
Proactive investment toward growth

Acquiring treasury stock

Customer needs



- System consignment business independent from commercial right
- Accumulation of system technological capability focusing on each field such as in-vehicle electrical components, home equipment, IoT equipment, medical and healthcare device
- Acquisition of outside human resources with experience in system development



e.g.) Main suppliers of semiconductor

RYOSAN

▪ Renesas Electronics Corporation

SAXIS

▪ NXP Semiconductors N.V.

GYRONICS

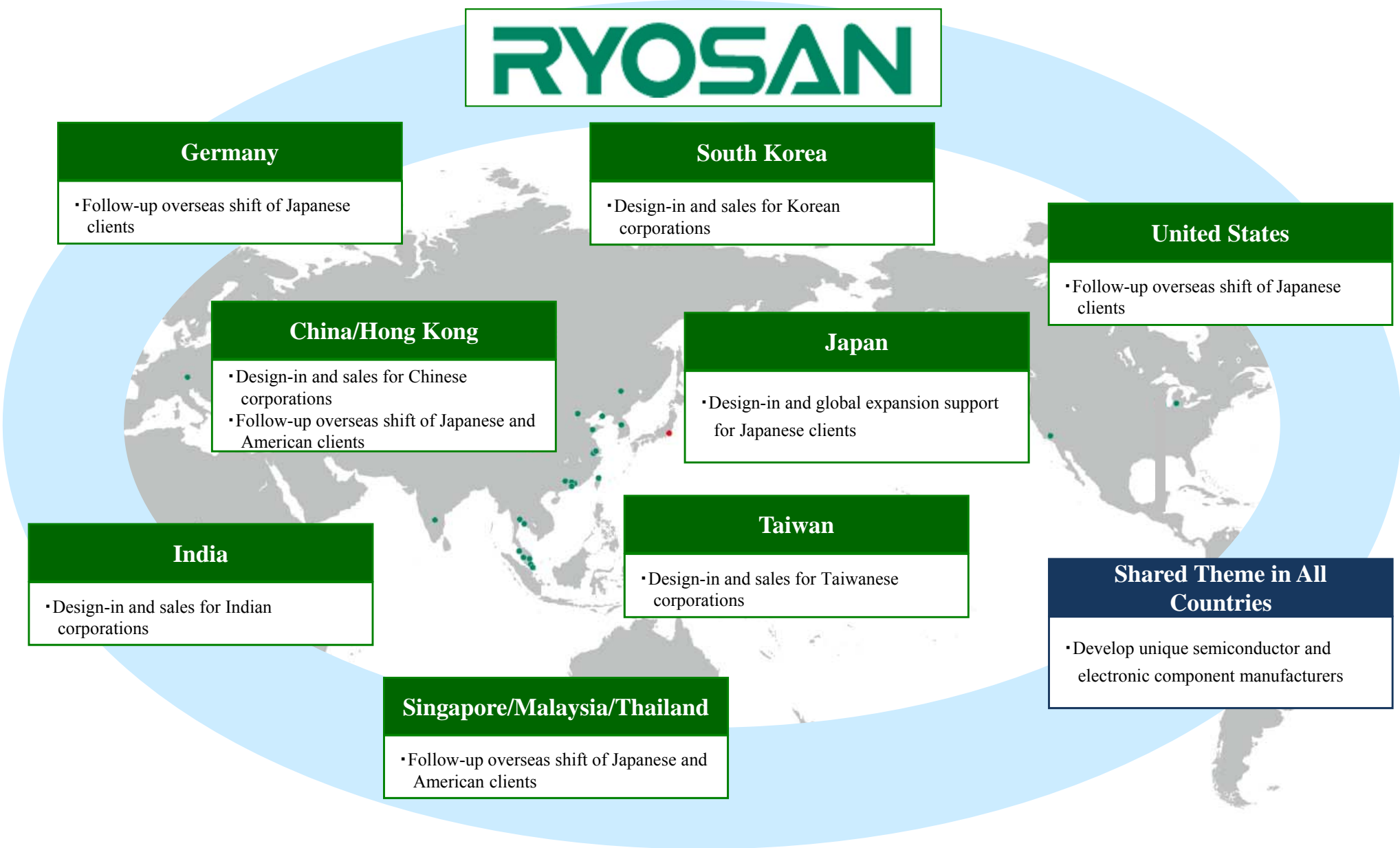
- Winbond Electronics Corp.
- Micrel Inc.
- STMicroelectronics N.V.
- Applied Micro Circuits Corporation
- Atmel Corporation
- Faraday Technology Corporation

RINNOVENT

- ON Semiconductor
- Yamaha Corporation
- Macronix International Co., Ltd.
- Entropic Communications, Inc.
- Everspin Technologies, Inc.
- THine Electronics, Inc.

⋮

■ Expansion of new suppliers and new products by business acquisition, alliance and etc.



■ Considering business acquisition from and alliance with local companies



- Aim at business expansion by proactive design-in initiative and effective allocation of resources in our main business with Renesas Electronics and foreign semiconductor companies.



- Aim at business expansion by proposals of kit and system that consist of semiconductors and multiple electronic components under market expansion strategy integrated with suppliers.
- Continue to deal with sales of heat sink as an agent.



Electronic Equipment

We will aim at expansion of business through the following strategies:

- Expansion of OEM and ODM business, further cultivation of existing ICT clients, and exploring of new clients by core resources in systems equipment business.
- Promotion of 3 business elements of hardware, material, and service in facilities equipment business.



Technology

- Enhancement of global sales promotion capability of devices by establishment of system solution, while expanding technical support capability of mainly semiconductor technology, which accumulated long time as a technology trading company, into the fields of electronic components and embedded products.

System Solution Project

- Aim at braking away from existing business model by developing system consignment business based on clients and market needs independent from trademark right and solution business in growth field.

Analog Sensor Marketing Project

- Propose a kit consisted of competent I/O device (sensor / light / wireless, etc.) and analog IC.

◆ Reinforcing management in terms of quality

- Implement and promotion of Ryosan spirits (reestablishment of vision, human resources development).
- Strengthen corporate governance.
(3 outside directors, establishment of the Remuneration Advisory Committee and the Nomination Advisory Committee, etc.)
- 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).
- Appropriate use of human resources regardless sex, ages, or nationality.

◆ Dividends

- Aim at increasing payout ratio over 50%

FY2014	Target of FY2017
80 yen	Over 100 yen

◆ Acquiring of treasury stock

- Plan to implement continuous acquiring of treasury stock basically 1 million share per year

Business Objectives

Addition

◆ Achieve 5% of ROE in FY2017 aiming at 8% of ROE

(Unit: 100 millions of yen)

	FY2014		FY2017	
	Results	Of total	Target	Of total
Net sales	2,335		2,700	
Gross margin	195	8.4%	235	8.7%
SG & A expenses	135	5.8%	140	5.2%
Operating income	59	2.5%	95	3.5%
Net income	32	1.4%	60	2.2%
ROE	2.7%		5.0%	

FY2017 Target by Business Segment

Addition

(Unit: 100 millions of yen)

	FY2014			FY2017 target		
	Net sales	Operating income	Of total	Net sales	Operating income	Of total
Existing business	2,335	61.5	2.6%	2,500	86.0	3.4%
Semiconductors	1,512	34.8	2.3%	1,500	51.0	3.4%
Electronic Components	629	16.1	2.6%	700	20.3	2.9%
Electronic Equipment	193	10.5	5.4%	300	14.7	4.9%
Project business	0	0	—	200 ^{*2}	9.0	4.5%
Total	2,335	59.2 ^{*1}	2.5%	2,700	95.0	3.5%

*1. The total amount of operating income in FY2014 indicates the figure after deduction of -220 million yen of operating income adjustment.

*2. Net sales of project business in FY2017 include 13 billion yen for system solution business and 7 billion yen for new products, etc.

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FY2015 Business Plan

Overview of Consolidated Plan for FY2015

◆ Both net sales and operating income are projected to be flat

(Unit: 100 millions of yen)

	FY2014		FY2015		
	Results	Of total	Plan	Of total	% Chg. YoY
Net sales	2,335		2,350		+0.6%
Gross margin	195	8.4%	190	8.1%	(2.7)%
SG & A expenses	135	5.8%	133	5.7%	(2.2)%
Operating income	59	2.5%	57	2.4%	(3.8)%
Ordinary income	54	2.3%	57	2.4%	+4.2%
Net income	32	1.4%	38	1.6%	+18.7%
Earnings per share (yen)	101.80		122.51		+20.3%
Domestic sales	1,258	54%	1,350	57%	+7.2%
Overseas sales	1,076	46%	1,000	43%	(7.1)%

Overview of Business Plan for FY2015 by Business Segment

- ◆ Income and profit will increase in Electronic Components business and Electronic Equipment business

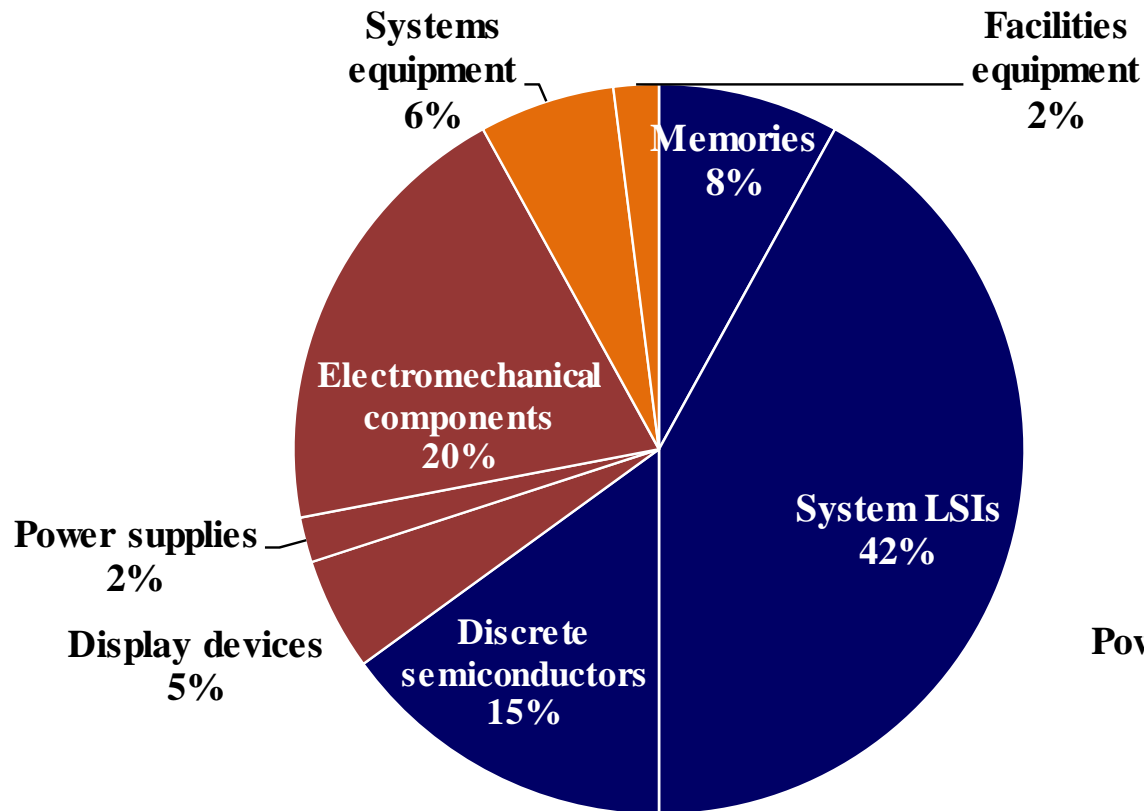
(Unit: 100 millions of yen)

		FY2014		FY2015		
		Results	Of total	Plan	Of total	% Chg. YoY
Semiconductors	Net sales	1,512		1,400		(7.4)%
	Operating income	34.8	2.3%	31.0	2.2%	(11.0)%
Electronic Components	Net sales	629		660		+4.9%
	Operating income	16.1	2.6%	17.0	2.6%	+5.1%
Electronic Equipment	Net sales	193		290		+49.5%
	Operating income	10.5	5.4%	13.0	4.5%	+23.5%
Adjustments		(2.2)		(4.0)		
Total	Net sales	2,335		2,350		+0.6%
	Operating income	59.2	2.5%	57.0	2.4%	(3.8)%

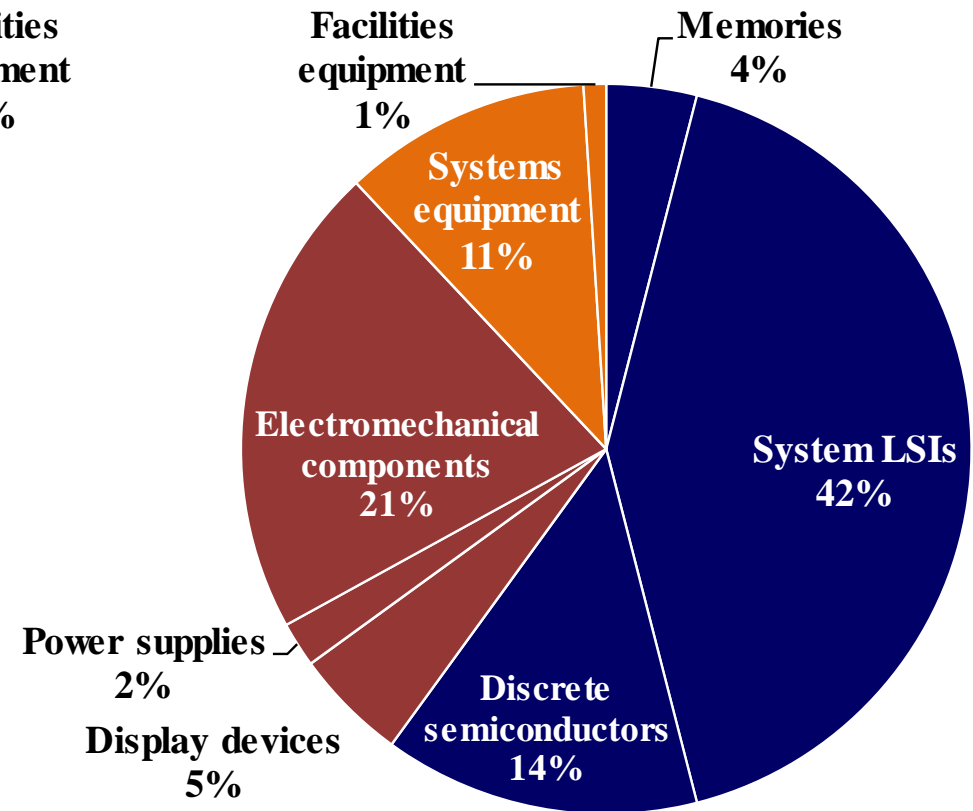
Percentage of Net Sales by Product (Plan)

◆ Net sales of memories will shrink and systems equipment will expand

FY2014



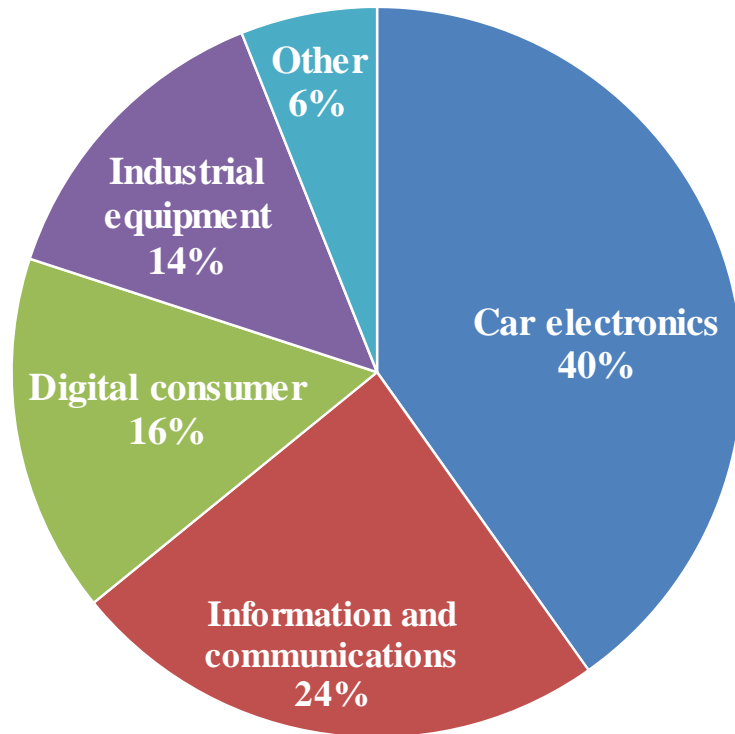
FY2015 Plan



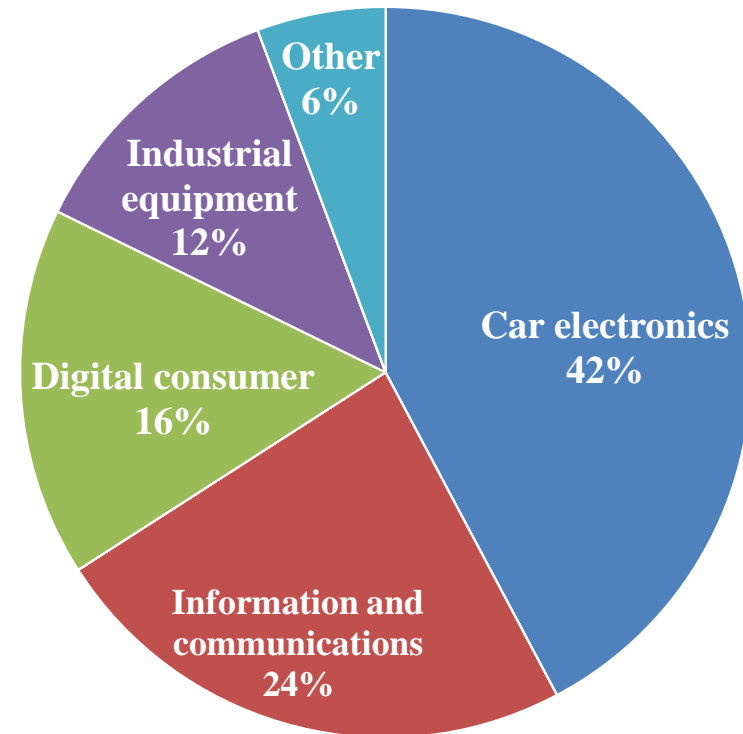
Percentage of Net Sales by Field (Plan)

◆ Net sales of car electronics will continue to expand in FY2015

FY2014



FY2015 Plan



Plan for Redistribution of Profit to Shareholders

◆ Dividends for FY2015 is planned to be 90 yen

(Unit: 100 millions of yen)

