

# Q2/FY2013 (54th) Results Briefing

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August 30, 2013

**RYOYO ELECTRO CORPORATION**

(Tokyo Stock Exchange - 8068)

<http://www.ryoyo.co.jp>

**Date of Establishment :** February 27, 1961

**Capital :** 13,672 million Yen

**Represented by :**

**Kenhachiro Ogawa – Chairman & CEO**

**Takayoshi Oouchi – President & COO**

**Number of employees :** (as at July 31, 2013)

**Consolidated: 512 (Whole group: 595)**

**Business areas :**

**Comprehensive electronic devices service**

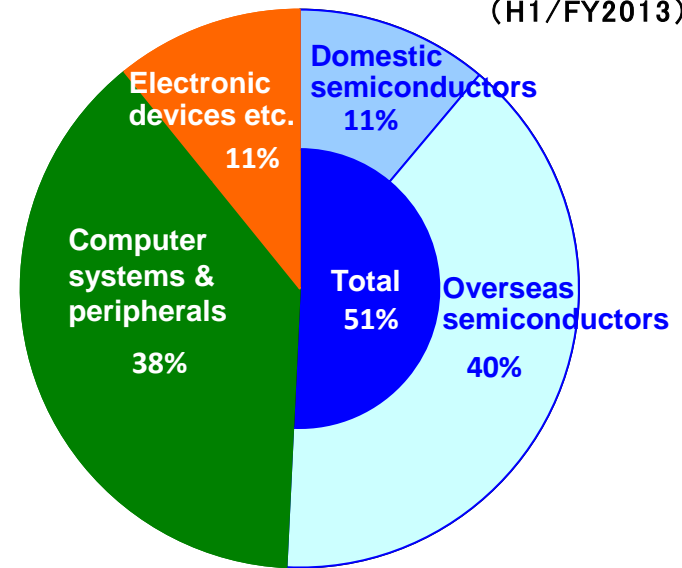
- Sales of semiconductors
- Sales of computer systems & peripherals
- Sales of software & embedded devices
- Engineering support
- Various services

**ISO 9001 / 14001 / 27001 :**

All offices and a subsidiary (excluding satellite offices) in Japan

## Sales by product

(H1/FY2013)



### Domestic network :

Sendai, Koriyama, Matsumoto, Takasaki(satellite), Hachioji, Yokohama, Nagoya, Kyoto, Osaka, Fukuoka

### Overseas network :

Dalian, Shanghai, Shenzhen, Hong Kong, Taipei, Bangkok, Kuala Lumpur, Singapore, U.S.

### Domestic subsidiaries :

Ryoyo Semicon, Ryoyo Security Service

# Business results for H1/FY2013

## ◆ Japanese economy:

- Recovered export/production trends and improved exchange rates by the government's economic measures
  - Whereas the outlook for the global economy is still uncertain, a sense of expectation for economic recovery in Japan is increasing

## ◆ Electronics industry:

- The situation is still severe structurally due to sluggish demands for consumer products (especially digital consumer electronics) and price drop
- The industrial sector where has been suffering from prolonged production adjustments is now showing a sign of recovery and gradually improving towards the second half

## ◆ IT industry:

- Stable private investment on IT hardware, mainly infrastructure
- Along with accelerated shift from “individual /diversified investment” to “concentrated investment”, the size of projects is growing, making competition fiercer

# P/L: Actual results in H1/FY2013



(Unit: 100 million yen)

	H1/ FY12	Initial plan	H1/ FY13	YoY	Actual/ Initial plan	Comments
Sales	447	440	440	(1.5%)	+0.0%	Slightly lower than the previous year, but as planned
Gross profit	38.1	37.5	40.2	+5.5%	+7.3%	Exceeding the initial plan in both amount and rate due to the continuing depreciation of yen and changes in the sale composition
(%)	8.5%	8.5%	9.1%			
SG&A	33.6	33.0	32.2	(4.0%)	(2.4%)	Decreased labor cost, rent, etc.
Operating income	4.6	4.5	8.0	+74.6%	+78.1%	Much higher than the previous year and the initial plan due to increased gross profit and decreased SG&A
(%)	1.0%	1.0%	1.8%			
Non-operating income	0.3	1.0	1.7	+397.2%	+65.1%	Increased investment income and improved exchange gain/loss
Ordinary income	4.9	5.5	9.7	+96.4%	+75.7%	
(%)	1.1%	1.3%	2.2%			
Extraordinary income	0.0	0.0	0.2	—	—	Including gain from sales of investment securities
Income before income taxes	4.9	5.5	9.8	+99.6%	+78.6%	
Income taxes	2.5	2.0	3.3	+30.5%	+65.0%	Reduced tax burden
Quarterly net profit	2.4	3.5	6.5	+172.7%	+86.4%	
(%)	0.5%	0.8%	1.5%			
EPS (Yen)	9.26	13.55	25.26			

# Sales by segment

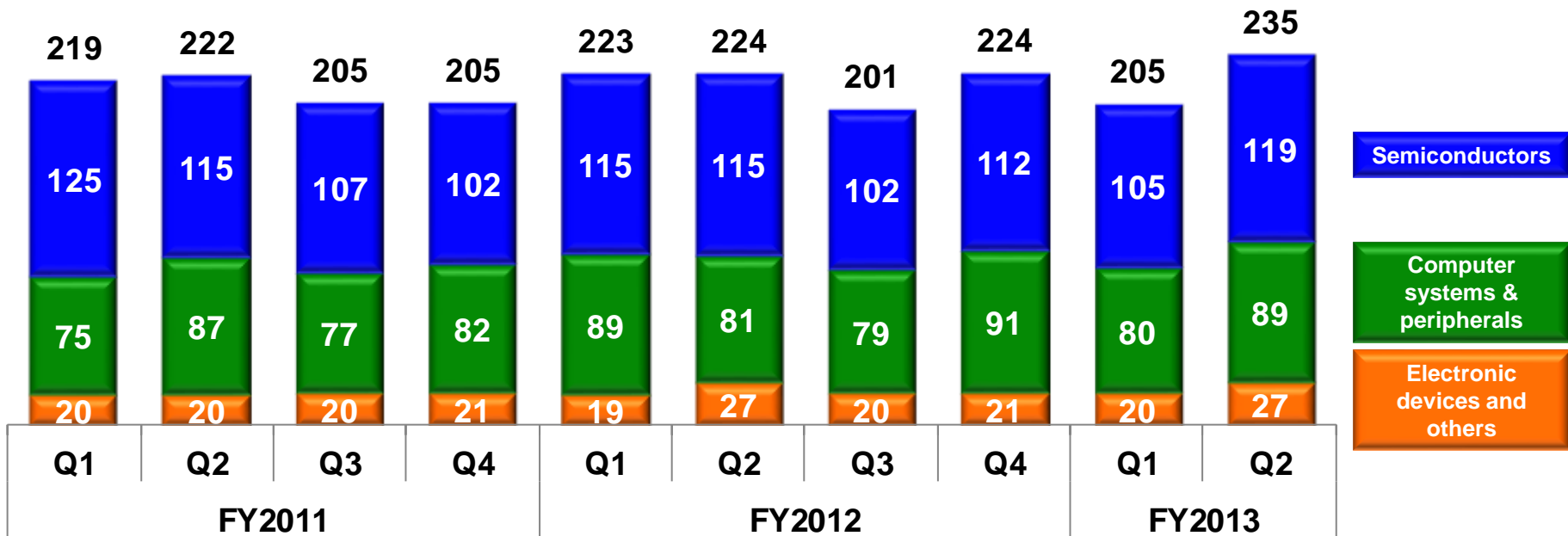


(Unit: 100 million yen)

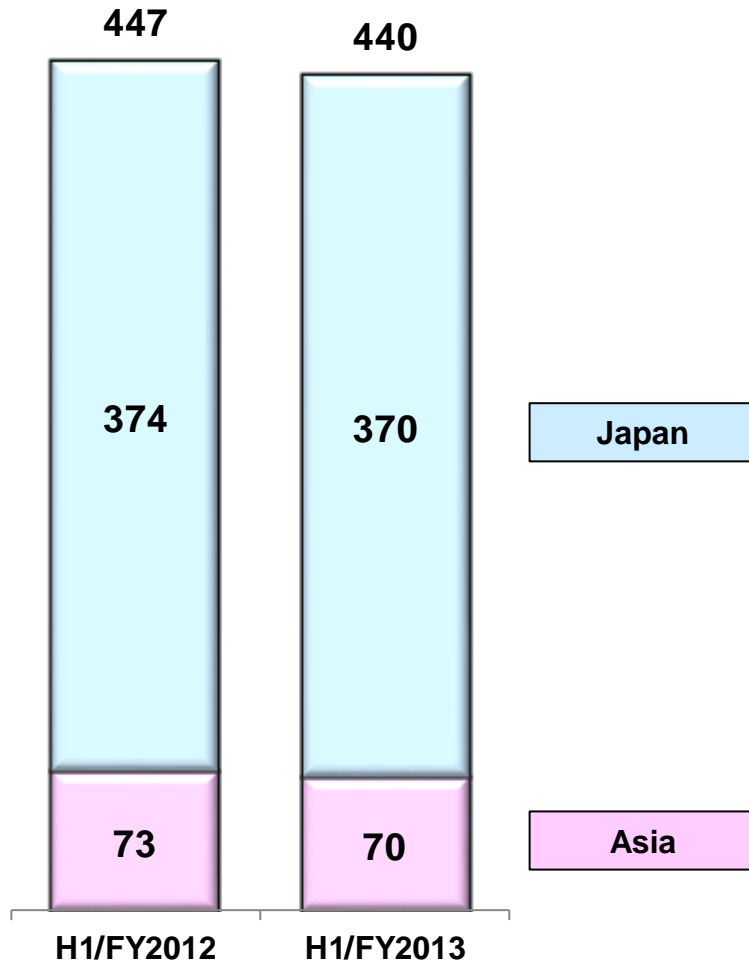
	H1/ FY12	H1/ FY13	Diff	YoY	Comments
<b>Total</b>	<b>447</b>	<b>440</b>	<b>(7)</b>	<b>(1.5%)</b>	
<b>Semiconductors</b>	<b>230</b>	<b>223</b>	<b>(7)</b>	<b>(2.9%)</b>	Continuing slump in semiconductors for peripherals and communications
Communications	28	24	(4)	(15.8%)	Decline in high-frequency products for cellular phones
Digital consumer electronics and other home electronics	34	31	(3)	(7.7%)	Slump in products for TVs, Blu-ray and game machines
Vehicle installations	26	32	+5	+20.1%	Continuously stable
PC and peripherals	78	65	(13)	(16.7%)	End of a spot order for tablet terminals as well as decrease in products for peripherals such as storage media
Industrials and others	64	72	+8	+12.4%	Showing a sign of gradual recovery
<b>Computer systems and peripherals</b>	<b>171</b>	<b>169</b>	<b>(1)</b>	<b>(0.9%)</b>	Weaker sales in the spring season but generally same as the previous year
PC/Server/LAN	68	65	(3)	(4.7%)	Gradual recovery in IT-related investments by customers, but not enough to compensate weaker sales in the spring season
I/O equipment	31	32	+0	+1.0%	Stable sales in monitor and printer products
Software/Embedded devices	71	73	+1	+2.0%	Continuing slump in software for PCs but increasing sales in embedded devices especially graphic boards
<b>Electronic devices and others</b>	<b>46</b>	<b>48</b>	<b>+1</b>	<b>+2.8%</b>	New orders contributing higher sales than the previous year
Domestic devices	31	34	+3	+9.8%	Increase in LC for industrial use and cables for optical networking
Overseas devices	16	14	(2)	(10.8%)	End of a spot order contributing to sales in the previous year, but increase in LC for communication devices

- **Semiconductors:**  
Higher sales on both year-on-year (Q2/FY2012) and quarter-on-quarter (Q1/FY2013) bases
- **Computer systems & peripherals:**  
Sales in Q2 has recovered to around 9 billion yen due to delayed some large orders
- **Electronic devices and others:**  
Significant increased from the previous quarter (Q1/FY2013), mainly LC products

Unit: 100 million yen



Unit: 100 million yen



**Slightly decreased sales in both Japan and Asia**

- **Japan:**  
Slightly lower than the previous year due to slump in computer systems and peripherals as well as the end of favorable demands for IT-related investments
- **Asia (Singapore, Hong Kong, Shanghai):**  
Decreased sales due to the end of spot orders for tablet terminals compensating increasing sales for industrials



Unit: 100 million yen



**The financial position is continuously strong.**

- Cash in hand and at banks / Other current assets:  
Some investments have reached maturity for redemption.
- Notes and accounts receivable / payable - trade:  
Increase in both in conjunction with current sales growth
- Fixed assets:  
Increase in investment securities
- Net assets:  
Increase in exchange adjustment accounts

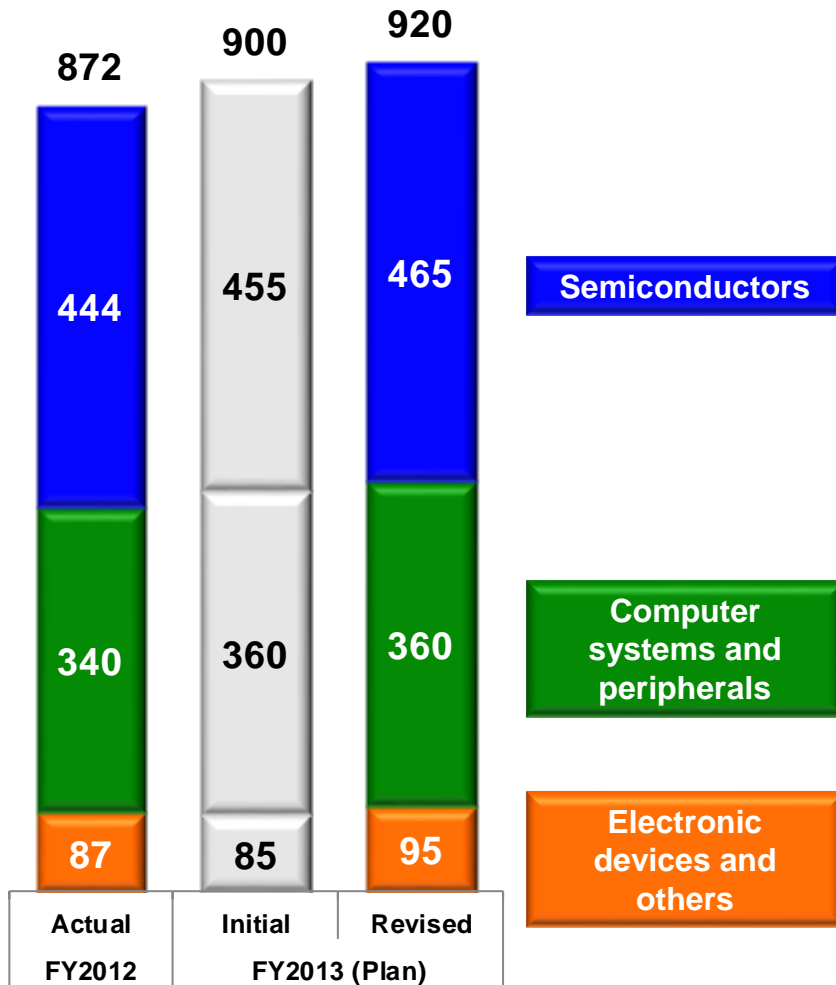
# Business plan for the whole 2013

Upward revision from the initial plan in both sales and profit  
Target at least 100% increase in operating income - net profit

Unit: 100 million yen

	FY2012 Actual	FY2013 (Plan)		YoY	Actual/ Initial plan
		Initial plan	Revised (8/26)		
Sales	872	900	920	+5.5%	+2.2%
Gross sales	73.7	77.0	82.0	+11.2%	+6.5%
(%)	8.5%	8.6%	8.9%		
SG&A	66.5	66.0	66.0	(0.8%)	+0.0%
Operating income	7.2	11.0	16.0	+121.5%	+45.5%
(%)	0.8%	1.2%	1.7%		
Non-operating income	1.9	2.0	2.5	+33.3%	+25.0%
Ordinary income	9.1	13.0	18.5	+103.3%	+42.3%
(%)	1.0%	1.4%	2.0%		
Extraordinary income	0.0	0.0	0.2	—	—
Income before income taxes	9.1	13.0	18.7	+105.5%	+43.8%
Income taxes	4.9	5.0	7.2	+48.1%	+44.0%
Net profit	4.2	8.0	11.5	+171.4%	+43.8%
(%)	0.5%	0.9%	1.3%		
EPS (Yen)	16.41	30.98	44.53		

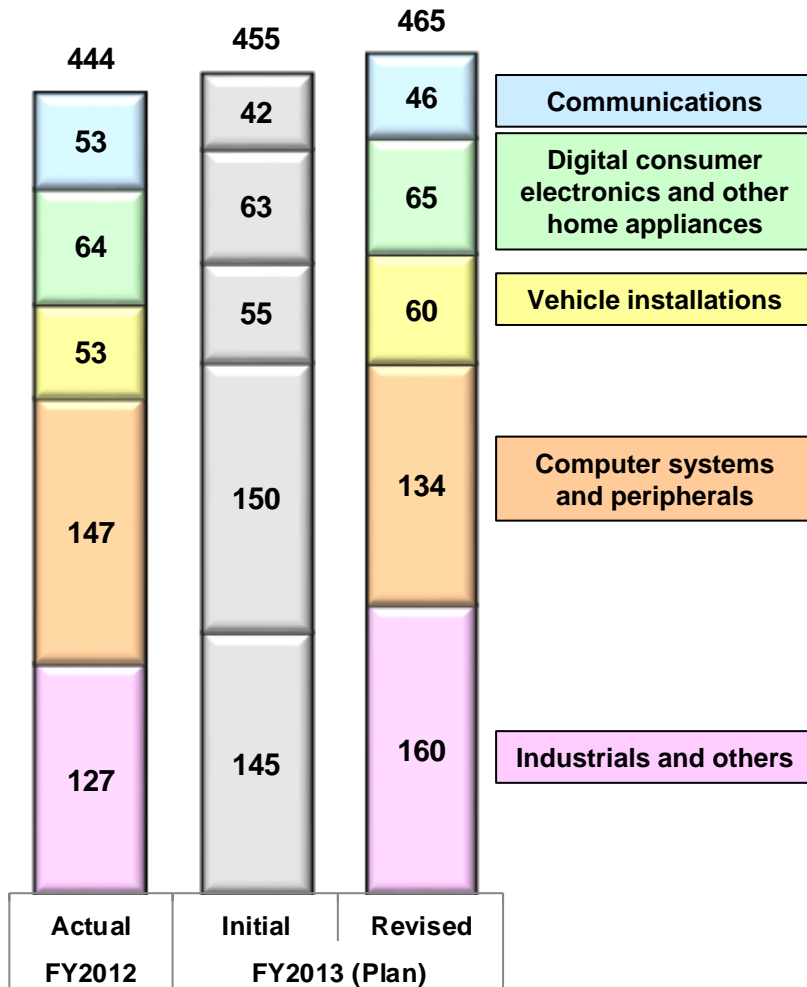
Unit: 100 million yen



**Upward revision in semiconductors and electronic devices & others, no change in computer systems and peripherals**

- **Semiconductors:**  
More serious situation in PC-related businesses as expected but gradually recovering in H2
- **Computer systems and peripherals:**  
No change in the initial plan, anticipating contribution to sales by businesses for enterprises
- **Electronic devices and others:**  
Expected higher growth than expected in H1 is continuing in H2

Unit: 100 million yen

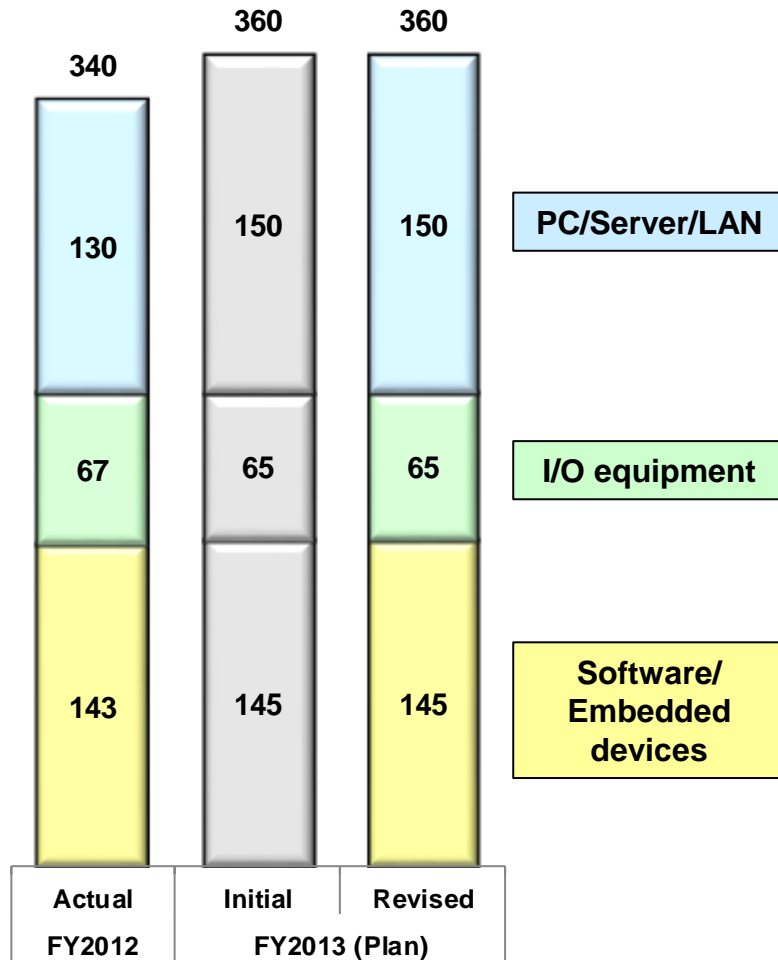


**+1,000 million yen over the initial plan due to earlier start-up of the business for industrials**

- **Vehicle installations:**  
Currently still stable, and expected to continue in H2
- **Computer systems and peripherals:**  
Downward revision from the initial plan, including peripherals, anticipating the prolonged severe market situation
- **Industrials and others:**  
Heading for recovery in both orders and sales since Q2, increasing expectation for new orders in H2



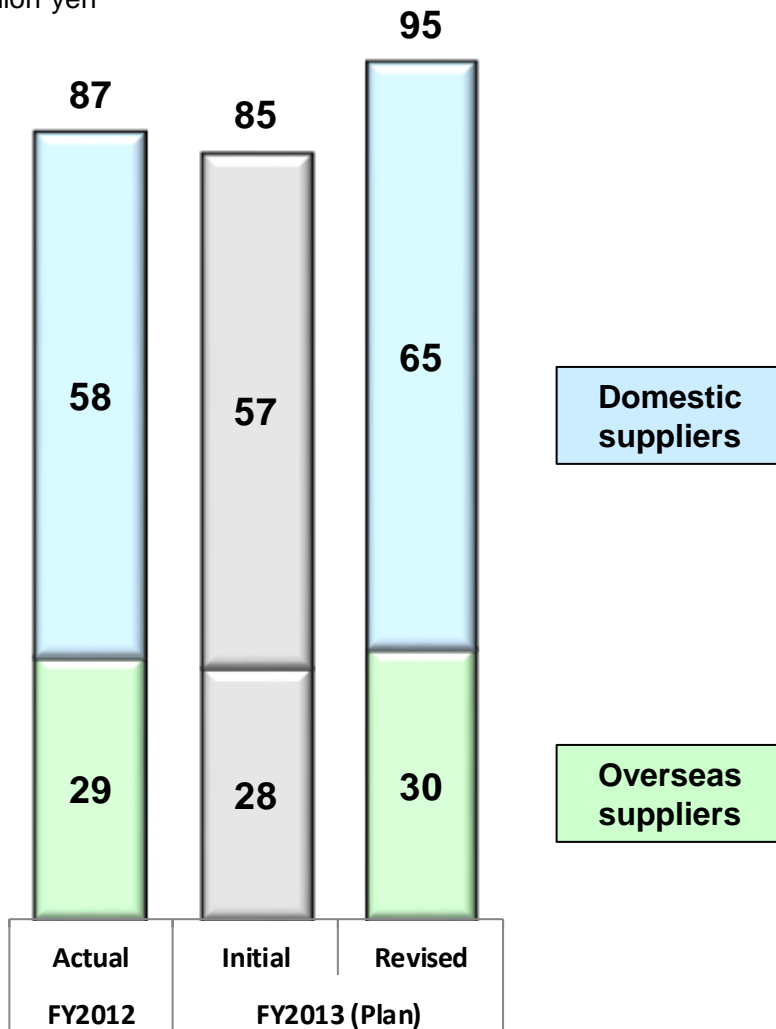
Unit: 100 million yen



**No change in the initial plan**

- **PC/Server/LAN:**  
Accelerated start-up of businesses for enterprises in/after H2
- **Software/Embedded devices:**  
Slightly soft demands for software for PCs, but expecting growth in embedded devices such as embedded software and graphic boards

Unit: 100 million yen



**+1,000 million yen over the initial plan due to higher sales in LC, etc. than expected**

- **Domestic suppliers:**  
Increasing trend in LC panels for industrial use, contact image sensors, etc.
- **Overseas suppliers:**  
Expecting sales at the same level as the previous year, with increase in products for communications compensating LC panels for which a spot order ended

- Dividend policy:

Allocation of profit earning through our business activity is one of our most important matters. While we seek to maintain the stable management base and expand business, we also seek a return for shareholders based on our financial condition and business performance.

We will maintain the current dividend level (30 yen per share per year) for a few years ahead, which will be reviewed in accordance with the profit level on a medium-term basis.

- Dividend:

Estimate to maintain the annual dividend of 30 yen in FY2013.

		Dividend per share			EPS	Payout ratio
		Interim	Year-end	Total		
FY2013	Estimate	/	15 yen	30 yen	44.53 yen	67.4%
	Actual	15 yen	/	/	/	/
FY2012	Actual	15 yen	15 yen	30 yen	16.41 yen	182.8%

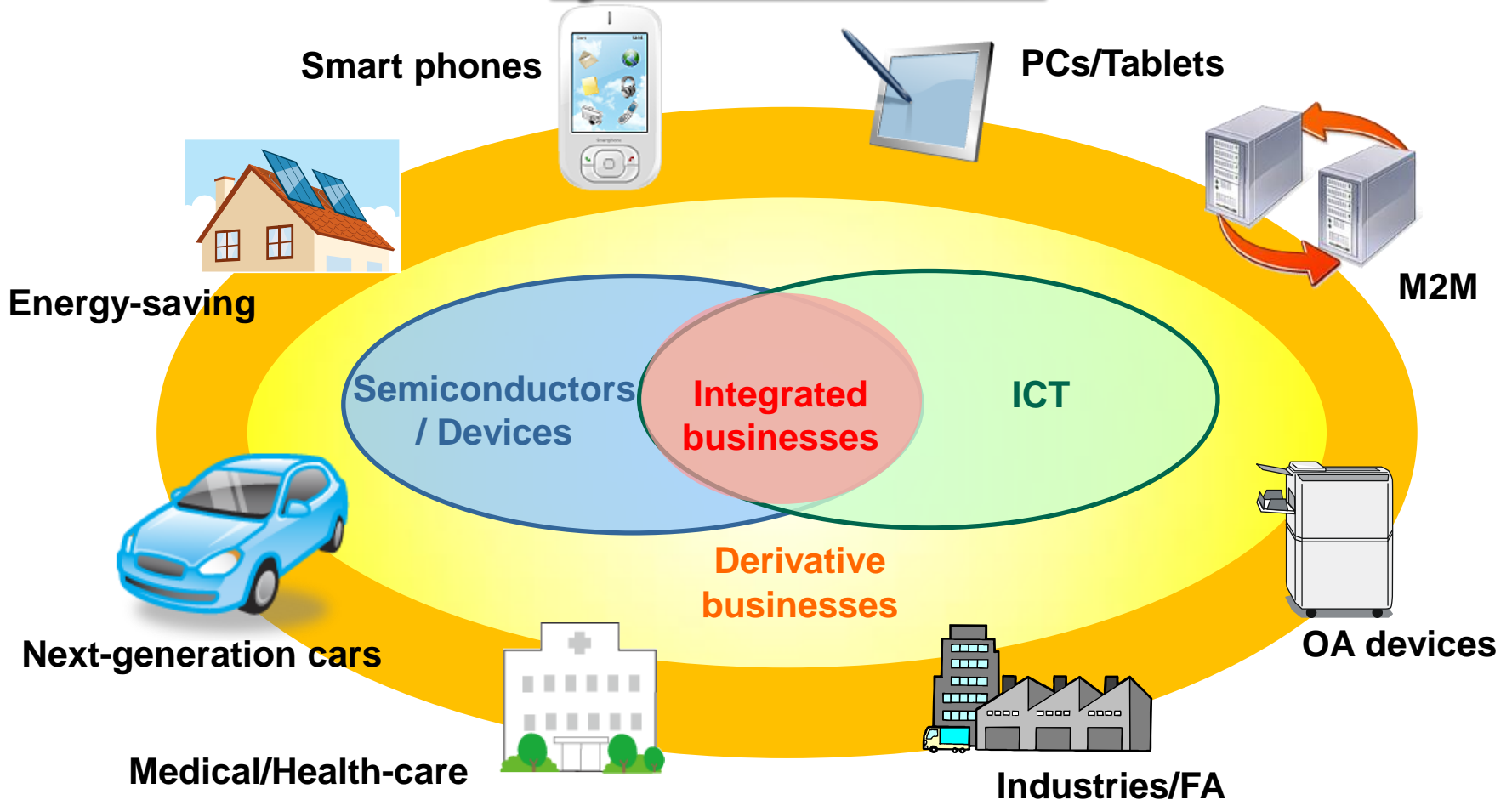


## Medium-term actions

- Ryoyo Group Vision -

Become a solution partner impressing the  
“fully-connected smart society”

Development of the smart society is expanding business opportunities in various areas such as semiconductors/devices, systems and services



## ● Overall strategy ●

1. Reinforce and expand the base of core businesses
2. Focus on integrated businesses
  - Launch new businesses
  - Link with core businesses
3. Expand (self-sustained) business in overseas
4. Renovate management/HR/administrative systems
5. Be active on M&A and alliance

### FY2012 (Actual)

Sales: 87.2 billion yen

Operating income: 0.7 billion yen

### FY2013 (Plan)

Sales: 92.0 billion yen

Operating income: 1.6 billion yen

**Change,  
Challenge,  
Speed**

### FY2015 (Target)

Sales: 120.0 billion yen

Operating income: 4.0 billion yen

# Topics

**Empress: Empress's embedded database software is used for wide applications such as defense, military, aerospace, aviation, power generation and medical mainly in North America as well as in telecommunication, FA and finance industries in Japan**

- **Products:**

**Embedded database software**

- **Features:**

**Facilitate linkage/interconnection of smart phones, tables and embedded devices with cloud-based database with an extremely low risk of information leakage and limited load to devices and network**

- **Target markets:**

**Target a variety of applications with the keyword “M2M” by offering not only stand-alone software products but also solutions using the software (refer to Page 28)**

u-blox: u-blox is **a global provider of highly integrated embedded GNSS (GPS) & wireless communication solutions** which has a wide portfolio of chips, modules and software solutions

- **Products:**

GPS chips, 3G modules, etc.

- **Features:**

With combination of innovative functions and packages having the best sensitivity and performance in the industry, provide the best product, software and solution meeting customers' design requirements. u-blox products are widely used for vehicle installations and industrial uses where the tough standards are applied as well as for mobile devices which require specific specifications (small-size, high performance and energy-efficiency)

- **Target markets:**

Target 500 million yen sales in FY2014 for various applications such as smart phones, tablets, vehicle installations and M2M

**Silego:** Silego was initially established as a semiconductor manufacturer which engaged in development of silicon timing devices for supporting Intel products, but has been expanded its business on development of low-cost/ultra-miniature mixed signal FPGA products

- **Products:**

- Ultra-miniature mixed signal FPGA “GreenPAK”

- **Features:**

- A user-programmable product where “analog circuit”, “discrete/digital circuit” and “passive component” are integrated in one piece of chip, which contributes to replacement of micon functions and integration of glue logic

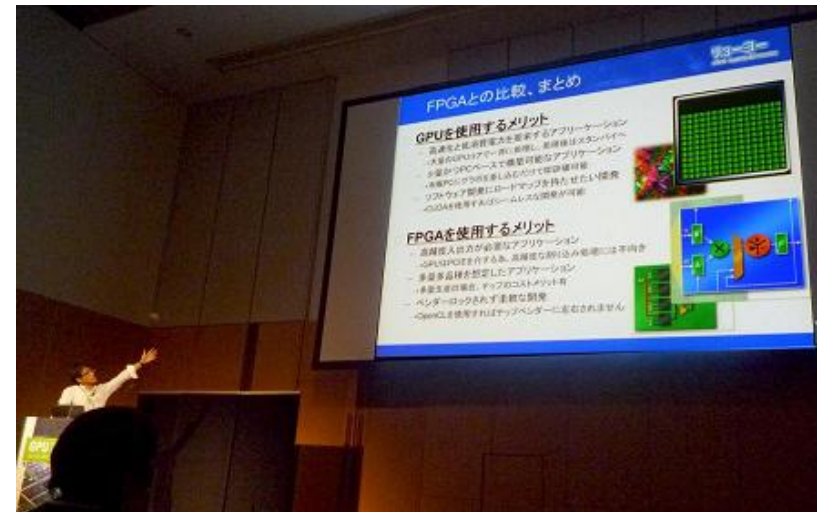
- **Target markets:**

- Target 200 million yen sales in FY2014 mainly for cellular phones, digital cameras and major home electrical appliances



On July 30, we delivered the talk “Utilization of GPU for inspection equipment and comparison with FPGA”, which discussed comparison between GPU and FPGA as well as advantages of replacement of FPGA by GPU, in “GPU Technology Conference (GPU) hosted by NVIDIA in Tokyo.

The talk gathering a number of audience, we recognize a great deal of attention to GPU. After the talk, we are also receiving many inquiries.



“Tech-On!” (Nikkei BP)

## (1) Ultra-miniature client “RyPLE”

“RyPLE” is an ultra-miniature client which has the features of Intel’s next-generation form factor NUC (“small-size”, “high-performance” and “energy-efficiency”) as well as is excellent in design, durability, expandability and security

### <Major applications>

- Digital signage
- Receiving terminals
- Bed-side terminal
- Terminals for logistics management
- Terminals for educational use
- Etc.



## (2) Appliance server “M2M Data Connector”

“M2M Data Connector” is the first appliance server having the M2M replication function which is equipped with Empress embedded database software and enables data linkage of embedded devices with the main and cloud-based database

### <Major application>

- Remote monitoring
- Industrial/Office equipment
- POS terminals
- Smart grid
- Terminals for medical/finance use
- Etc.



**We offer these products not only as stand-alone hardware but also “a part” of solutions for the intelligence system market**

As part of CSR activities, we received a visit by 19 members of George Mason University in the US to introduce Japanese culture and business.

The members listed to the profile and business of our company. They also made an office tour, by which they experienced the “real business”.

Especially our “showroom” gathered a great deal of interest from the member where they experienced solutions developed by us.



## <Business results for H1/FY2013>

- Sales have been in line with the initial plan, whereas operating income has significantly increased due to the improved gross sales ratio and reduced SG&A

## <Business plan for the whole FY2013>

- Upward revision from the initial plan in both sales and profit
- For semiconductors, expecting those for industrial uses which is showing a sign of recovery since the late of the first half. For computer systems and peripherals, the full-ranged start-up of businesses for enterprises is expected

## <Medium-term actions>

- With the medium-term vision “Become a solution partner impressing the “fully-connected smart society”, achieve sustainable growth by expanding core businesses and developing integrated businesses
- FY2015 Target  
Sales: 120.0 billion yen, Operating income: 4.0 billion yen

- **Notice**

The business forecast and other forecasts contained in this report are based on certain assumptions, which we deemed reasonable at the time of release, and the actual results may differ due to the economic environment or various other factors.

- **Contact**

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