

# Q4/FY2013 (54th) Results Briefing

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March 11, 2014

**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 of January 31, 2014) :

Consolidated: 513, Whole Group: 602

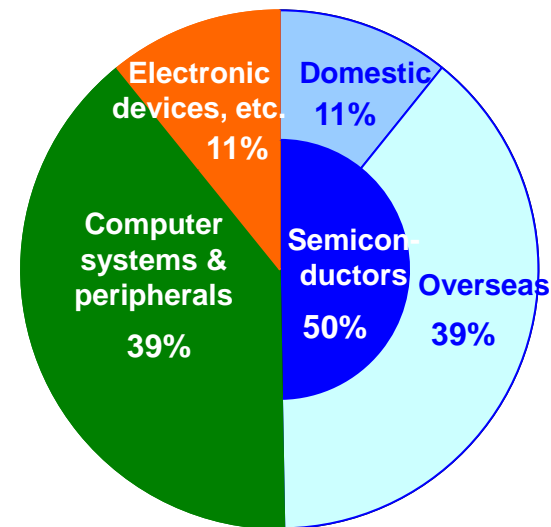
## ◆ Business areas :

- Sales of semiconductors / devices
- Sales of ICT products (HW / SW)
- Sales of embedded devices
- Various engineering support
- Various services

## ◆ ISO 9001 / 14001 / 27001 :

All offices and subsidiaries in Japan  
(excluding Takasaki satellite office)

## ◆ Sales by product (FY2013)



## ◆ Domestic network :

Sendai, Koriyama, Matsumoto,  
Takasaki, Omiya, Hachioji, Yokohama,  
Kyoto, Osaka, Fukuoka

## ◆ Overseas network :

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

## ◆ Domestic subsidiaries :

Ryoyo Semicon, Ryoyo Security Service

## FY2013 Business results

## ◆ Japanese economy

- Following the recovery of the US economy, the bottoming out of the EU economy, and the economic policy of the Japanese government, a sign of improvements in export/production trends has been seen.

## ◆ Electronics industry

- The consumer product industry, mainly digital consumer electronics, has been suffering decline in demand as well as structural slump due to price drop; and
- The industrial segment has been recovered, especially for PC-related products, demands for which have gone up in conjunction with the end of support for Windows XP in the second half of the year (special demand).

## ◆ IT industry

- Investments by enterprises in IT, especially infrastructure, have remained stable; and
- Competition has become fierce increasingly, following a drop of prices and the shift to cloud computing.

**Recovered sales in both semiconductors and computer system, as a result of which profit also went up significantly. A sharp rise in sales of Q4 contributed to the better results than the plan.**

(Unit: 100 million yen, %)

	FY2012 (Actual)	FY2013		YoY	Diff from plan	Comments
		(Plan)	(Actual)			
Sales	872	920	979	+12.3%	+6.4%	Exceeding the previous year in both semiconductors and computer systems, and higher than the plan, supported a sharp rise in Q4
Grpss profit	73.7	82.0	82.8	+12.3%	+1.0%	The progressing depreciation of yen brought the benefit in H1, but the ratio of large-scale orders became higher in H2, as a result of which, the gross profit rate remains the same level as the previous year. On an amount basis, higher sales contributed to a considerable rise in profit
(%)	8.5%	8.9%	8.5%			
SG&A	66.5	66.0	66.3	(0.4%)	—	Ended with the almost same level as the previous year
Operating income	7.2	16.0	16.5	+128.7%	+3.2%	Achieved the doubled amount compared to the previous year, supported by a rise in sales
(%)	0.8%	1.7%	1.7%			
Non-operating income	1.9	2.5	4.3	+127.0%	+70.3%	Increasing investment gains
Ordinary income	9.1	18.5	20.8	+128.3%	+12.3%	
(%)	1.0%	2.0%	2.1%			
Extraordinary income	0.0	0.2	0.2	—	+2.3%	
Income before income taxes	9.1	18.7	21.0	+130.6%	+12.2%	
Income taxes	4.9	7.2	7.6	+55.4%	+4.9%	Reduced tax burdens (lower tax rate)
Net profit	4.2	11.5	13.4	+216.8%	+16.8%	
(%)	0.5%	1.3%	1.4%			
EPS (Yen)	16.41	44.53	52.17			

# Sales by segment: Sales increase in all segments



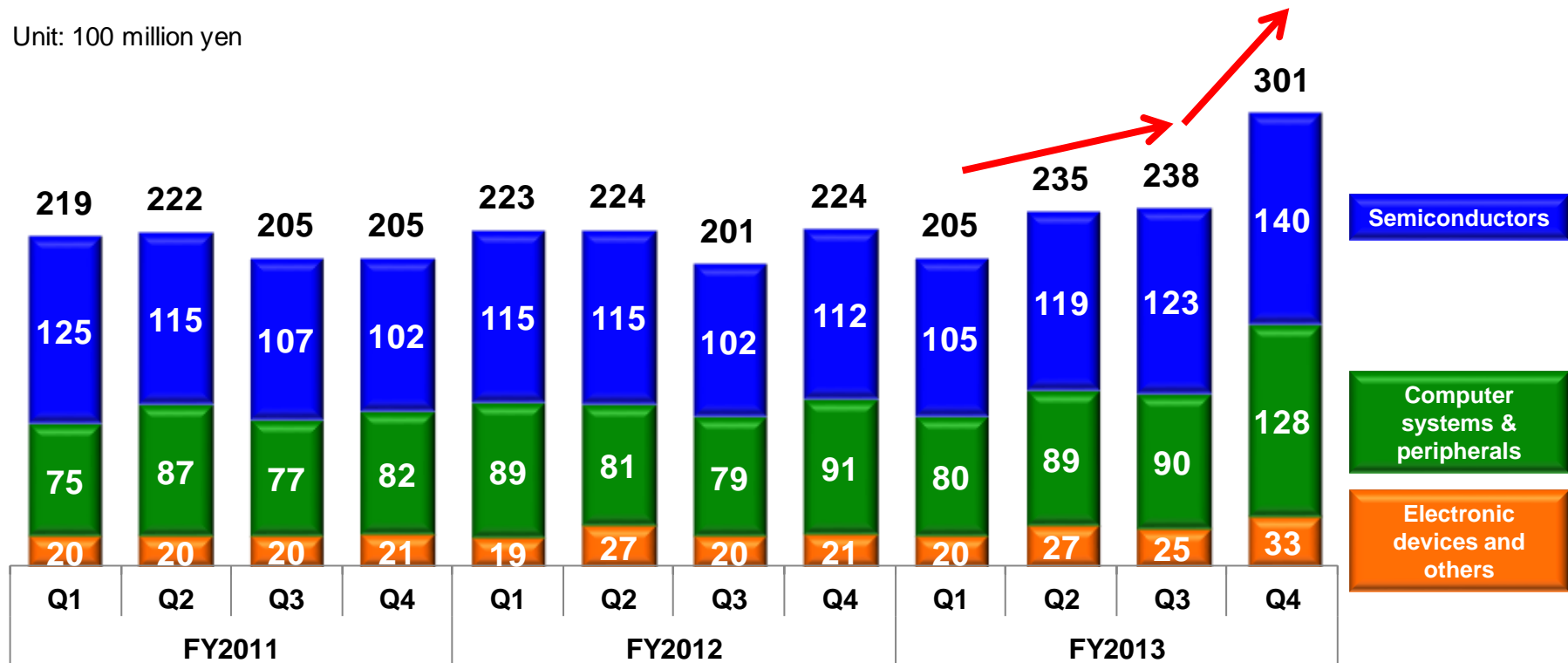
(Unit: 100 million yen, %)

	FY2012 (Actual)	FY2013		YoY	Comments
		(Plan)	(Actual)		
<b>Total</b>	<b>872</b>	<b>920</b>	<b>979</b>	<b>+12.3%</b>	
<b>Semiconductors (By application)</b>	<b>444</b>	<b>465</b>	<b>487</b>	<b>+9.6%</b>	
Communications	53	46	49	(7.8%)	Decline in products for high-frequency products for cellular phones
Digital consumer electronics & Other home electronics	64	65	67	+4.9%	Products for TVs and Blu-ray are still in a slump, but those for game machines are improving
Vehicle installations	53	60	64	+21.1%	Higher than the previous year for both electronic parts and car electronics
PC & peripherals	147	134	150	+1.6%	PCs for personal use is still in a slump, but special demands immediately before the end of support for Windows XP is currently contributing
Industrials & others	127	160	157	+23.5%	Recovering since Q2 and continuously stable in H2
<b>Computer systems &amp; peripherals (By product)</b>	<b>340</b>	<b>360</b>	<b>386</b>	<b>+13.5%</b>	
PC/Server/LAN	130	150	155	+19.1%	Ended with the higher results than both the previous year and the plan, contributed by commitments to large-scale orders
I/O equipment	67	65	67	(0.5%)	No significant fluctuation from the previous year
Software/ embedded devices	143	145	164	+14.9%	Rise in software for PCs and embedded devices
<b>Electronic devices, etc. (By supplier)</b>	<b>87</b>	<b>95</b>	<b>106</b>	<b>+21.4%</b>	
Domestic	58	65	70	+21.3%	For LC, continuously demonstrating stable sales for industrial purposes, a new order for communications (smart phones) has also started
Overseas	29	30	35	+21.5%	End of a spot order contributing to sales in the previous year, but a rise in LC for communications



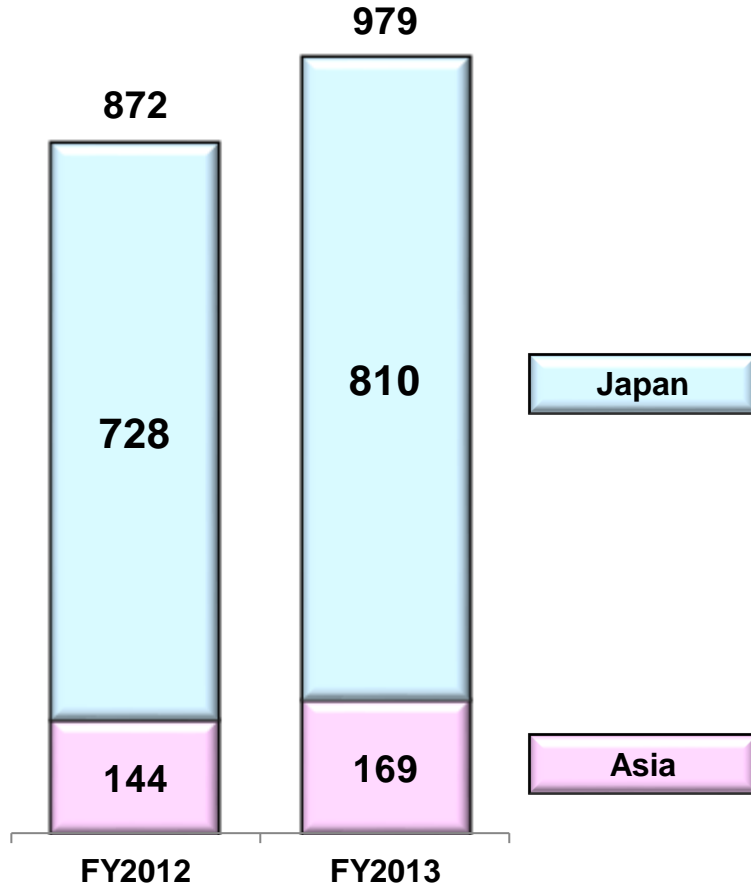
In Q4/FY2013 (Nov 2013 - Jan 2014), achieved the highest sales for the last 3 years in all products. For semiconductors, sales went up in those for industrial purposes as well as for PCs supported by the special demand. For computer systems & peripherals, more orders for large system contributed.

Unit: 100 million yen





Unit: 100 million yen



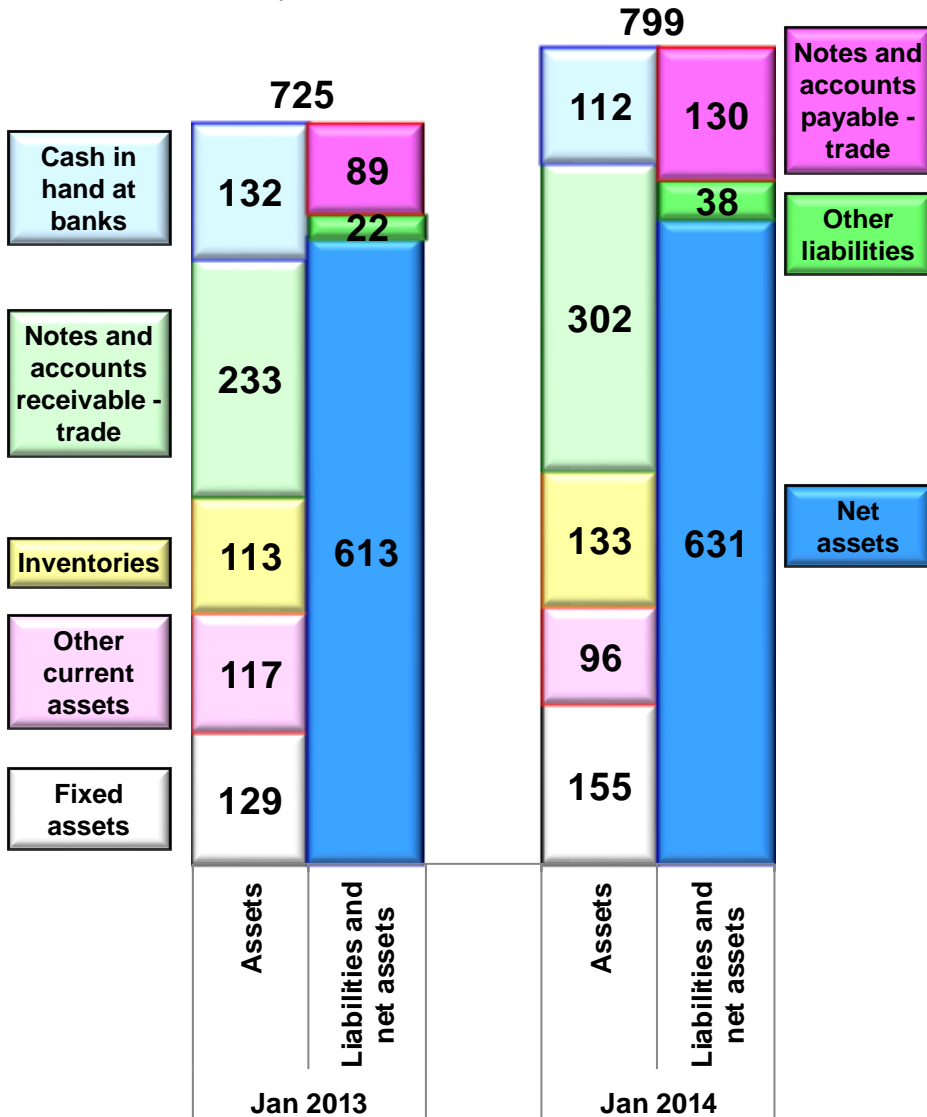
**Japan: +11.2% over the previous year**  
**Asia: +17.5% over the previous year**

- Japan: For semiconductors, on the increasing trend, supported by stable sales for industrial devices as well the special demand for those for PCs. For computer systems & peripherals, a significant rise in IT products (e.g. servers).
- Asia (Singapore, Hong Kong, Shanghai): Higher than the previous year, supported by new orders for LC for communication devices as well as stable sales in semiconductors for game machines and industrial devices.





Unit: 100 million yen



**Continue to maintain the healthy financial condition, in spite of larger operating funds required following a rise in sales**

- Notes and accounts receivable/payable – trade and inventories:  
Increased in conjunction with a recent sales growth
- Fixed assets:  
Increase in investment securities
- Net assets:  
Increase in foreign currency translation adjustment

# FY2014 Business plan

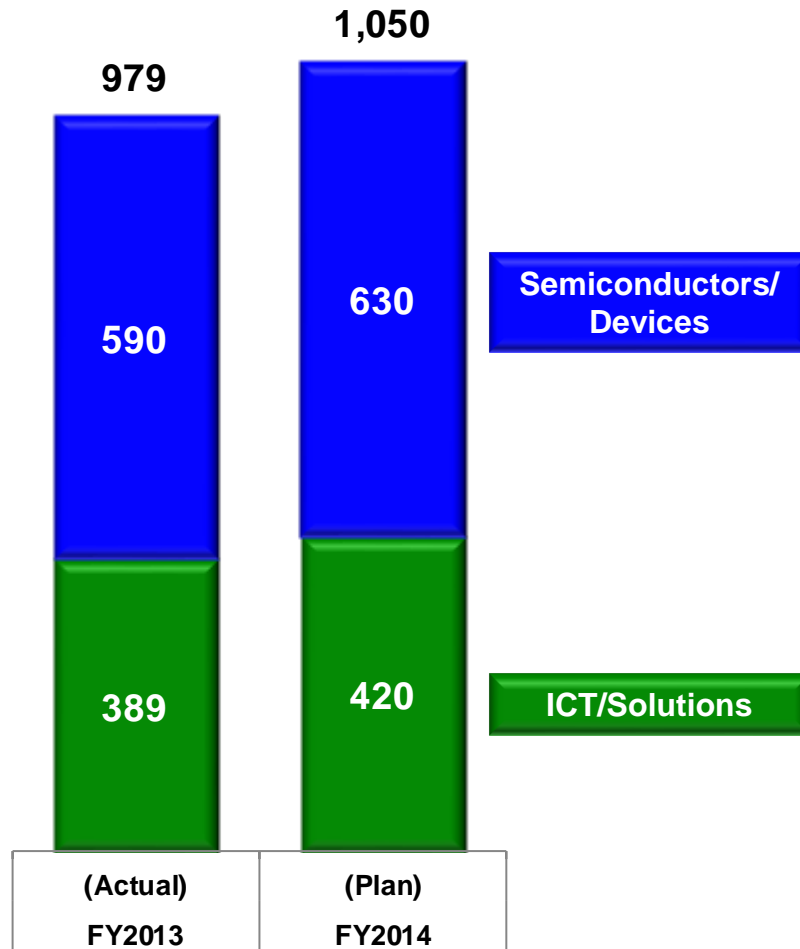
## Continuous increase in both sales and profit

Sales: 105 billion yen (+7.3%), Operating income: 2.2 billion yen (+33.2%)

(Unit: 100 million yen)

	FY2013 (Actual)	FY2014(Plan)			YoY
		H1	H2	Total	
Sales	979	515	535	1,050	+7.3%
Gross Profit	82.8	45.5	48.5	94.0	+13.5%
(%)	8.5%	8.8%	9.1%	9.0%	
SG&A	66.3	35.5	36.5	72.0	+8.6%
Operating income	16.5	10.0	12.0	22.0	+33.2%
(%)	1.7%	1.9%	2.2%	2.1%	
Non-operating income	4.3	1.5	1.5	3.0	(29.5%)
Ordinary income	20.8	11.5	13.5	25.0	+20.3%
(%)	2.1%	2.2%	2.5%	2.4%	
Extraordinary income	0.2	0.0	0.0	0.0	—
Income before income taxes	21.0	11.5	13.5	25.0	+19.2%
Income taxes	7.6	4.5	5.5	10.0	+32.4%
Net profit	13.4	7.0	8.0	15.0	+11.7%
(%)	1.4%	1.4%	1.5%	1.4%	
EPS (Yen)	52.17	27.75	31.71	59.46	

Unit: 100 million yen

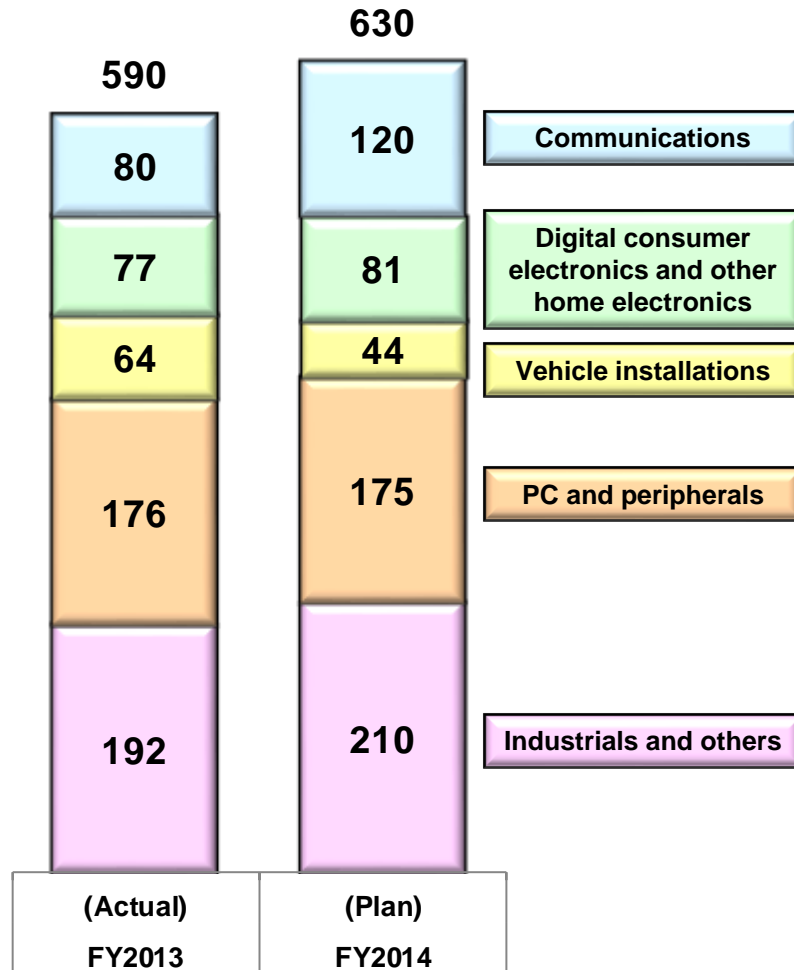


**Semiconductors/Devices: +6.9%**  
**ICT/Solutions: +7.9%**

- **Semiconductors/Devices:**  
Target higher sales than FY2013 through the start of new orders and the expansion of trade rights
- **ICT/Solutions:**  
Expecting a continuous growth in business for enterprises

\*The figures of FY2013 (actual) have been modified based on the new categorization applicable in FY2014 onward.

Unit: 100 million yen

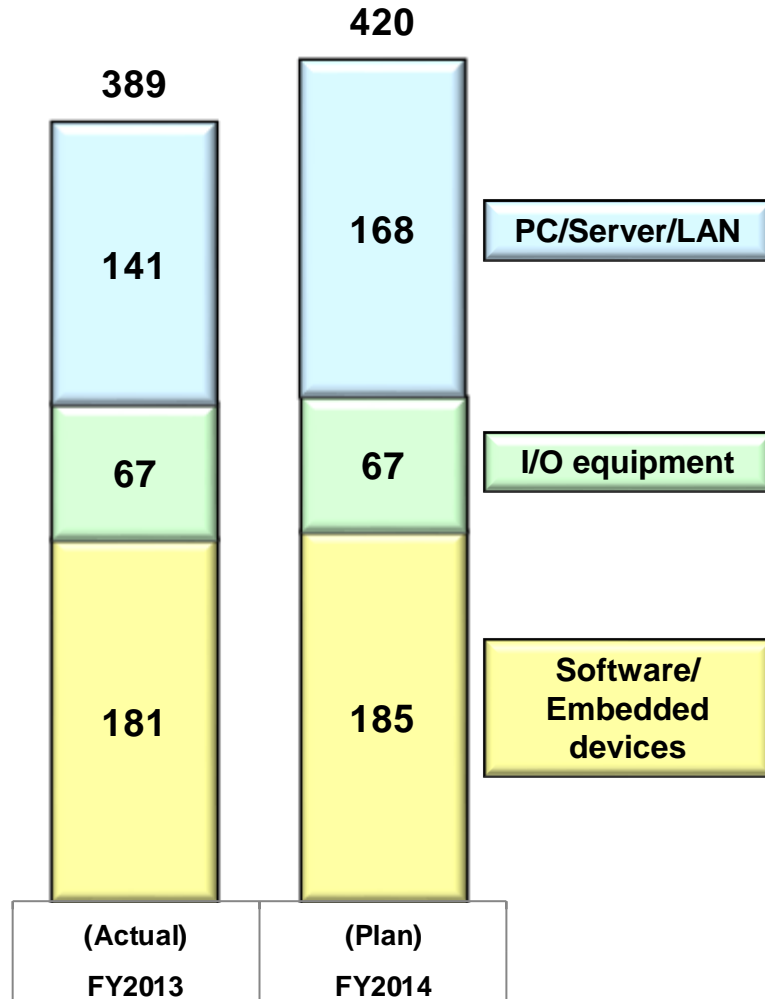


**+4 billion yen over FY2013 by growing sales for communications and industrials**

- **Communications:**  
Growing business for smart phones as well as the start of new orders for facilities
- **Vehicle installations:**  
Weakening due to business transfer, despite the continuous stable market situation
- **Industrials and others:**  
Continuing to be stable, mainly in products for FA and heavy electric

\*The figures of FY2013 (actual) have been modified based on the new categorization applicable in FY2014 onward.

Unit: 100 million yen



**+3.1 billion yen over FY2013, driven by business for enterprises**

- **PC/Server/LAN:**  
In business for enterprises, a focused area since FY2013, targeting contribution for the whole year as well as a further growth in sales
- **Software/Embedded devices:**  
To compensate the downward reaction of the special demand following the end of support for Windows XP with embedded devices-related businesses

\*The figures of FY2013 (actual) have been modified based on the new categorization applicable in FY2014 onward.

- Return to shareholders:

		Dividend per share			Payout ratio	Share repurchase
		Interim	Year-end	Total		
FY2014	Estimate	15 yen	15 yen	30 yen	50.5%	Unknown
FY2013	Estimate	/	15 yen	30 yen	57.5%	/
	Actual	15 yen	/	/	/	600K shares
FY2012	Actual	15 yen	15 yen	30 yen	182.8%	—

- 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.

## Medium-term management plan



**Management policy**

“Creating Value in Tune with the Times”

**Mission**

We shall strive to always be a corporate group that grows with stakeholders

**Vision**

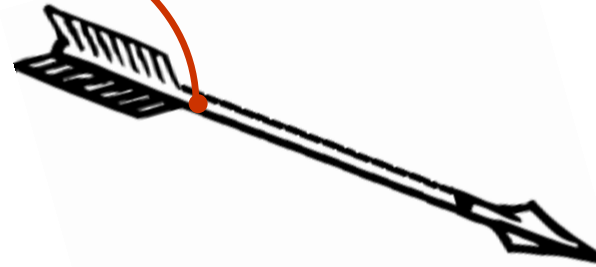
Ryoyo group will act as a solution-providing partner that leaves an impression on the intrinsically interconnected “smart society.”



### Semiconductors/Devices

59 billion yen (FY2013) => 73 billion yen (FY2015)

- Enhance introduction to target markets -> Vehicle installations, smart phones/tablets, industrial
- Optimize the product portfolio
- Promote cross-marketing between semiconductors and devices
- Reinforce support to overseas businesses



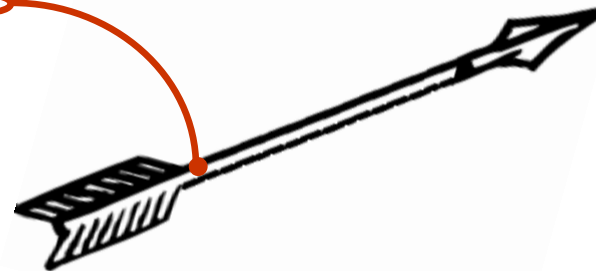
Growing in-house share  
(Growing sales)



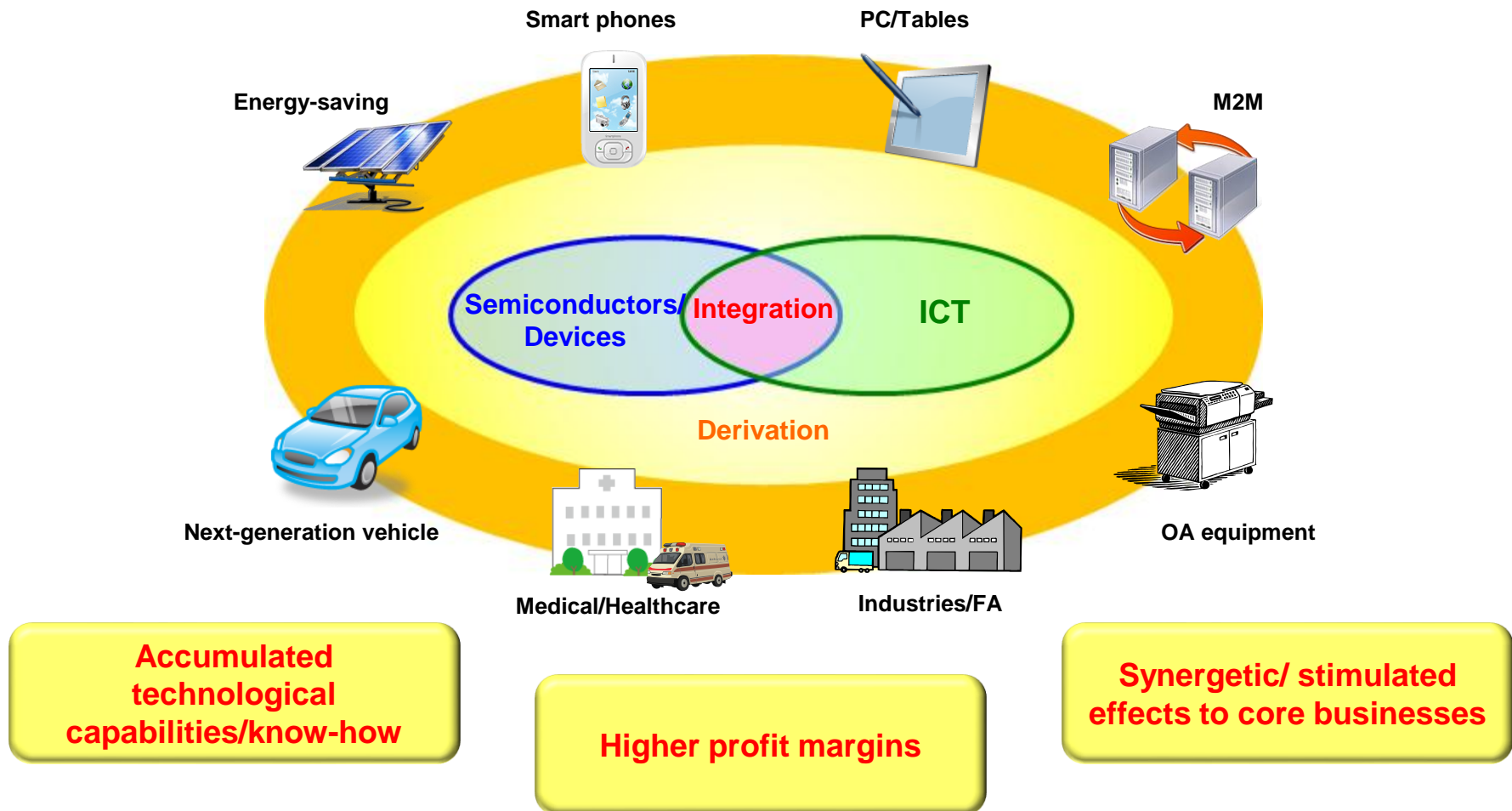
### ICT/Solutions

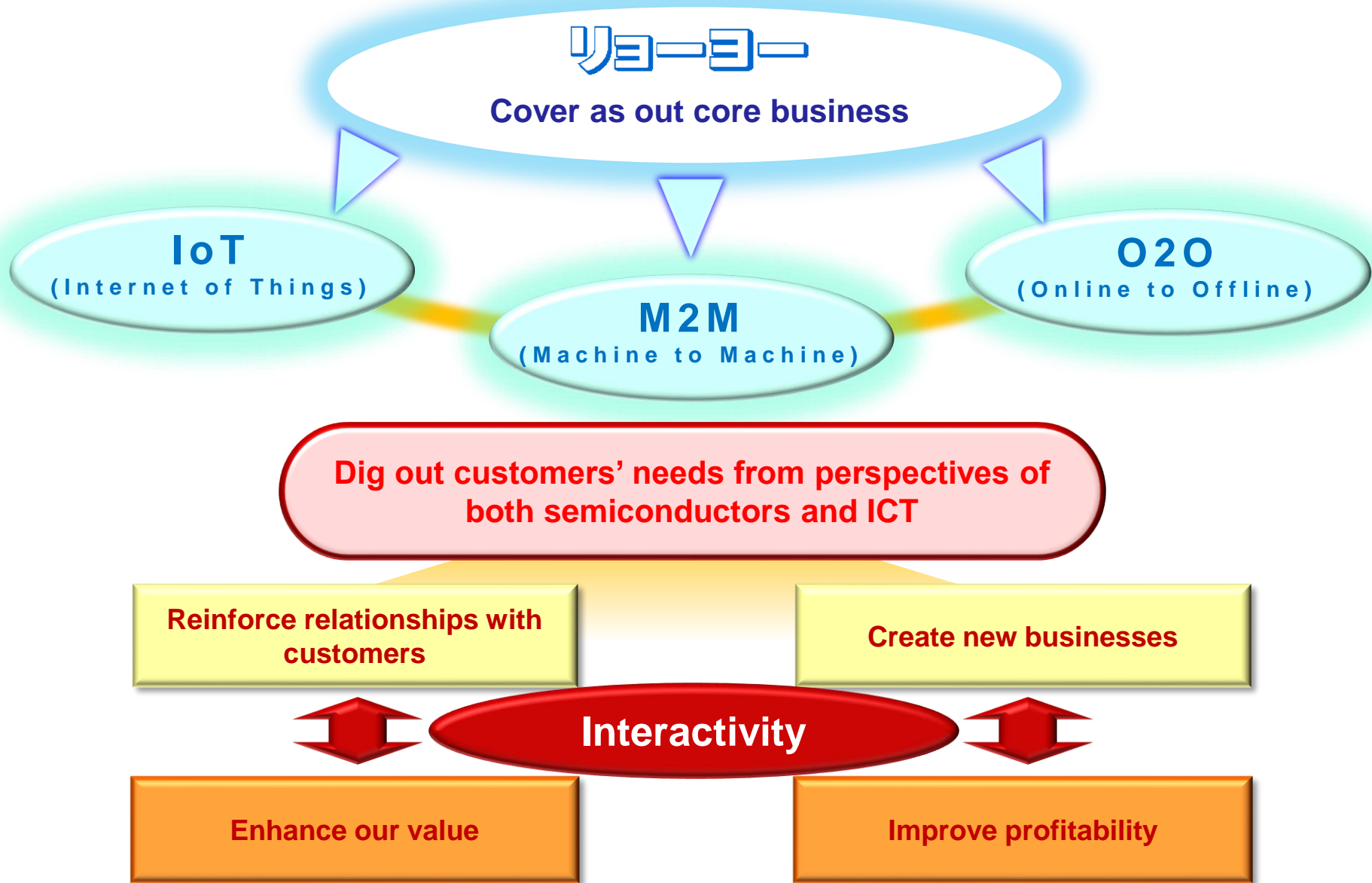
38.9 billion yen (FY2013) => 47 billion yen (FY2015)

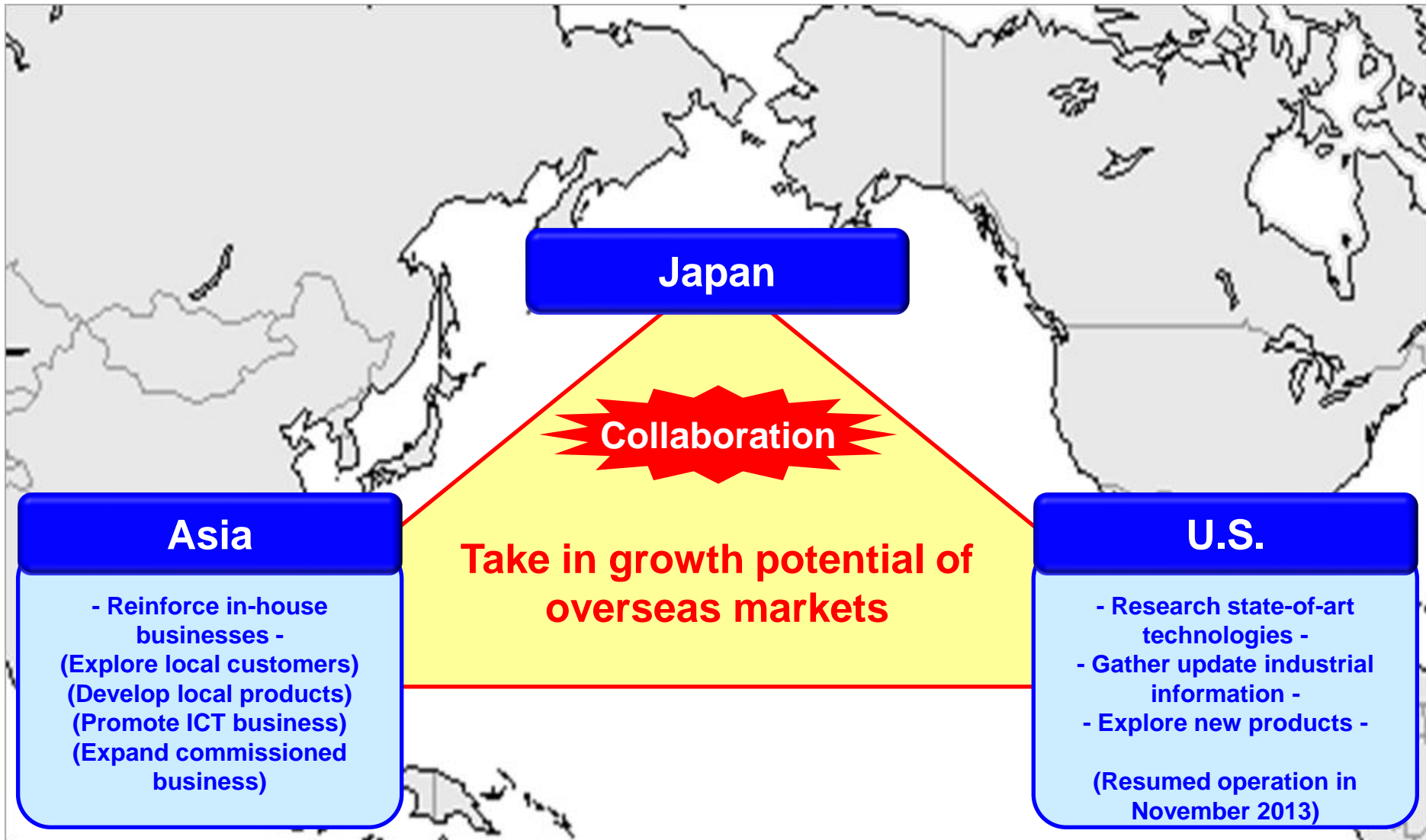
- Further expand business for enterprises and improve profitability
- Develop security solutions
- Promote overseas ICT business
- Reinforce collaboration with alliance partners



We can create new business opportunities by integrating our strengths and delivering them to the interconnected “smart society”



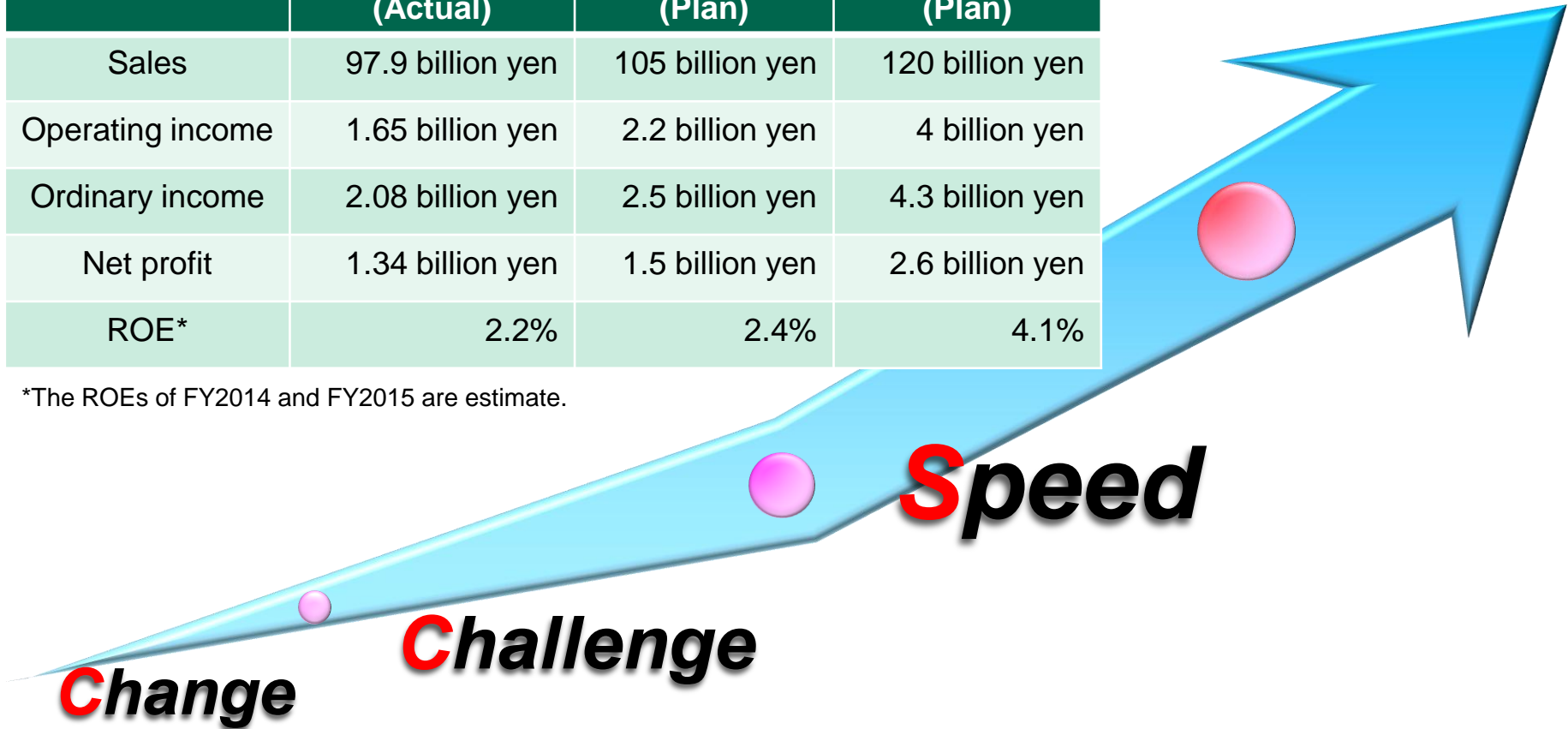




**Set a roadmap to achieve sustainable growth through the medium-term management plan**

	FY2013 (Actual)	FY2014 (Plan)	FY2015 (Plan)
Sales	97.9 billion yen	105 billion yen	120 billion yen
Operating income	1.65 billion yen	2.2 billion yen	4 billion yen
Ordinary income	2.08 billion yen	2.5 billion yen	4.3 billion yen
Net profit	1.34 billion yen	1.5 billion yen	2.6 billion yen
ROE*	2.2%	2.4%	4.1%

\*The ROEs of FY2014 and FY2015 are estimate.



## <FY2013 Business results>

- Higher sales and profit than the previous year, and exceeding the plan (announced on August 26)
- Improving sales since H2 in both semiconductors and computer systems.

## <FY2014 Business plan>

- The overall order situation is currently good, and focusing on improvement of profitability
- Targeting 105 billion yen of sales and 2.2 billion yen of operating income (higher sales and profit)

## <Medium-term management plan>

- Promote three basic strategies with the vision of “Ryoyo group will act as a solution-providing partner that leaves an impression on the intrinsically interconnected “smart society”
- FY2015 Targets:
  - Sales: 120 billion yen, Operating profit: 4 billion yen
  - Higher ROE by making the best of funds

- **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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