



Ryosan Company, Limited

FY2018 Results Meeting

Fiscal year ended March 31, 2019

May 29, 2019

Financial results for FY2018

Existing Medium-Term Business Plan

Counter Measures for Profitability Enhancement

Business Plan for Full Year FY2019

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

- Both Net Sales and Operating Income decreased mainly due to the slow down of FA business during the 2nd half of the fiscal year.
- Ordinary Income and Net Profit decreased further due to the increase of interest expense, the foreign exchange losses from the US\$ borrowing, the extraordinary tax payout at overseas subsidiary and the lump-sum depreciation of goodwill.

(Unit: ¥Bil)	a	b	c	d	e
	FY17	FY18(Act)		FY18(Plan)(*)	
	Amount	Amount	Change	Amount	Gap
Net Sales	254.0	249.6	-1.7%	254.0	-1.7%
Gross Profit	20.3	20.6	+1.5%	21.1	-2.4%
(% of Net Sales)	(8.0%)	(8.3%)	(+0.3pt)	(8.3%)	(0.0pt)
Operating Income	5.6	5.2	-7.6%	5.6	-6.5%
(% of Net Sales)	(2.2%)	(2.1%)	(-0.1pt)	(2.2%)	(-0.1pt)
Ordinary Income	6.3	3.9	-37.9%	4.0	-0.6%
(% of Net Sales)	(2.5%)	(1.6%)	(-0.9pt)	(1.6%)	(0.0pt)
Net Profit	4.4	1.4	-67.0%	2.8	-47.1%
(% of Net Sales)	(1.8%)	(0.6%)	(-1.2pt)	(1.1%)	(-0.5pt)
EPS (¥)	173.98	62.07	-64.3%	117.21	-47.0%
US Dollar Average Rate (¥)	110.85	110.91	+0.1%	107.63	+3.0%

(*)Revised in Oct. 2018

Segment Information ①

FY2018
Result

- Semiconductor sales showed stable volume even if the China market slowed down in FY2018. Its Operating Income decreased due to the inventory revaluation and the revisions of sales margins from suppliers.
- Net Sales shrank in Electronic Components during the 2nd half FY2018 mainly due to weak sales in the Consumer segment. Its Operating Income ratio remains stable.
- Net sales and Operating Income in Electronic Equipment decreased because of the termination of the large business.

(Unit: ¥Bil)		FY17	FY18(Act)		FY18(Plan)(*)	
		Amount	Amount	Change	Amount	Gap
Semiconductors	Net Sales	145.7	150.1	+3.0%	152.0	-1.2%
	Operating Income (% of Net Sales)	2.6 (1.8%)	2.4 (1.6%)	-6.1% (-0.2pt)	2.7 (1.8%)	-10.4% (-0.2pt)
Electronic Components	Net Sales	81.9	77.4	-5.5%	78.5	-1.4%
	Operating Income (% of Net Sales)	2.8 (3.4%)	2.6 (3.4%)	-5.8% (0.0pt)	2.8 (3.6%)	-5.4% (-0.2pt)
Electronic Equipment	Net Sales	26.3	22.1	-16.1%	23.5	-5.8%
	Operating Income (% of Net Sales)	0.6 (2.3%)	0.3 (1.7%)	-37.0% (-0.6pt)	0.4 (1.7%)	-4.5% (0.0pt)
Total	Net Sales	254.0	249.6	-1.7%	254.0	-1.7%
	Operating Income (% of Net Sales)	5.6 (2.2%)	5.2 (2.1%)	-7.6% (-0.1pt)	5.6 (2.2%)	-6.5% (-0.1pt)

(*)Revised in Oct. 18

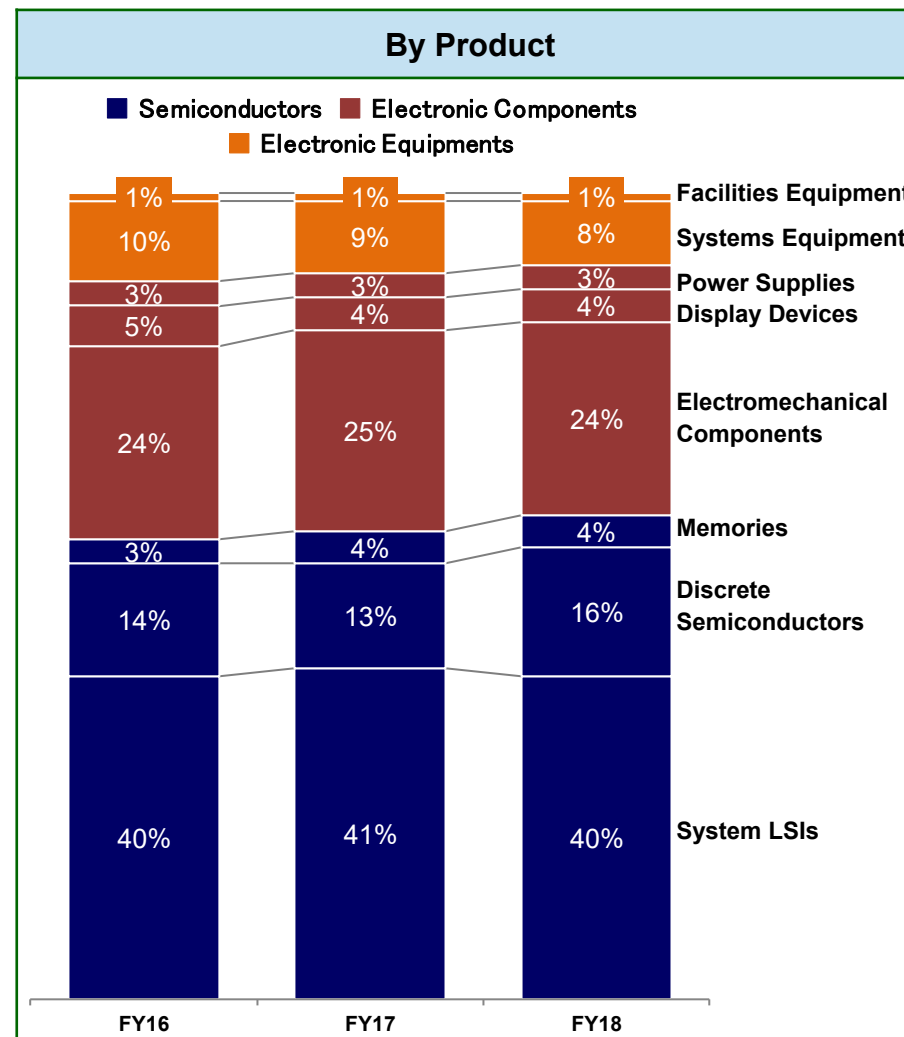
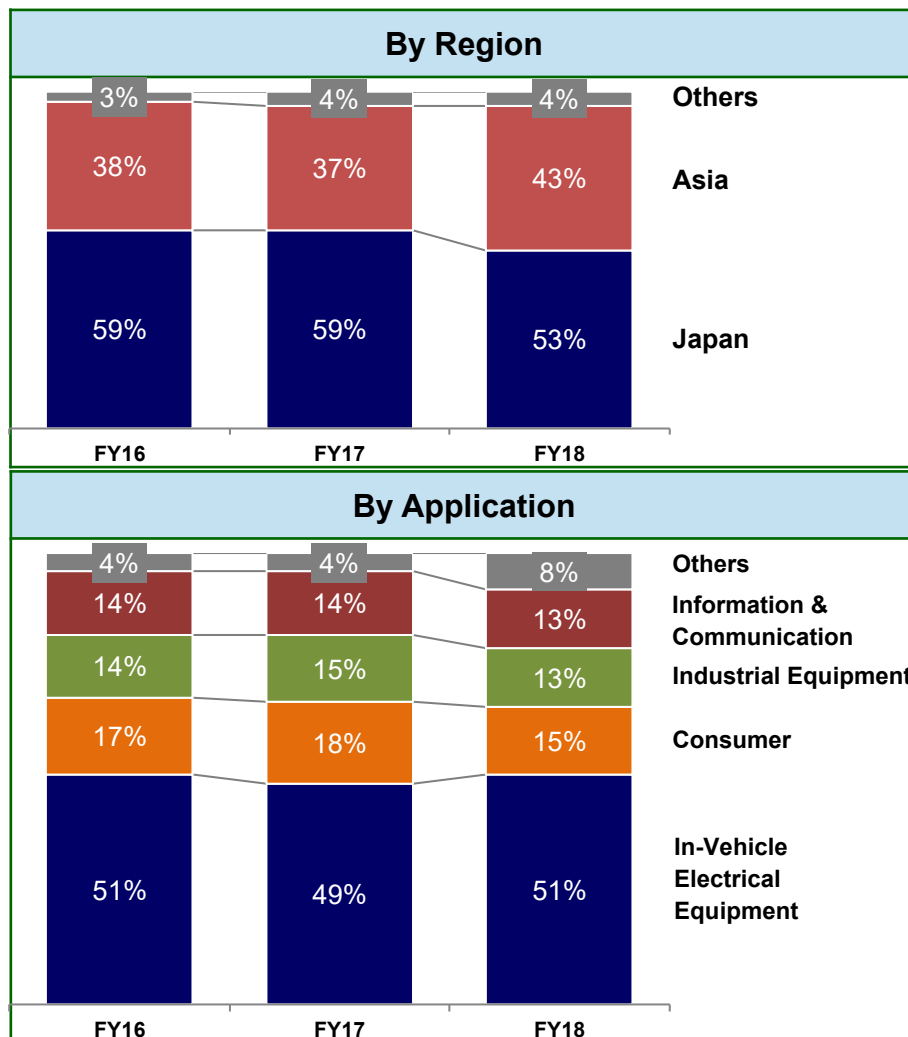
Electronics Systems Coordinator

RYOSAN CO., LTD.

Segment Information ②

FY2018
Result

- The gradual increases of Asia (By Region) and Semiconductor (By Product) do not change for FY2018. In-vehicle Electrical Equipment has more than a 50% share (By Application).



Consolidated Balance Sheet / Consolidated Statements of Cash Flow

- Net Assets decreased to ¥87.8 bil through the stock repurchase of ¥4.2 bil and a dividend payout of ¥3.5 bil.
- Operating cash flow recorded plus ¥13 bil as the result of account receivable securitization, a counter measure to improve asset efficiency. Cash and Cash Equivalents increased to ¥14.5 bil.

(Unit: ¥Bil)	End of Mar.17	End of Mar.18	End of Mar.19	GAP(19-18)
Total Assets	161.6	162.2	146.5	-15.6
Current Assets	142.8	143.5	129.3	-14.2
Non-Current Assets	18.7	18.7	17.2	-1.4
Liabilities	52.1	67.9	58.7	-9.1
Net Assets	109.5	94.3	87.8	-6.4
Net Assets to Total Assets (%)	67.8%	58.1%	59.9%	+1.8pt

(Unit: ¥Bil)	FY16	FY17	FY18	GAP(FY18-17)
Cash Flow from Operating Activities	-1.8	-19.2(*1)	13.0(*2)	+32.2
Cash Flow from Investing Activities	-0.8	0.6	-0.4	-1.0
Cash Flow from Financing Activities	-9.2	-6.5	-11.5	-5.0
Cash and Cash Equivalents at the End of the Period	38.6	13.4	14.5	+1.1

(*1) Inventory increase ¥16.2 bil, AR increase ¥7.2 bil, (*2) AR decrease ¥15.1 bil

Financial Results for FY2018

Existing Medium-Term Business Plan

Counter Measures for Profitability Enhancement

Business Plan for Full Year FY2019

- We defined two key directions: ①Reconstruct business portfolio, and ② Strengthen profit and capital structure.
- We set up three strategies pillars (Growth strategy, Financial strategy & Infrastructure strategy) to realize our aspiration.
- **Growth strategy:** Strengthen business through diversifying portfolio by expanding **solution business, overseas semiconductor suppliers' businesses** and businesses with non-Japanese customers.
- Financial strategy: Reach ROE5% target in FY2019 through profitability enhancement, asset liquidation and continuous capital allocation.
- Infrastructure strategy: Revise operation systems, HR framework, etc..
- The targets as the result of the initiatives were Net Sales of **¥300 bil** and Operating Income of **¥8.5 bil** in **FY2020**.



Medium-Term Business Plan Suspension

Issues	<ul style="list-style-type: none"> ➤ Drastic changes of the key suppliers' marketing policies (Reduction of sales incentives and sales margins) ➤ Requests for the inventory holdings from customers and suppliers to mitigate the issues of product EOL, Business continuity, PCN etc. ➤ Additional HR cost burden to attain the growth strategies, which has not brought about enough business returns ➤ Interest burden coming from 1) the increase of US\$ loan amount for US\$ base inventory, and 2) the rise of US\$ interest rate ➤ Global market slowdown including China
--------	---

	Direction Planned	Assessment
Assessment	Business Portfolio	Overseas semiconductors are hard to make core business.
	Profit and Capital Structure	Net Sales and Profits remain weak for FY2018. Same for FY2019 and onwards.
		ROE5% target cannot be attained for FY2019.
		No signs of profit improvement are foreseen for FY2020.



- Fundamental (non-seasonal) business environment changes have occurred to realize Medium-Term Business Plan.
- We will suspend the existing business plan and launch company-wide initiatives for profitability enhancement.

Financial KPIs Long Term Trend

Key volume indicators do not show any drastic changes for the last ten years, while profit indicators show negative signs for the same period.

		FY08	FY14	FY18	FY18- FY08	Analysis
1	Net Sales(¥Bil)	220.8	233.5	249.6	28.8	Net Sales show gradual growth, while every profitability index has been deteriorating for the last 10 years
2	Gross Margin	8.9%	8.4%	8.3%	-0.6%	
3	Net Profit /Net Sales	1.8%	1.4%	0.6%	-1.2%	
4	KPI					
5	Sales Incentives /Net Sales	0.6%	0.2%	0.2%	-0.4%	The profit size reduction of the key supplier led to the reduction of incentives for the last fiscal years.
6	Gm with Overseas Semiconductor	-	12.6%	8.5%	-4.1% (FY18-14)	The margin condition was revised in FY16, which impacts expanded due to the expansion of its business volume.
7	HR Cost /Net Sales	3.3%	3.2%	3.4%	+0.1%	The employment of additional staff for the Mid-Term Business Plan, and the increase of bonus months in FY17 were the background of the cost increases.
8	Distribution cost /Net Sales	0.4%	0.6%	0.7%	+0.3%	The increase in unit cost was due to the shortage of distribution staff in Japan, and the change of delivery conditions with suppliers also increased costs.
9	Interest expense :¥ mil (% of Sales)	140 (0.1%)	169 (0.1%)	717 (0.3%)	+577 (+0.2%)	Distribution agreement with overseas suppliers changed requesting minimum three month inventory

Financial Results for FY2018

Existing Medium-Term Business Plan

Counter Measures for Profitability Enhancement

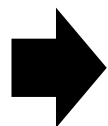
Business Plan for Full Year FY2019

Counter Measures for Profitability Enhancement

- Through reassessing its business portfolio, we pursue cost minimization, and thereby enhance profitability for the Renesas and Electric components business as the competitive key business driver.
- Through these profit enhancement measures, we construct the business portfolio which realizes 5% ROE in FY2020.
- We reevaluate new business areas that will provide future business growth. New Medium-Term Business Plan will be released during FY2020.

Counter measures for profitability enhancement (FY2019: Phases of Actions)

Business	<input checked="" type="checkbox"/> Withdrawal from non-profitable businesses
	<input checked="" type="checkbox"/> Optimize organizations and headcounts
	<input checked="" type="checkbox"/> Evaluate and concentrate on key projects with Solution Business initiatives
	<input checked="" type="checkbox"/> Expand Renesas business through non-organic approach
	<input checked="" type="checkbox"/> Introduce business model to change the engineering function to the profit center
ALM	<input checked="" type="checkbox"/> Reduce inventory volume and minimize US\$ borrowing
	<input checked="" type="checkbox"/> Streamline control function and minimize head office space usage
	<input checked="" type="checkbox"/> Disposition of non-working assets including investment securities

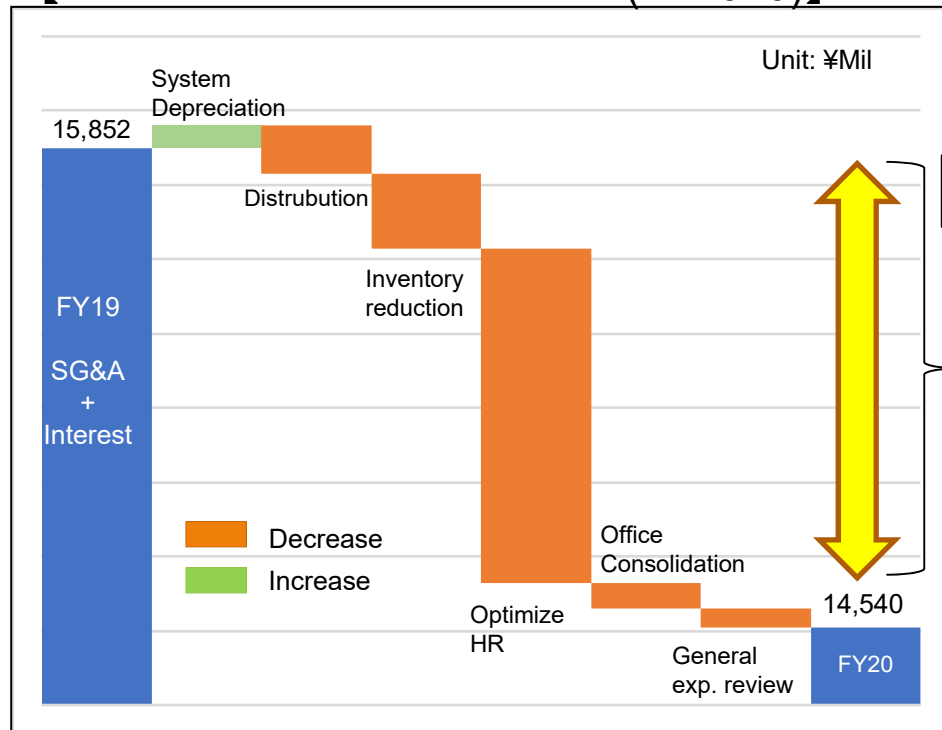


- One-time costs : ¥900 million in FY2019
- Reduction of fixed cost : ¥1,300 million annually since FY2020

Scenario for Profitability Enhancement and Capital Efficiency (FY2020: Cost Reduction)

Counter Measures

【Break-down of cost reduction (FY2020)】

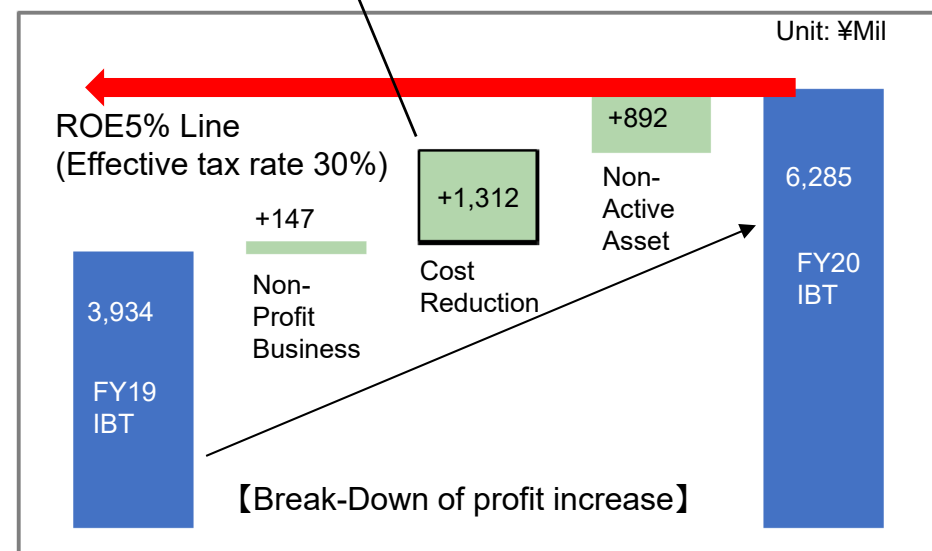


⇒No additional profit is assumed from new sales.
 All additional income comes from cost controls.
 ⇒Net assets remains the same level of ¥88 bil toward FY2020.

②In addition to cost reduction, we will continue to reduce non-active assets, including investment securities, and reach profit level which realizes ROE target in FY2020.

①As the results of counter measures in FY2019, distribution costs, interest expense (Inventory reduction), HR costs etc.. will be reduced by ¥1.3 bil in FY2020.

⇒Additional disclosures are made, once details are fixed and if necessary.



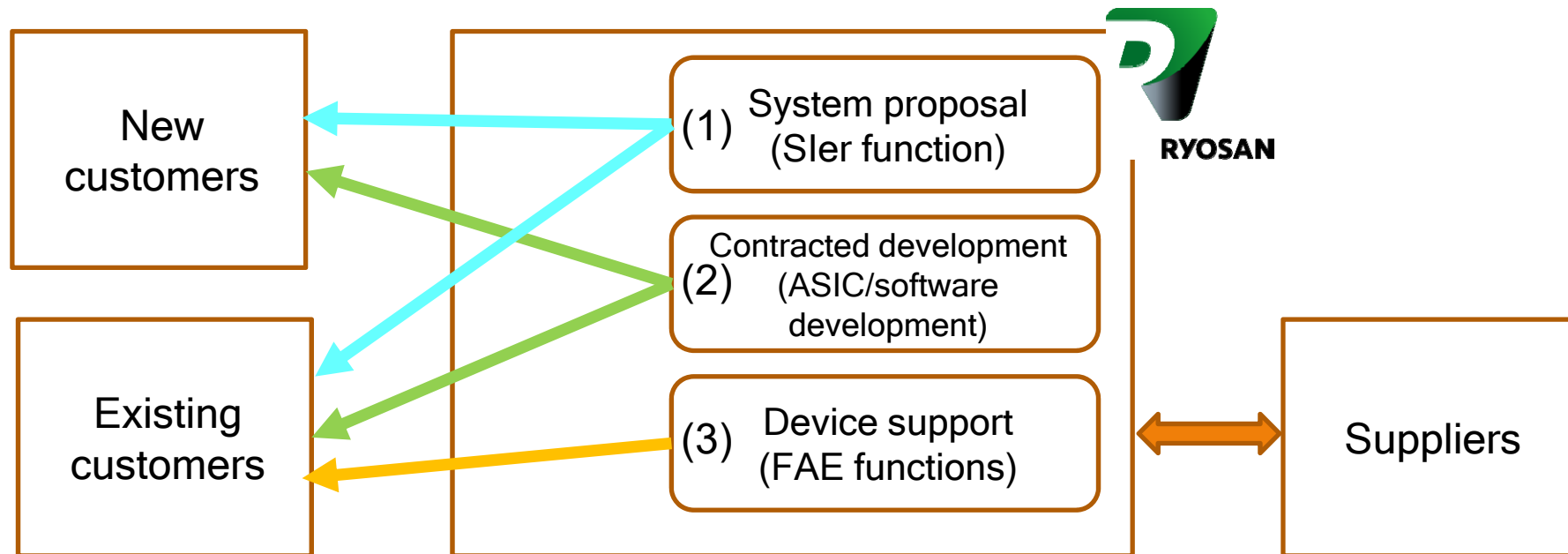
	Strategies		Status	Actions
1	Profitability enhancement		New	Initiate several new initiatives for cost minimization
2	Growth strategy	Solution Business	Review	Concentrate on key projects
3		Creation of new suppliers	Review	Withdrawal from non-profitable business
4		Local overseas business	Continue	Continue to find out 1) strategic investment opportunities and 2) new overseas businesses with Electronic Components
5		New business models	Change	Introduce new initiative to change business model of technical function (P15)
6	Financial strategy		Review	Revise actions during profitability enhancement
7	Infrastructure strategy		Continue	No change

Suspend current Medium-Term Business Plan

Actions for Constructing New Profitability Pillars

Counter Measures

- In the engineering function, consider shift to external sales of highly-unique technologies from among its supporting know-hows for semiconductors devices. In addition to existing customers, seek to acquire a wide range of new customers who handle semiconductor products.
- Continue to search for potential of strategic alliances with partner companies.



- (1) Strengthen proactive approach to target markets with unique system proposal and review feasibility of licensing business with its IPs
- (2) Shift to system development of high added-value and improve profitability
- (3) Start charging for high added-value operations of device support technologies

Upon starting counter measures, the following actions will be applied to clarify management responsibility of business deterioration.

- For directors and senior officers, annual remuneration, including bonuses, shall be reduced by 20% for FY2019.
- Board members have changed as follows and shall be proposed for AGM approvals this June.

Current		New	
Representative Director	Naoto Mimatsu	Representative Director	Hiroyuki Kurihara
Representative Director	Hiroyuki Kurihara	Director	Iwao Sakamoto(*)
Director	Kazunori Sato	Director	Masahide Nishiura
Director	Masahide Nishiura	Director	Kazuhiko Inaba

(*)Mr. Iwao Sakamoto will resign Full-time Audit and Supervisory Committee Member (Director) at the conclusion of the 63rd Ordinary General Shareholders Meeting held on June 25, 2019.

Financial Results for FY2018

Existing Medium-Term Business Plan

Counter Measures for Profitability Enhancement

Business Plan for Full Year FY2019

- Both Net Sales and Profit are projected to decrease in FY2019. The impact of the market slowdown is expected to become less around FY2019 Q1.
- As the results of the counter measures for profit enhancement, Extraordinary cost of ¥0.9 bil will be recorded.

(Unit: ¥ Bil)	FY18			FY19(Plan)			
	1 st HF	2 nd HF	Total	1 st HF	2 nd HF	Total	Change
Net Sales	128.9	120.7	249.6	115.0	120.0	235.0	-5.9%
Gross Profit	10.7	9.9	20.6	9.3	9.9	19.3	-6.5%
(% of Net Sales)	(8.3%)	(8.2%)	(8.3%)	(8.1%)	(8.3%)	(8.2%)	(-0.1pt)
Operating Income	2.8	2.3	5.2	1.7	2.5	4.2	-19.8%
(% of Net Sales)	(2.2%)	(1.9%)	(2.1%)	(1.5%)	(2.1%)	(1.8%)	(-0.3pt)
Ordinary Income	1.6	2.3	3.9	1.4	2.2	3.6	-9.4%
(% of Net Sales)	(1.3%)	(1.9%)	(1.6%)	(1.2%)	(1.8%)	(1.5%)	(-0.1pt)
Net Profit	1.0	0.4	1.4	1.0	0.9	1.9	+28.4%
(% of Net Sales)	(0.8%)	(0.4%)	(0.6%)	(0.9%)	(0.8%)	(0.8%)	(+0.2pt)
EPS (¥)	43.62	18.45	62.07	42.68	38.41	81.09	+30.6%
US Dollar Average Rate (¥)	110.26	111.55	110.91	108.00	108.00	108.00	-2.6%

Overview of Business Plan by Business Segments

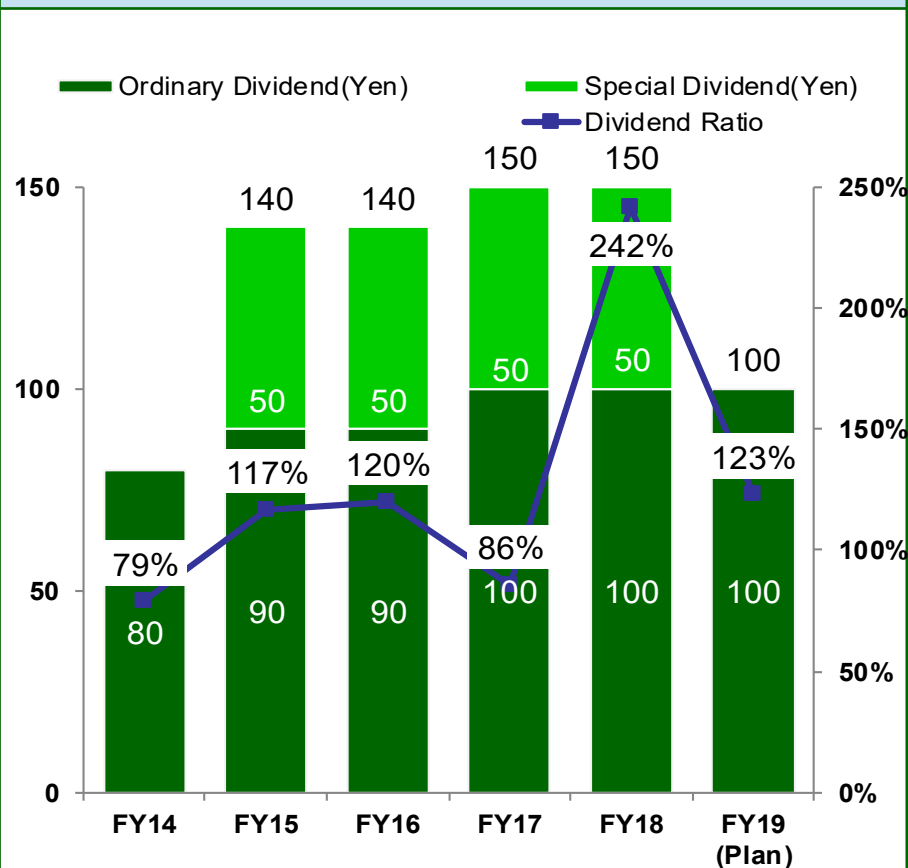
FY2019
Plan

- The Semiconductor business will decrease both for Net Sales and Operating Income due to the market slowdown in automotive and FA segments.
- The Electronic Components business will continue to follow the slow-down trend after business expansion until the 1st HF of FY2018.
- Both Net Sales and Operating Income remain the same for Electronic Equipment.

(Unit: ¥Bil)		FY2018			FY2019			Change
		1 st HF	2 nd HF	Total	1 st HF	2 nd HF	Total	
Semiconductor	Net Sales	77.0	73.1	150.1	69.5	72.5	142.0	-5.4%
	Op. Income (%)	1.3 (1.8%)	1.0 (1.5%)	2.4 (1.6%)	0.9 (1.3%)	1.3 (1.9%)	2.2 (1.6%)	-8.7% (0.0pt)
Electronic Components	Net Sales	40.4	37.0	77.4	35.5	36.0	71.5	-7.7%
	Op. Income (%)	1.4 (3.7%)	1.1 (3.1%)	2.6 (3.4%)	0.9 (2.5%)	1.0 (2.8%)	1.9 (2.7%)	-28.3% (-0.7pt)
Electronic Equipment	Net Sales	11.5	10.5	22.1	10.0	11.5	21.5	-2.9%
	Op. Income (%)	0.1 (1.5%)	0.2 (2.0%)	0.3 (1.7%)	0.1 (1.0%)	0.3 (2.6%)	0.4 (1.9%)	+4.7% (+0.2pt)
Total	Net Sales	128.9	120.7	249.6	115.0	120.0	235.0	-5.9%
	Op. Income (%)	2.8 (2.2%)	2.3 (1.9%)	5.2 (2.1%)	1.7 (1.5%)	2.5 (2.1%)	4.2 (1.8%)	-19.8% (-0.3pt)

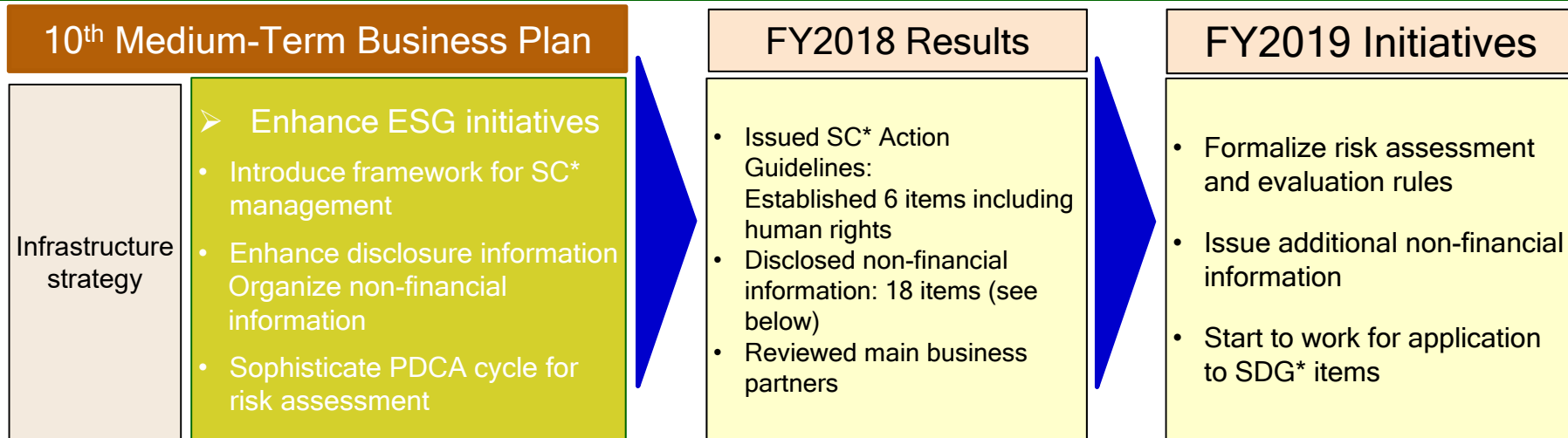
- Maintain ordinary dividend of ¥100 p.s. for FY2019
- No share buy-back program will be planned.

Dividend per Share



Acquisition of Treasury Shares

Year	No. of Acquired Shares (Thousand)	Amount (¥ Bil)
FY12	1,000	1.9
FY13	1,000	1.9
FY14	450	1.8
FY15	1,550	4.6
FY16	1,370	4.4
FY17	3,610	15.9
FY18	1,050	4.2
FY19(Plan)	Nil	Nil

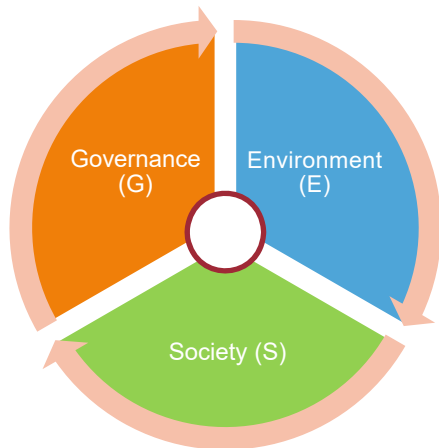


*SC: Supply Chain

*SDGs: Sustainable Development Goals
17 international goals which were adopted at the UN Summit held in September 2015 and are to be attained by 2030.

18 Items of Non-Financial Information

➤ Based on disclosure benchmarks, etc., a total of 18 items for the environment (E), society (S), and governance (G) are listed on the homepage.



Category	Main Disclosure Items
Environment (E) • 7 items	Greenhouse gas (CO ₂), energy consumption (electricity, gasoline, gas), hazardous waste, recycling, etc.
Society (S) • 7 items	Donations, turnover rate of full-time employees, ratio of temporary staff, training time, number of accidents at work, etc.
Governance (G) • 4 items	Ratio of independent directors, number of person undergoing training for preventing corruption, number of submissions to the internal whistleblowing system, etc.