

**Q2/FY2014** (55th)  
**Results Briefing**

August 29, 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 at July 31, 2014)  
Consolidated: 524  
Non-consolidated: 469  
\*Whole group: 614

**Business areas** : ◇Sales of semiconductors/devices  
◇Sales of ICT products (HW/SW)  
◇Sales of embedded devices  
◇Various engineering support  
◇Various services

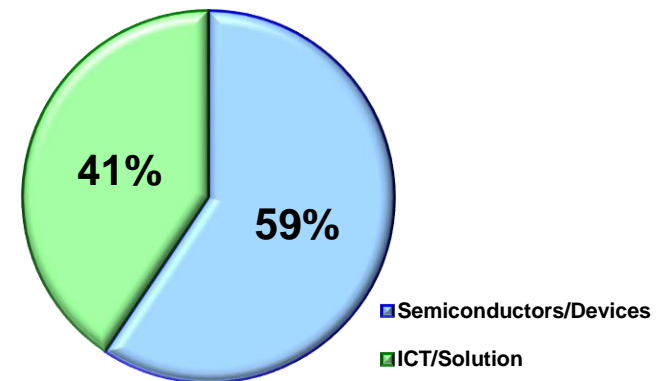
**ISO 9001 / 14001 / 27001** :  
All offices and subsidiaries in Japan  
(excluding Takasaki Satellite Office)

**Domestic network** : Sendai, Koriyama, Matsumoto,  
Takasaki, Omiya, Hachioji,  
Yokohama, Nagoya, Kyoto, Osaka,  
Fukuoka

**Overseas network** : Dalian, Shanghai, Shenzhen, Hong  
Kong, Taipei, Bangkok, Kuala  
Lumpur, Singapore, Silicon Valley

**Domestic subsidiaries** : Ryoyo Semicon, Ryoyo Security  
Service

**Sales by product (H1/FY2014)**



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# H1/FY2014 Business results

## ➤ Domestic economy:

- Limited effects of the higher consumption tax to private consumption
- Underlying support by the economic measures and the stable exchange rate



**All in all, modest recovery will continue**

## ➤ Electronics industry:

- Special demand following the end of support to Windows XP
- Strong capital investment continues, mainly in the industry area



**Demand will become higher than last year**

# P/L (H1): Strong sales but slightly lowered profit

(Unit: 100 million yen, %)

	FY2013 (Actual)	FY2014		YoY	Achievement	Comments
		(Initial plan)	(Actual)			
Sales	440	515	540	+22.7%	+4.8%	Higher than both the previous year and the initial plan (For details, refer to the following sections)
Gross profit	40.2	45.5	41.8	+3.9%	(8.2%)	Higher than the previous year in terms of the amount along with increase in sales, but the lowered profit rate due to the increasing rate of low-profitable orders
(%)	9.1%	8.8%	7.7%			
SG&A	32.2	35.5	33.2	+3.0%	(6.5%)	
Operating income	8.0	10.0	8.6	+7.3%	(14.0%)	Higher than the previous year along with increase in sales, but lower than the initial plan due to the lower gross profit rate
(%)	1.8%	1.9%	1.6%			
Non-operating income	1.7	1.5	2.2	+35.8%	+49.4%	Increased gain from investment securities
Ordinary income	9.7	11.5	10.8	+12.1%	(5.8%)	
(%)	2.2%	2.2%	2.0%			
Extraordinary income	0.2	0.0	1.1	+610.5%	—	Reimbursement due to termination of insurance (Q1), etc.
Income before income taxes	9.8	11.5	12.0	+21.8%	+4.0%	
Income taxes	3.3	4.5	4.5	+36.0%	(0.3%)	
Quarterly net profit	6.5	7.0	7.5	+14.6%	+6.8%	Higher than the initial plan
(%)	1.5%	1.4%	1.4%			
EPS (Yen)	25.26	27.75	29.63			

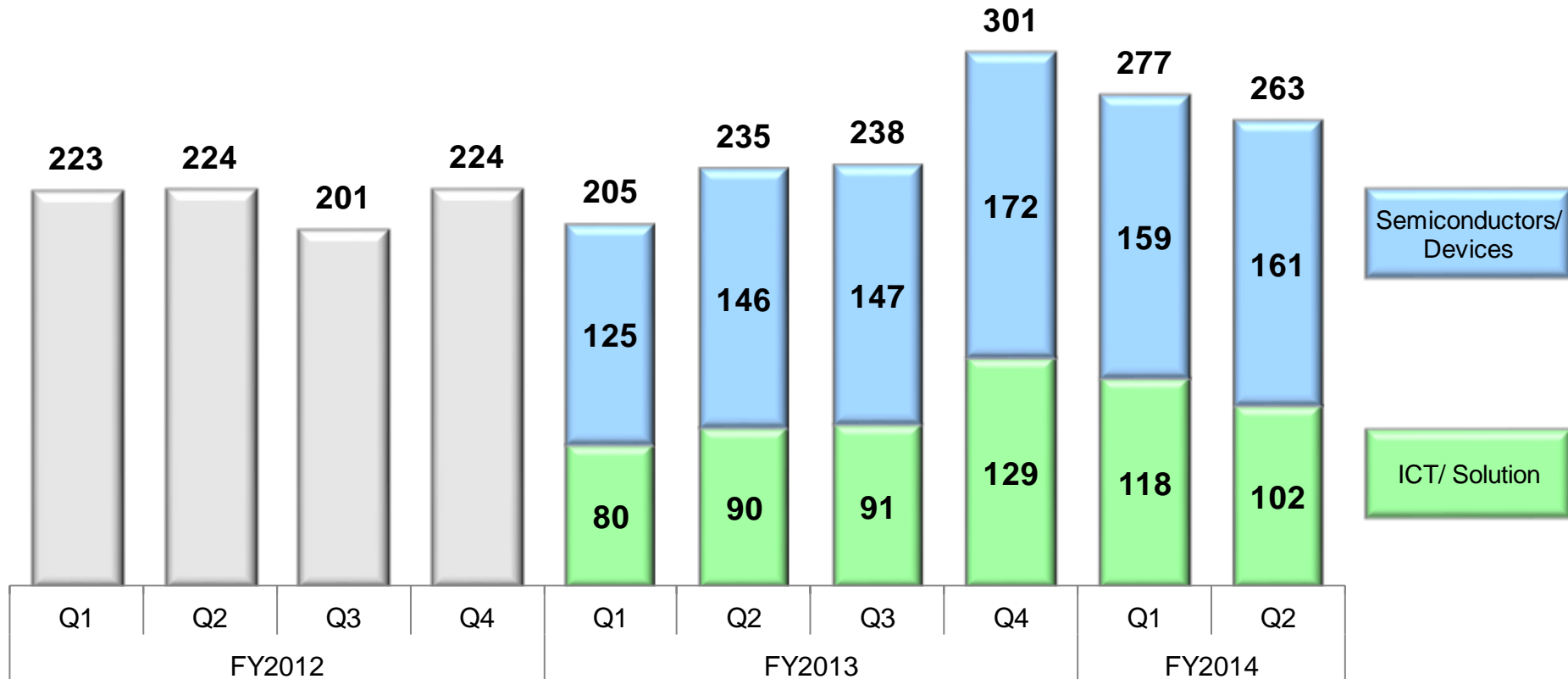
# Sales by segment: Higher than the previous year in all segments

(Unit: 100 million yen, %)

	FY2013 (Actual)	FY2014 (Actual)	Diff	YoY	Comments	
<b>Total</b>	<b>440</b>	<b>540</b>	<b>+100</b>	<b>+22.7%</b>		
<b>Semiconductors/Devices</b>	<b>270</b>	<b>321</b>	<b>+50</b>	<b>+18.5%</b>		
By application	Communications	30	44	+14	+46.6%	Some orders affected by production adjustment, but increase in LCD for communication devices
	Digital consumer electronics and other home electronics	40	41	+1	+2.7%	Higher than the previous year, mainly due to increase in products for game machines, despite ups and downs according to applications
	Vehicle installations	32	19	(13)	(40.3%)	Higher than the previous year due to transfer of the commercial right
	PC and peripherals	77	114	+37	+47.3%	Significant increase in products for PC due to the special demand
	Industrials and others	91	103	+11	+12.5%	Remains stable, mainly products for FA and heavy electric
<b>ICT/solution</b>	<b>170</b>	<b>219</b>	<b>+50</b>	<b>+29.3%</b>		
By product	PC/Server/LAN	62	69	+7	+12.0%	Early contribution by business for enterprises which has been launched since the middle of FY2013
	I/O equipment	32	33	+1	+3.3%	Ended with the same level as the previous year, supported by increase in printer-related products which compensated lower sales of monitor-related products
	Software/Embedded devices	76	117	+41	+54.2%	Significant increase in products for PC due to the special demand

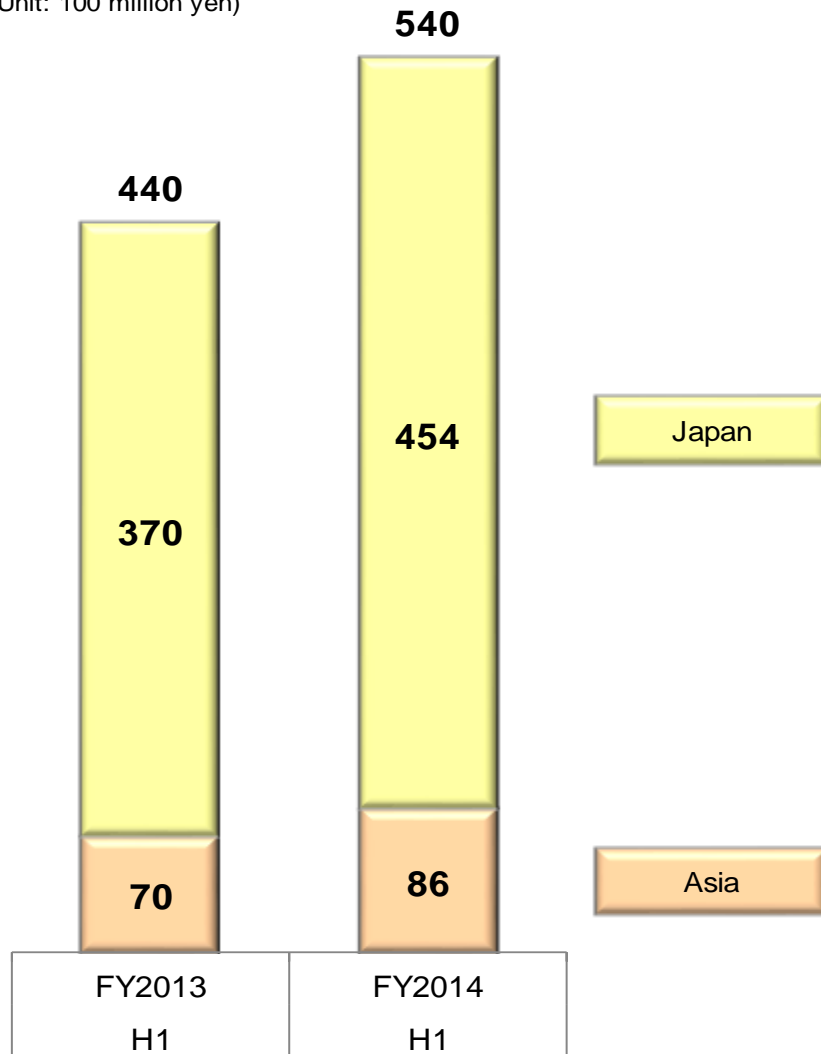
**Achieved higher sales than the same period of the previous year, despite of the end of the special demand for PC in Q2**

(Unit: 100 million yen)





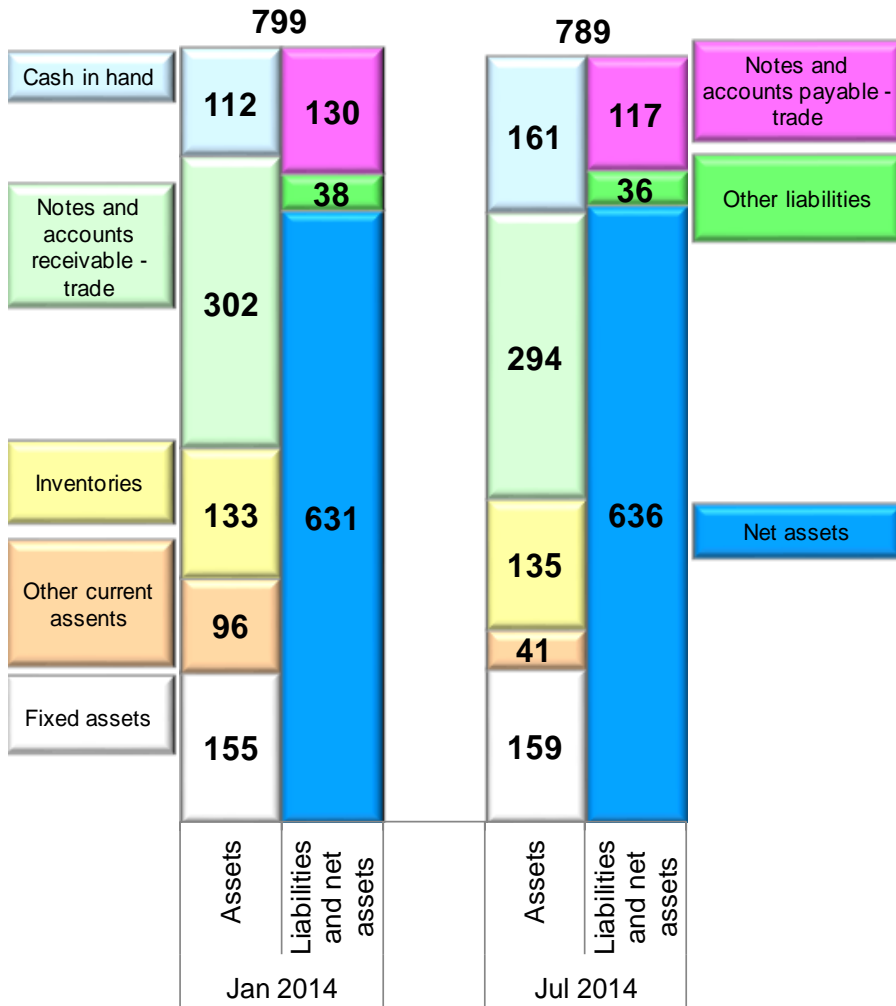
(Unit: 100 million yen)



**Higher sales than the previous year in both Japan and Asia**

- **Japan:** Significant increase in both semiconductors and ICT due to the special demand for PC, as well as continuously stable sales in semiconductors for industrials.
- **Asia (Singapore, Hong Kong, Shanghai):** Increase in semiconductors for game machines and TV, stable sales of LC for communication devices, and contribution of the launch of new projects.

(Unit: 100 million yen)



**Continue to maintain the strong financial position**

- Cash in hand and at banks / Other current assets:  
Securities are expiring and being repaid
- Accounts receivable – trade / Account payable – trade:  
Fluctuating along with sales
- Equity ratio:  
80.6%

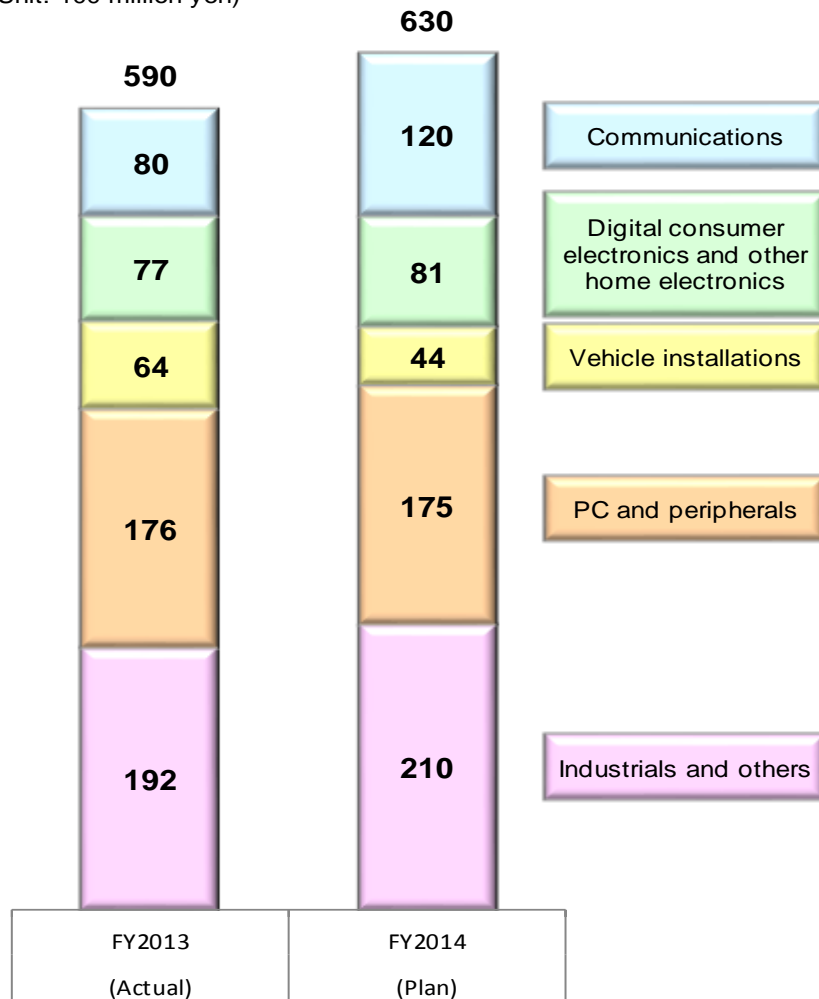
# FY2014 Business plan

**Revised gross profit and SG&A based on the update situation  
No change to sales, operating income, ordinary income and net profit from the initial plan**

(Unit: 100 million yen)

	FY2013 Total (Actual)	FY2014		Total (Plan)	YoY Whole year
		H1 (Actual)	H2 (Diff)		
Sales	979	540	510	1,050	+7.3%
Gross profit	82.8	41.8	47.2	89.0	+7.5%
(%)	8.5%	7.7%	9.3%	8.5%	
SG&A	66.3	33.2	33.8	67.0	+1.1%
Operating income	16.5	8.6	13.4	22.0	+33.2%
(%)	1.7%	1.6%	2.6%	2.1%	
Non-operating income	4.3	2.2	0.8	3.0	(29.5%)
Ordinary income	20.8	10.8	14.2	25.0	+20.3%
(%)	2.1%	2.0%	2.8%	2.4%	
Extraordinary income	0.2	1.1			
Income before income tax	21.0	12.0			
Income taxes	7.6	4.5			
Net profit	13.4	7.5	7.5	15.0	+11.7%
(%)	1.4%	1.4%	1.5%	1.4%	
EPS (Yen)	52.17	29.63	31.71	59.46	

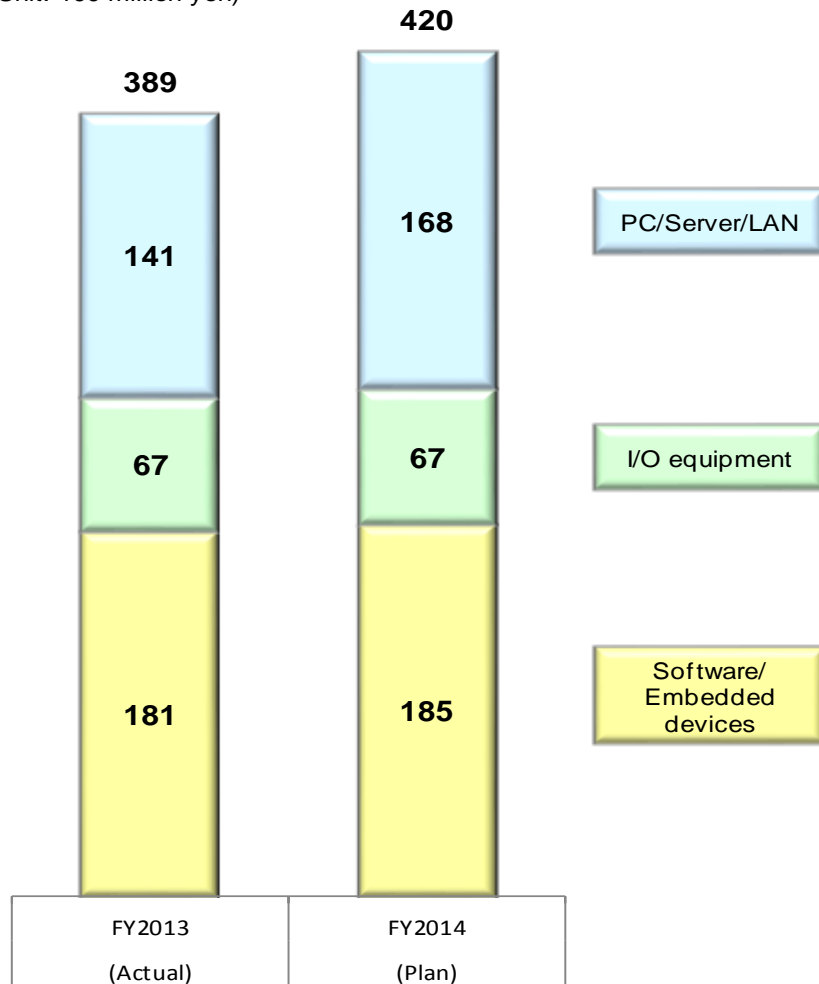
(Unit: 100 million yen)



**+4,000 million yen  
(Increase in products for communications and industrials)**

- **Communications:**  
Slightly weak sales in H1 due to production adjustment in some orders, but new orders in H2 expected
- **Vehicle installations:**  
Weakening due to transfer of the commercial right
- **PC and peripherals:**  
H1 sales greatly contributed by the special demand for PC, the rebound effect of which in H2 is reflected in the plan
- **Industrials and others:**  
Continuing to be stable, mainly in products for FA and heavy electric

(Unit: 100 million yen)



**+3,100 million yen  
(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:**  
The special demand for software is stronger than expected, despite its downward reaction.

- Return to shareholders:

		Dividend per share			Payout ratio	Share repurchase
		Interim	Year-end	Total		
FY2014	(Estimate)	-	15 yen	30 yen	50.5%	Not yet determined
	(Actual)	15 yen	-	-	-	-
FY2013	(Actual)	15 yen	15 yen	30 yen	57.5%	600K shares

- 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 business plan



**Become the solution partner creating an impression to the “all-connected smart society”**

**Basic strategy I**

**Reinforce and expand the core businesses**  
**=> Increased sales**

**Basic strategy II**

**Develop high-value added businesses**  
**=> Higher profitability**

**Basic strategy III**

**Accelerate the global strategy**  
**=> Expanded overseas businesses**



**Set the way to achieve sustainable growth through implementation of the medium-term business plan**

## Basic strategy I: Reinforce and expand the core businesses

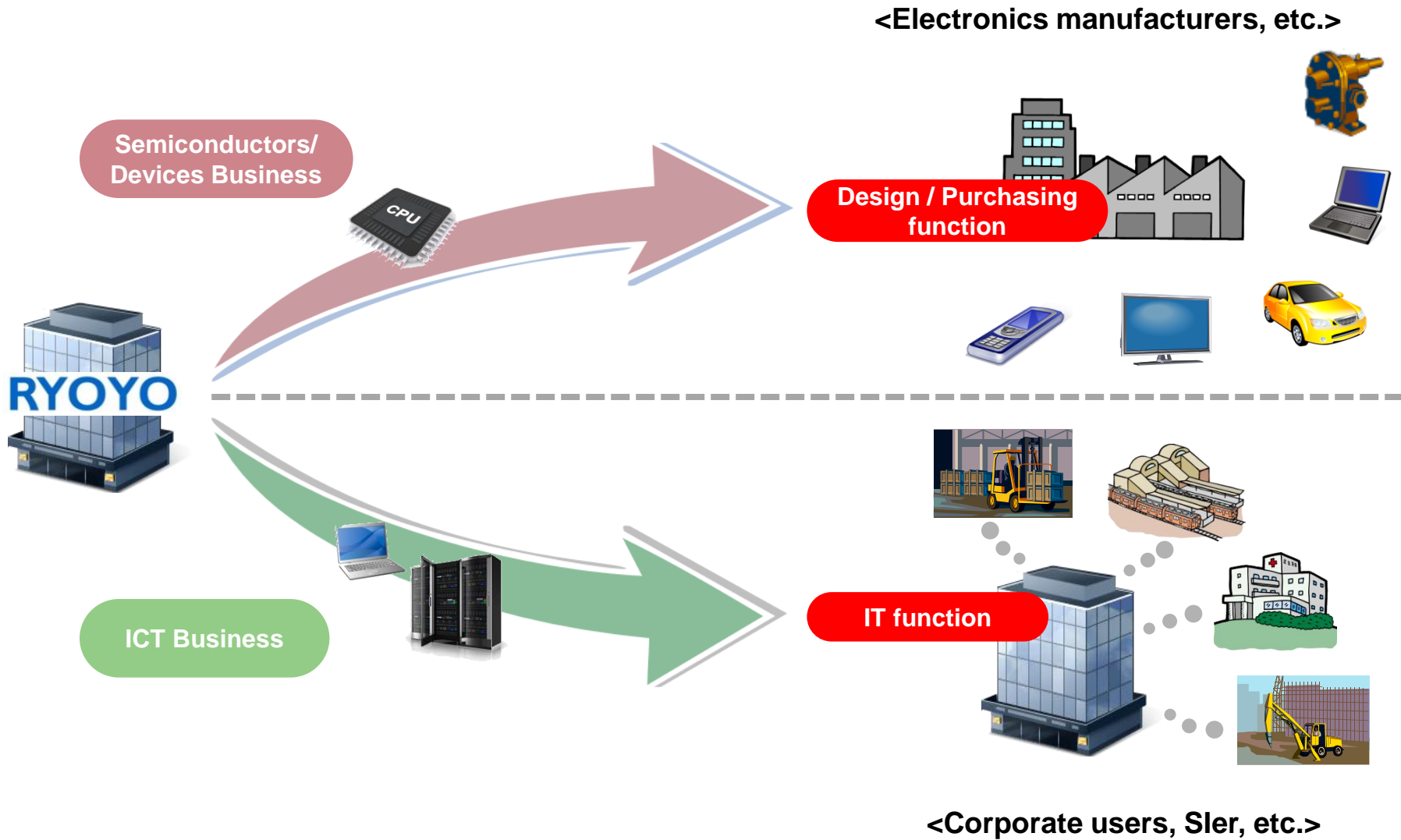
- The level of demand is being raised in both semiconductors and ICT.
- Committed to steady marketing activities (“seed-planting”) for new products such as Tactus (touch panel), Philips (LCD) and Frontier Silicon (semiconductor)
- ➔ **H2 sales is significantly higher than the previous year. Take actions to ensure the contribution to future sales.**

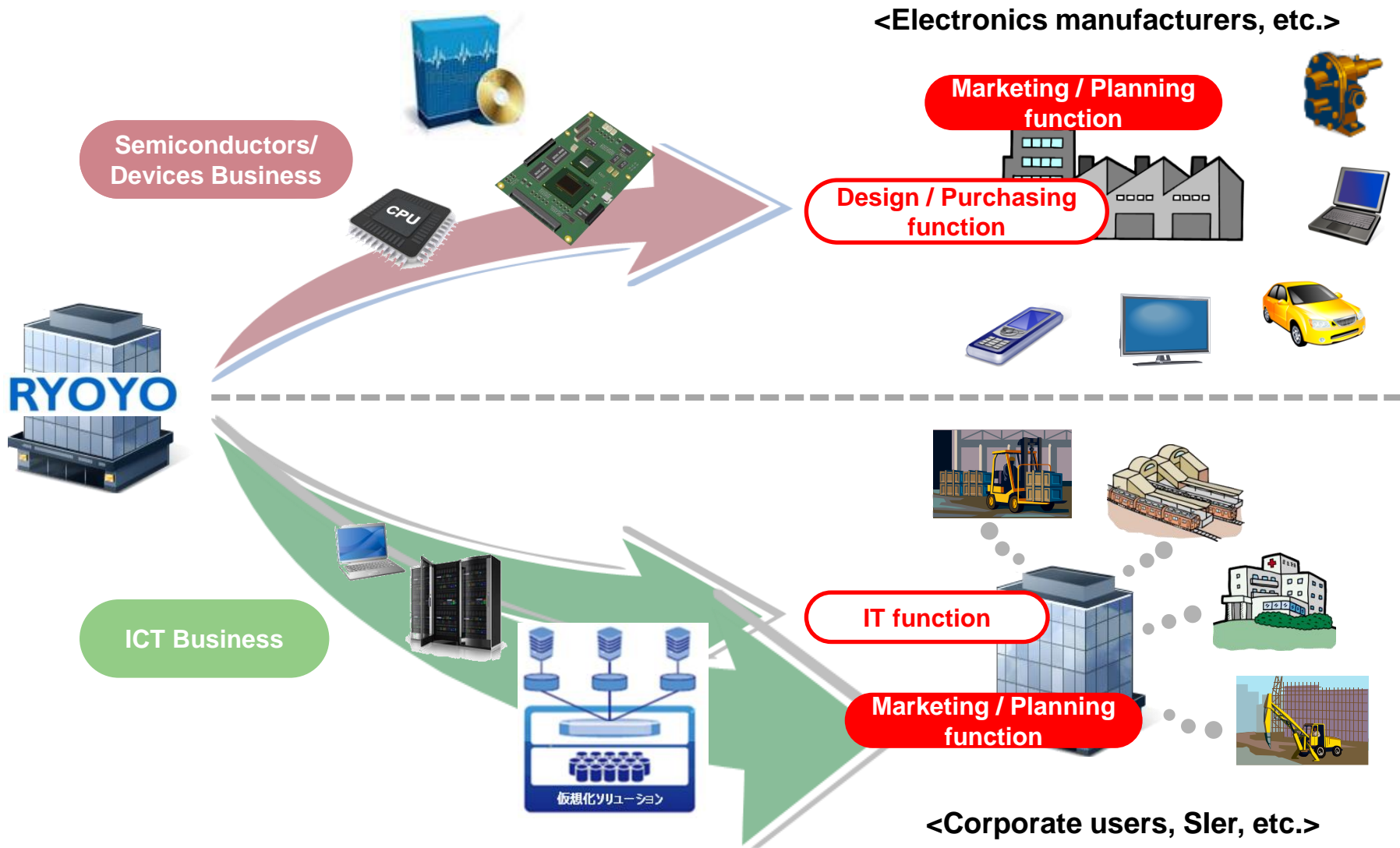
## Basic strategy II: Develop high-value added businesses

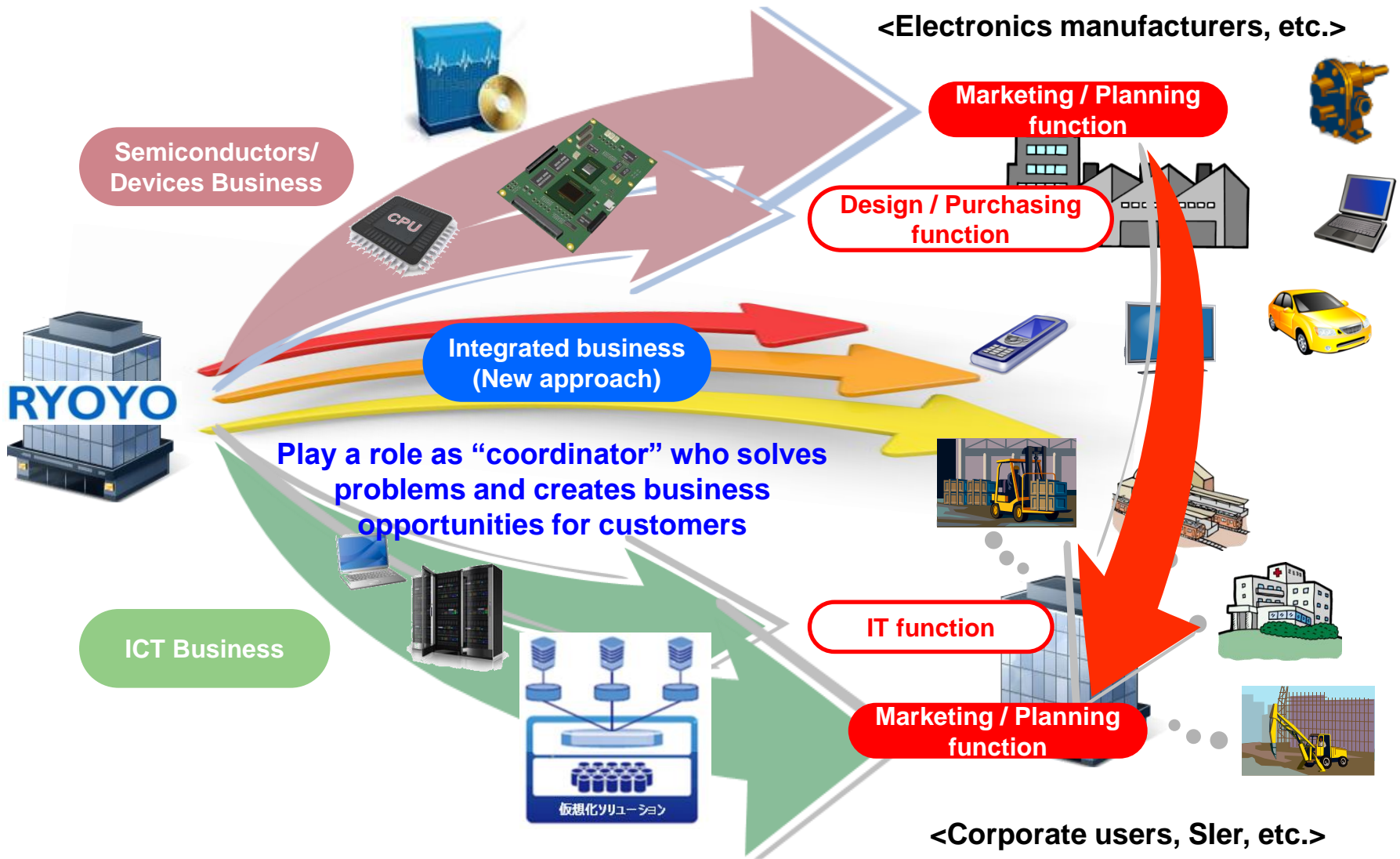
- Launched the new approach integrating semiconductors and ICT, but its impact to profitability is still limited due to the smaller order scale
- ➔ **Accumulate experience and know-how to create the synergy and value added of core businesses.**

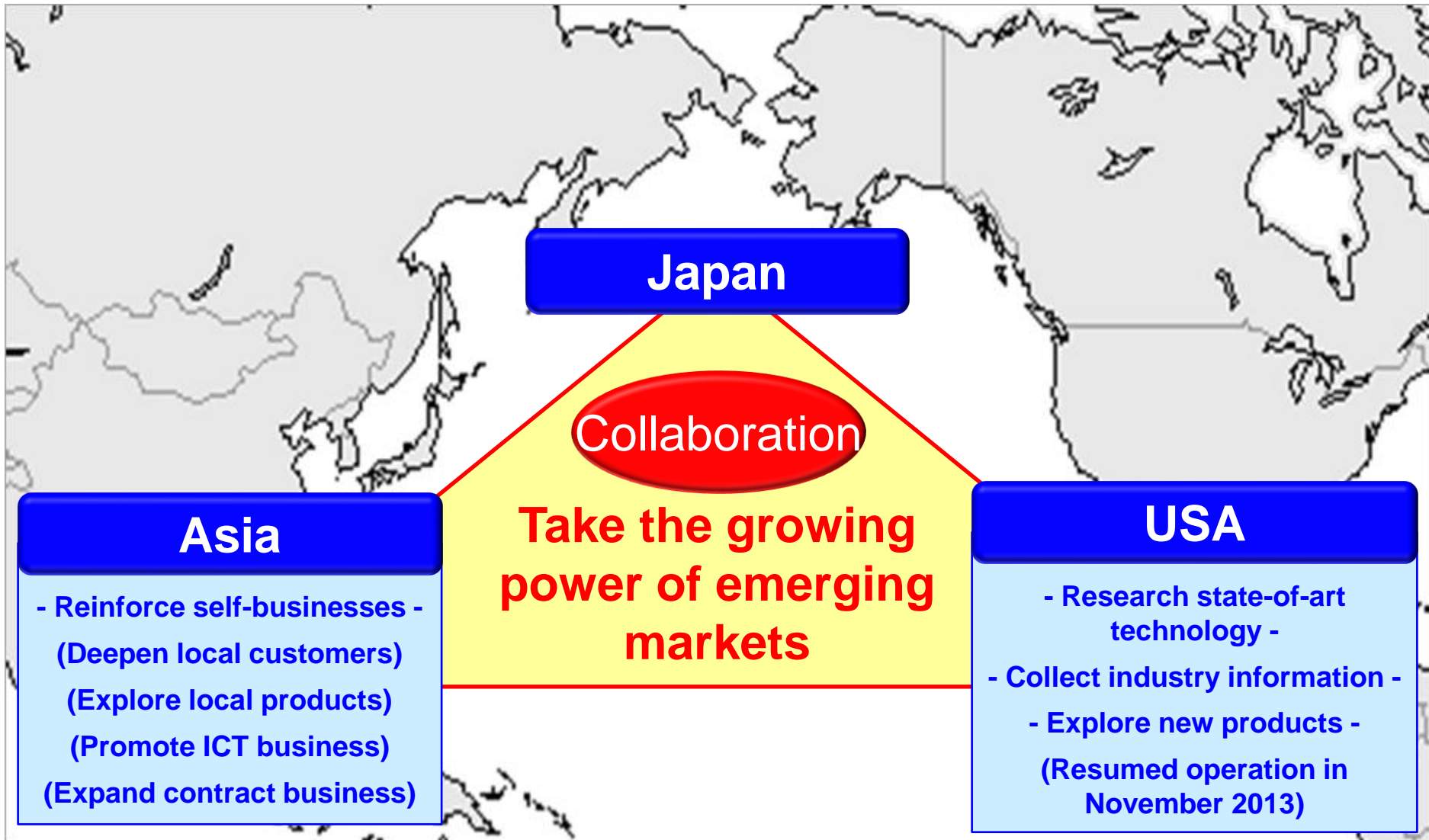
## Basic strategy III: Accelerate the global strategy

- New businesses related smart phones and home electronics which targets local manufacturers in China have been steadily expanded.
- Considering the launch of ICT business outside Japan, including business-tie with local partners.
- Reviewing the global logistics system to improve the efficiency of operation
- ➔ **The self-business is soundly building its base. Accelerate actions in H2.**









### <H1/FY2014 Business results>

- Growth in both semiconductors and ICT with higher sales than the previous year and the initial plan
- Profit is higher than the previous year but slightly lower than the initial plan

### <FY2014 Business plan>

- Overall sales is currently doing well, but profitability needs to be improved
- No change from the initial plan (Sales: 105,000 million yen, Operating income: 2,200 million yen)

### <Medium-term business plan>

- Promote the three basic strategies to set the way to achieve sustainable growth, especially “Develop high-value added businesses”

- **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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