

# **FY2015 (56th) Results Briefing**

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March 10, 2016

**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, 2016)  
Consolidated: 501  
Non-consolidated: 452  
\*Whole group: 596

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

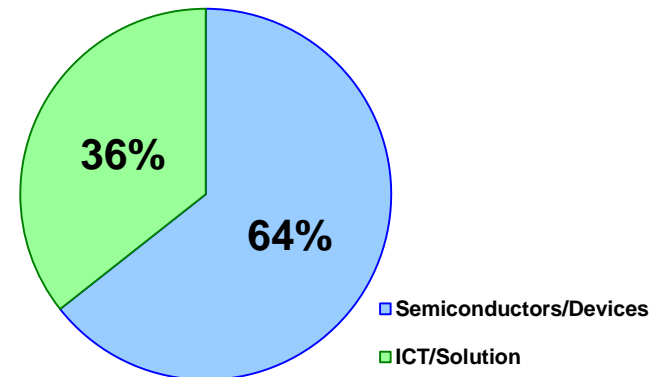
**ISO 9001 / 14001 / 27001** :  
All offices and subsidiaries in Japan  
(excluding Satellite Office)

**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 (FY2015)**



# FY2015 Business results

# P/L: Higher sale but lower profits than the previous year



(Unit: 100 million yen, %)

	FY2014	FY2015		YoY	Diff	Comments
	Actual	Plan※	Actual			
Sales	1,101	1,130	1,123	+2.0%	(0.6%)	Higher than the previous year
Gross profit	88.0	76.5	78.5	(10.8%)	+2.7%	Q3: Recognized loss on abandoned inventory and loss on inventory revaluation Q4: Reduced loss on inventory revaluation
(%)	8.0%	6.8%	7.0%			
SG&A	67.5	71.0	69.8	+3.4%	(1.7%)	
Operating income	20.5	5.5	8.8	(57.3%)	+59.4%	Much higher than the estimate announced in Nov due to better gross profit than expected and reduction of SG&A *Announced the revised business forecast on Mar 2
(%)	1.9%	0.5%	0.8%			
Non-operating income	4.4	3.5	2.2	(50.7%)	(37.4%)	Fell by 50% from the previous year due to more exchange loss and less gains
Ordinary income	25.0	9.0	11.0	(56.1%)	+21.8%	
(%)	2.3%	0.8%	1.0%			
Extraordinary income	1.9		1.3	(33.6%)		Recognized gain/loss on sale of investment securities and loss on fixed asset revaluation
Income before income taxes	26.9		12.2	(54.5%)		
Income taxes	10.1		4.8	(52.3%)		
Net profit	16.8	6.5	7.4	(55.9%)	+14.4%	
(%)	1.5%	0.6%	0.7%			
ROE	2.6%	1.0%	1.1%			

(Unit: 100 million yen, %)

	FY2014	FY2015		YoY	Diff	Comments	
	Actual	Plan※	Actual				
Total	1,101	1,130	1,123	+2.0%	(0.6%)		
Semiconductors/Devises	681	725	723	+6.1%	(0.3%)		
By Application	Communications	135	155	153	+13.4%	(1.4%)	Increased in the contract manufacturing business for communication devices
	Digital consumer electronics and other home electronics	87	110	101	+15.8%	(7.9%)	Increased mainly in products for TVs
	Vehicle installation	37	40	37	+0.1%	(7.1%)	No significant change from the previous year
	PC and peripherals	217	205	211	(2.9%)	+3.0%	Overall, including peripherals, ended up with the same level as the pervious year, despite lower sales in products for PCs due to production adjustments by some customers
	Industrials and others	205	215	221	+7.9%	+2.7%	Higher than the previous year, driven by solar-related business, despite some impacts of slowdown of the Chinese economy since summer
ICT/Solution	420	405	400	(4.6%)	(1.2%)		
By product	PC/Server/Network	140	120	115	(18.2%)	(4.5%)	In a slump for large-volume orders which we have been expecting
	I/O equipment	64	75	70	+9.6%	(6.1%)	Higher than the previous year, partly contributed by the start of new orders
	Software/Embedded devices	215	210	215	(0.1%)	+2.5%	Decreased in software for PCs but increased in embedded devices



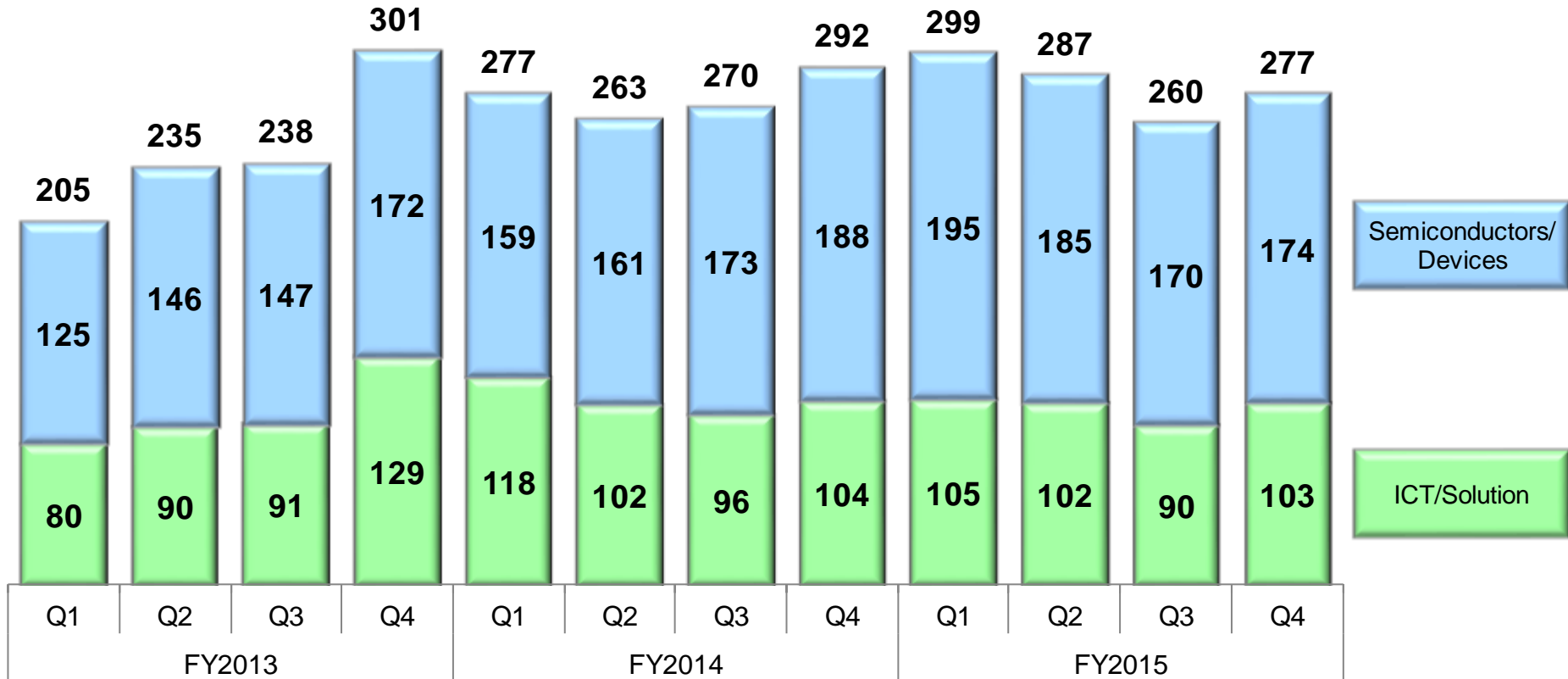
➤ **Semiconductors/Devices:**

Returned to an increase after the impacts by large-volume orders for communications which ended

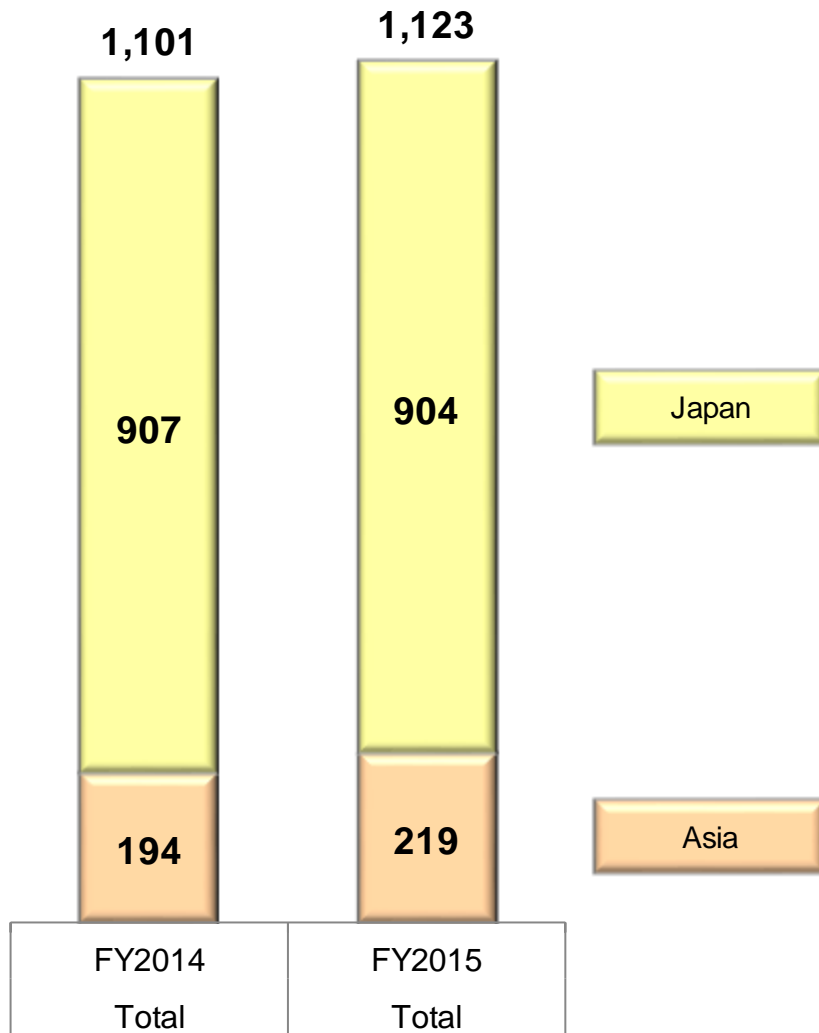
➤ **ICT/Solution:**

Increased on a year-on-year basis in all items, excepted to exceed 10,000 million yen

(Unit: 100 million yen)



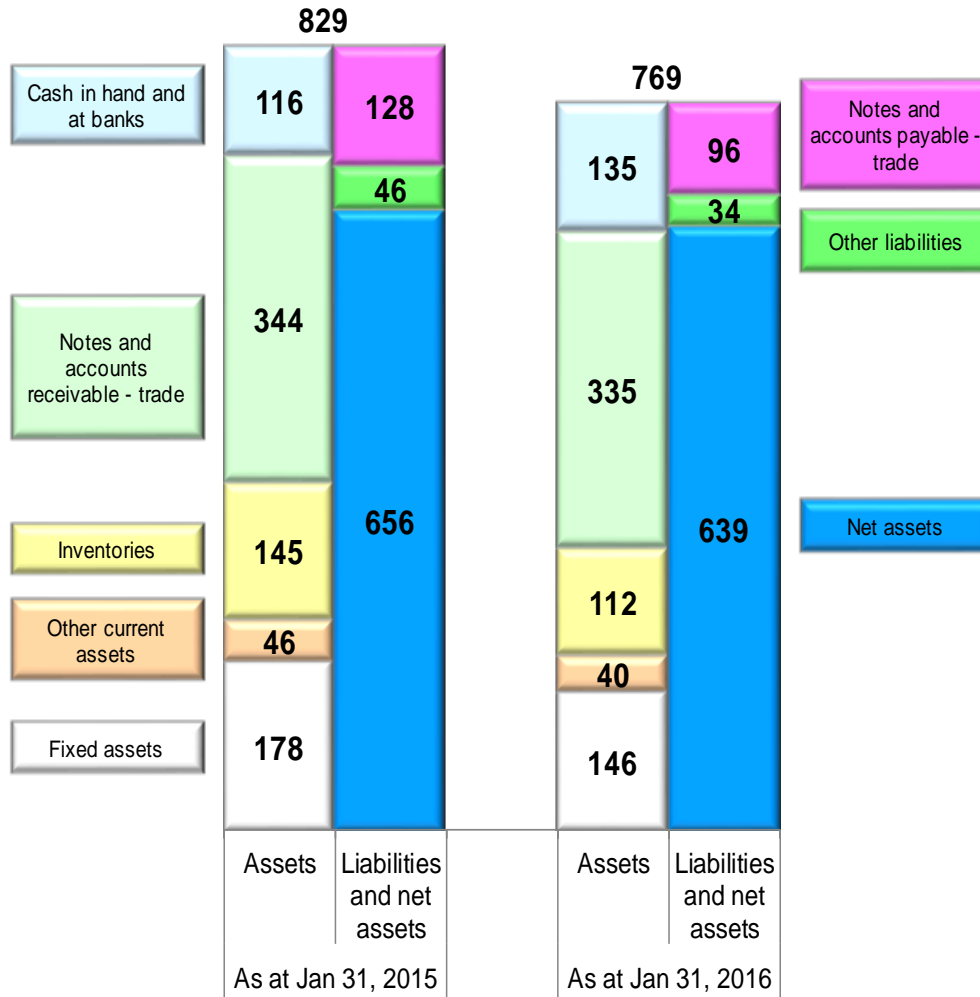
(Unit: 100 million yen)



**Slightly decreased in Japan, but still expanding in Asia**

- Japan:  
Increased in LCD for communication devices, but decreased in semiconductors for PCs and software
- Asia (Singapore, Hong Kong, Shanghai):  
Increased in semiconductors for TVs and LCD for communication devices

(Unit: 100 million yen)



**Continue to maintain the strong financial position**

- Accounts receivable / Inventories / Accounts payable:  
Decreased in line with the current sales trend
- Other current assets / Fixed assets:  
Investment securities (e.g. euro-yen bonds) being redeemed
- Net assets:  
Implemented a payback (600,000 shares)
- Equity ratio:  
83.1%



# FY2016 Business plan

➤ **Sales:**

Lower than the previous year due to the end of large-volume orders as well as the current uncertain situation

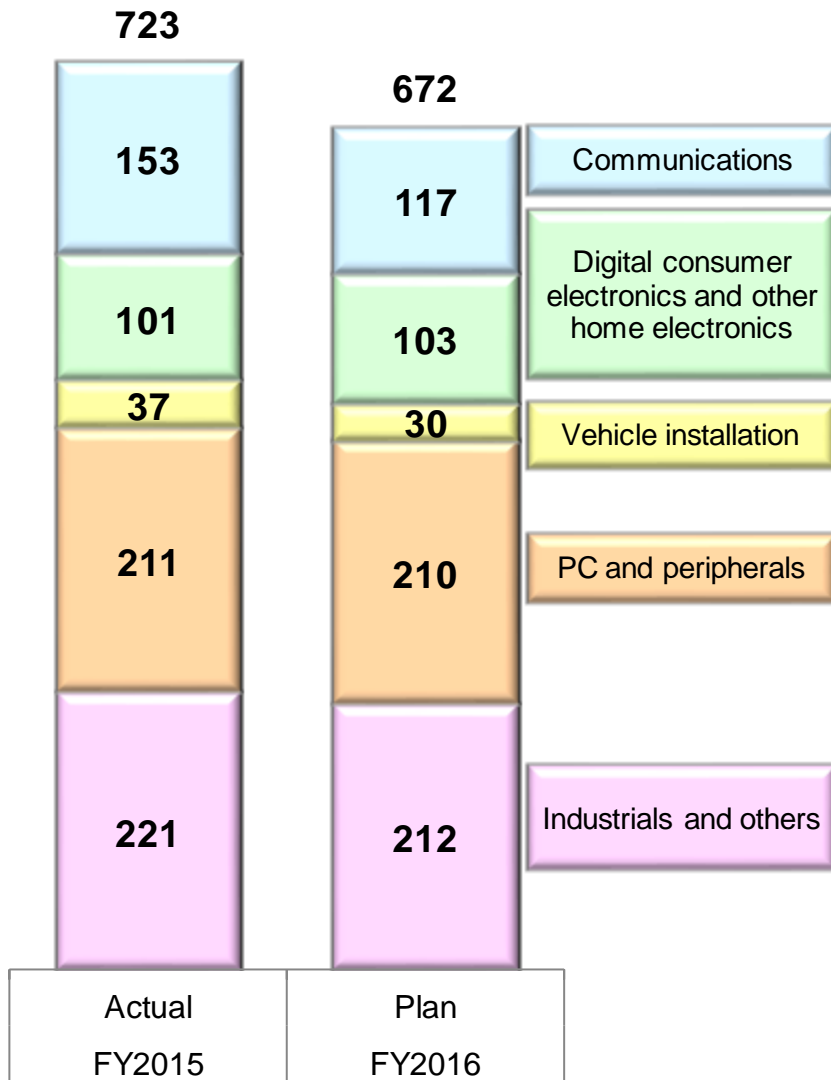
➤ **Gross profit / Operating income / Ordinary income / Net profit:**

Higher than the previous year, since the impacts of loss on abandoned inventory and loss on inventory revaluation which were recognized in FY2015 will be eliminated

(Unit: 100 million yen, %)

	FY2015 Total	FY2016		Total	Diff	YoY
		H1	H2			
Sales	1,123	530	570	1,100	(23.3)	(2.1%)
Gross profit	78.5	43.5	48.5	92.0	+13.5	+17.2%
(%)	7.0%	8.2%	8.5%	8.4%		
SG&A	69.8	35.5	35.5	71.0	+1.2	+1.8%
Operating income	8.8	8.0	13.0	21.0	+12.2	+139.5%
(%)	0.8%	1.5%	2.3%	1.9%		
Ordinary income	11.0	8.0	13.0	21.0	+10.0	+91.6%
Net profit	7.4	5.3	8.6	13.9	+6.5	+87.0%
(%)	0.7%	1.0%	1.5%	1.3%		
ROE	1.1%			2.2%		

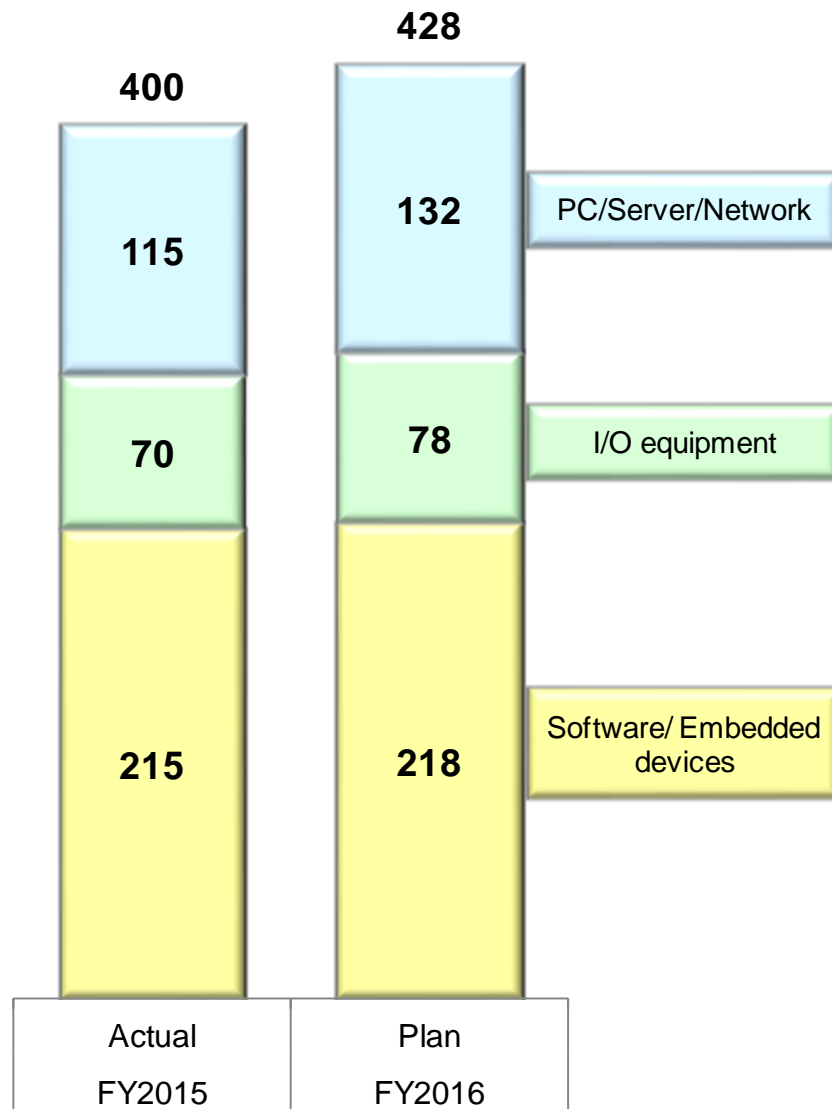
(Unit: 100 million yen)



**-5,100 million yen (-7.1%):  
End of some large-volume orders**

- **Communications:**  
Sales will be decreased due to the end of some large-volume orders
- **Digital consumer electronics and other home electronics:**  
Sales will remain stable mainly in products for TVs and game machines
- **PC and peripherals:**  
The weak demand for PCs will be compensated by printers and other peripherals
- **Industrials and others:**  
The future situation is still uncertain, especially for businesses where end-users are in China

(Unit: 100 million yen)



**+2,800 million yen (+6.9%):  
Sales expected to be increasing in all  
product groups**

- **PC/Server/LAN:**  
Orders for systems will be expanding by new marketing strategies, with contributions of new orders in network
- **I/O equipment:**  
No significant change expected from FY2015
- **Software/Embedded devices:**  
The increasing sales in embedded devices will compensate the downward trend in products for PCs

## ➤ 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		
FY2016	<b>(Forecast)</b>	<b>20 yen</b> (Common: 20 yen) (Commemorative: 5 yen)	<b>20 yen</b> (Common: 20 yen)	<b>40 yen</b>	<b>70.9%</b>	Refer to the following page
FY2015	<b>(Forecast)</b>	-	<b>15 yen</b>	<b>30 yen</b>	<b>100.0%</b>	-
	<b>(Actual)</b>	<b>15 yen</b>	-	-	-	<b>600,000 shares</b>
FY2014	<b>(Actual)</b>	<b>15 yen</b>	<b>15 yen</b>	<b>30 yen</b>	<b>44.9%</b>	—

\*In FY2016, we forecast that 5 yen per share of the 55th anniversary commemorative dividend at the end of Q2 and an increase in the year-end common dividend by 5 yen.

### ➤ Cancellation of treasury shares

- Number of shares cancelled: 600,000 shares  
(2.13% of the total shares issued before cancellation)
- Date of cancellation: March 2, 2016
- Number of shares issued after cancellation: 27,600,000 shares
- Number of treasury shares after cancellation: 2,964,147 shares  
(10.74% of the total shares issued after cancellation)

### ➤ Payback:

- Number of shares paid-back: 150,000 shares (a cap under laws)  
(0.61% of the total shares issued (excluding treasury shares) before payback)
- Total payback amount: 200 million yen (a cap under laws)
- Payback period: March 10, 2016 to April 15, 2016

## Medium-term actions (up to FY2018)

Basic policy

**Contribute to customers' higher value added by creating new strengths through the IoT approach**

**Basic strategy I**

Expand the core businesses through the IoT approach

**Basic strategy II**

Strategically focus investments on growing markets

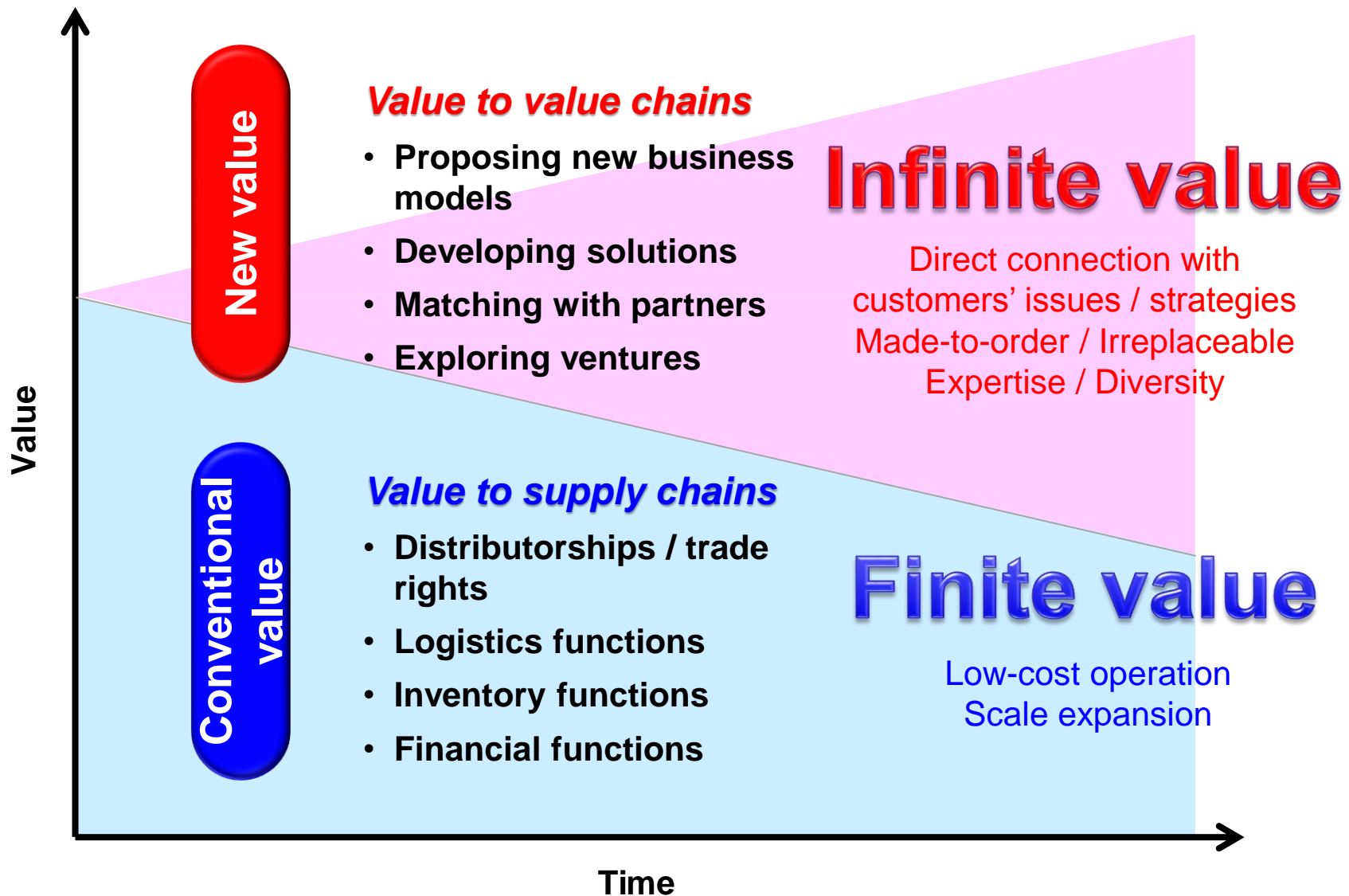
**Basic strategy III**

Accelerate the global strategy

**Basic strategy IV**

Strengthen the business base for sustainable growth





Last year, we set up “IoT Promotion Project,” a dedicated team which assists in promoting company-wide leverage of new business models that we have achieved



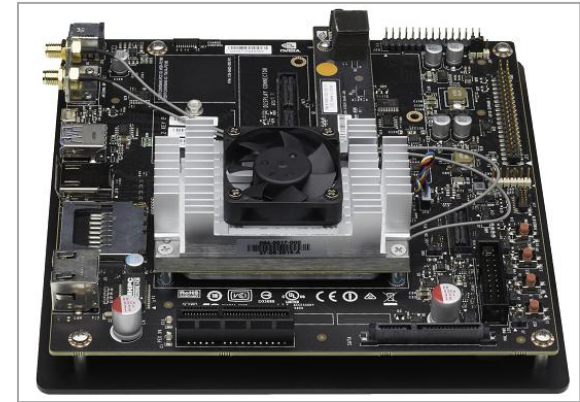
Identify best practices

Develop IoT solutions

Support proposal activities

Enhance products / services

**RYOYO Group has been appointed as **the only one authorized distributor in Japan** and started to deliver the products in the middle of March**



“NVIDIA Jetson TX1”  
Development Kit

➤ What is “Jetson TX1”?

“Jetson TX1” is the world first module-type supercomputer developed by NVIDIA. It embodies state-of-art technologies such as “deep learning,” “computer vision,” “GPU computing” and “graphics.”



It's expected to be used for developing new-generation autonomous robot systems with AI

## <FY2015 Business results>

- While sales are higher than the previous year, operating income, ordinary income and net profit are much lower than the previous year due to loss on abandoned inventory and loss on inventory revaluation

## <FY2016 Business plan>

- Sales is expected to be lower than the previous year due to the end of some large-volume orders as well as the increasing uncertainties in the global economy
- While profits at all levels (including gross profit) will be higher than the previous year, operating income is expected to be at the same level as FY2014 (2,050 million yen)

## <Medium-term actions>

- We'll start the medium-term management plan in FY2016
- Our initiatives focusing on IoT is going to bring results gradually but steadily

- **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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