

Ryosan Company, Limited

FY2016 Results Meeting
Fiscal year ended March 31, 2017

May 25, 2017

Naoto Mimatsu

President and Representative Director

Results for FY2016

Business Plan for Full Year FY2017

Implementation Status and Forecast of the 9th Medium-Term Business Plan

Notice

Business forecasts and all statements related to the future contained in this presentation are based on information currently possessed by the Company and on certain assumptions which are judged 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

Consolidated Statements of Operation

Results for
FY2016

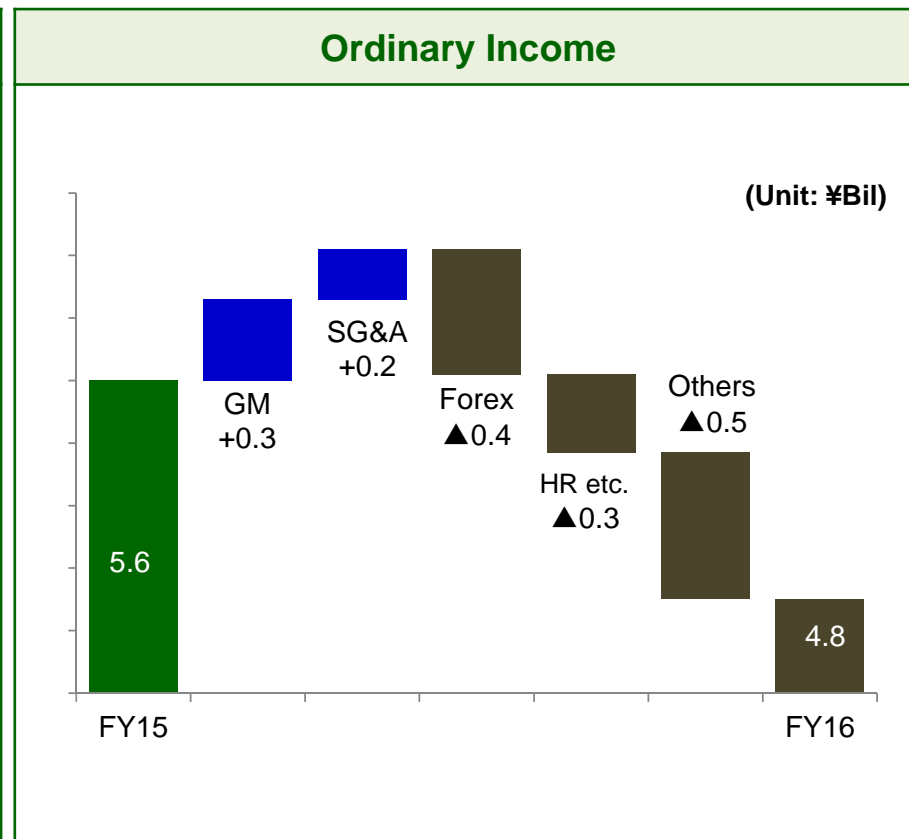
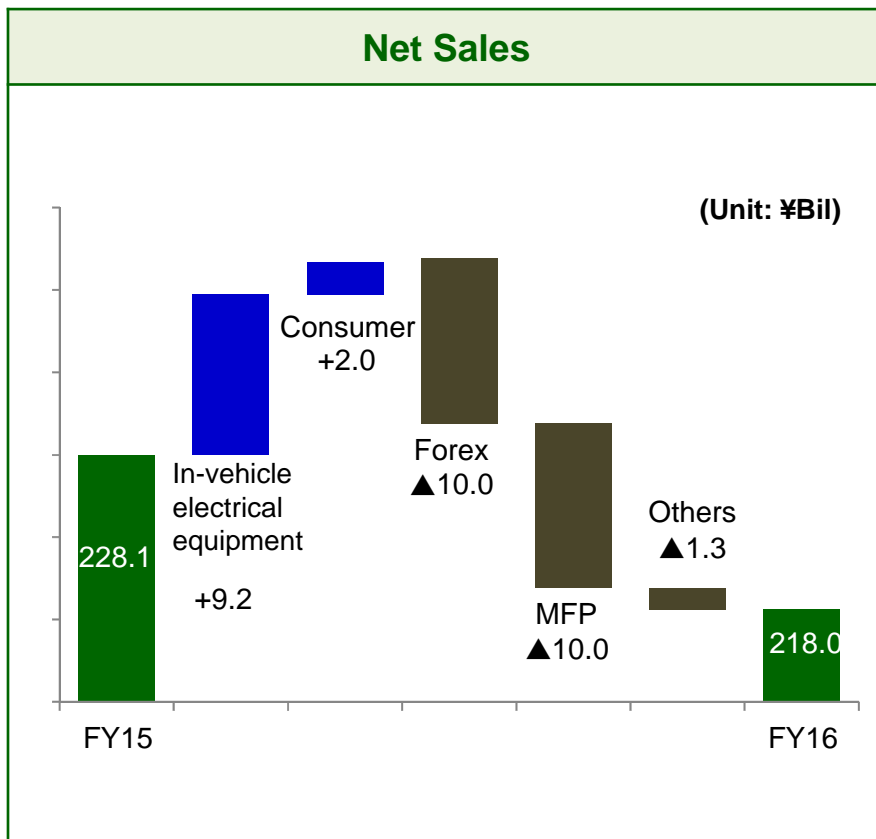
- In FY2016, both net sales and operating income decreased in comparison with FY2015, due to the appreciation of yen and conclusion of a large-scale project started in FY2015, even though there were signs of market recovery in the in-vehicle electrical equipment and consumer segments.
- All of KPIs (except for net profit) have exceeded the revised initial plan.

(Unit: ¥Bil)	a	b	c	d	e	f	g	h	i
	FY2015		FY2016						
	Amount	%	1st Half	2nd Half	Amount	%	Change (e-a)	Revised Initial Plan	Gap (h-e)
Net Sales	228.1		101.8	116.1	218.0		△4.4%	215.0	+1.4%
Gross Profit	19.3	8.5%	8.5	9.7	18.3	8.4%	△5.1%	17.9	+2.4%
SG&A Expenses	13.7	6.0%	6.7	6.9	13.6	6.3%	△0.8%	13.5	+1.2%
Operating Income	5.5	2.4%	1.8	2.7	4.6	2.1%	△15.9%	4.4	+5.9%
Net Profit	3.6	1.6%	1.7	1.6	3.3	1.5%	△8.3%	3.6	△6.5%
EPS (¥)	119.77		58.13	58.41	116.54		△2.7%	123.78	△5.8%

Factors for Increase and Decrease in Net Sales and Ordinary Income (Year-to-Year Comparison)

Results for
FY2016

- Even though there were sales increases in the in-vehicle electrical equipment and consumer related businesses, net sales decreased by ¥10 bil due to a fall in yen equivalent, in addition to the conclusion of MFP business started in FY2015.
- Although gross profit increased, ordinary income reduced by ¥0.8 bil year-on-year mainly because of Forex fluctuation and increases in HR costs, etc..



Segment Information

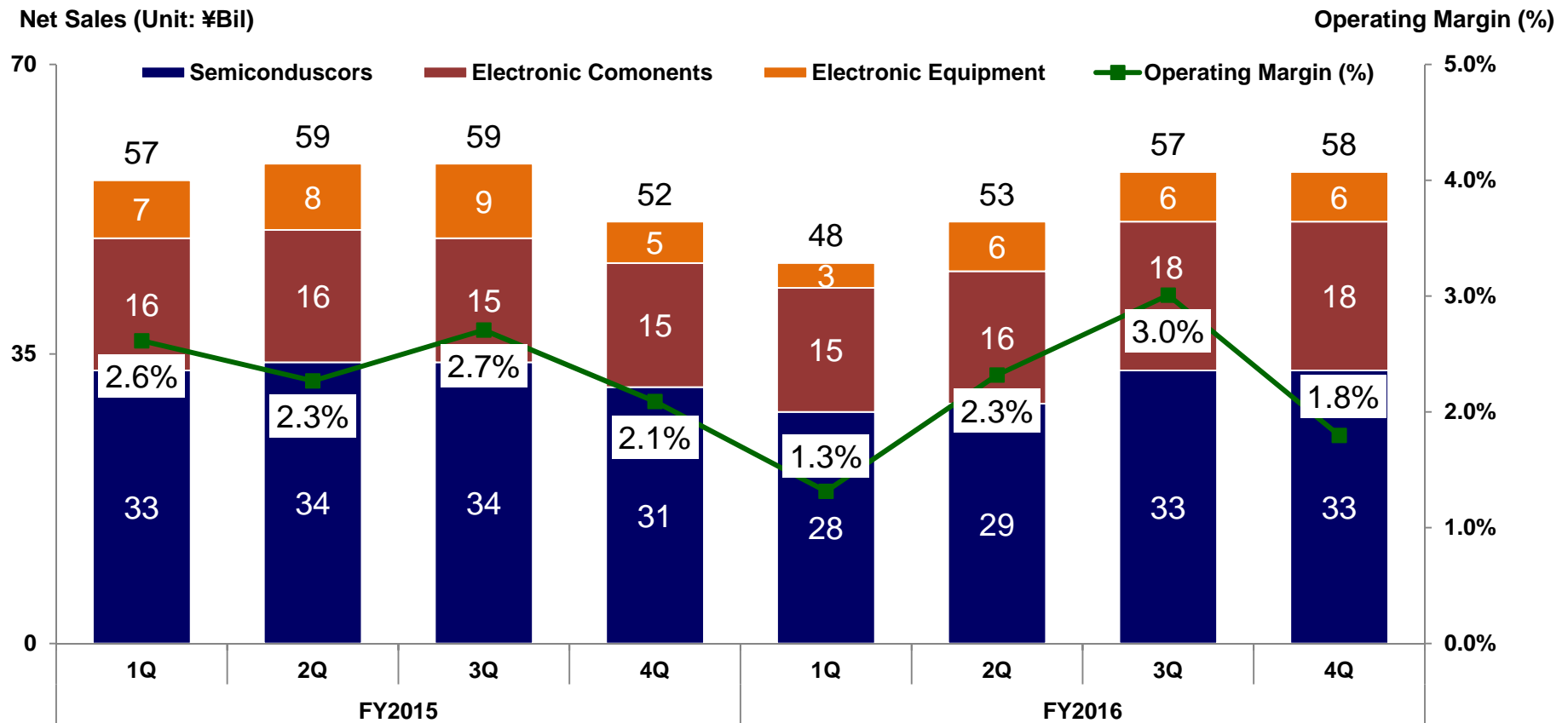
- Both net sales and operating income in Semiconductors decreased, due to the impact by the appreciation of yen, conclusion of the project for information and communication equipment, and sluggish sales of car navigation systems, car-audios and digital cameras.
- Electronic Components were affected by the appreciation of yen, but sales of the in-vehicle electrical equipment and consumer businesses remained stable.
- Sluggish sales in the Electronic Equipment resulted from conclusion of the MFP business.

(Unit: ¥Bil)		FY2015		FY2016				
		Amount	%	1st Half	2nd Half	Amount	%	Change
Semiconductors	Net Sales	133.1		58.8	66.4	125.3		△5.9%
	Operating Income	2.9	2.2%	1.0	1.4	2.4	2.0%	△15.8%
Electronic Components	Net Sales	64.9		32.3	36.8	69.1		+6.5%
	Operating Income	1.5	2.4%	0.8	1.1	1.9	2.8%	+26.4%
Electronic Equipment	Net Sales	30.1		10.6	12.8	23.5		△21.9%
	Operating Income	1.5	5.0%	0.3	0.3	0.6	3.0%	△53.9%
Adjustment		△0.4		△0.3	△0.1	△0.4		
Total	Net Sales	228.1		101.8	116.1	218.0		△4.4%
	Operating Income	5.5	2.4%	1.8	2.7	4.6	2.1%	△15.9%

Trend in Net Sales and Operating Margins by Quarter

Results for
FY2016

- Net sales have rebounded after bottoming out in the 1Q of FY2016, because Electronic Components remained stable, thanks to steady performance of the in-vehicle electrical equipment business, and Electronic Equipment won contracts for projects to supply in-vehicle electrical equipment.
- Operating margins have decreased in the 4Q of FY2016, because of the end-of-term price reductions.

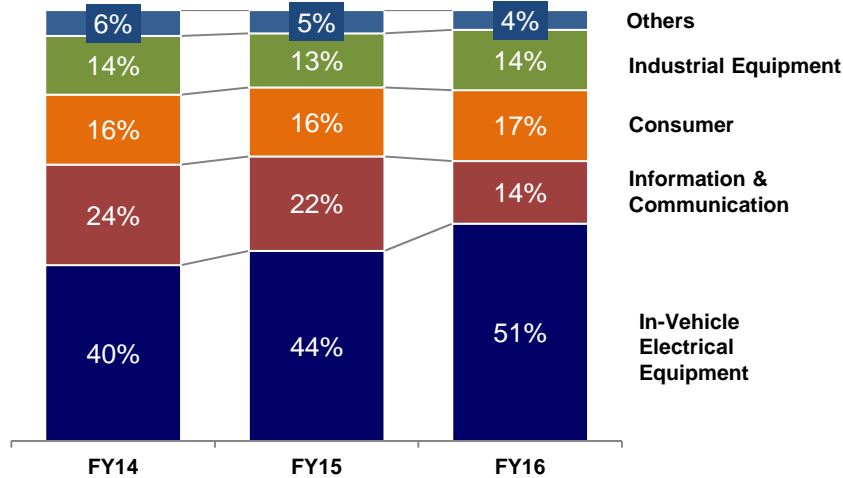


Segment Trend Information

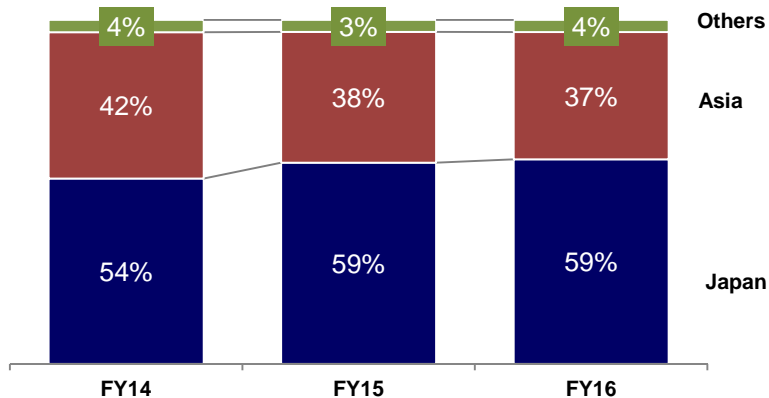
Results for
FY2016

- There was no significant change in the distribution ratio by product. In terms of application, the distribution ratio of sales for the information & communication equipment reduced, while the ratio of the sales for the in-vehicle electrical equipment expanded.

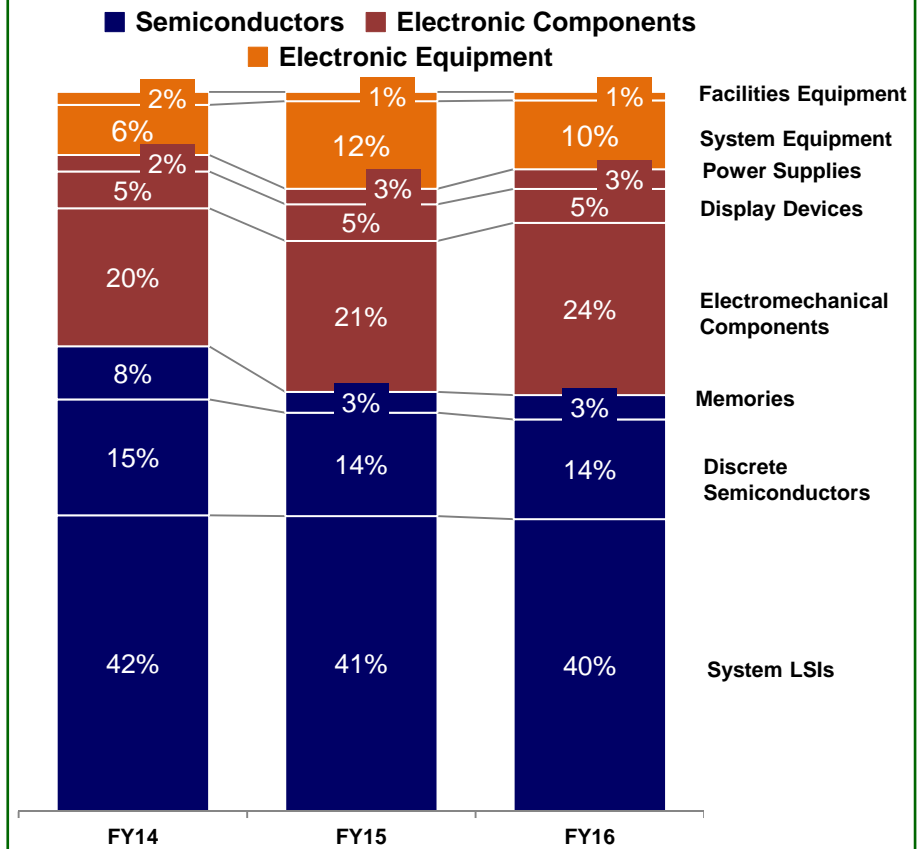
By Application



By Region



By Product



- Cash and Cash Equivalents decreased by ¥12 bil due to cash dividends paid (¥4.8 bil) & purchase of treasury shares (¥4.4 bil). Net assets decreased by ¥5.8 bil accordingly.
- Operating cash flows have come to be negative because of an expansion of the overseas semiconductor business.

(Unit: ¥Bil)

■ Consolidated Balance Sheet	End of Mar. 2015	End of Mar. 2016	End of Mar. 2017	Gap (17-16)
Total Assets	168.8	157.0	161.6	+4.6
Current Assets	149.2	139.1	142.8	+3.6
Non-Current Assets	19.5	17.8	18.7	+0.9
Liabilities	47.0	41.6	52.1	+10.4
Net Assets	121.8	115.3	109.5	△5.8
Net Assets to Total Assets (%)	72.2%	73.5%	67.8%	△5.7%

■ Consolidated Statements of Cash Flows	FY2014	FY2015	FY2016	Gap (FY16-FY15)
Cash Flows from Operating Activities	11.6	4.7	△1.8	△6.5
Cash Flows from Investing Activities	0.9	0.5	△0.8	△1.3
Cash Flows from Financing Activities	△7.5	△9.5	△9.2	+0.3
Cash and Cash Equivalents at the End of the Period	55.9	50.7	38.6	△12.0

Results for FY2016

Business Plan for Full Year FY2017

Implementation Status and Forecast of the 9th
Medium-Term Business Plan

- In-vehicle electrical equipment, FA equipment and consumer businesses are expected to remain stable. Both net sales and operating income are projected to increase compared to FY2016 (assumed exchange rate: 1 USD = 105 yen).
- Operating income is likely to improve due to an increase of sales on the one hand and measures to manage SG&A expenses on the other hand, resulting in an increase of profitability. Also, there will be some progress made with repurchase of treasury shares, which is why EPS is expected to increase.

(Unit: ¥Bil)	FY2016		FY2017				Change (FY17-16)	Medium- Term Target
	Full Year	%	1st Half	2nd Half	Full Year	%		
Net Sales	218.0		112.0	118.0	230.0		+5.5%	270.0
Gross Profit	18.3	8.4%	9.4	9.8	19.2	8.3%	+4.8%	23.5
SG&A Expenses	13.6	6.3%	6.9	6.7	13.6	5.9%	△0.5%	14.0
Operating Income	4.6	2.1%	2.5	3.1	5.6	2.4%	+20.2%	9.5
Net Profit	3.3	1.5%	1.8	2.2	4.0	1.7%	+18.8%	6.0
EPS (¥)	116.54		64.06	78.30	142.36		+22.2%	

Overview of Business Plan by Business Segment

Business Plan for
Full Year FY2017

- Net sales and operating income of almost all of the segments are expected to grow, compared with FY2016.
- Semiconductors are forecasted to increase because of stable sales in the in-vehicle electrical equipment and industrial equipment segments. Electronic Components will be led by the in-vehicle equipment and consumer businesses. Electronic Equipment is projected to improve as business expansion for the in-vehicle electronic equipment and large-scale capital investments are expected.

(Unit: ¥Bil)		FY2016		FY2017					
		Full Year	%	1st Half	2nd Half	Full-Year Plan	%	Change (FY17-16)	Medium-Term Target
Semiconductors	Net Sales	125.3		64.5	66.5	131.0		+4.5%	150.0
	Operating Income	2.4	2.0%	1.5	1.8	3.3	2.6%	+34.6%	5.1
Electronic Components	Net Sales	69.1		34.0	35.0	69.0		△0.2%	70.0
	Operating Income	1.9	2.8%	0.9	1.0	2.0	2.9%	+2.8%	2.0
Electronic Equipment	Net Sales	23.5		13.5	16.5	30.0		+27.5%	30.0
	Operating Income	0.6	3.0%	0.3	0.4	0.7	2.5%	+8.0%	1.4
Adjustment		△0.4		△0.2	△0.2	△0.5			
Total	Net Sales	218.0		112.0	118.0	230.0		+5.5%	270.0
	Operating Income	4.6	2.1%	2.5	3.1	5.6	2.4%	+20.2%	9.5

	Current	Afterwards
Dividend p.s.	FY2017 ¥150 (annual total) (Ordinary Dividend ¥100) (Special Dividend ¥50)	FY2017 to FY2018 ¥150 (annual total) (Ordinary Dividend ¥100) (Special Dividend ¥50)
Acquisition of Treasury Shares	FY2017 300 mil shares per year	FY2017 to FY2018 450 mil shares per year
Cancelation of Treasury Shares	No Plan	FY2017 300 mil shares

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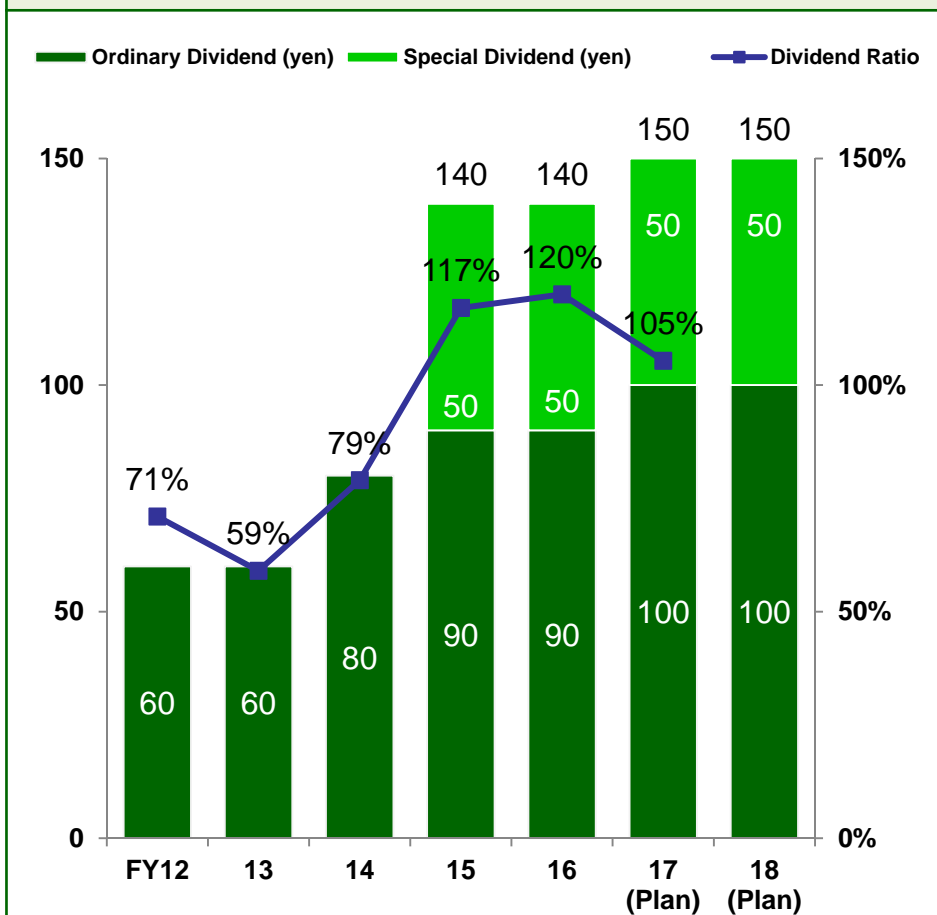
- In the 9th Medium-Term Business Plan, the Company decided to proceed with measures to **improve capital efficiency** and to reestablish growth path, as its most important business issues. Total return ratio for the last two years was **245%** on average.
- In last July, the Company announced additional measures for improvement in capital efficiency to increase dividend (FY2016: ¥140, FY2017: ¥150) and to purchase 3 mil treasury shares per year, for the next two years.
- The acquisition of treasury shares made in FY2016 was **less than the initial plan** (1.3 million shares), and although current business performance is improving, this time it was decided that there is a need for **additional measures** to achieve the target of ROE of 5%. The Company thus implements the (second round of) measures to improve capital efficiency and aim at achievement of its target.
- Even after these additional measures, the basic view to **improve profitability through reestablishing growth path** and to improve capital efficiency still remains.

Plan for Return to Shareholders

Business Plan for
Full Year FY2017

- The Company plans to raise the dividends and to pay 100 yen or more as ordinary dividends and 50 yen or more as special dividends.
- The Company is in the process of acquiring maximum 4.5 mil treasury shares in the period from May 2017 to May 2018.

Dividend per Share



Acquisition of Treasury Shares

Period	No. of Acquired Shares (10 thousand)	Amount (¥Bil)
Aug. thru. Nov. 2011	100	1.7
Feb. 2013	100	1.9
May thru. June 2013	100	1.8
Feb. thru. Mar. 2015	45	1.3
Oct. 2015	23	0.6
Nov. 2015 thru. Feb. 2016	132	4.0
July 2016 thru. Mar. 2017	137	4.4
May. 2017 thru. May 2018 (Plan)	450	20.0
May 2018 thru. May 2019 (Plan)	450	-

Results for FY2016

Business Plan for Full Year FY2017

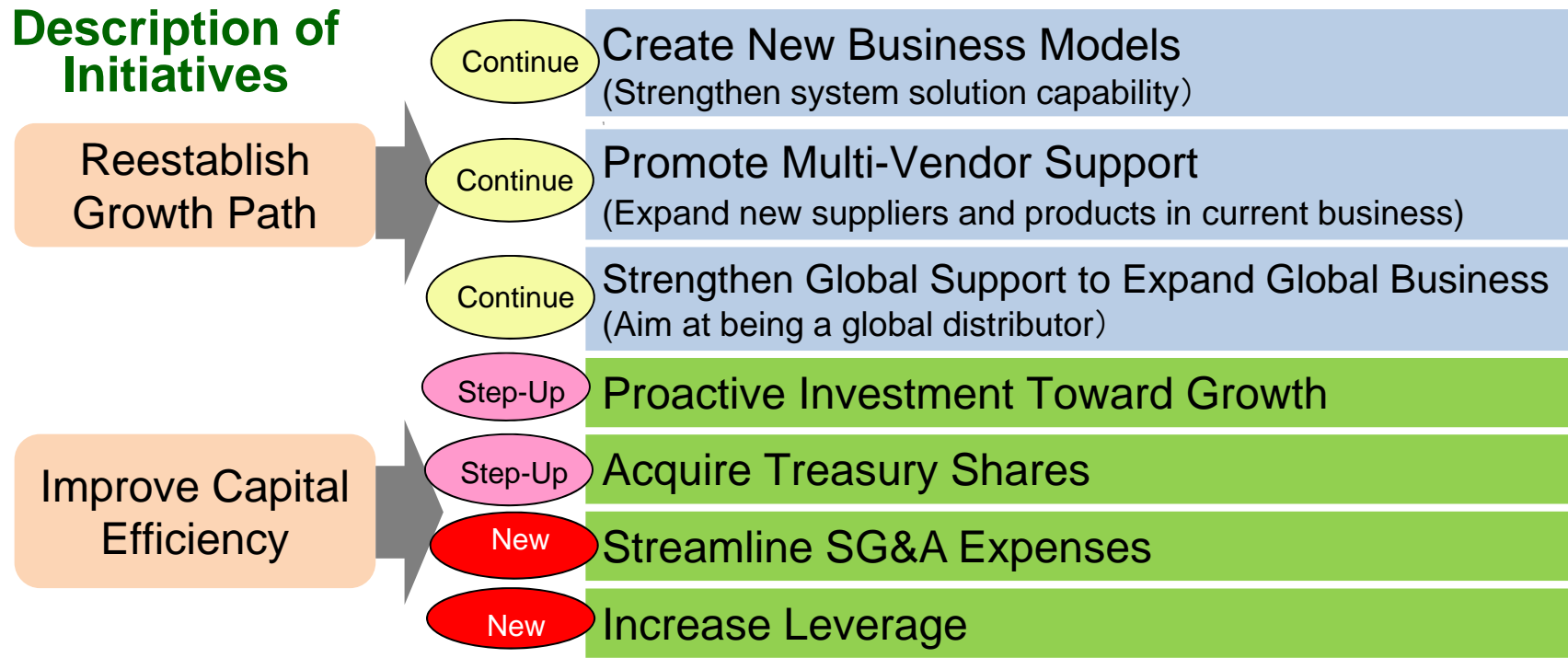
Implementation Status and Forecast of the 9th
Medium-Term Business Plan

Description of Initiatives of the 9th Medium-Term Business Plan

- The Company has decided to delay one year (FY2018) to attain ROE target of 5%, considering the latest business performances.
- To realize this new goal, the Company will issue new measures as well as accelerate current measures (FY17/18).
- The Company will release the 10th Medium-Term Business Plan as originally expected (3 years from FY18) and aspire to attain ROE of 8%.

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

Description of Initiatives



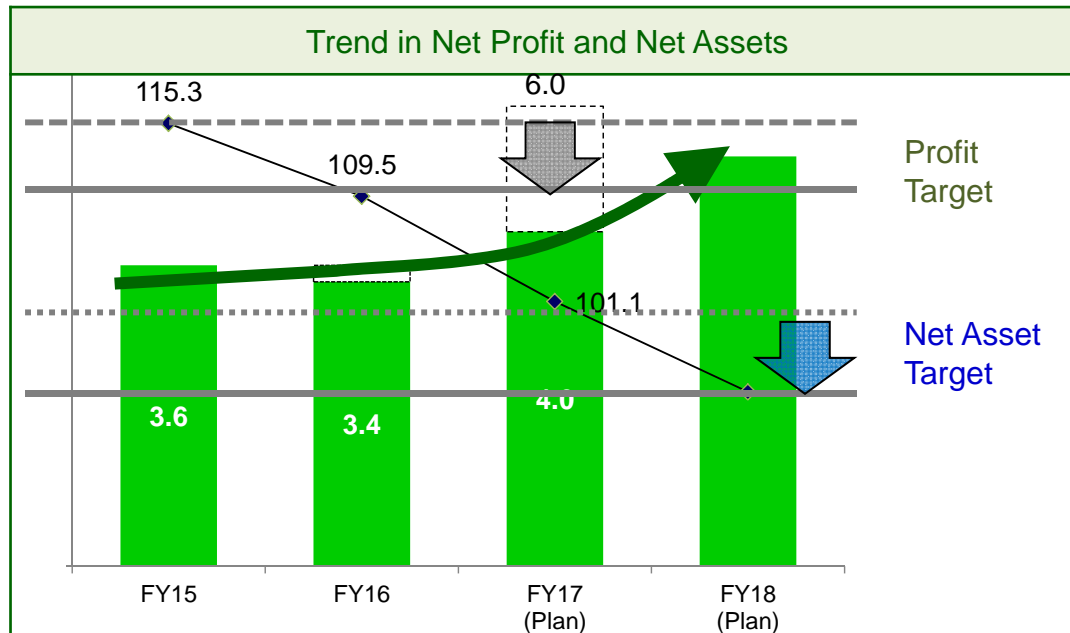
Current Summary of the 9th Medium-Term Business Plan

Implementation Status
and Forecast of the 9th
Medium-Term
Business Plan

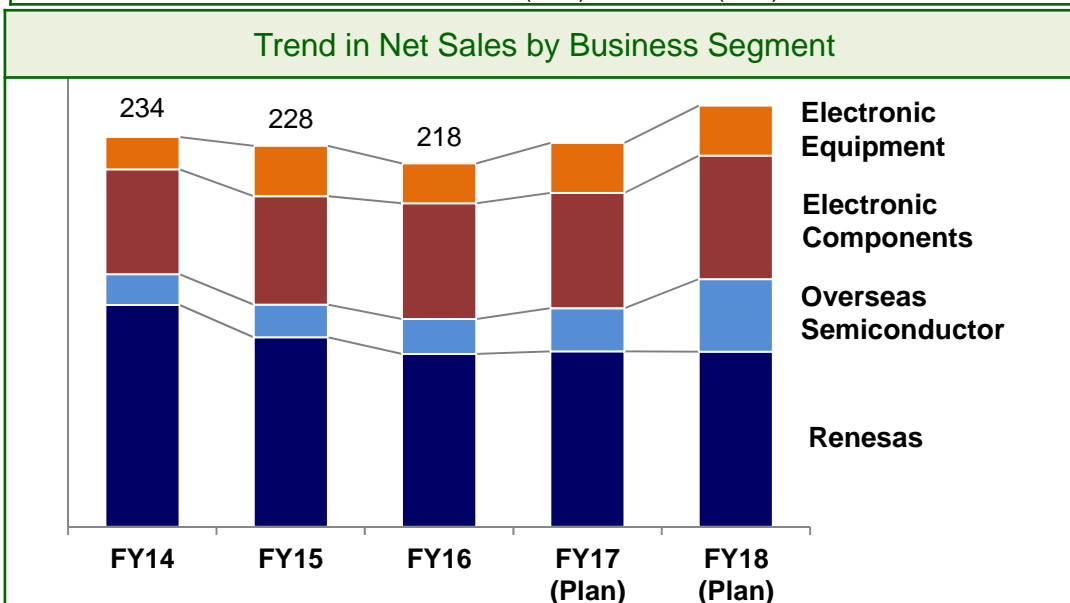
- The Company will not achieve the target level due to sluggish sales growth of overseas semiconductors and the termination of large scale investment opportunities.
- Accomplishments are made such as acquiring new HK subsidiary and/or introducing new business promotion methodology using its system solution expertise.

		FY2014	FY2017 (Medium-Term Target)	FY2017 (Forecast)	Status Update
Semiconductors	Net Sales	151.2	150.0	130.1	<ul style="list-style-type: none"> ● Overseas semiconductor fell short of estimates ● Drop in figures results from strong yen rates and the earthquake ○ Strategic base acquired in South China
	Operating Income	3.4	5.1	3.3	
Electronic Components	Net Sales	61.9	70.0	68.4	○ Stable sales mainly for in-vehicle electric equipment and consumers
	Operating Income	1.6	2.0	2.0	
Electronic Equipment	Net Sales	19.3	30.0	30.0	● Contribution made by big transactions with low margins
	Operating Income	1.0	1.4	0.7	
Project Business	Net Sales	0.0	20.0	1.5	<ul style="list-style-type: none"> ● Disappearance of large scale investment opportunities ○ Reinforcement of sales competitiveness
	Operating Income	0.0	0.9	-	
Total	Net Sales	233.5	270.0	230.0	
	Operating Income	5.9	9.5	5.6	

Overall Image of the 9th Medium-Term Business Plan



- Revise down the net asset target to attain ROE of 5%, due to slow sales increase
- Extend share buy-back period (Till FY18), increase shares (4.5 mil shares) and dividend (annual total of ¥150)
- Set target period at FY18 to attain ROE 5%, considering the pace of profit improvement and net asset reduction



- Overseas semiconductor business still leads business growth
- Improve profitability through sales growth as well as cost reductions

Initiatives and Key Milestones

	Initiatives	Actions	FY18 Target (against FY16)
Cont.	New business model	Alliance with partner companies	Profit margin (Profit/Net Sales) +0.4%
Cont.	Multi-vendor support	Overseas semiconductors and new suppliers	
Cont.	Global business	China local business. Synergies with Edal	
New	Streamline SG&A Expenses	Reduce SG&A expenses	
Step-up	Proactive investment	Budgeted ¥5.0 bil for 3 years	Total asset turnover ratio +0.2 times
Step-up	Acquire treasury shares	Acquisition of 4.5 mil shares. Annual total dividend of ¥150 (2 years) Cancelation of treasury shares (3 mil)	
New	Increase leverage	Introduce securitization or bank loan facilities	Financial leverage +0.2 times

	FY16	KPI	FY16	FY17	FY18	FY18
Net profit margin	1.5%	Operating margin	2.1%	2.4%	2.8%	2.0%
		SG&A ratio	6.3%	5.9%	5.5%	
Total asset turnover ratio	1.4 times	Cash and deposits/Total assets	24.0%	18.0%	13.0%	1.6 times
		Account receivable turnover period	3.8	3.6	3.3	
Financial leverage	1.4 times	Net assets to total assets	67.8%	65.0%	63.0%	1.6 times
		Total return ratio	248.3%	280.0%	230.0%	
ROE	3.0%					5.0%

Main Attainment in FY2016 and Next Actions (1)

Core Initiatives	Attainment	Next Actions
<p>Create New Business Models</p>	<ul style="list-style-type: none"> ■ Prepared to start a developed business model ■ Review feasibility to take part in a commissioned project in collaboration with the New Energy and Industrial Technology Development Organization (NEDO) in Japan ■ Developed battery-less non-contact radio sensors module 	<ul style="list-style-type: none"> ■ Make use of budgeted ¥5.0 bil (3 years) for strategic investment ■ Promote alliance with outside partners
<p>Promote Multi-Vendor Support</p>	<ul style="list-style-type: none"> ■ Expanded overseas semiconductor business after reorganization of semiconductor manufacturers ■ Contribution from new suppliers' business ■ Timely resource control 	<ul style="list-style-type: none"> ■ Concentrate business resources on promising suppliers ■ Non-organic business expansion ■ Rigid ALM
<p>Strengthen Global Support to Expand Global Business</p>	<ul style="list-style-type: none"> ■ Acquired Edal Electronics, HK. ■ Promoted join-marketing with the design house in China 	<ul style="list-style-type: none"> ■ Realize business synergies with Edal ■ Expand business in Europe & the U.S. ■ Strengthen business linkage with local partners in China

Main Attainment in FY2016 and Next Actions (2)

Implementation Status
and Forecast of the 9th
Medium-Term
Business Plan

Core Initiatives	Attainment	Next Actions
Proactive Investment Toward Growth	<ul style="list-style-type: none"> ■ Anticipatory HR investment made to key initiatives (Solution business, overseas semiconductor business) (¥700 mil annually) ■ Investment to venture fund (Up to ¥300 mil) 	<ul style="list-style-type: none"> ■ Continue anticipatory HR investment ■ Make use of budgeted ¥5.0 bil (3 years) for strategic investment
Improve Capital Efficiency	<ul style="list-style-type: none"> ■ 3.5 mil treasury shares acquired ■ ¥140 p.s. dividend paid-out ■ Reduced strategic shareholdings 	<ul style="list-style-type: none"> ■ Extend 1 year (Till FY18) ■ Increase shares (4.5 mil) ■ ¥150 dividend or more ■ Cancel treasury shares (3 mil) ■ Continue reduction of strategic shareholdings
Streamline SG&A Expenses	<ul style="list-style-type: none"> ■ Key operation such as distributions outsourced ■ Business process & operation system being enhanced ■ Continuous cost reduction 	<ul style="list-style-type: none"> ■ Further reduce SG&A expenses
Increase Leverage	<ul style="list-style-type: none"> ■ Continuous dividend payout and share buy-backs using cash equivalent 	<ul style="list-style-type: none"> ■ Reduce equity using debt ■ Improve asset efficiency through factoring, etc.
Qualitative Strengthening of Management	<ul style="list-style-type: none"> ■ Full compliance to Corporate Governance Code in Japan including directors compensation system and selection criteria 	<ul style="list-style-type: none"> ■ Shift to Chairman/President structure ■ CI review



Attachments

- * Edal Electronics Co., Ltd

- * ESEC2017

Investment in Edal Electronics Co., Ltd.

Established	1987	Employees	82 (End of Apr.2016)
Ownership	100%		
Suppliers	Monolithic Power Systems, Inc.(MPS) WeEn Semiconductors Co., Ltd, Nexperia, Power Integration, Inc.		
Customers	LCD TV manufactures, auto manufactures at south China region, with world wide market shares (approximately 200 companies)		
Office	Hong Kong, Shenzhen, Shanghai		

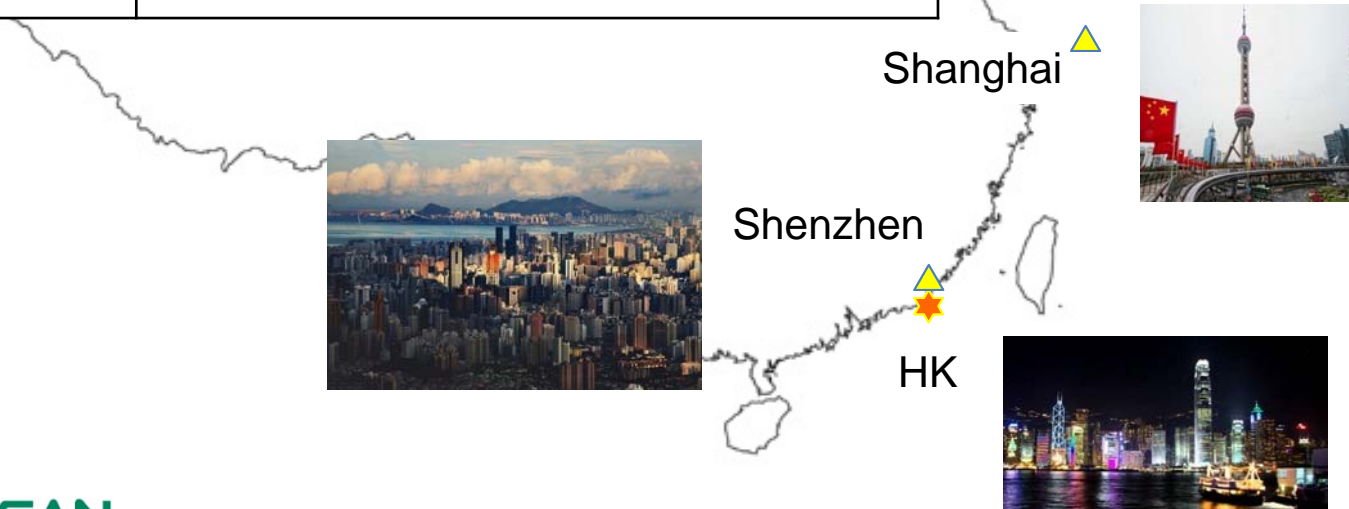
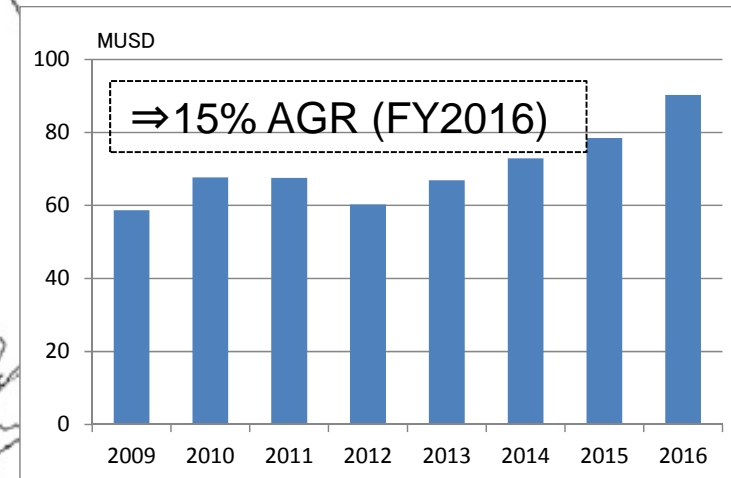


Exhibit at Embedded System Expo(ESEC) 2017

- Demonstrated initiatives aspiring to shift from the current business model
- Expanded the exhibition space by 1.5 times from last year

◇ Period:
May 10 to 12, 2017

◇ Demonstrations :

IoT Solution	Temperature Logger with NFC Function
Battery-less Wireless Module	Vermin Control System
AI Solution for Automotive Application	Multi Color Solution
Network Solution for Automotive Application	Environmental Cleanup Solution
Telematics Solution	Aerial Imaging
Non-Contact Vital Sensor	High-Speed, High-Quality Camera
Ultra-Compact Optical Module	



External view of the exhibition booth