



Ryosan Company, Limited

FY2017 Results Meeting

Fiscal year ended March 31, 2018

May 24, 2018

Results for FY2017

The 10th Medium-Term Business Plan

Business Plan for Full Year FY2018

Notice

Business forecasts and all statements related to the future contained in this presentation are based on information currently possessed by Ryosan Company, Limited (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
FY2017

- Both net sales and net profit increased compared to the previous term mainly from strong sales of the in-vehicle electrical equipment, FA equipment and consumer businesses. Sales moved past ¥250 Bil for the first time since FY07. Net profit also recorded its highest total in the last 10 years.
- Net profit ratio is high due in large part to declines in the yen value denominated in foreign currencies.

(Unit: ¥Bil)	a		b		c		d		e		f		g		h		i	
	FY2016		FY2017															
	Amount	%	1st Half	2nd Half	Amount	%	Change (e-a)	Initial Plan	Gap (h-e)									
Net Sales	218.0		123.6	130.4	254.0		+16.5%	240.0	+5.9%									
Gross Profit	18.3	8.4%	10.4	9.8	20.3	8.0%	+11.0%	20.1	+1.2%									
SG&A Expenses	13.6	6.3%	7.2	7.4	14.6	5.8%	+7.4%	14.3	+2.6%									
Operating Income	4.6	2.1%	3.2	2.4	5.6	2.2%	+21.6%	5.8	(2.3%)									
Net Profit	3.3	1.5%	2.2	2.2	4.4	1.8%	+33.1%	4.1	+9.3%									
EPS (¥)	116.54		82.66	91.32	173.98		+49.3%	158.55	+9.7%									

Segment Information

Results for
FY2017

- Semiconductors sales increased to ¥145.7 Bil mainly due to the strong sales of the in-vehicle electrical equipment and FA equipment businesses. Operating income was ¥2.6 Bil mainly due to the revaluation of inventory.
- Electronic components recorded net sales of ¥81.9 Bil and operating income of 2.8 Bil mainly due to the sales expansion at consumer business.
- Net sales of electronic equipment increased to ¥26.3 Bil because of large volume businesses in the in-vehicle electrical equipment business. Operating income decreased to ¥0.6 Bil mainly due to the change of product mixture.

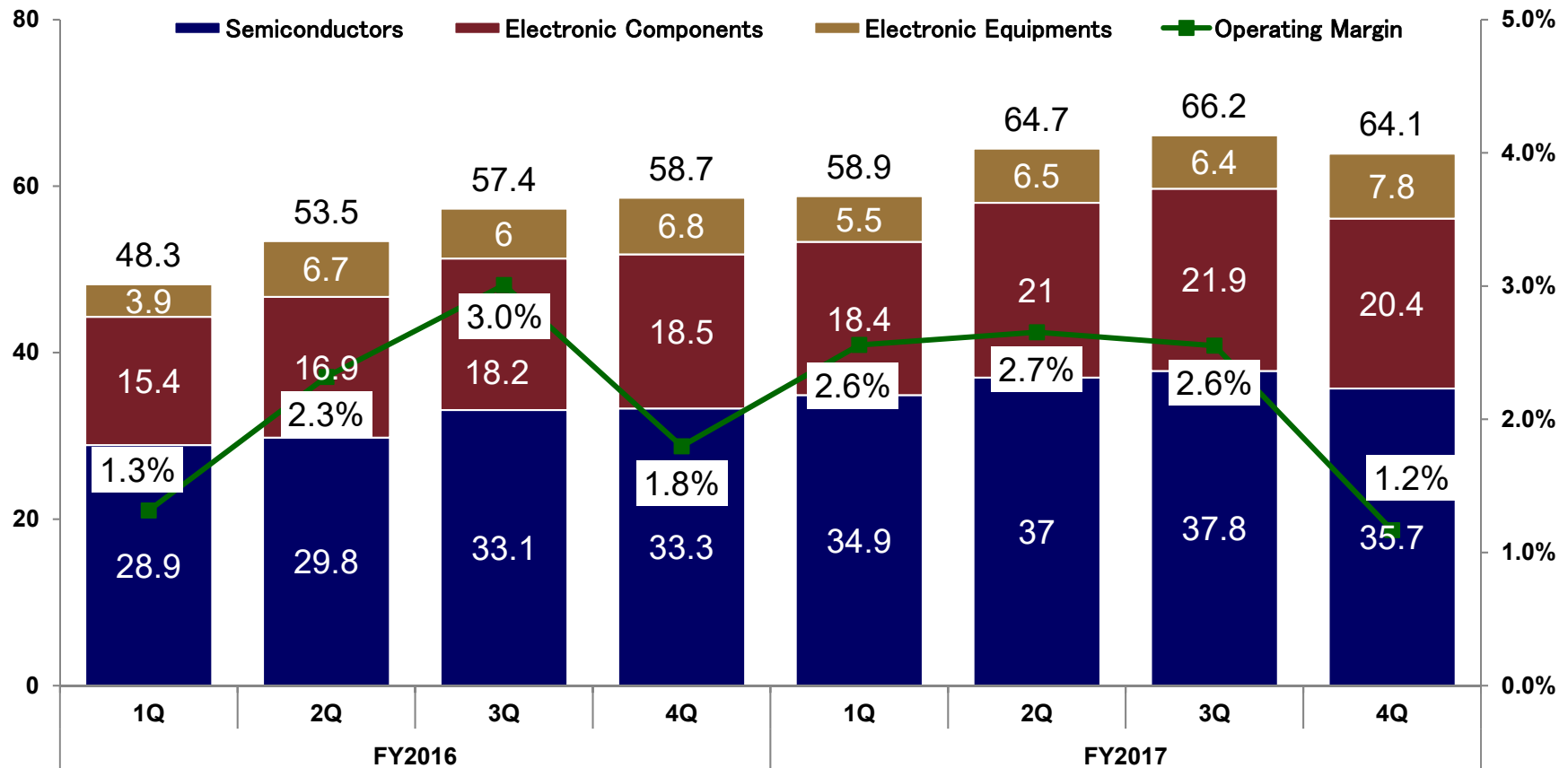
(Unit: ¥Bil)		FY2016		FY2017				
		Amount	%	1 st Half	2 nd Half	Amount	%	Change
Semiconductors	Net Sales	125.3		72.0	73.6	145.7		+16.3%
	Operating Income	2.4	2.0%	1.8	0.7	2.6	1.8%	+5.5%
Electronic Components	Net Sales	69.1		39.5	42.4	81.9		+18.5%
	Operating Income	1.9	2.8%	1.3	1.4	2.8	3.4%	+44.5%
Electronic Equipment	Net Sales	23.5		12.0	14.3	26.3		+12.2%
	Operating Income	0.6	3.0%	0.2	0.3	0.6	2.3%	(12.6%)
Adjustment		(0.4)		(0.1)	(0.1)	(0.3)		
Total	Net Sales	218.0		123.6	130.4	254.0		+16.5%
	Operating Income	4.6	2.1%	3.2	2.4	5.6	2.2%	+21.6%

Trend in Net Sales and Operating Margins by Quarter

- Even though sales fell for the first time since 1Q FY2016, net sales still remained in the ¥60.0 Bil range.
- Operating income ratio deteriorated in 4Q because of a price discount for the end of term and inventory revaluation.

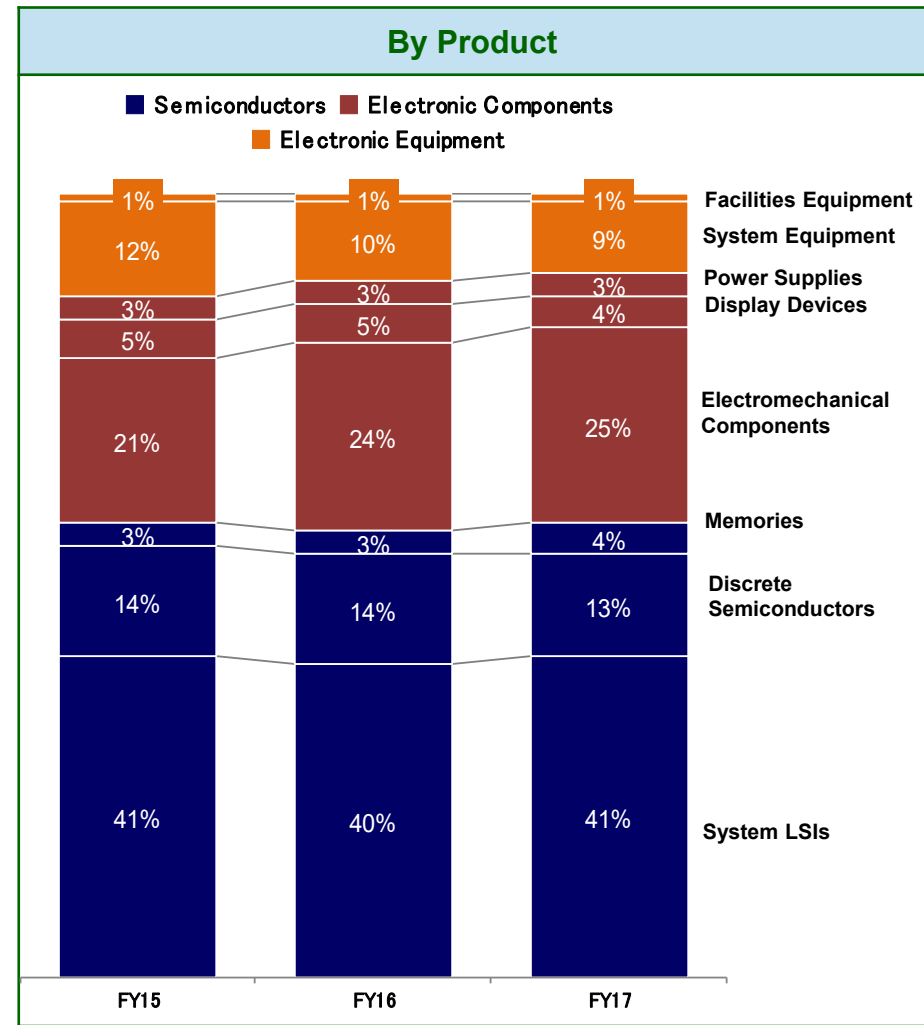
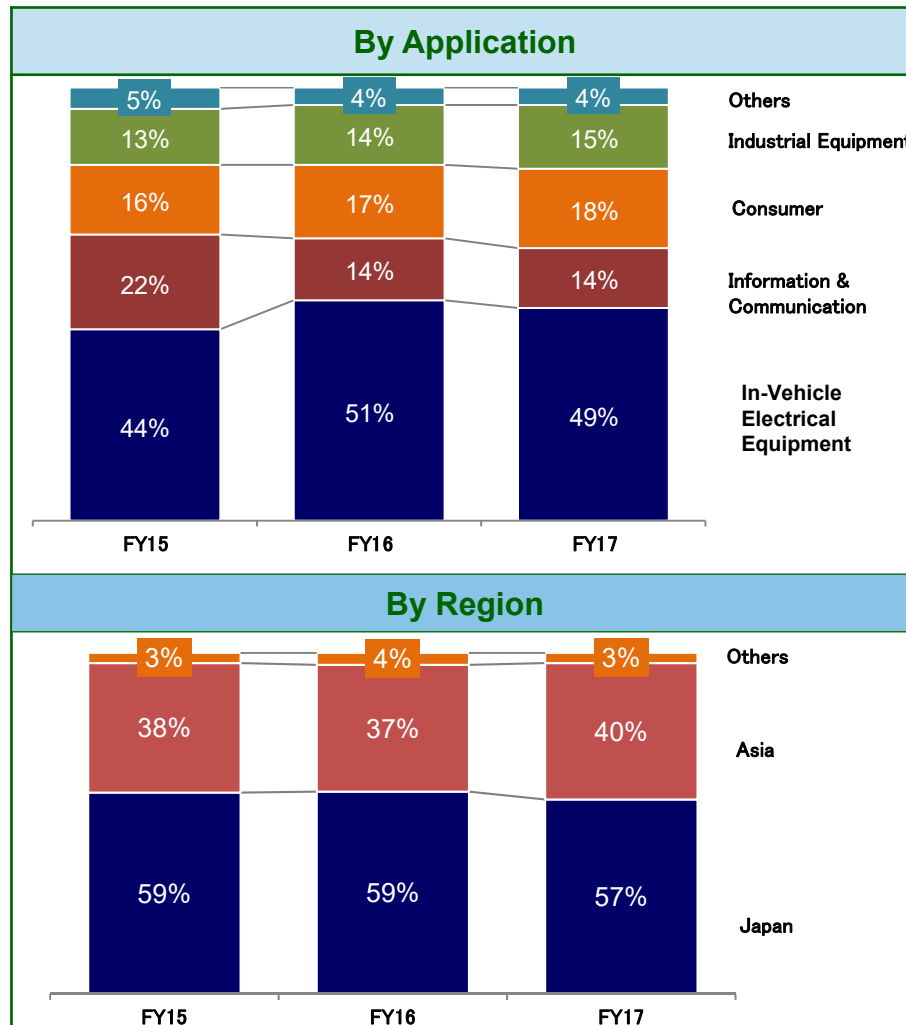
Net Sales (Unit: ¥Bil)

Operating Margin



Segment Trend Information

- There were no significant changes in segment information.
- The increase of the electronic components business (exported to Asia) in the game industry (consumer segment) led to the increase of relevant business figures accordingly.



- Net assets decreased due to the purchase of treasury shares and cash dividend paid.
- The operating cash flow (cash out) increased by ¥17.0 Bil because of 1) additional working fund used for sales expansion, and 2) increase of inventory for overseas semiconductors businesses. Cash and outside borrowing were used to balance the cash flow.

(Unit: ¥Bil)

■ Consolidated Balance Sheet	End of Mar.16	End of Mar.17	End of Mar.18	Gap (18-17)
Total Asset	157.0	161.6	162.8	+1.2
Current Assets	139.1	142.8	144.2	+1.3
Non-Current Assets	17.8	18.7	18.6	(0.1)
Liabilities	41.6	52.1	68.5	+16.4
Net Assets	115.3	109.5	94.3	(15.1)
Net Assets to Total Assets (%)	73.5%	67.8%	57.9%	(9.9%)

■ Consolidated Statements of Cash Flow	FY2015	FY2016	FY2017	GAP (FY17-FY16)
Cash Flow from Operating Activities	4.7	(1.8)	(19.2)	(17.4)
Cash Flow from Investing Activities	0.5	(0.8)	0.6	+1.4
Cash Flow from Financing Activities	(9.5)	(9.2)	(6.5)	+2.6
Cash and Cash Equivalents at the End of the Period	50.7	38.6	13.4	(25.2)

Results for FY2017

The 10th Medium-Term Business Plan

Business Plan for Full Year FY2018

Social changes

- Implementation of CASE in the automotive industry
- Increased productivity via e-factories, etc.
- Further advancement of IT applications
- Technological innovation via artificial intelligence (AI)



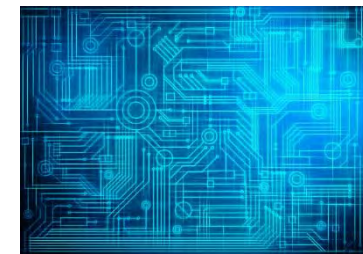
Industry changes

- Strong demand in the semiconductor market
- Entry from different industries
- Maturation of the Japanese market



Manufacturer changes

- Large-scale reorganization among competitors
- Selection of and focus on fields of expertise



Ryosan Group

Customer changes

- Solution needs changing from “selling goods” to “selling services”



The 9 th Medium-Term Business Plan	Issues	Direction
<p>Reestablish Growth Path</p> <ul style="list-style-type: none"> Promote Multi Vendor Support Create New Business Model (Strengthen system solution capability) Expand Global Business 	<ul style="list-style-type: none"> ● Delay in growth of suppliers who will serve as 2nd and 3rd “business pillars” ● Delay in commercialization of solution business ● Delay in expansion of overseas local business(business w/ non-Japanese companies) 	<p>Reconstruct business portfolio</p>
<p>Improve Capital Efficiency</p> <ul style="list-style-type: none"> Proactive Investment Acquire Treasury Shares Improve Efficiency of SG&A Increase Leverage 	<ul style="list-style-type: none"> ● Change in business conditions by semiconductor suppliers ● Not enough improvement with ROE 	<p>Strengthen profit and capital structure</p>

◆ Basic stance of the 10th Medium-Term Business Plan

Growth & Speed

Achieve sustainable growth through quick response to changes in management environment and through electronics systems coordination.

◆ Consistently applied management policy

Based on the process of “examining the essence of management, implementing management innovation and achieving management success,” implement “open and clean corporate management” and “highly creative management activities.”

◆ Establishment of Solution Business

- Commercialize solution business
- Strengthen sales promotion to growth markets (in-vehicle electrical equipment, inbound, monitoring/nursing care, robotics, etc.)

◆ Creation of new suppliers leading to core businesses

- Expand overseas semiconductors businesses
- Enlarge business of electric components' core suppliers

◆ Expansion of local overseas business

- Expand business through alliances with strategic partners
- Acquire new overseas commercial rights (Intersil, Microchip Technology, ON Semiconductor) through strategic investment to local overseas trading companies
- Allocate resources to markets according to product characteristics

◆ New business models

- Set up a project team led by the company president and accelerate developing new business models.

Establishment of Solution Business

The 10th Medium-Term Business Plan



In-vehicle electrical equipment market



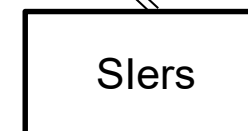
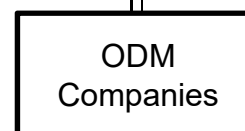
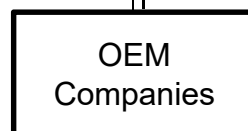
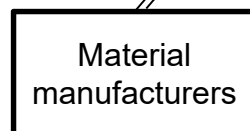
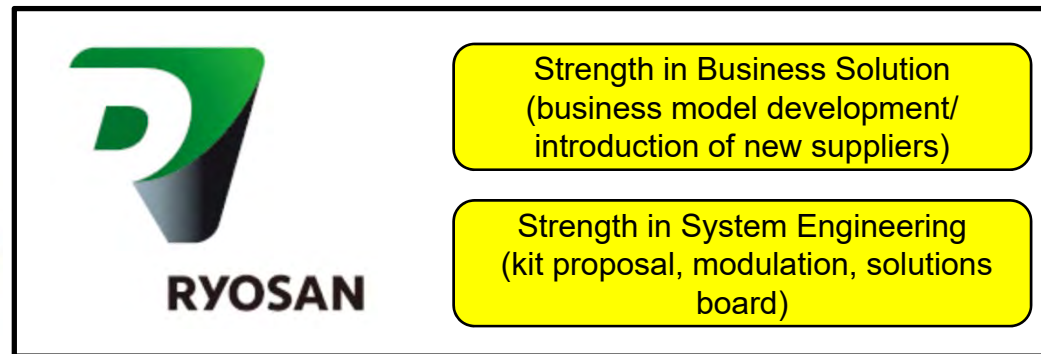
Inbound market



Provide information
Propose solutions



Monitoring/nursing care market

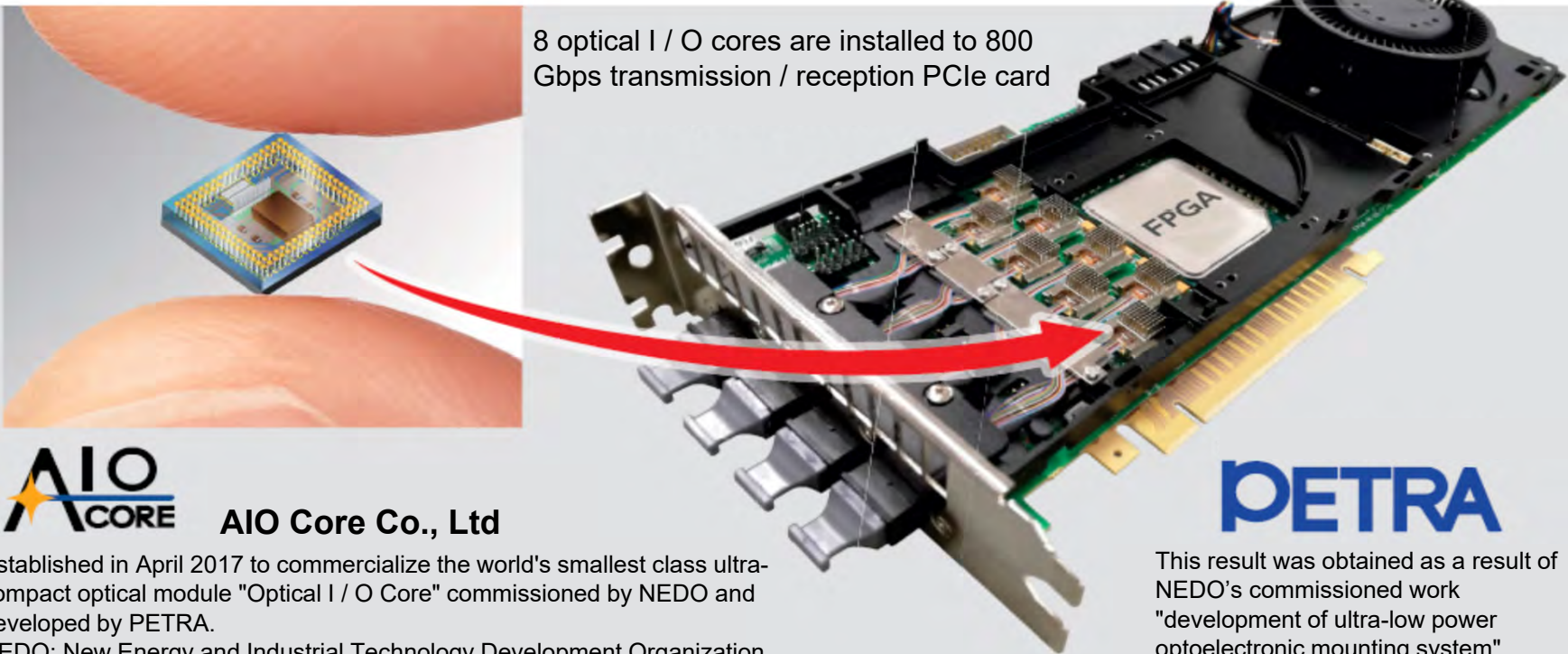


- Establish new business models by providing services through proactive solution proposals leading to the sale of peripheral goods (hardware and software)
- Use outside consultants, etc. to search for advanced technology and close outstanding items
- Strengthen alliances with partner corporations such as system integrators

Examples of Solution Business①

The 10th Medium-Term Business Plan

8 optical I / O cores are installed to 800 Gbps transmission / reception PCIe card



AIO CORE AIO Core Co., Ltd

Established in April 2017 to commercialize the world's smallest class ultra-compact optical module "Optical I / O Core" commissioned by NEDO and developed by PETRA.
NEDO: New Energy and Industrial Technology Development Organization
PETRA: Photonics Electronics Technology Research Association

PETRA

This result was obtained as a result of NEDO's commissioned work "development of ultra-low power optoelectronic mounting system"



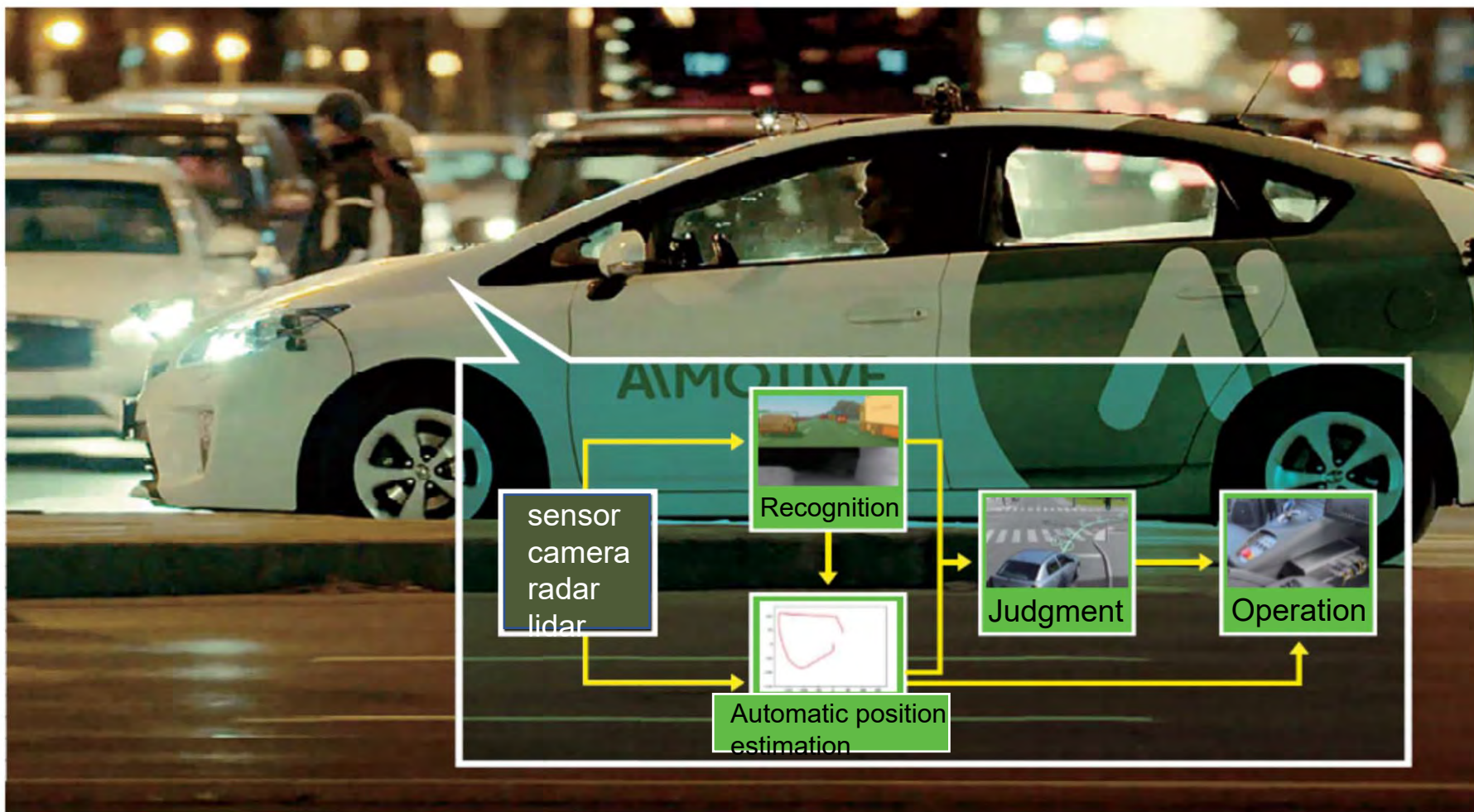
AI
(Deep Learning)

HPC
(High-Performance Computing)

VR
(Virtual Reality & Stereoscropy)

PETRA, AIO Core logo are registered trademarks or trademarks in Japan and other countries.

Automatic driving technology Examination in Europe highway / city area



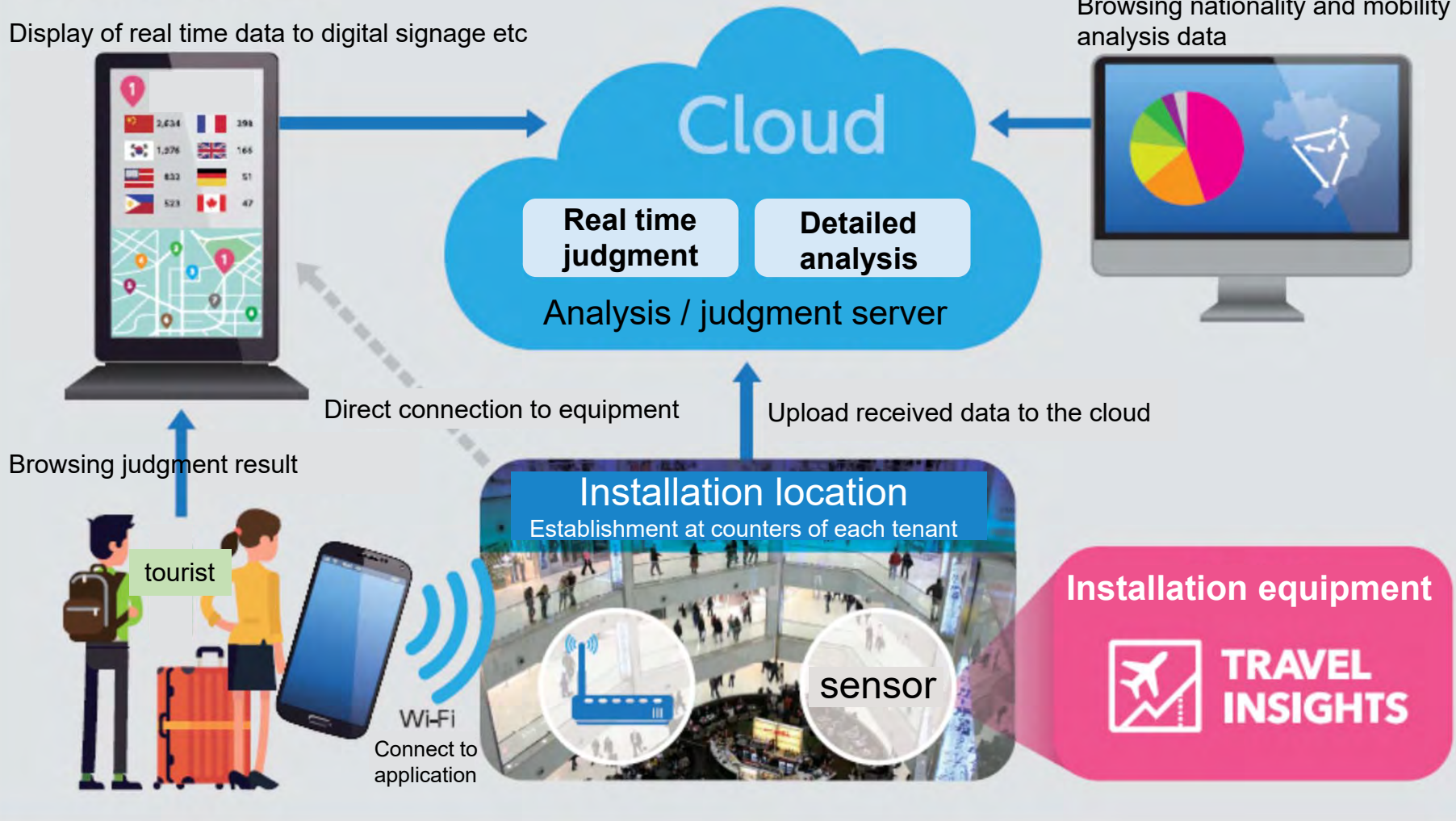
Examples of Solution Business ③

The 10th Medium-Term Business Plan

System Configuration

Display of real time data to digital signage etc

Browsing nationality and mobility analysis data

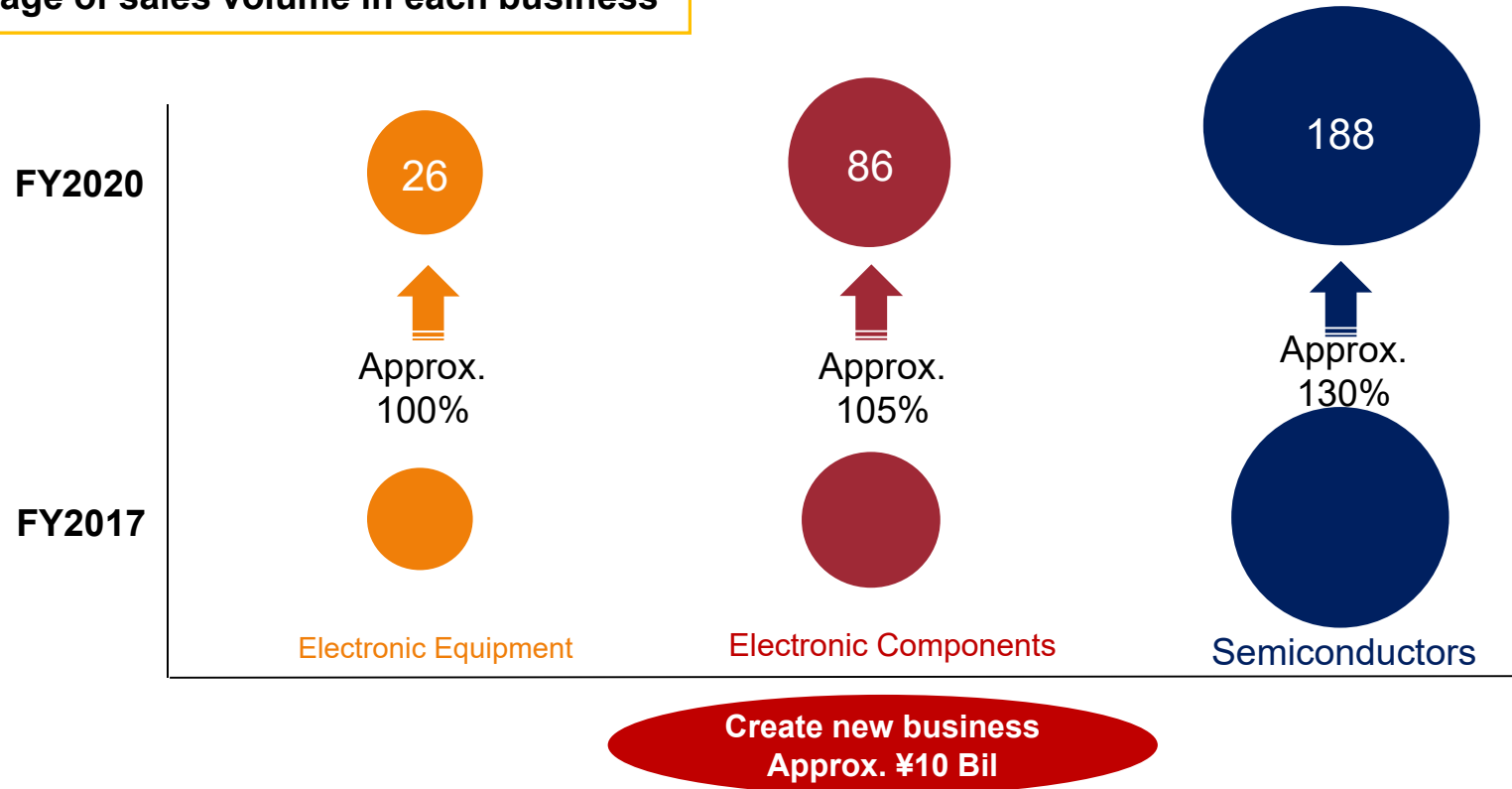


◆ Expansion of business portfolio

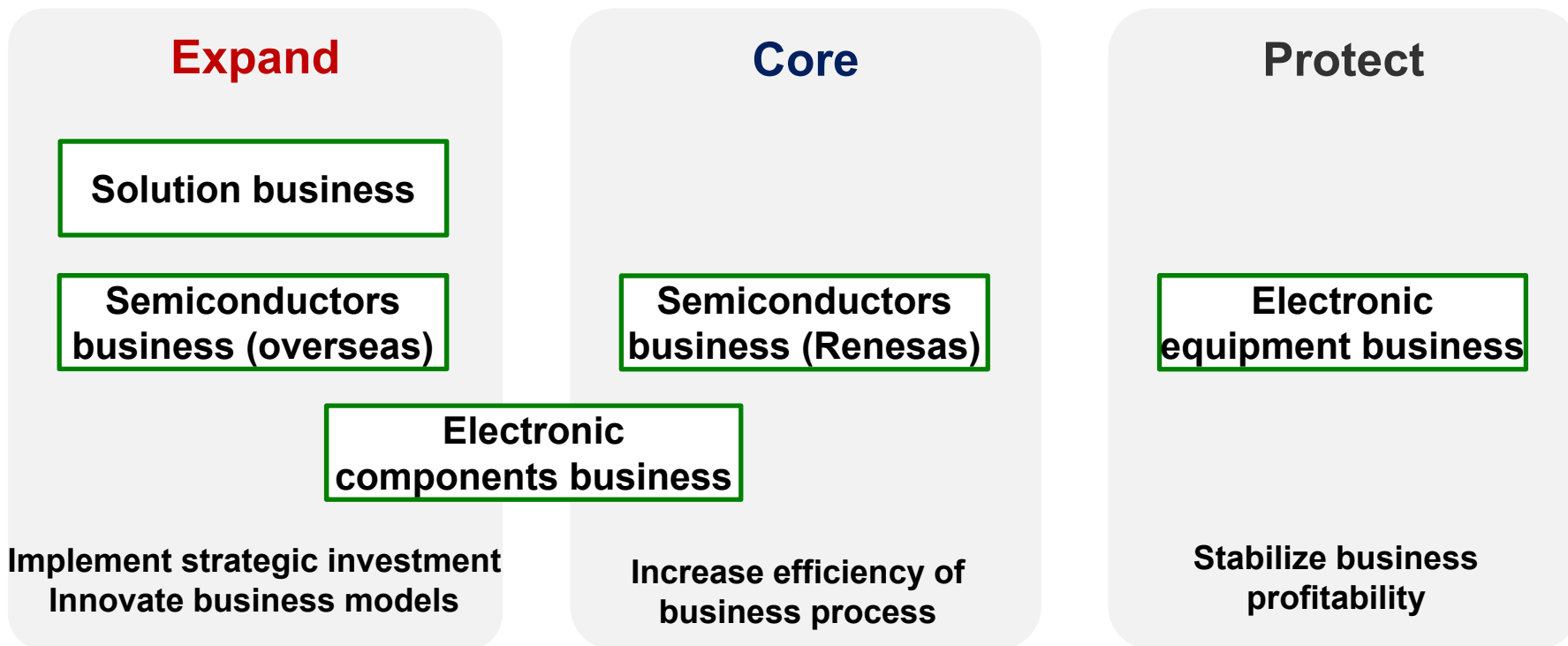
Image of sales volume in each business

The size of the circle (●) represents the scale of sales.

Unit: ¥Bil



- Enlarge businesses with key suppliers exceeding ¥10 Bil , which come to the second, third pillars after the Renesas Electronics business.
- Promote organic growth through completions of outstanding business cases and through design-in activities, in addition to non-organic growth through strategic investments



◆ Global strategy and network



Greater China

Active Sales

- Expand sales through its subsidiary Edal Electronics (HK) and its business partner Quigdao Sanyuan Taike Electronics Technology(China).
- Expand business through sales of semiconductors and electronic components to the in-vehicle electrical equipment, FA equipment, and home electronics appliance markets.

Korea

- Expand business through sales of semiconductors and electronic components in the in-vehicle electrical equipment and FA equipment markets.

ASEAN

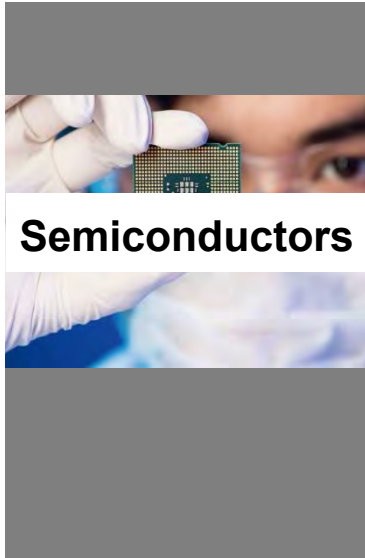
- Mainly in India, expand business through increased sales of semiconductors and electronic components in the in-vehicle electrical equipment market.

Europe

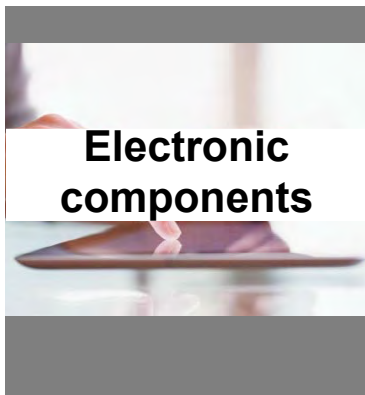
- Expand business through alliances with strategic partners.



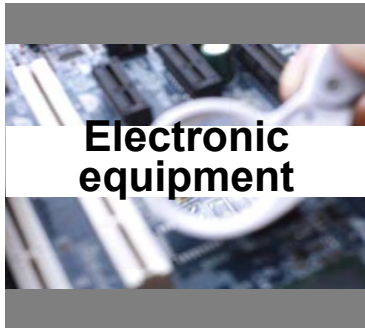
*Review feasibility of overseas expansion of the electronic equipment business



- In the Renesas Electronics business, continue expanding sales by locating salesforces close to the customers and protect current market share. In addition, expand business by bringing up business opportunities in the new market and/or acquiring commercial rights of Intersil products in China.
- In the overseas semiconductors business, accelerate concentration and selection; differentiate marketing approaches depending upon customers/suppliers to improve profitability.



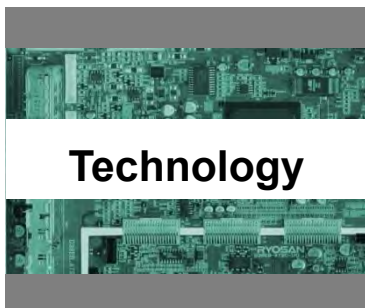
- Mainly targeting growth markets such as the in-vehicle electrical equipment and industrial equipment, achieve even further growth of the electronic components business through “expansion of business via core suppliers,” “improvement from current rather passive marketing approach,” and “reconstruction of overseas businesses with local companies.”



- Stabilize the business profitability and prepare for further future growth by assuring long term sales of large-scale projects, by increasing profitability by proposing added value, and by developing new products/customers, etc.
- Discover products which have the potential for overseas expansion and review sales structure focusing on overseas expansion.



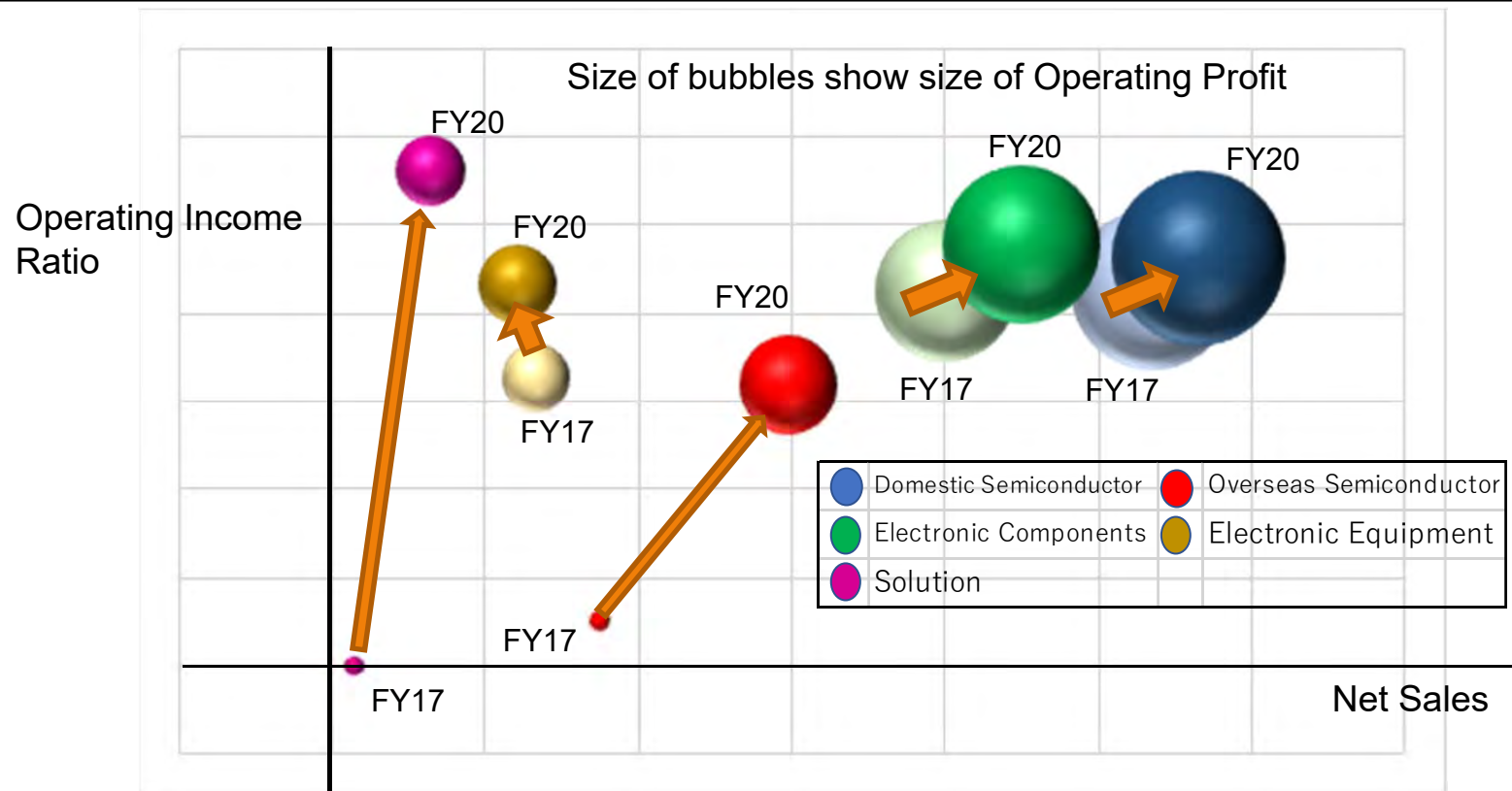
- Create a new business model through introduction of advanced technology for the growth market and through executing cutting-edge business strategy using external consultants.



- In order to establish its own technology capabilities, and to maximize its added value through its continuous improvement, 'bring up technology knowhow for the growth market and expand its system platforms globally' and 'provide unique technical support to customers/suppliers.'

Business Portfolio Shift (1)

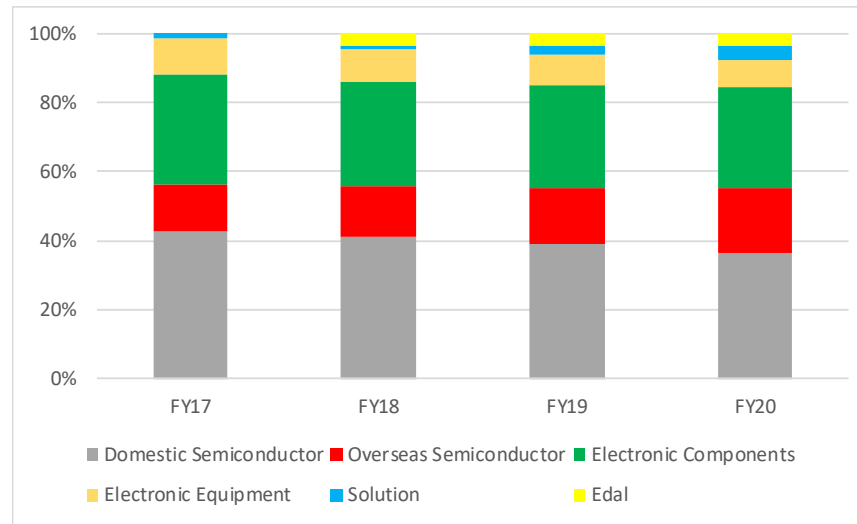
- Solution business, which currently recorded a low income, will contribute to consolidated profits. The profit ratio is expected to show higher performance compared to current business segments.
- Income from the overseas semiconductor business is expected to expand due to the operation restructuring and the business expansion.
- Both the domestic semiconductor business and electronic components business remain stable.



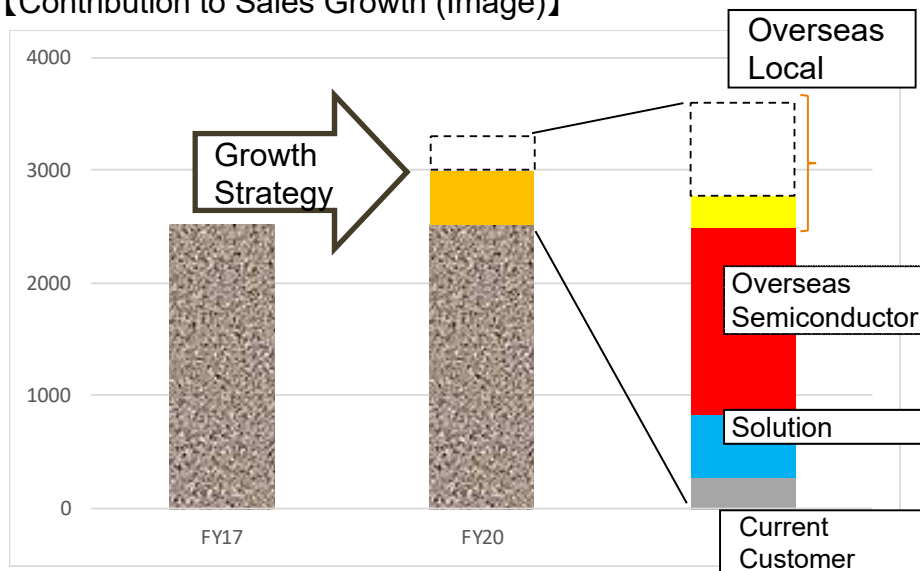
Business Portfolio Shift (2)

- Solution business contributes 20% of sales expansion toward FY20. 60% of that is from new key suppliers. Sales from new local business is not included.
- The sales combination does not show drastic changes toward FY20, while profits of both Solution and Overseas semiconductor will increase almost the same as electronic equipment.

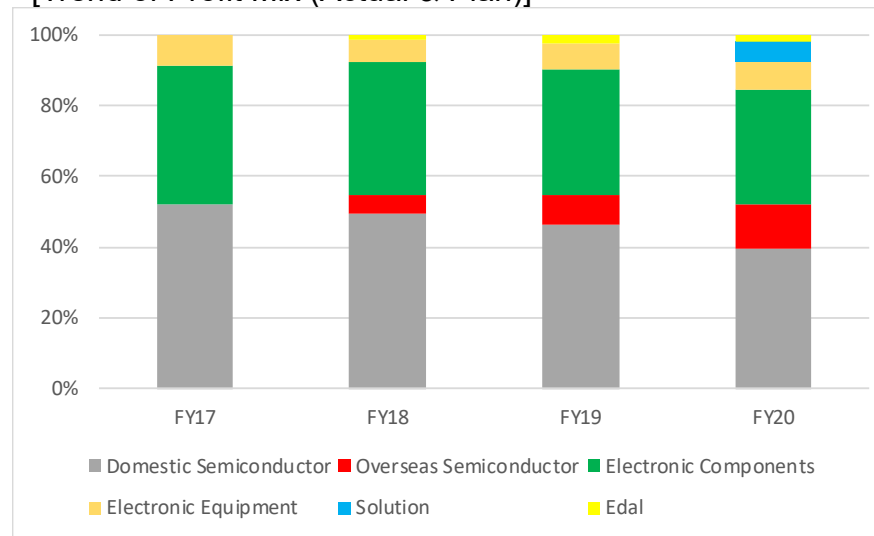
Trend of Sales Mix[Actual & Plan]



【Contribution to Sales Growth (Image)】



【Trend of Profit Mix (Actual & Plan)】



◆ Measures for improving ROE

Improve profitability

- Active allocation of human resources to growth area
- Business growth through strategic investment
- Decrease of expense ratio

Strategic investment
(¥15 Bil)

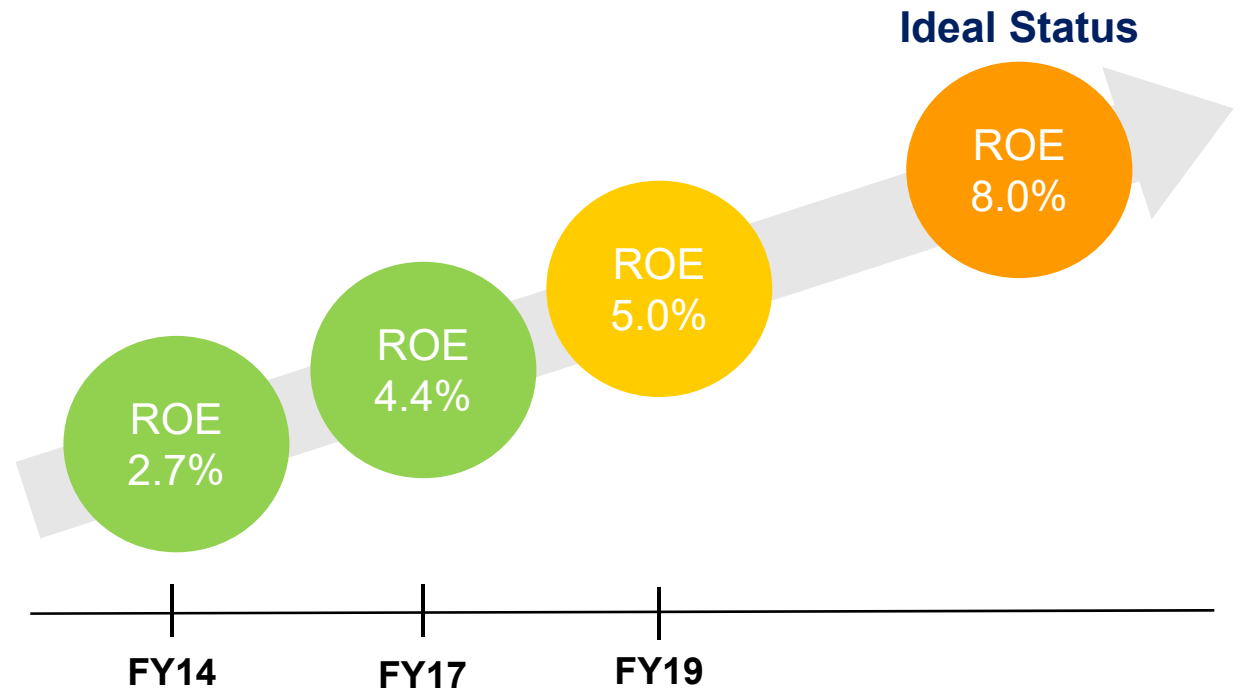
Expansion of local overseas business: ¥10.0 Bil
 Establishment of Solution Business &
 Creation of new business models: ¥2.5 Bil
 Creation of core business suppliers: ¥2.5 Bil

Improve asset efficiency

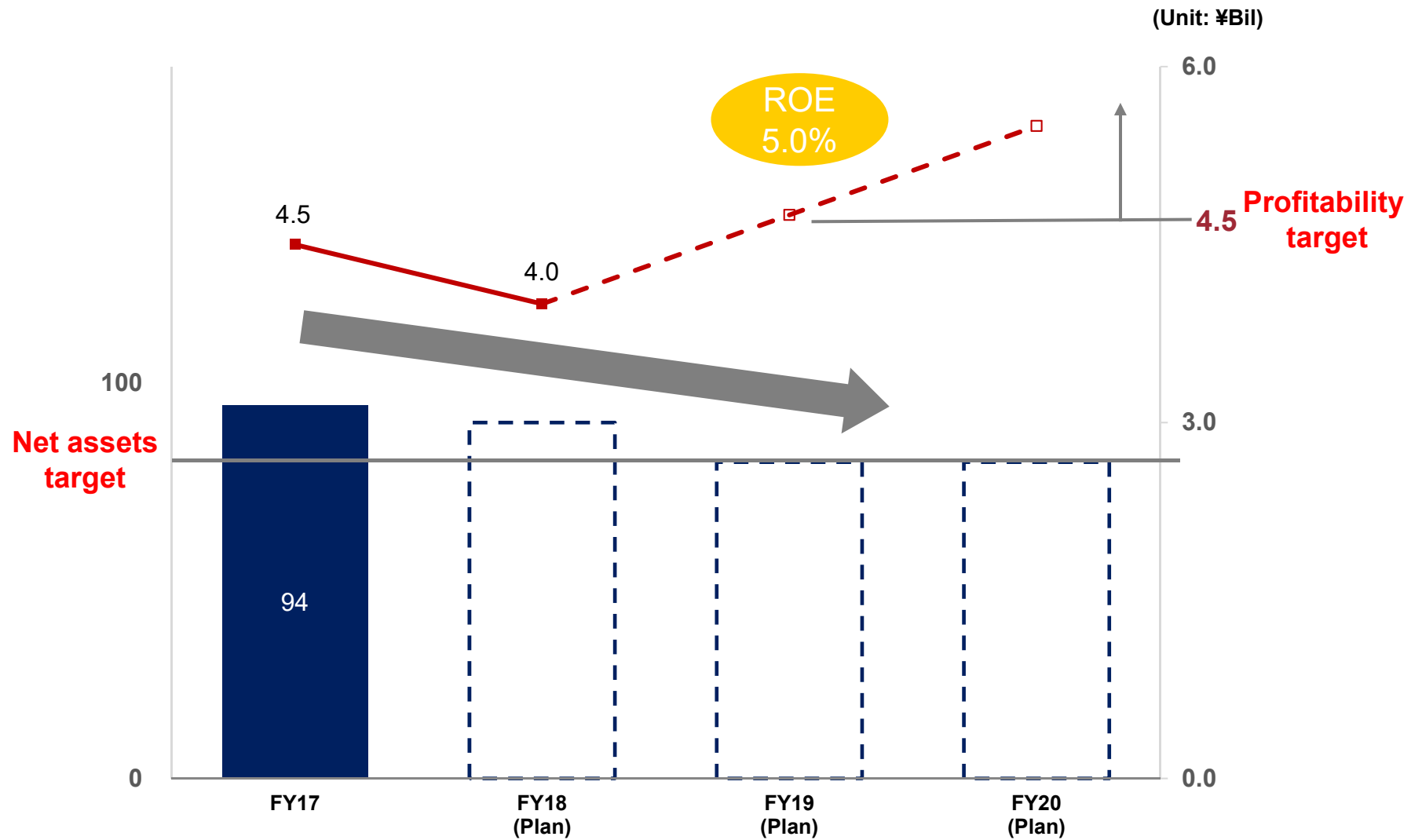
- Fluidization of accounts receivables
- Reduction of strategic shareholdings

Achieve optimal equity ratio

- Dividends with a payout ratio of at least 50%
- Acquisition of treasury shares



Improve Capital Efficiency



◆ Qualitative enhancement of corporate governance

- Revisit and review Ryosan Spirit and its corporate vision
 - Cultivate human resources through the round-up system
 - Reconstruct its corporate vision
- ESG* (Environment, Social, Governance) initiatives
- Strengthen group internal controls

◆ Strengthening of management infrastructure

- Construct a next information system and rationalize its business process
- Reorganize its sales forces from region-base structure to market-base structure
- Reform human resource management framework
 - Revise compensation system that enhances employees' motivation
 - Develop working environment where employees can work efficiently (support for diverse working styles)
- Increase efficiency of indirect business functions

Business Objectives

- Gross profit ratio show small changes after the expansion of the solution business.
- SG&A ratio will improve as the result of business process reengineering through system investment.

	FY2017		FY2018		FY2020		(Unit: ¥Bil)
	Results	% of Net Sales	Plan	% of Net Sales	Target	% of Net Sales	
Net Sales	254.0		258.0		300.0		
Gross Profit	20.3	8.0%	21.5	8.3%	24.5	8.2%	
SG&A Expenses	14.6	5.8%	15.5	6.0%	16.0	5.3%	
Operating Income	5.6	2.2%	6.0	2.3%	8.5	2.8%	
Net Profit	4.4	1.8%	4.0	1.6%	5.5	1.8%	

(Unit: ¥Bil)

	FY2017	FY2020	
	Net Sales	Net Sales	Growth(%)
Semiconductors	145.7	188.0	129%
Electronic Components	81.9	86.0	105%
Electronic Equipment	26.3	26.0	99%
Total	254.0	300.0	118%

*The sale of the solution business is included in relevant business segments. The business target of the solution business is ¥13 Bil sales in FY2020.

Results for FY2017

The 10th Medium-Term Business Plan

Business Plan for Full Year FY2018

Business Objectives

- Edal Electronics is consolidated from FY2018.
- While sales of the in-vehicle electrical equipment and FA equipment business are expected to stay firm, the growth of the market as a whole levels off due to the drastic expansion of previous terms, and net sales is projected to increase by 1.5% to ¥258 Bil.
- Net profit is projected to decrease to ¥4.0 Bil since no foreign currency profit is planned in this term.

(Unit: ¥Bil)	FY2017		FY2018				
	Full Year	%	1st Half	2nd Half	Full Year	%	Change (FY18-17)
Net Sales	254.0		127.5	130.5	258.0		+1.5%
Gross Profit	20.3	8.0%	10.5	11.0	21.5	8.3%	+5.7%
SG&A Expenses	14.6	5.8%	7.8	7.7	15.5	6.0%	+5.6%
Operating Income	5.6	2.2%	2.7	3.3	6.0	2.3%	+5.9%
Net Profit	4.4	1.8%	1.8	2.2	4.0	1.6%	(10.7%)
EPS (¥)	173.98		73.51	89.85	163.36		(6.1%)

Overview of Business Plan by Business Segment

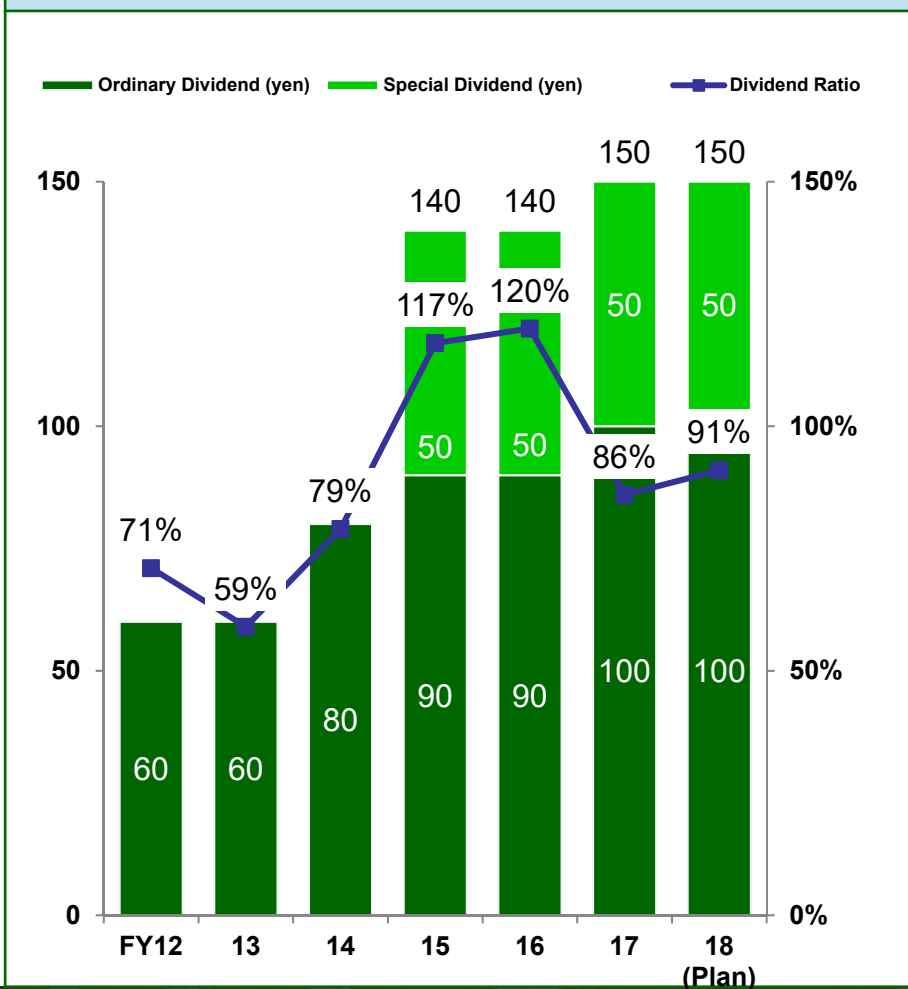
- Net sales and operating income at semiconductors are expected to record ¥154.5 Bil (+6.0% compared to FY17) and ¥3.4 Bil (+31.0%) because of robust sales in the in-vehicle electrical equipment business and consolidation of Edal Electronics.
- Sales of electronic components is expected to show a small decrease to ¥79.5 Bil (-3.0%) and ¥2.7 Bil (-4.0%) because of discontinuation of ad hoc income recorded in the previous fiscal year, even if it still records robust sales in in-vehicle electrical equipment & FA equipment business.
- Electronic equipment is expected to record ¥24.0 Bil sales (-9.0%) and ¥0.3 Bil operating income (-42%)

		FY2017		FY2018				
		Full Year	%	1st Half	2nd Half	Full-Year Plan	%	Change (FY17-16)
Semiconductors	Net Sales	145.7		76.4	78.1	154.5		+6.0%
	Operating Income	2.6	1.8%	1.5	1.9	3.4	2.2%	+31.4%
Electronic Components	Net Sales	81.9		39.0	40.5	79.5		(3.0%)
	Operating Income	2.8	3.4%	1.3	1.4	2.7	3.4%	(4.0%)
Electronic Equipment	Net Sales	26.3		12.1	11.9	24.0		(9.0%)
	Operating Income	0.6	2.3%	0.1	0.2	0.3	1.5%	(42.3%)
Adjustment		(0.3)		(0.2)	(0.2)	(0.5)		
Total	Net Sales	254.0		127.5	130.5	258.0		+1.5%
	Operating Income	5.6	2.2%	2.7	3.3	6.0	2.3%	+5.9%

Plan for Return to Shareholders

- The Company plans to pay ordinary dividends ¥100 p.s. and special dividend ¥50 p.s. (Total ¥150 p.s.)
- The Company acquired 36.1 Bil shares (¥15.9 Bil) in FY17.
- The Company plans to continue treasury share acquisition for this fiscal term.

Dividend per Share



Acquisition of Treasury Shares

Period	No. of Aquired Shares (10Thousand)	Amount (¥Bil)
FY12	100	1.9
FY13	100	1.9
FY14	45	1.8
FY15	155	4.6
FY16	137	4.4
FY17	361	15.9