

FY2014 (55th) Results Briefing

March 12, 2015

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 January 31, 2015)
Consolidated: 510
Non-consolidated: 455
*Whole group: 594

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

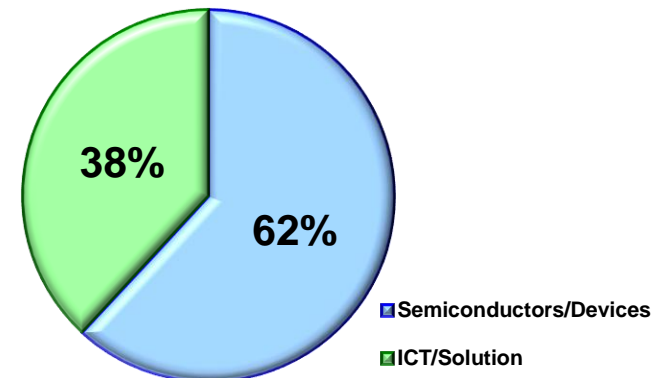
ISO 9001 / 14001 / 27001 :
All offices and subsidiaries in Japan
(excluding Satellite Office)

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 (FY2014)



FY2014 Business results

P/L: Higher sales and profit than the previous year



(Unit: 100 million yen, %)

	FY2013	FY2014		YoY	Diff	Comments
	Actual	Plan	Actual			
Sales	979	1,050	1,101	+12.5%	+4.9%	Higher than previous year in both semiconductors/devices and ICT/solution
Gross profit	82.8	89.0	88.0	+6.3%	(1.1%)	Higher than the previous year in terms of the amount in along with an increase in sales, despite the lowered profit rate due to the increasing ratio of low-profitable orders
(%)	8.5%	8.5%	8.0%			
SG&A	66.3	67.0	67.5	+1.8%	+0.7%	
Operating income	16.5	22.0	20.5	+24.3%	(6.6%)	Below the plan but much higher than the previous year (exceeding 2 billion yen)
(%)	1.7%	2.1%	1.9%			
Non-operating income	4.3	3.0	4.4	+4.4%	+48.2%	Higher investment income than the plan
Ordinary income	20.8	25.0	25.0	+20.3%	(0.1%)	
(%)	2.1%	2.4%	2.3%			
Extraordinary income	0.2		1.9	+833.4%		Gain on sale of investment securities
Income before income taxes	21.0		26.9	+28.2%		
Income taxes	7.6		10.1	+33.1%		
Net profit	13.4	15.0	16.8	+25.4%	+12.3%	Higher than both the previous year and the plan
(%)	1.4%	1.4%	1.5%			
(ROE)	2.2%		2.6%			

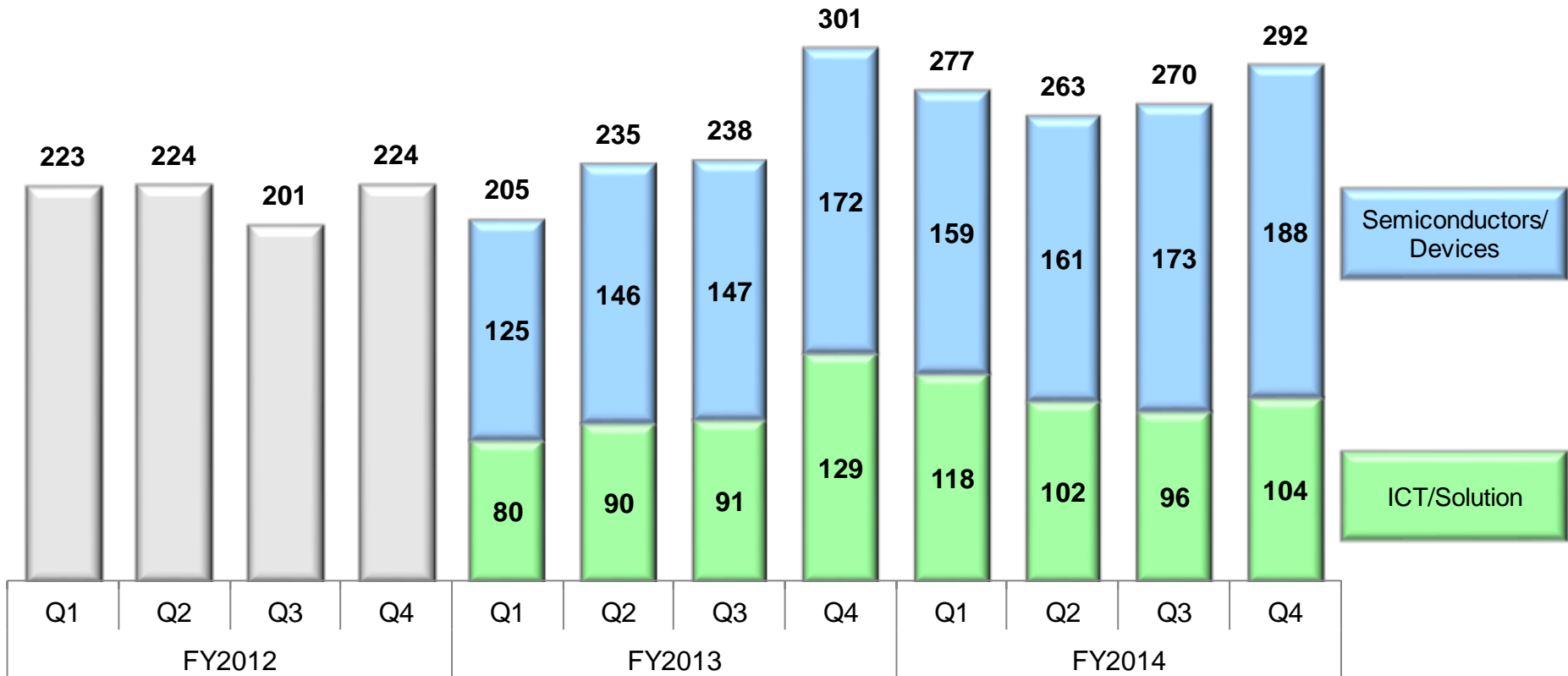
Sales by segment: Higher than the previous year in both segments

(Unit: 100 million yen, %)

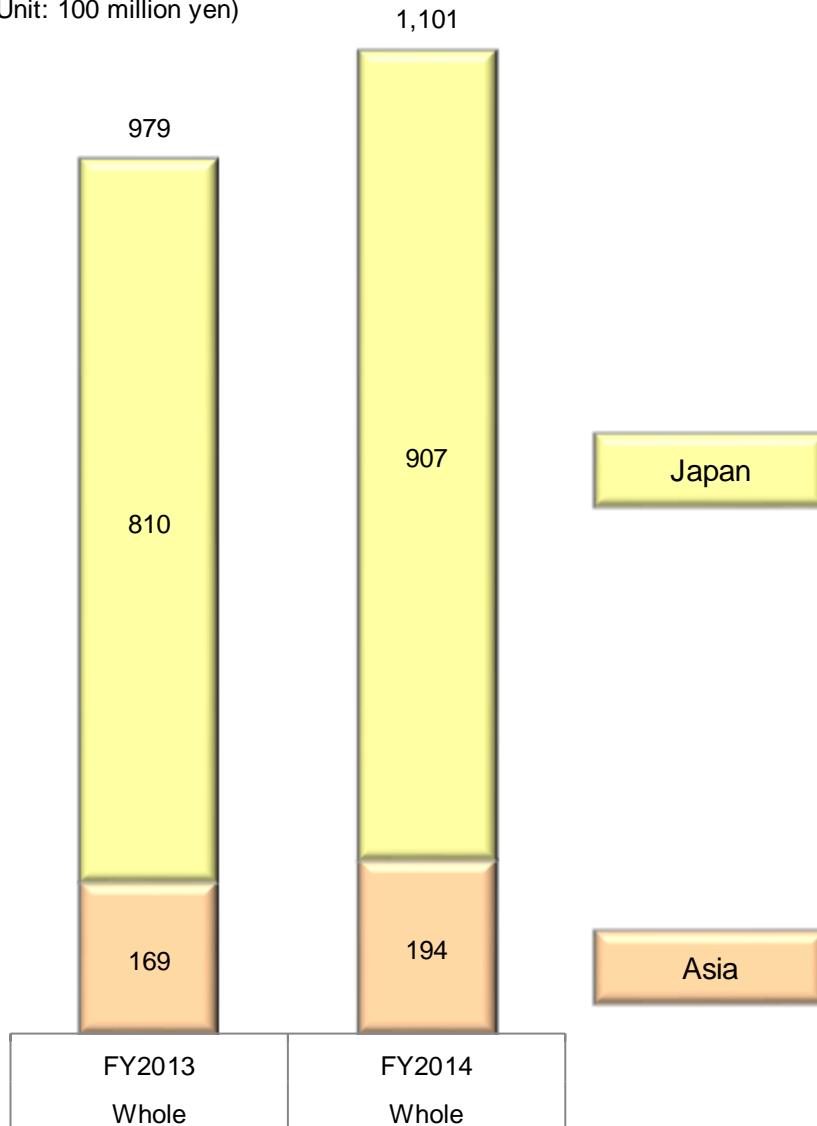
	FY2013 Actual	FY2014		YoY	Diff	Comments
		Plan	Actual			
Total	979	1,050	1,101	+12.5%	+4.9%	
Semiconductors/Devices	590	630	681	+15.6%	+8.2%	
By application						
Communications	80	120	135	+68.8%	+12.3%	Increase in LCD for communication devices
Digital consumer electronics and other home electronics	77	81	87	+13.3%	+8.0%	Higher than both the previous year and the plan due to the growth of products for game machines and TVs
Vehicle installation	64	44	37	(42.3%)	(15.6%)	Decreased due to a change in the commercial flow
PC and peripherals	176	175	217	+23.8%	+24.2%	Higher sales in products for PCs due to the special demand as well as for peripherals such as OA devices
Industrials and others	192	210	205	+6.4%	(2.6%)	Lower than the plan but remains stable, mainly products for FA and heavy electric
ICT/Solution	389	420	420	+7.8%	(0.1%)	
By product						
PC/Server/Network	141	153	140	(0.8%)	(8.4%)	Almost sale as the previous year due to some deferred orders and less large orders
I/O Equipment	67	67	64	(3.8%)	(4.1%)	Lower than the previous year partly due to the business closure of a supplier
Software/embedded devices	181	200	215	+18.7%	+7.6%	Higher sales in software for PCs and embedded devices for industrial use

Remains the level before Q3/FY2014 throughout the year in both segment (Semiconductors/Devices and ICT/Solution)

(Unit: 100 million)



(Unit: 100 million yen)



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

- **Japan:**
Significant increase due to the special demand for PCs, as well as the strong sales in semiconductors for LCD and industrial equipment.
- **Asia (Singapore, Hong Kong, Shanghai):**
Increase mainly supported by a new order for LCD for communication devices as well as the stable sales of semiconductors for game machines.

(Unit: 100 million yen)



Continue to maintain the strong financial position

- Account receivables – trade / Inventories:
Increased due to higher sales
- Net assets:
Increased due to a higher net profit
- Equity ratio:
79.0%

FY2015 Business plan

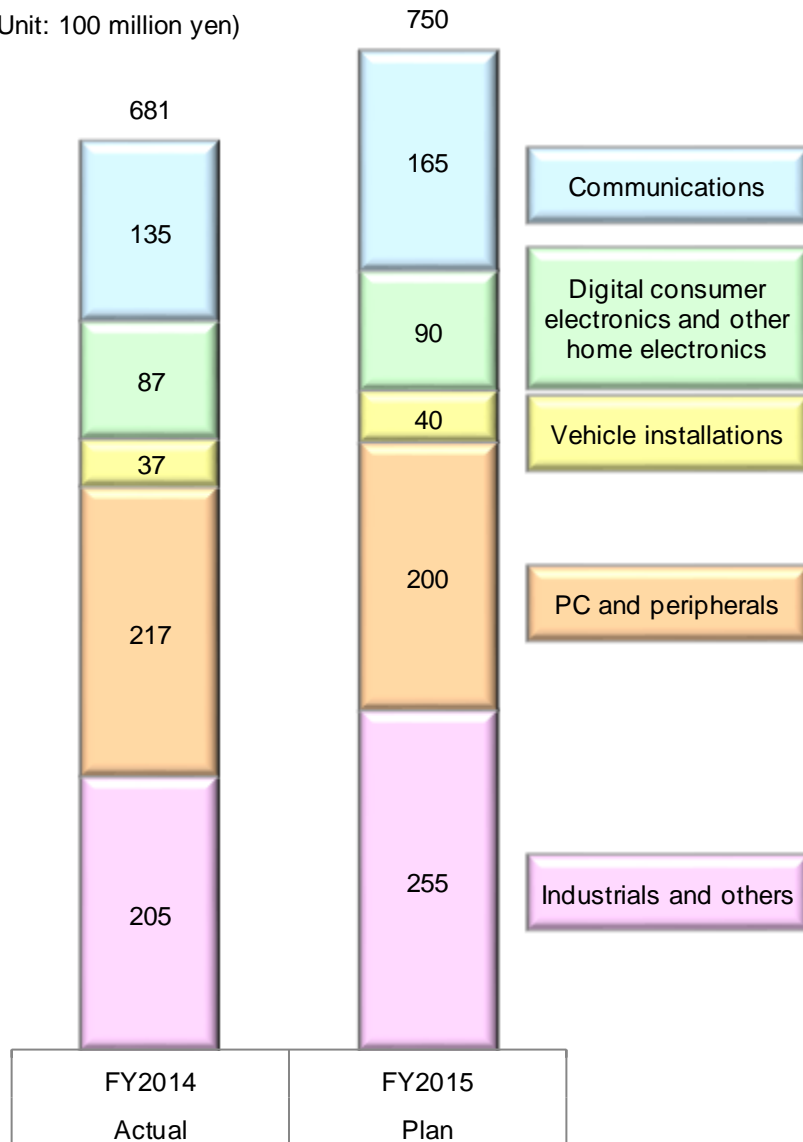


- **Sales:**
Growth in both segments (Semiconductors/Devices and ICT/Solution)
- **Gross profit:**
Despite no change in the gross profit rate, but an increase in terms of the amount supported by higher sales
- **Operating income:**
An over 20% increase to compensate higher SG&A

(Unit: 100 million yen, %)

	FY2014 Total	FY2015 (Plan)			FY15 - FY14	FY15/FY14
		H1	H2	Total		
Sales	1,101	585	635	1,220	+119	+10.8%
Gross profit	88.0	46.5	51.5	98.0	+10.0	+11.3%
(%)	8.0%	7.9%	8.1%	8.0%		
SG&A	67.5	35.5	37.5	73.0	+5.5	+8.2%
Operating income	20.5	11.0	14.0	25.0	+4.5	+21.7%
(%)	1.9%	1.9%	2.2%	2.0%		
Ordinary income	25.0	13.0	16.0	29.0	+4.0	+16.1%
Net profit	16.8	8.5	10.5	19.0	+2.2	+12.8%
(%)	1.5%	1.5%	1.7%	1.6%		
(ROE)	2.6%			2.9%		

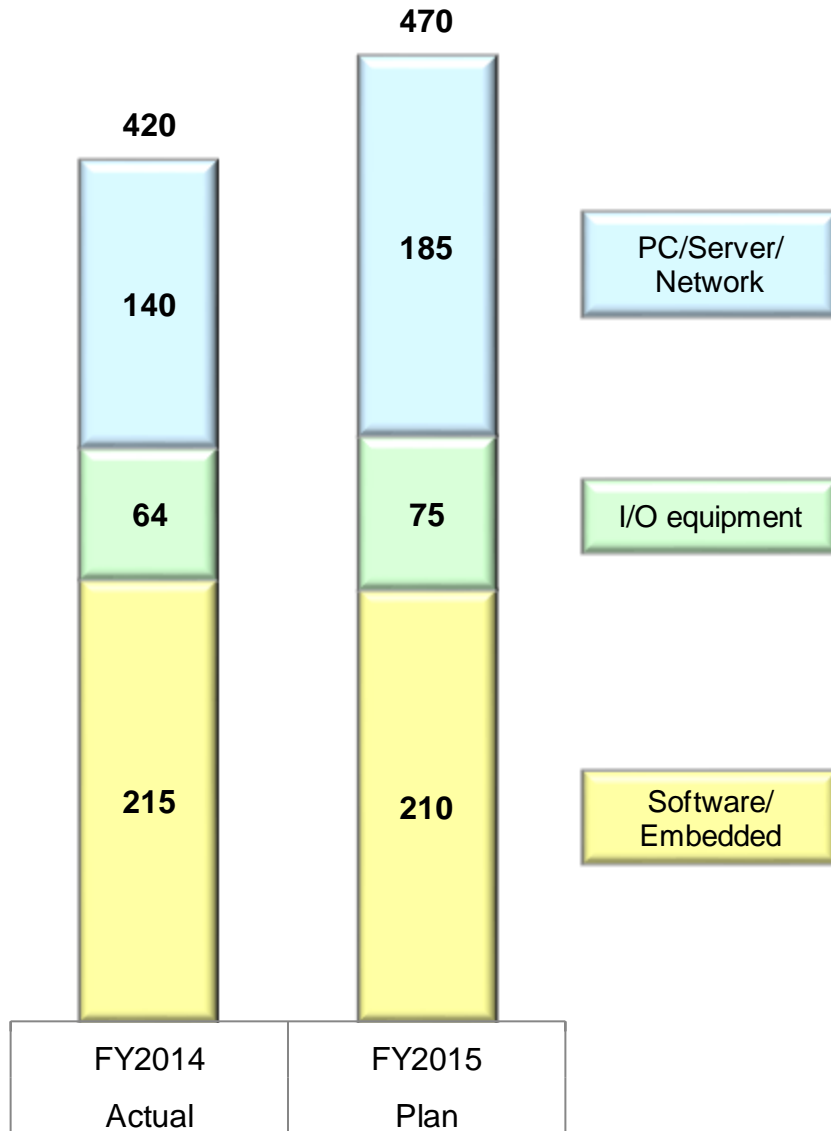
(Unit: 100 million yen)



**+6,900 million yen
(Increase in products for
communications and industrials)**

- **Communications:**
Sales in LCD for communication devices expected to be growing further
- **PC and peripherals:**
A possible decrease in PCs which was contributed by the special demand in FY2014 to be compensated by the strong sales in peripherals
- **Industrials and others:**
Sales in products for FA and heavy electric expected to be increasing

(Unit: 100 million yen)



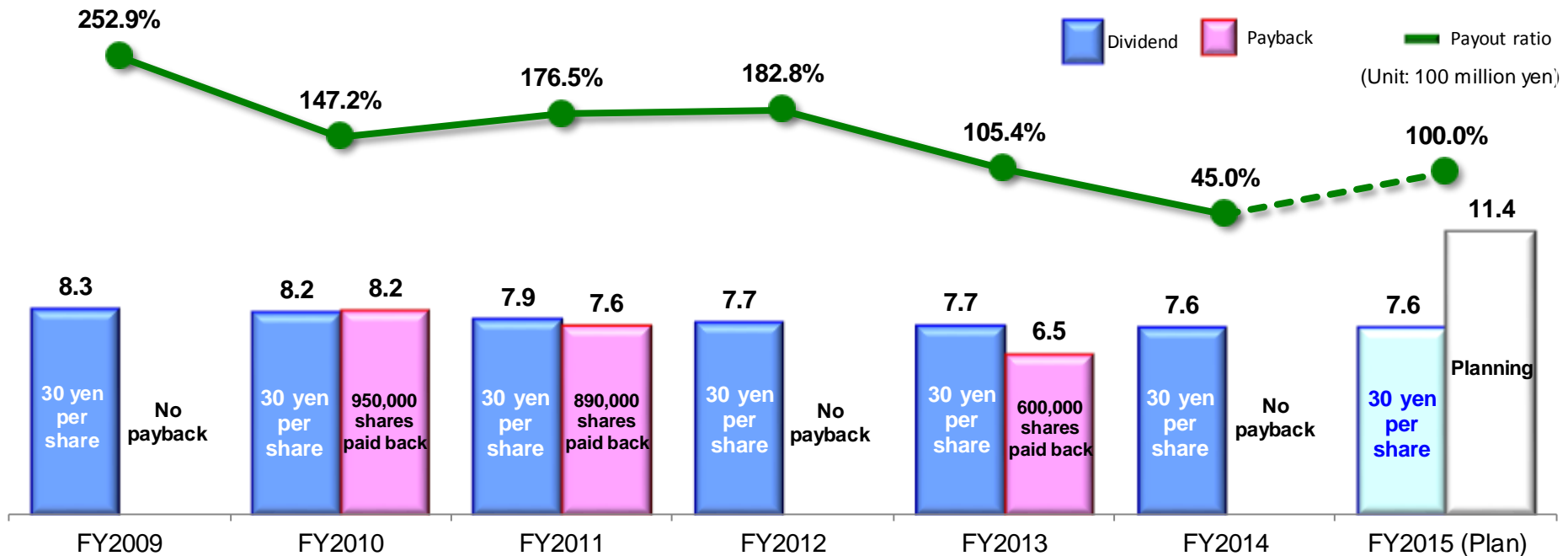
**+5,000 million yen
(Driven by the businesses for enterprises)**

- **PC/Server/LAN:**
For the businesses for enterprises, target to increase the scale as well as to improve the profitability
- **Software/Embedded devices:**
A possible decrease in software due to the end of special demand for PCs to be compensated by higher sales of products for industrial use, mainly embedded products

➤ 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.

In FY2015 and the subsequent periods, **we will target 100% of the payout ratio to a net profit of each period** through dividend payment and payback



Medium-term actions

Medium-term vision

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

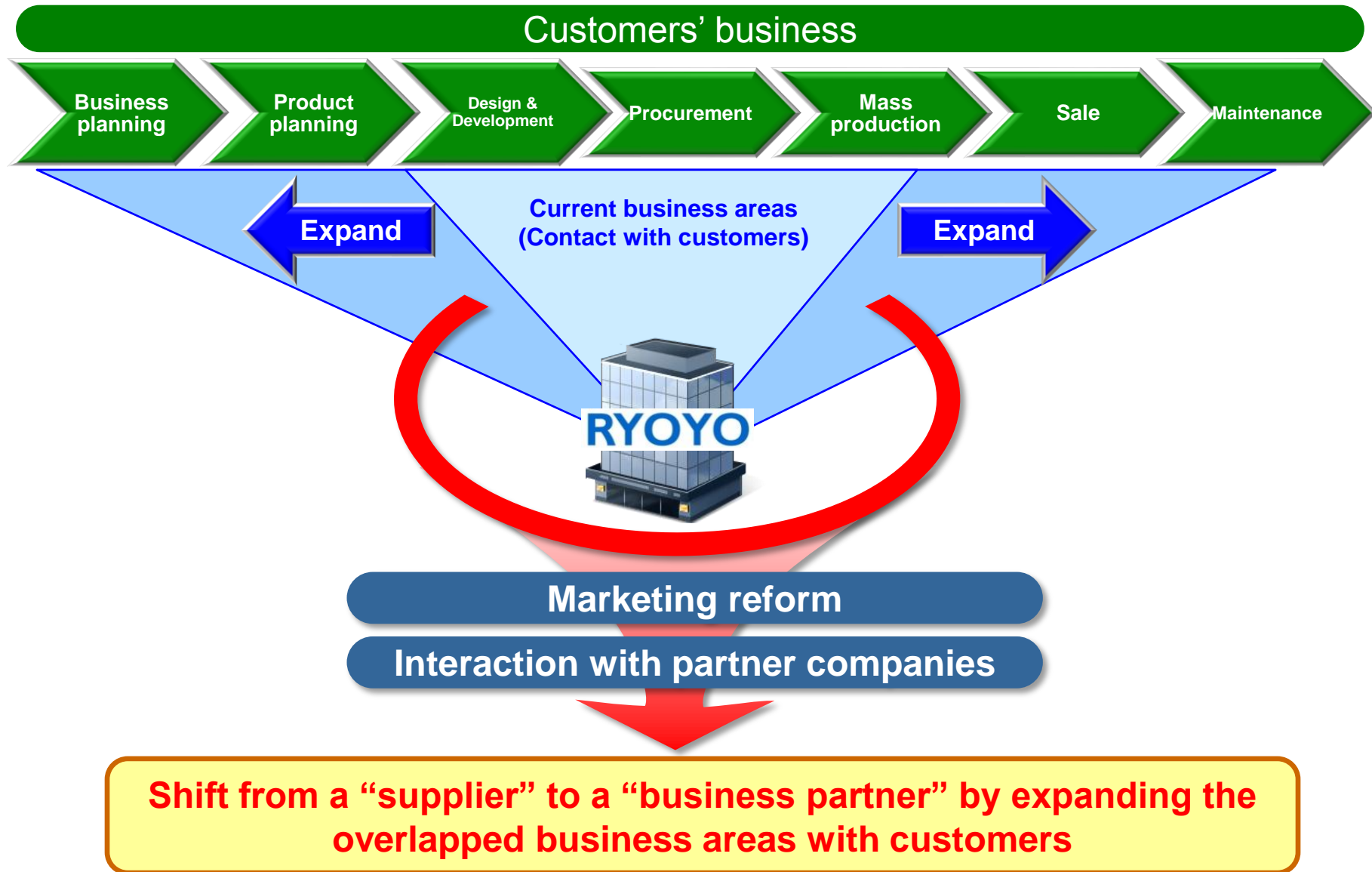
Develop high-value added businesses
=> Higher profitability

Basic strategy III

Accelerate the global strategy
=> Expanded overseas businesses



Set the way to achieve sustainable growth by accelerating actions under the medium-term business plan

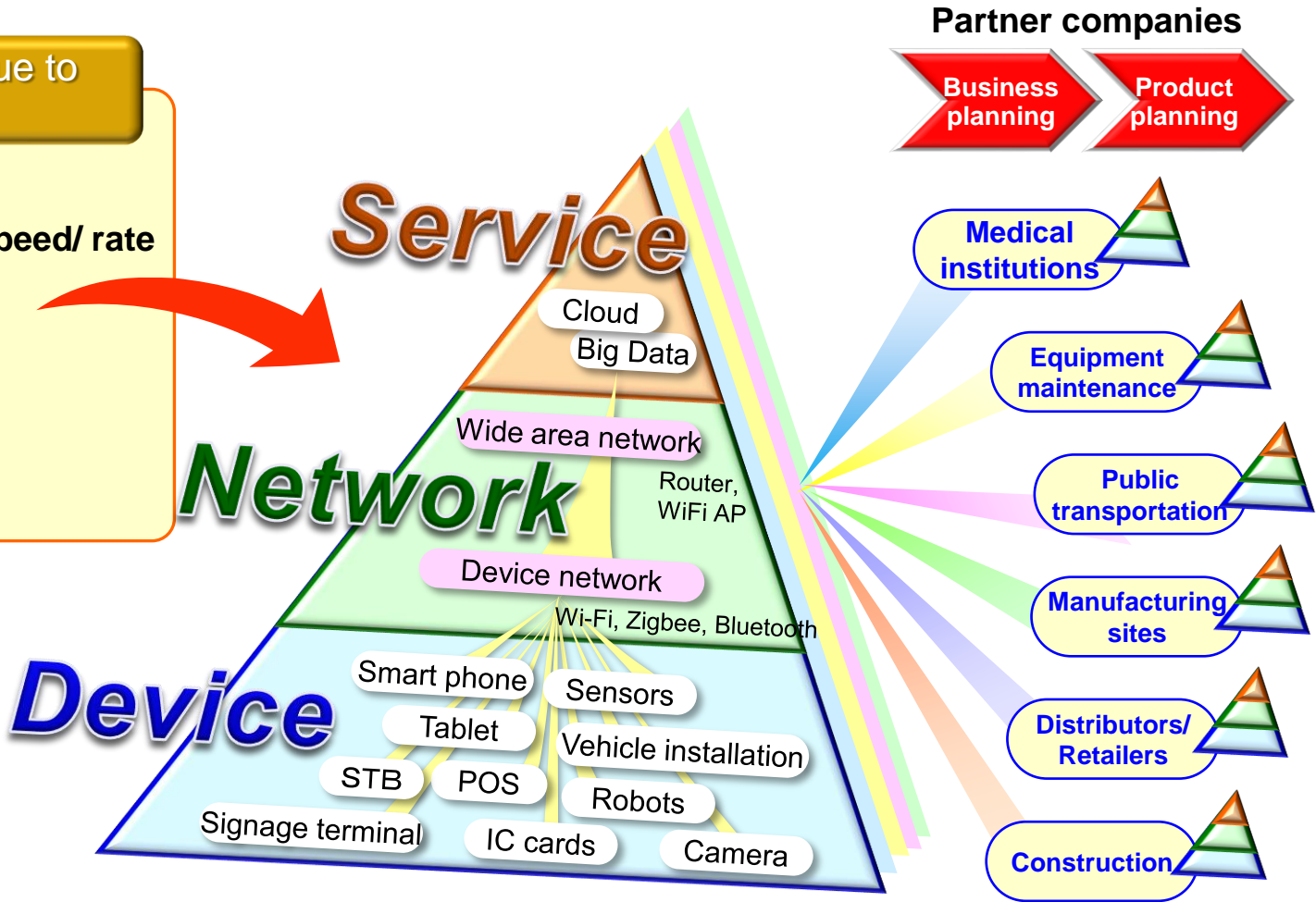




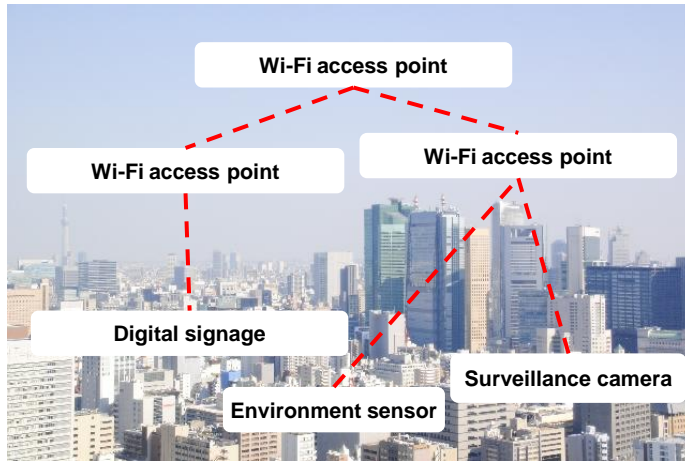
IoT business

“Field & Mobile Work Innovation” which brings innovation to all industries (customers)

- Create a new value to all “field sites”
- Less cost
 - Better operating speed/ rate
 - Better quality
 - Improved safety
 - Energy saving
 - Value-creating communication

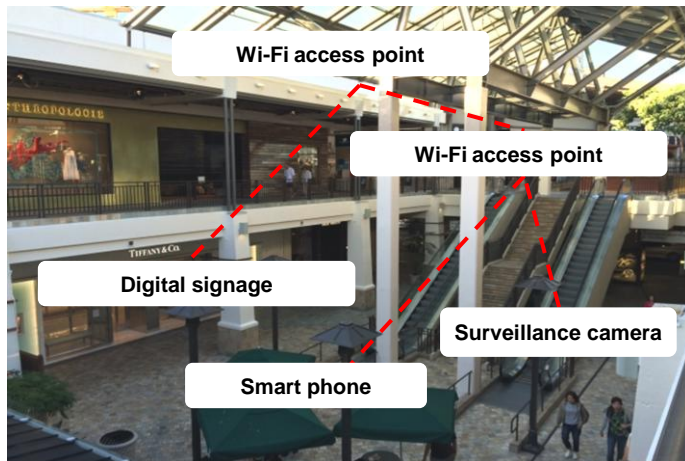


▪ (Outdoor/Large) Community



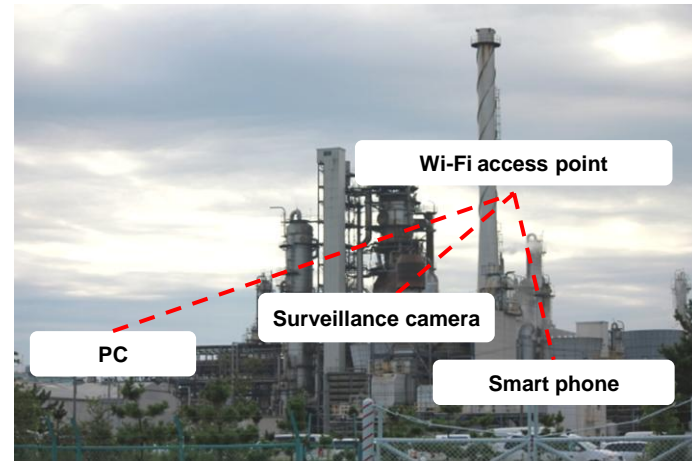
Develop a safe community linked with surveillance cameras, digital signage, etc.

▪ (Indoor/Large) Shopping mall



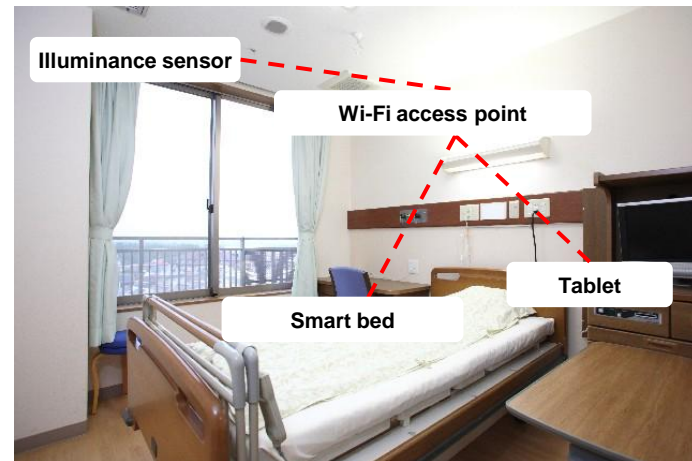
Propose a marketing methodology by using digital signage and surveillance cameras to improve services

▪ (Outdoor/Small) Construction site & factory

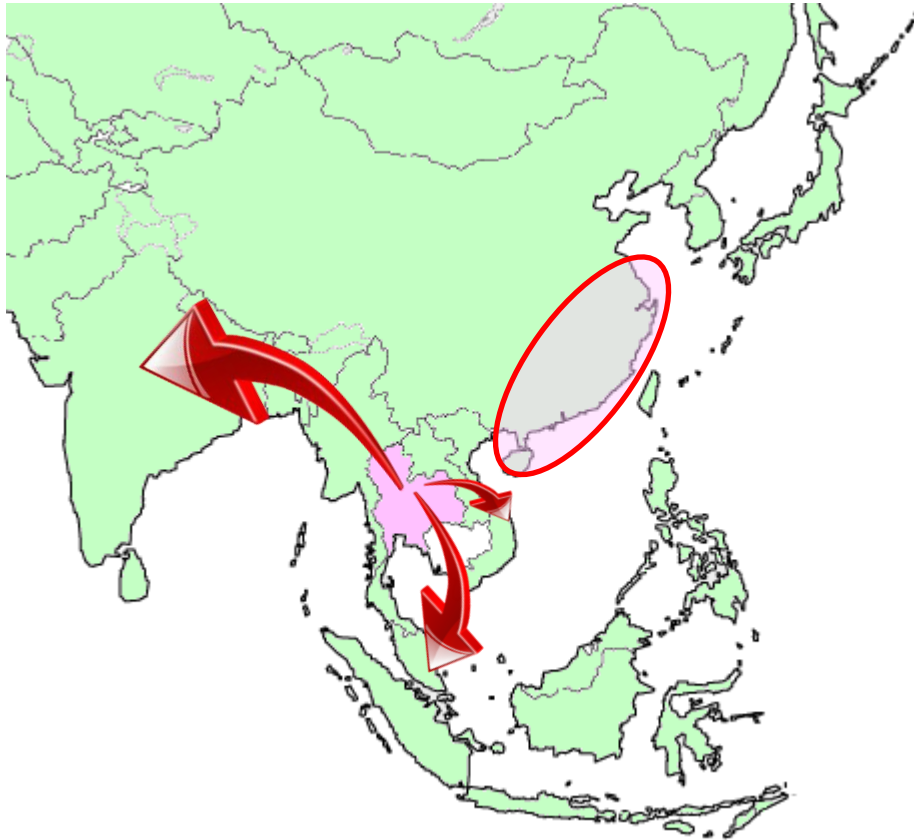


Help to improve operating efficiency (e.g. process check and safety control)

▪ (Indoor/Small) Hospital & Nursing facilities

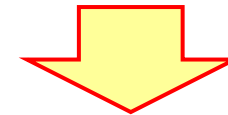


Monitor and record the conditions of patients and beds on a real-time basis with a sensor to reduce workloads of nurses



Up to 2014 <<Launch self-businesses>>

- Alliance with Digital China
- Started new businesses for local customers (e.g. smart phone, TV)
- Started the ODM contract design business for LC



2015 onwards <<Contribute to sales through self-businesses>>

- Expand the scale and improve the profitability of self-businesses
- Collaborate with local players in Thailand and China
- Develop the ICT business overseas
- Achieve low-cost operation (e.g. review of the global logistics system)

<FY2014 Business results>

- Sales: Higher than both the previous year and the plan
- Operating income: Lower than the plan but higher than the previous year, Net profit: Higher than both the previous year and the plan due to higher non-operating income than expected and extraordinary profit

<FY2015 Business plan>

- Target an increase in sales and profit three periods in a row under the annual plan of “Sales: 122 billion yen, Operating income: 2.5 billion yen”
- For return to shareholders, the basic policy is “100% of the payout ratio”

<Medium-term actions>

- Promote the three basic strategies to set the way to achieve sustainable growth, especially “Develop high-value added businesses” by accelerating the actions for “Field & Mobile Work Innovation”

- **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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