

Q2/FY2015 (56th) Results Briefing

September 1, 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 April 30, 2015)
Consolidated: 521
Non-consolidated: 465
*Whole group: 607

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

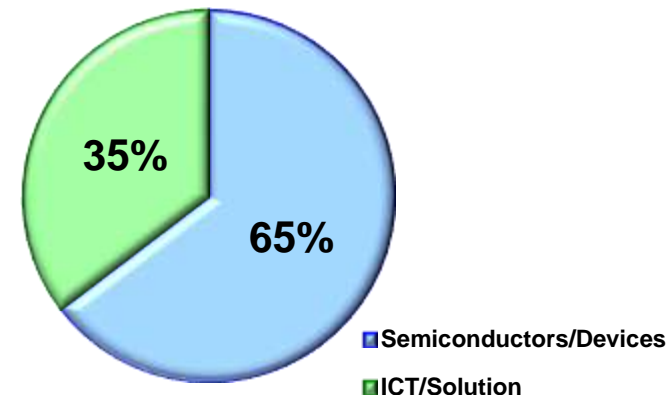
ISO 9001 / 14001 / 27001 :
All offices and subsidiaries in Japan
(excluding Takasaki Satellite Office)

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/FY2015)



H1/FY2015 Business results

FY2015 Business plan

Medium-term action

- Medium-term business plan (FY2016-FY2018) -

H1/FY2015 Business results

P/L: Higher sales and operating income than
the previous year and the original plan

(Unit: 100 million yen, %)

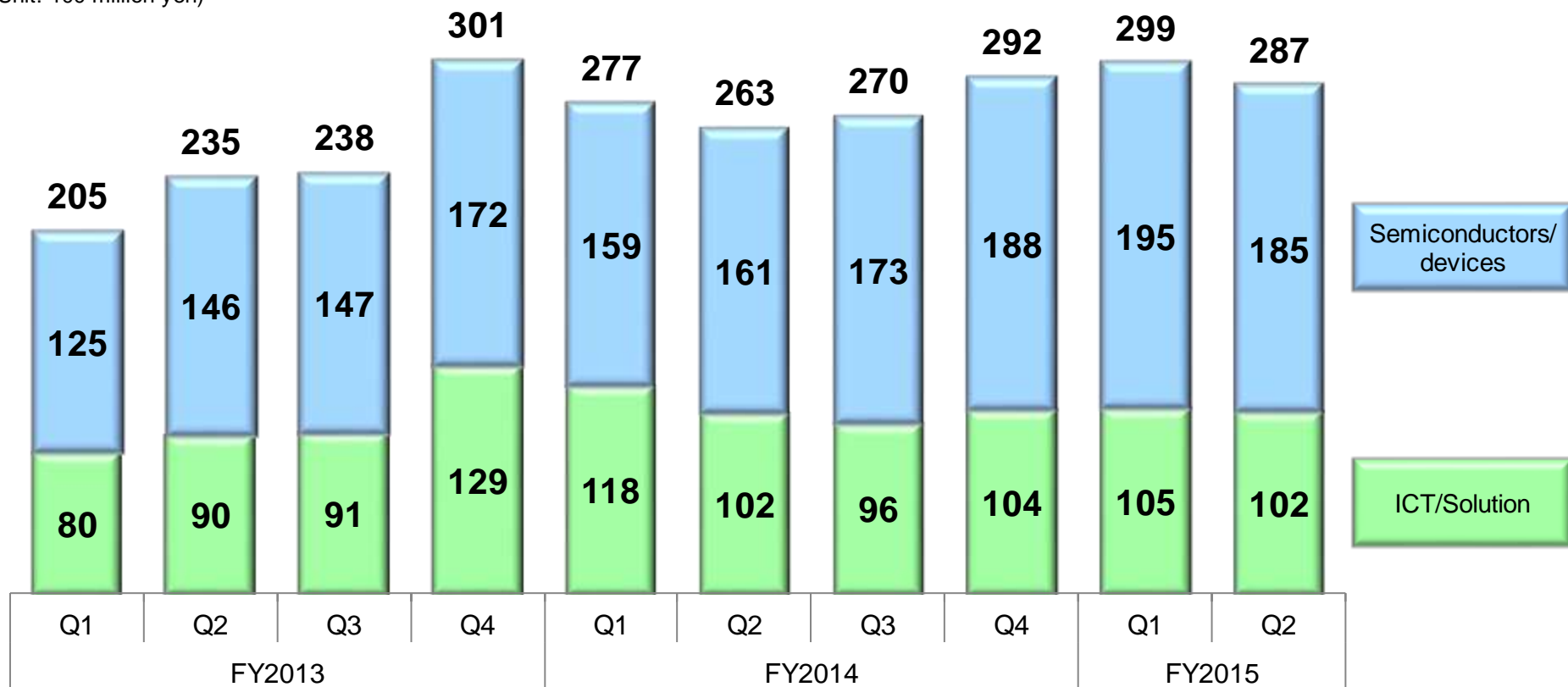
	FY2014 H1	FY2015		YoY	Comments
		Original plan	H1		
Sales	540	585	587	+8.6%	Higher both of the previous year and the original plan
Gross profit	41.8	46.5	46.2	+10.6%	The rate is generally as per the original plan, while the amount is higher than the previous year by over 10%
(%)	7.7%	7.9%	7.9%		
SG&A	33.2	35.5	35.0	+5.6%	In addition to labor cost, with effects of higher sales (e.g. logistics expenses)
Operating income	8.6	11.0	11.2	+30.1%	Ended with a massive increase exceeding 130% of the previous year, which is also higher than the original plan
(%)	1.6%	1.9%	1.9%		
Non-operating income	2.2	2.0	3.2	+42.3%	Increase in gain from investment securities
Ordinary income	10.8	13.0	14.4	+32.7%	
(%)	2.0%	2.2%	2.5%		
Extraordinary income	1.1	0.0	2.7	+138.5%	Gain and loss on sale of investment securities
Income before income taxes	12.0	13.0	17.1	+42.6%	
Income taxes	4.5	4.5	6.1	+35.5%	
Net quarterly profit	7.5	8.5	11.0	+46.9%	Much higher than both of the previous year and the original plan due to higher non-operating income than expected and extraordinary income
(%)	1.4%	1.5%	1.9%		

(Unit: 100 million yen, %)

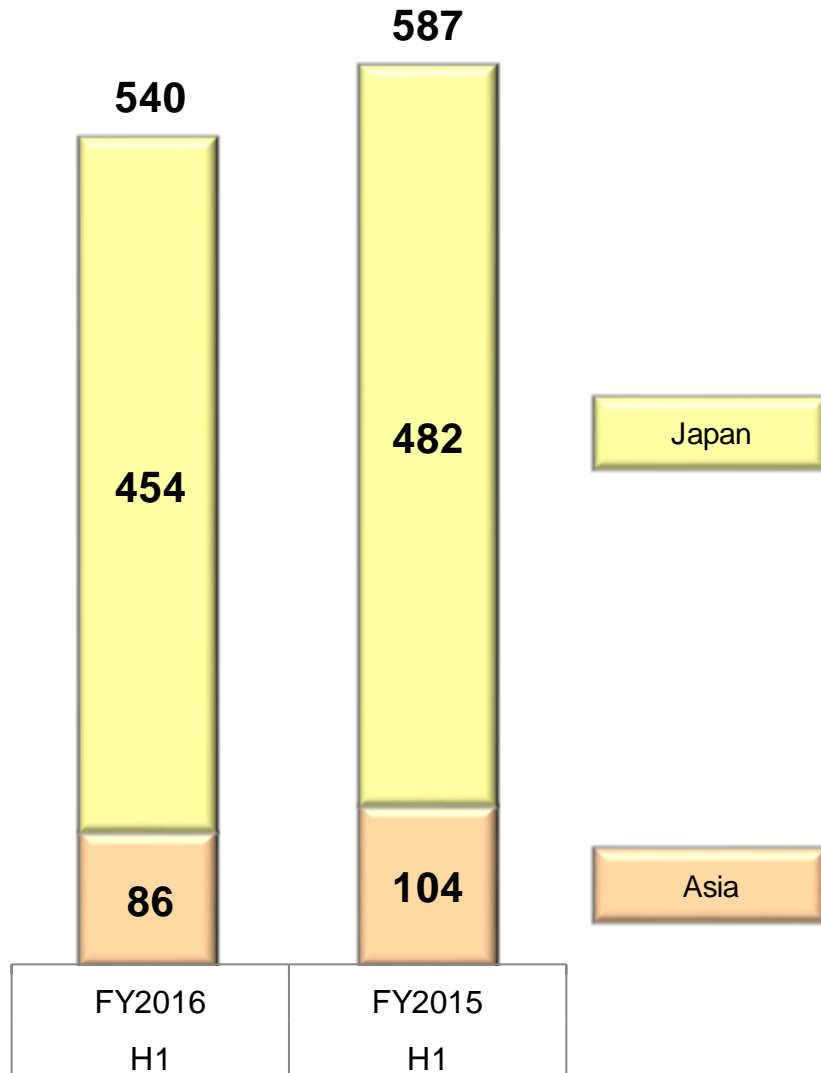
	FY2014 H1	FY2015 H1	YoY	Comments
Total	540	587	+8.6%	
Semiconductors/Devices	321	379	+18.3%	
By application				
Communications	44	96	+116.0%	Significant increase in the contract manufacturing business for communication devices
Digital consumer electronics and other home electronics	41	49	+19.7%	Increase mainly in products for TVs
Vehicle installation	19	20	+7.0%	No significant change from the previous year
PC and peripherals	114	107	(6.0%)	Continuously-stable sales in products for printers and other peripherals, but decrease in those for PCs due to the backlash of the last year's special demand
Industries and others	103	107	+4.7%	Higher than the previous year, but below expected at the beginning of the year
ICT/Solution	219	207	(5.5%)	
By product				
PC/Server/Network	69	59	(15.3%)	Affected partly due to loss of some large-volume orders
I/O equipment	33	37	+14.0%	Contributed by start of new orders
Software/Embedded devices	117	111	(5.2%)	Decreased in software for PCs due to the backlash of the last year's special demand

Despite the effect of slowdown of large-volume orders in Q2/FY2015, sales is growing to the next level compared to the previous year

(Unit: 100 million yen)



(Unit: 100 million yen)



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

- **Japan:**
Significant increase in LCD for communication devices
- **Asia (Singapore, Hong Kong, Shanghai):**
Increase in semiconductors for TVs and LCD for communication devices

(Unit: 100 million yen)



Continue to maintain the strong financial position

- **Inventories:**
Increased due to increasing sales as well as slow-moving orders in H1
- **Fixed assets:**
Investment securities (e.g. bonds) being transferred to current assets
- **Net assets:**
Implemented payback (600,000 shares)
- **Equity ratio:**
80.0%

FY2015 Business plan

Sales, gross profit and operating income in H1 are generally as planned.
No change in the original plan, except minor revision in sales composition in H2

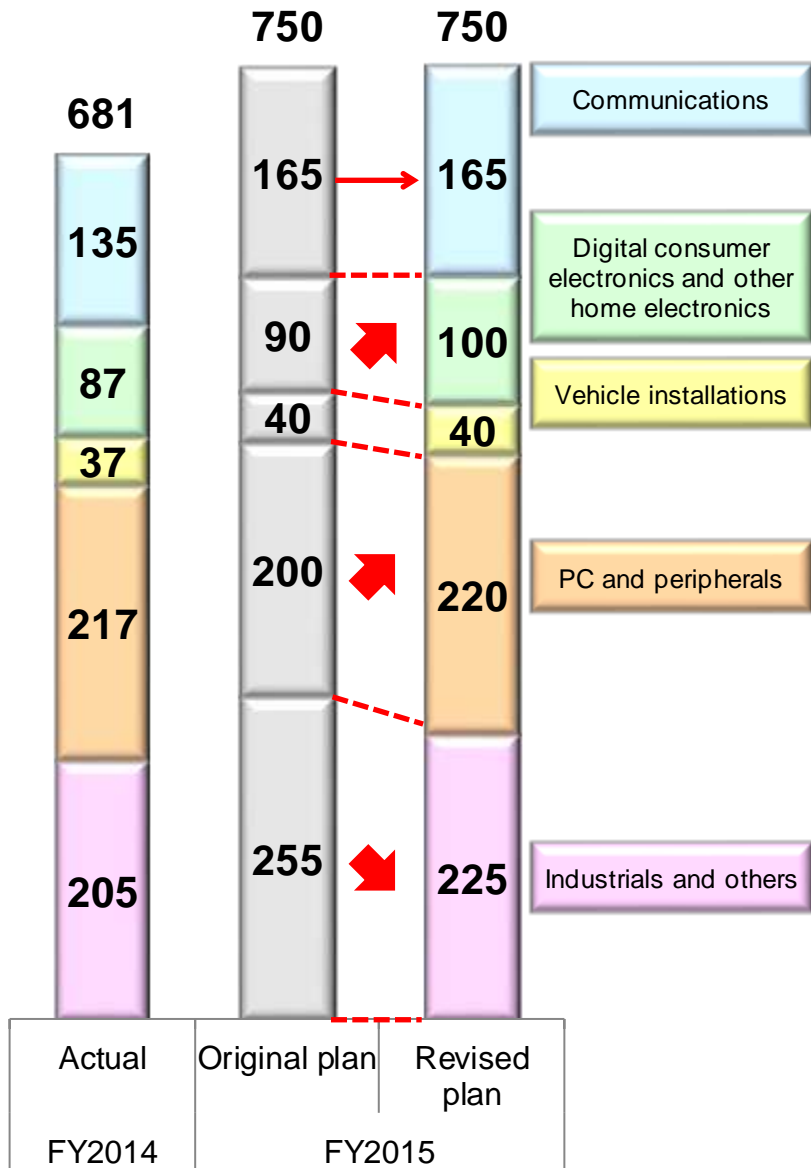


Over 10% increase in sales and over 20% increase in operating income

(Unit: 100 million yen, %)

	FY2014	FY2015			YoY (Total)	YTD achievement
	Total	H1 (Actual)	H2 (Plan)	Total (Plan)		
Sales	1,101	587	633	1,220	+10.8%	48.1%
Gross profit	88.0	46.2	51.8	98.0	+11.3%	47.2%
(%)	8.0%	7.9%	8.1%	8.0%		
SG&A	67.5	35.0	38.0	73.0	+8.2%	48.0%
Operating income	20.5	11.2	13.8	25.0	+21.7%	44.7%
(%)	1.9%	1.9%	2.2%	2.0%		
Ordinary income	25.0	14.4	14.6	29.0	+16.1%	49.6%
Net profit	16.8	11.0	8.0	19.0	+12.8%	57.8%
(%)	1.5%	1.5%	1.7%	1.6%		
(ROE)	2.6%			2.9%		

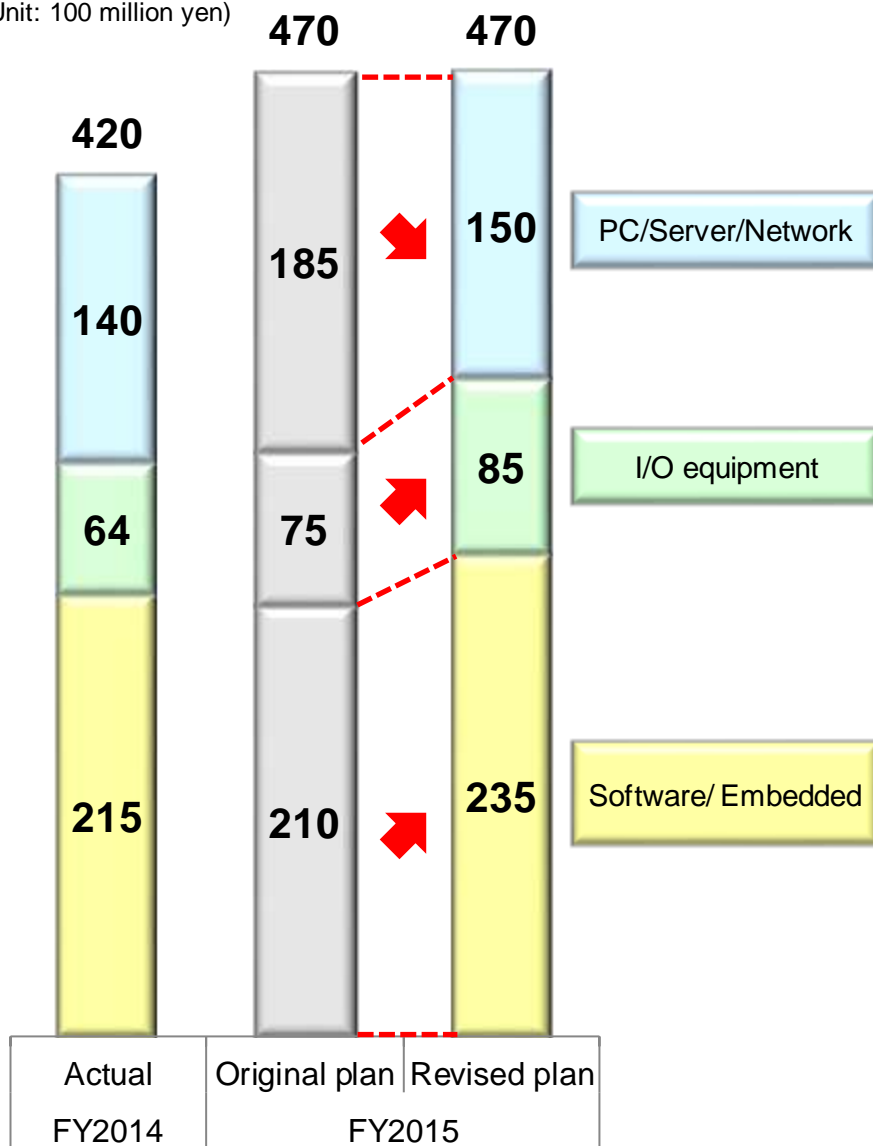
(Unit: 100 million yen)



Considering slowdown of Chinese economy, the sales forecast of industries modified

- **Communications:**
Production adjustment has been observed in the LCD business which achieved good results in H1
- **PC and peripherals:**
With the effect of backlash of the special demand for products for PCs, but it is minor. Continuously stable in products for peripherals
- **Industrials and others:**
Below expectations at the beginning of the year, mainly in the Chinese market

(Unit: 100 million yen)



Decrease in PC/Server/Network to be compensated by I/O equipment and Software

- **PC/Server/LAN:**
Affected by temporary factors such as a downward trend in H1 and significantly-delayed contribution of new products as well as sluggish demand for on-premises due to increasing use of cloud computing
- **I/O equipment:**
Projects which have been delayed in H1 due to some troubles will return to normal in H2
- **Software/Embedded devices:**
The effect of backlush of special demand for PCs is minor, same as the semiconductor business

➤ **Dividend policy:**

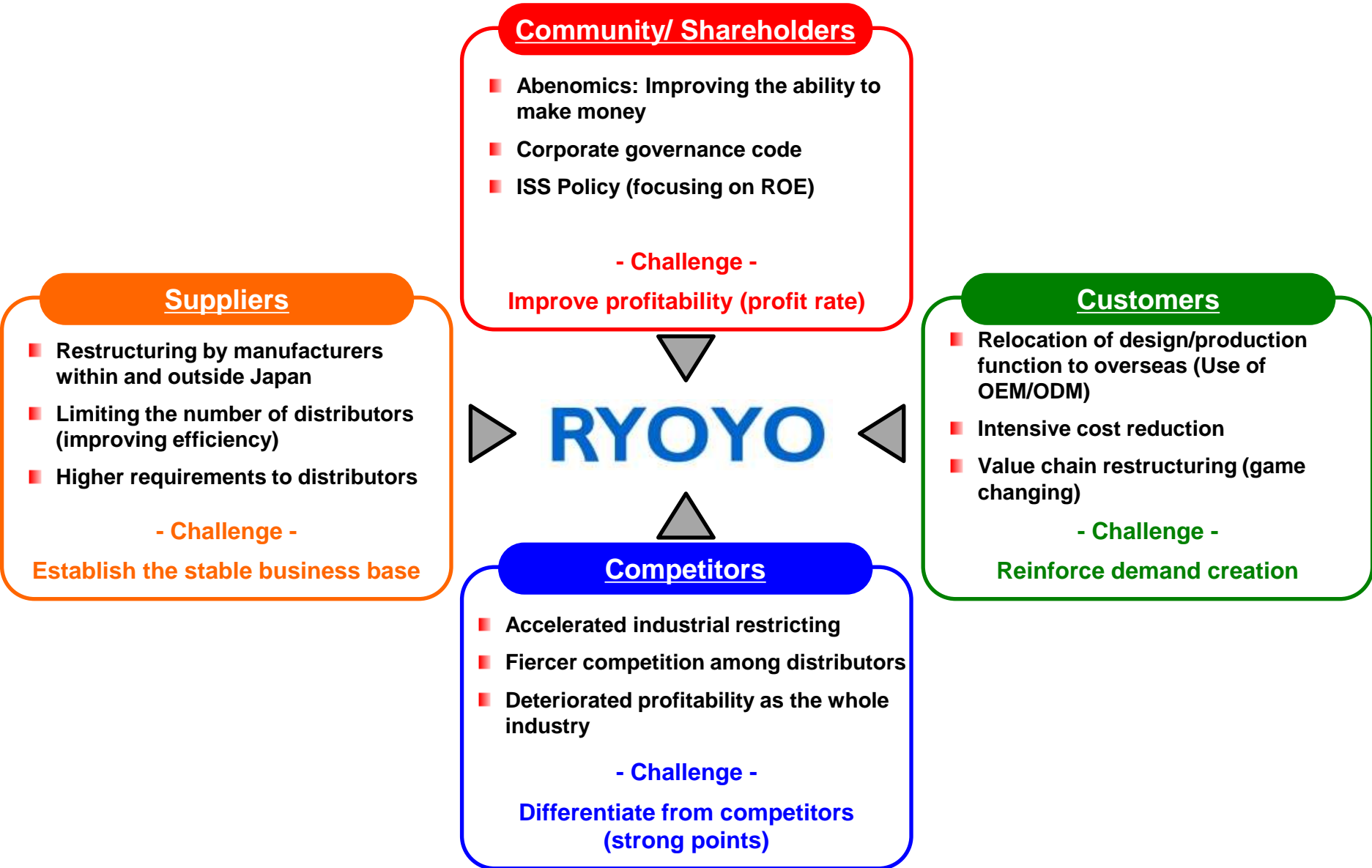
Allocation of profit earning through our business activity is one of our most important matters. While we seek to maintain the stable management base and expand business, we also seek a return for shareholders based on our financial condition and business performance.

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

		Dividend per share			Payout ratio	Payback
		Interim (Q2)	Year-end	Total		
FY2015	(Forecast)	-	15 yen	30 yen	39.3%	Not yet determined
	(Actual)	15 yen	-	-	-	600,000 shares
FY2014	(Actual)	15 yen	15 yen	30 yen	44.9%	-

Medium-term action

- Medium-term business plan (FY2016-FY2018) -



● Business Philosophy ●

Enhance the existence value with the times

● Mission ●

Group that achieves sustainable growth together with stakeholders

● Vision ●

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



Basic policy

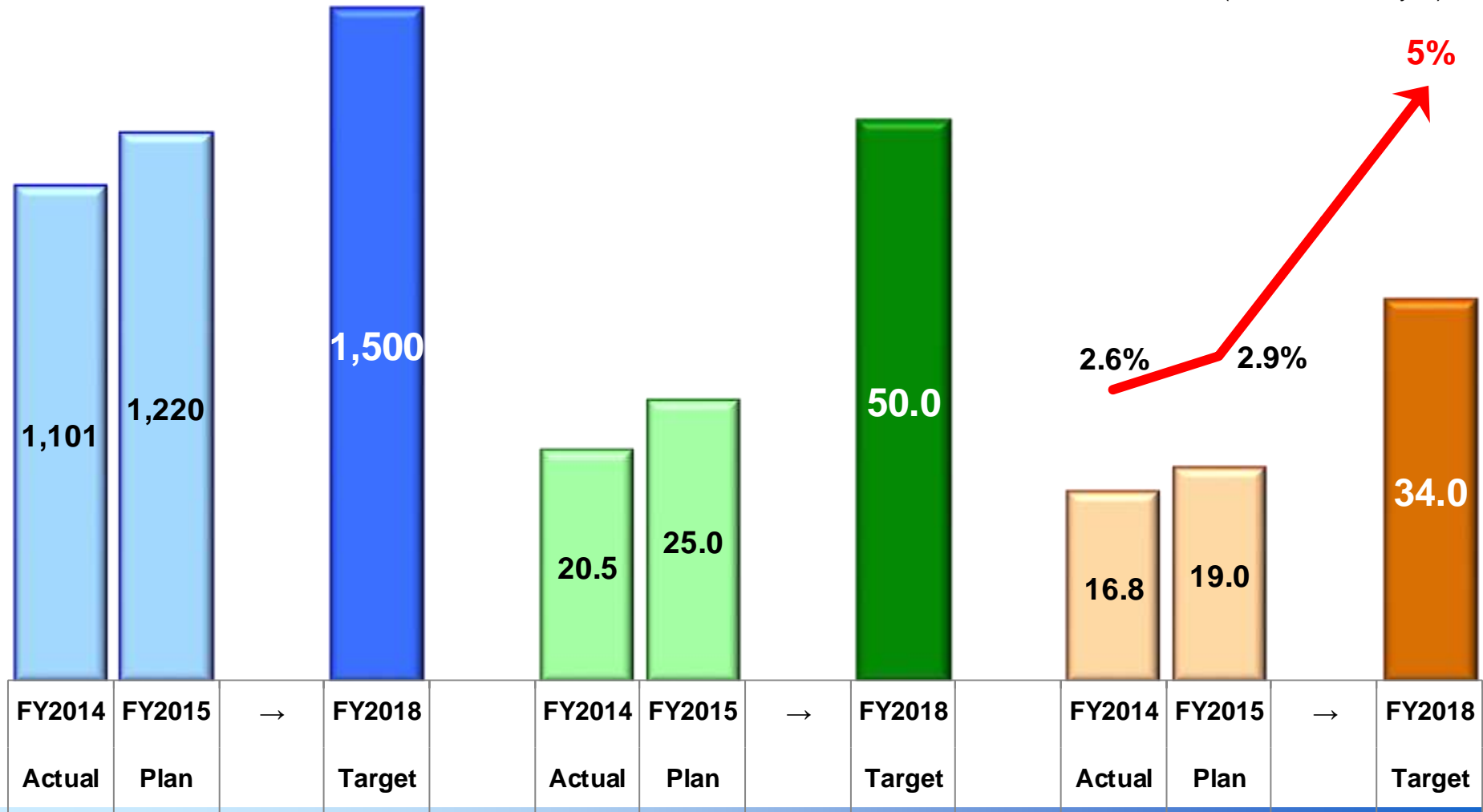
Create new strengths with IoT approach to contribute to customers' value improvement

1 Sales

2 Operating income

3 Net profit / ROE

(Unit: 100 million yen)



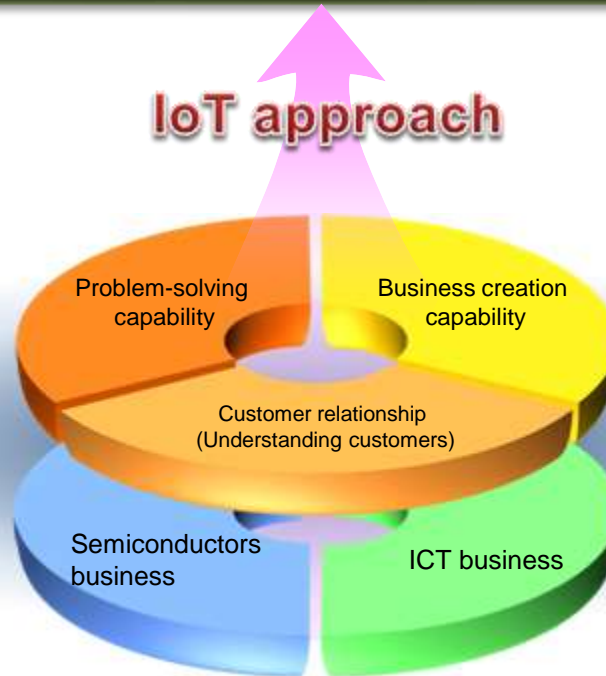
Basic strategies	Segments	
	Semiconductors/ Devices	ICT/ Solution
1 Expand the core businesses with IoT approach	✓	✓
2 Make strategic investments in growing areas	✓	✓
3 Accelerate the global strategy	✓	✓
4 Reinforce the business base for sustainable growth		

Business impact of spreading IoT



Core competencies ●●●➔

Core businesses ●●●➔



Spreading IoT accelerating reform of industrial structure

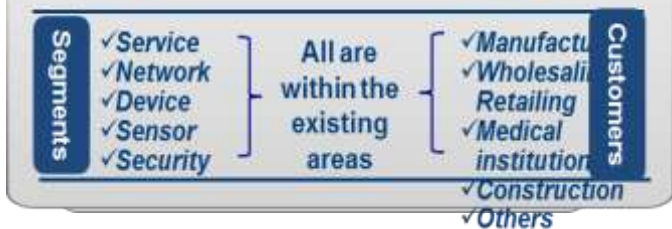
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Value proposal matching customers' IoT growth strategy (IoT approach)

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Expand the core businesses by creating business opportunities

RYOYO strength (1)



RYOYO strength (2)

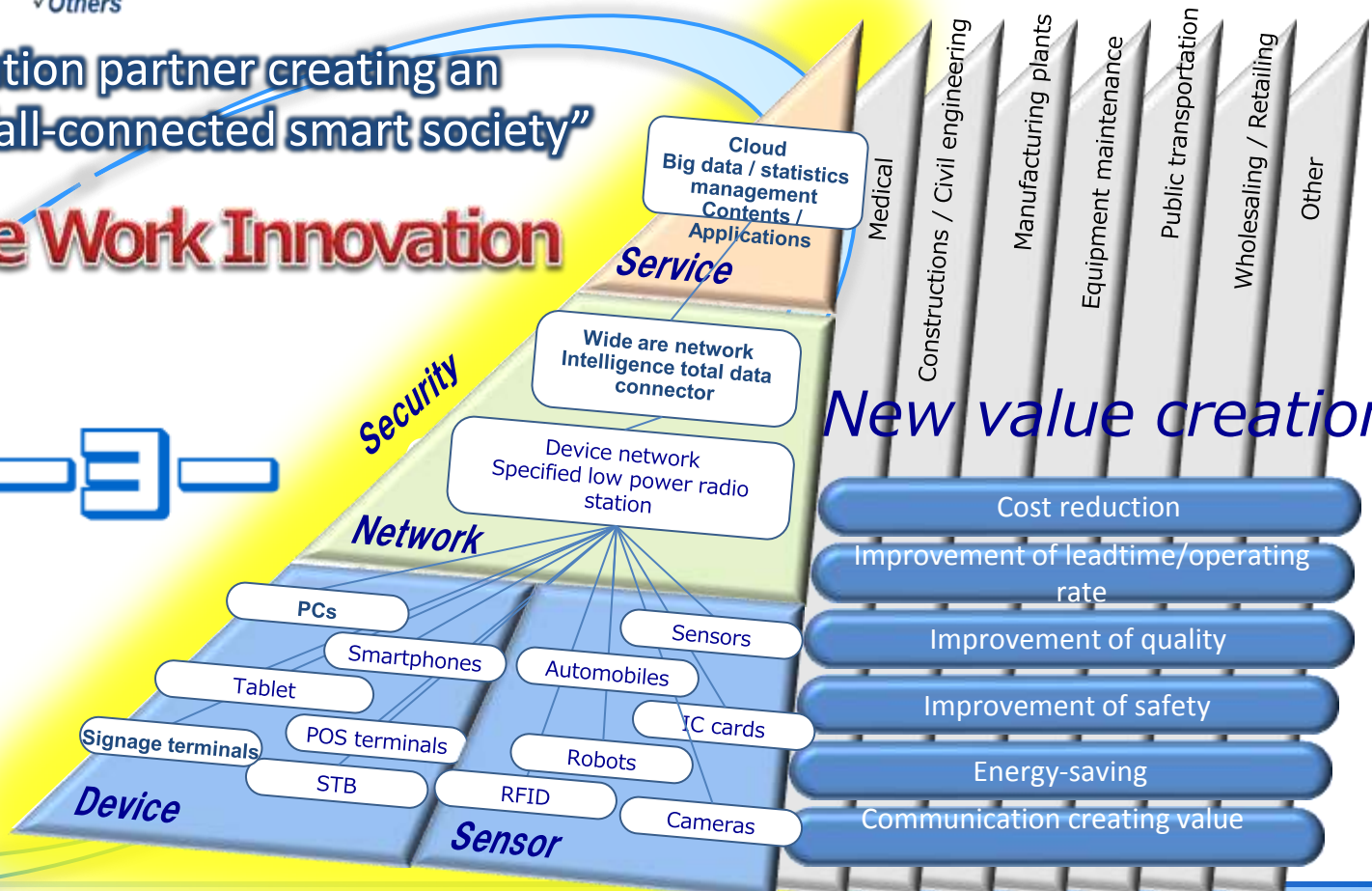
Total multi-vendors solution with state-of-art technology

RYOYO strength (3)

Demand creating meeting untapped demands from the market and customers

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

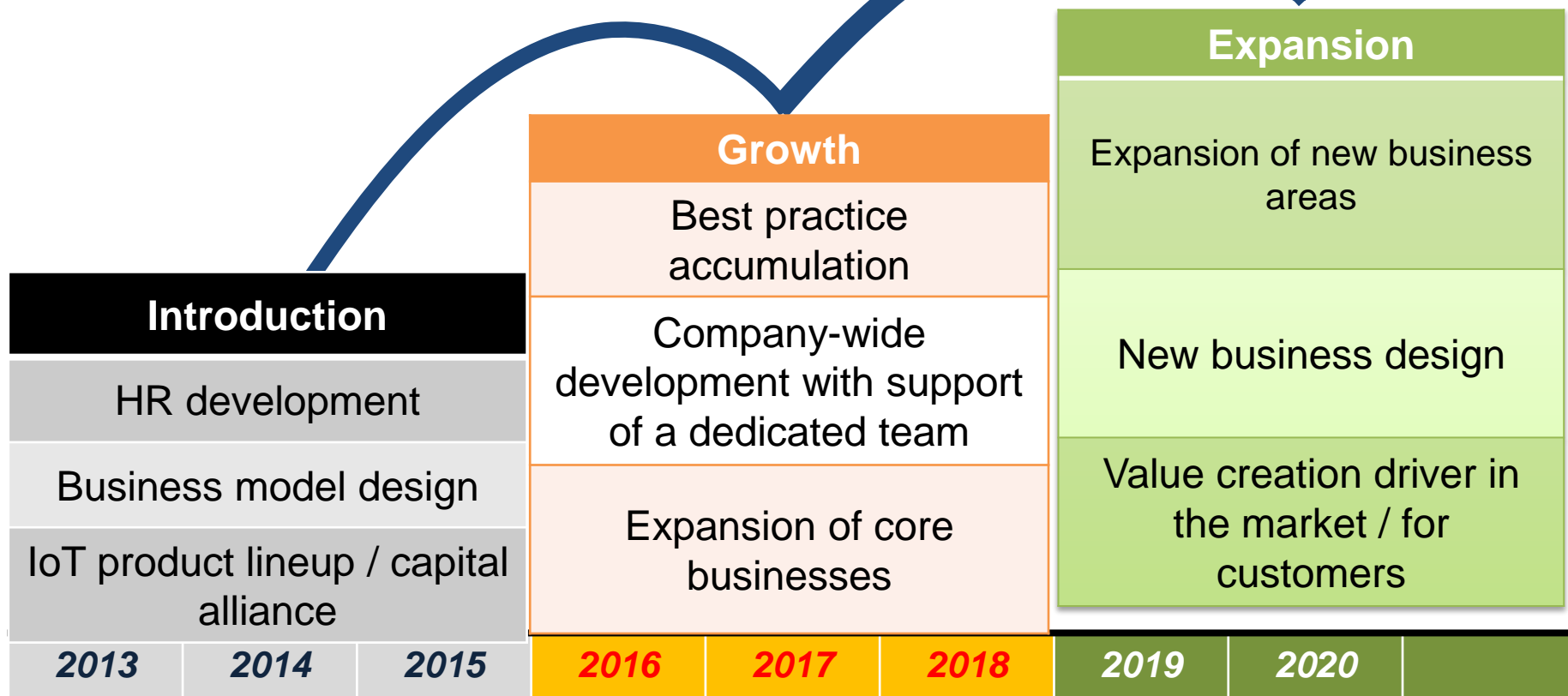
Field & Mobile Work Innovation



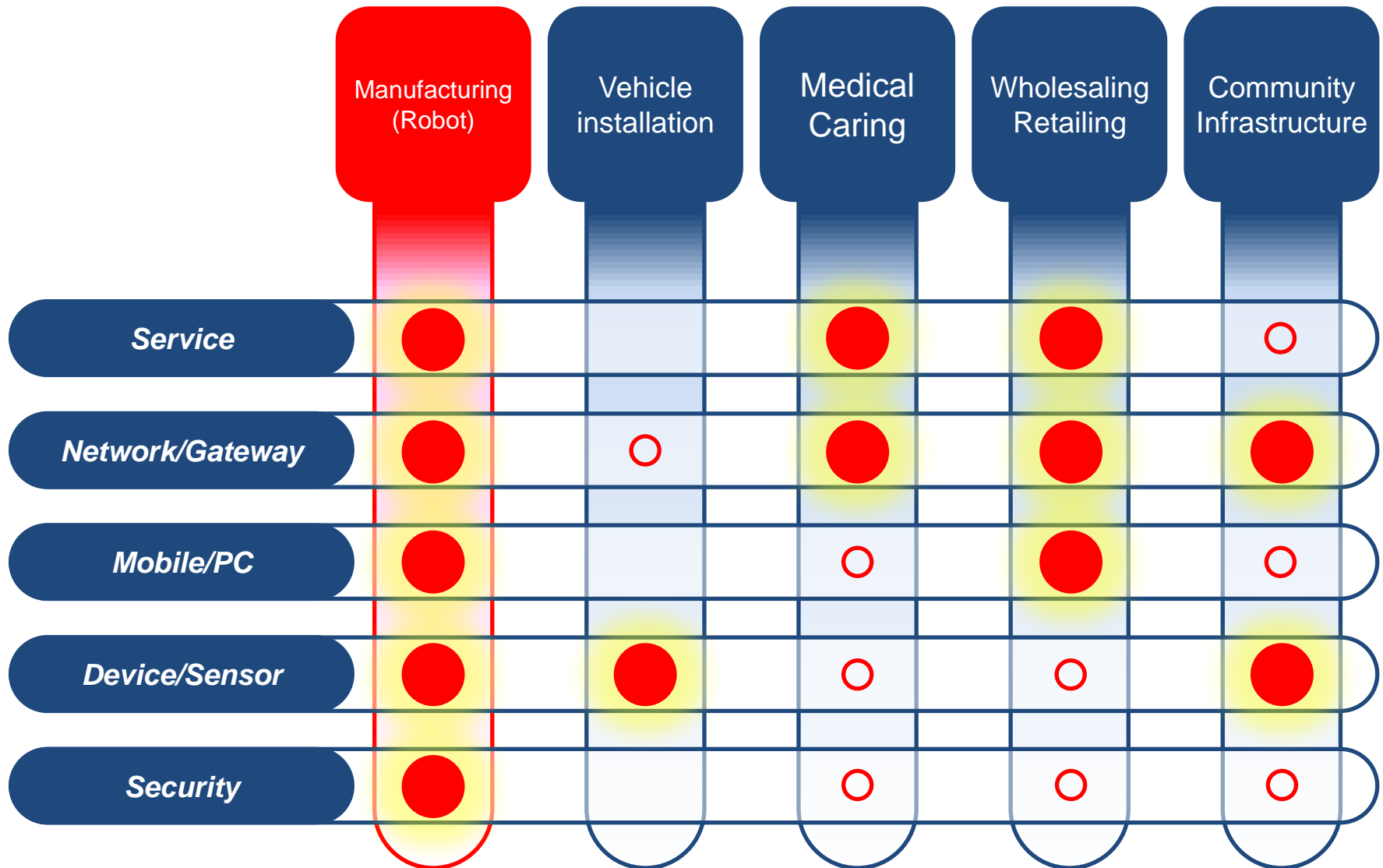
New value creation

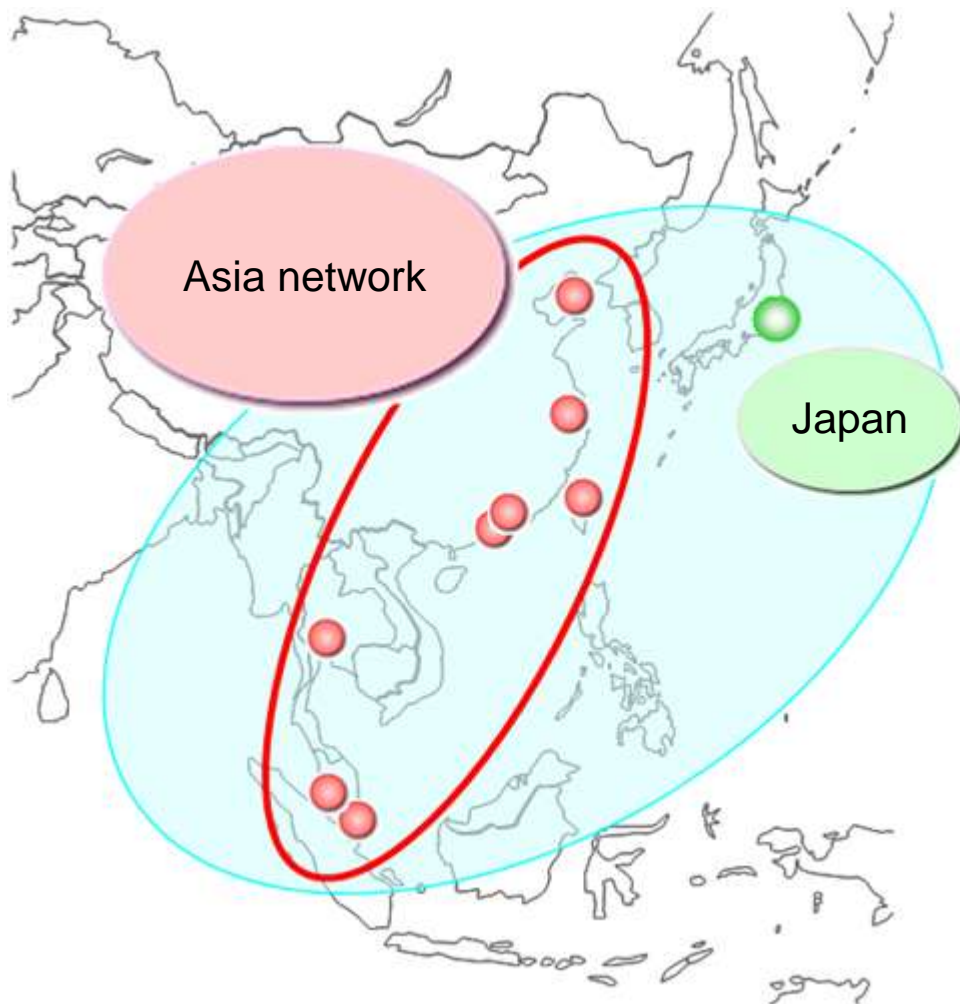
- Cost reduction
- Improvement of leadtime/operating rate
- Improvement of quality
- Improvement of safety
- Energy-saving
- Communication creating value

Reform to an IoT solution partner



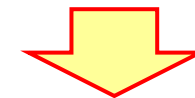
← New medium-term business plan →





Further the current medium-term business plan (FY2013-FY2015)

**By 2014
<<Launch self-businesses>>**



**2015 onward
<<Ensure profitability of self-businesses>>**

Sustainable growth



Reinforce corporate governance to practice transparent management

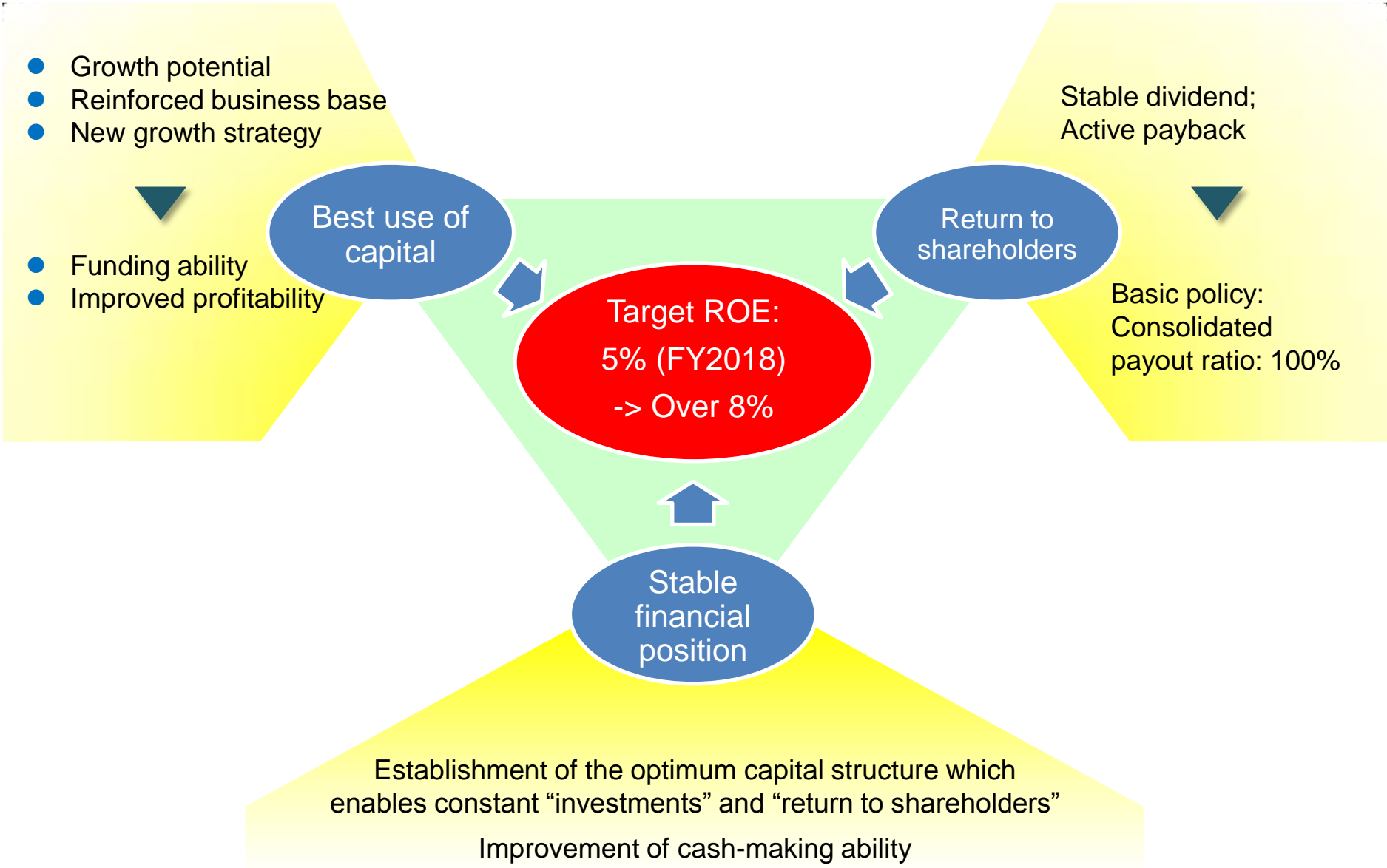
Demand creation; Further reinforce global HR development

Establish IT environment contributing to active marketing activities

Reinforce collaboration with business partners (including M&A)

Further improve operating efficiency (Expand BPO within and outside Japan)

Promote diversity management



<H1/FY2015 Business result>

- Sales, operating income, ordinary income and net profit are higher than both of the previous year and the original plan
- According to the return to shareholders policy, payback (600,000 shares) implemented

<FY2015 Business plan>

- No change to the original plan except minor revision of sales composition; Target increase in sales and profit three years in a row

<New medium-term business plan (FY2016-FY2018)>

- Accelerate all actions, targeting “reform to an IoT solution partner”
- FY2018 Target:
Sales: 150,000 million yen, Operating income: 5,000 million yen, ROE: 5%

- **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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