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## For Immediate Release

### **Ryosan Company, Limited**

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Listing Code No.: 8140

Listing: First Section, Tokyo Stock Exchange

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## **Notice Concerning Suspension of the 10th Medium-Term Business Plan and Implementation of Measures to Enhance Profitability**

Ryosan Company, Limited ("the Company") announces that the Board of Directors held today has resolved to suspend the 10th Medium-Term Business Plan and to implement measures to enhance profitability as described below in order to respond to drastic changes in the business environment.

### 1. Background

The Company issued the 10th Medium-Term Business Plan with the basic aspirations of reconstructing the business portfolio and improving capital efficiency of the Company. To achieve these goals, the Company formulated the three pillars of growth strategy, financial strategy, and infrastructure strategy.

The Company's growth strategy sought to diversify the business portfolio and enhance the business profitability of the Company through the introduction of high value-added solution business, the creation of core suppliers, and the expansion of local overseas businesses. The Company's financial strategy sought to achieve an ROE target of 5% mainly by profitability enhancement, asset liquidation, and continuous capital allocation. In the infrastructure strategy, as a basis for the measures discussed above, the Company planned to take actions including development of new operation IT systems and revision of HR framework. The goal for Fiscal Year 2020 was net sales of 300,000 million yen and operating income of 8,500 million yen.

However, as the result of policy changes with its main suppliers to reduce the sales incentives and the gross margins for its distributors, the Company's business profitability deteriorated. Furthermore, there were increased requests from customers and suppliers for inventory holdings of end-of-life (EOL) products or for business continuity plan (BCP) purposes. As a result, there was an increase in the Company's burden for raising funds. Additionally, an increase in USD interest rates and a global economic slowdown in countries such as China caused a sudden worsening of the profit environment on a Group consolidated basis.

Above all, the changes in these business margins with its main suppliers had a significant impact on Ryosan's existing business models which are quite different from the seasonal impacts of the market gap. Furthermore, the Company has determined that it will be difficult to achieve the plan for enhanced profitability and improved capital efficiency as envisioned in the original scenario. Ultimately, the Company has decided to suspend the 10th Medium-Term Business Plan and to begin action for reforming the Company's business structure in order to enhance profitability.

## 2. Purpose and Overview of Measures to Enhance Profitability

The Company will re-evaluate the business portfolio which had been structured in accordance with the 10th Medium-Term Business Plan and will implement the following measures with the aim of low-cost management based on the Renesas business and electronic components business. By strengthening the profit structure, the Company seeks to achieve an ROE of 5% by Fiscal Year 2020.

### Overview of Measures

Business	Withdrawal from non-profitable businesses (increase efficiency of underperforming operations)
	Optimize organizations and headcounts
	Evaluate and concentrate on key projects with solution business initiatives
	Expand the Renesas business
	Introduce business model to change the technical support function to the profit center
ALM (Asset and Liability Management)	Reduce inventory volume and minimize US\$ borrowing
	Streamline control function and minimize head office space usage
	Disposition of non-working assets including investment securities

Through the measures listed above, the Company seeks to reduce fixed costs by 1,300 million yen from Fiscal Year 2020. Details of measures such as headcount optimization and the financial impact of such measures will be announced as appropriate once an outline has been finalized. Also, after the implementation of measures to enhance profitability, new medium-term business plan is scheduled to be released for Fiscal Year 2020.

## 3. Future Prospects

The Company expects temporary expenses for implementing measures to enhance profitability to be 900 million yen in Fiscal Year 2019. The impact of these temporary expenses on financial results is included in the Consolidated Earnings Report for Fiscal Year 2019 released today. Furthermore, as already stated in said Consolidated Earnings Report, annual ordinary dividends in Fiscal Year 2019 will be 100 yen in order to enhance profitability.

## 4. Management Responsibility

Compensation for Directors (excluding Outside Directors) and Senior Executive Officers will be reduced by 20% in Fiscal Year 2019.

In addition to clarifying management responsibility, the Company will make changes to members appointed as Directors (excluding Audit and Supervisory Committee Members) in order to ensure implementation of measures to enhance profitability and reform business structure.

Current Position		New Position	
Representative Director, Executive Chairman	Naoto Mimatsu	Representative Director, President	Hiroyuki Kurihara
Representative Director, President	Hiroyuki Kurihara	Director, Senior Executive Officer	Iwao Sakamoto*
Director, Senior Executive Officer	Kazunori Sato	Director, Senior Executive Officer	Masahide Nishiura
Director, Senior Executive Officer	Masahide Nishiura	Director, Senior Executive Officer	Kazuhiko Inaba

\*Scheduled to resign from his position as Director (Full-time Audit and Supervisory Committee Member) at the conclusion of the 63rd Ordinary General Shareholders' Meeting to be held on June 25, 2019.