



Ryosan Company, Limited

Supplementary Materials for FY2020 First Half Financial Results

Results for the six months ended September 30, 2020

FY2020: Fiscal year ending March 31, 2021

November 26, 2020

Financial Results for FY2020 First Half

Business Plan for Full Year FY2020

Notice

Business forecasts and all statements related to the future contained in this document are based on information currently possessed by Ryosan Company, Limited (Ryosan) and on certain assumptions which are judged to be rational. Actual business performance may differ greatly depending on a variety of factors. The following is a list of major factors:

- Economic conditions in key markets (Japan and the rest of Asia), rapid changes in consumption trends and supply-demand balance for products
- Sharp fluctuations in the dollar-yen exchange rate
- Substantial fluctuation in prices in capital markets

Consolidated Statements of Operation

Financial Results for
FY2020 First Half

- In the consolidated first half of fiscal year 2020 (H1 FY2020), both net sales and operating income declined against the same period of the previous fiscal year (YoY), amid slumping demand due to the COVID-19 pandemic.
- Ordinary income decreased 10.8% YoY to ¥1.6 bil, a figure eased by factors such as foreign exchange gains caused by the revaluation of foreign-currency-denominated liabilities.
- Net profit advanced 37.4% to ¥1.4 bil, buoyed by factors such as sale of investment securities.

(Unit: ¥Bil)	H1 FY19	H1 FY20	
	Amount	Amount	Change
Net Sales	116.4	97.1	-16.5%
Gross Profit	9.2	8.1	-11.8%
(% of Net Sales)	(7.9%)	(8.4%)	(+0.5pt)
Operating Income	1.8	1.2	-33.7%
(% of Net Sales)	(1.6%)	(1.3%)	(-0.3pt)
Ordinary Income	1.8	1.6	-10.8%
(% of Net Sales)	(1.6%)	(1.7%)	(+0.1pt)
Net Profit	1.0	1.4	+37.4%
(% of Net Sales)	(0.9%)	(1.5%)	(+0.6pt)
EPS (¥)	46.15	63.39	+37.4%
US Dollar Average Rate (¥)	108.63	106.92	-1.6%

Factors in Increase/Decrease of Net Sales and Ordinary Income

- Factors in the decline in net sales YoY include the effects of the COVID-19 pandemic (¥15.5 bil) and a decrease in transactions prompted by counter measures for profitability enhancement (liquidation of loss-making businesses) (¥2.5 bil).
- Ordinary income declined ¥200 mil YoY, as positive factors such as counter measures for profitability enhancement (reduction of personnel and other expenses, as well as reduction of interest expenses through shedding of inventories) and foreign exchange gains* failed to offset the decline in sales.

Figure 1. Net Sales (billions of yen)

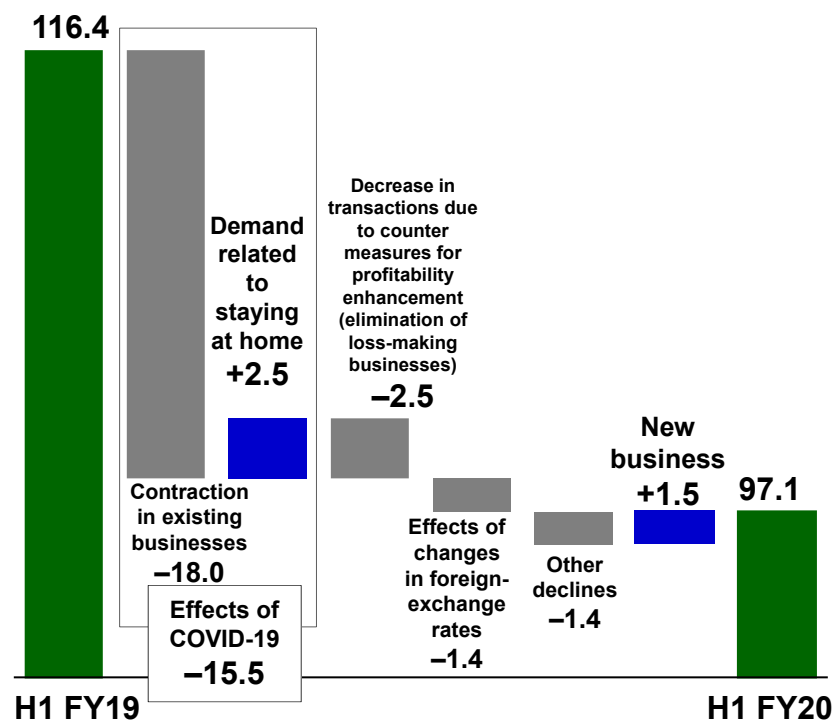
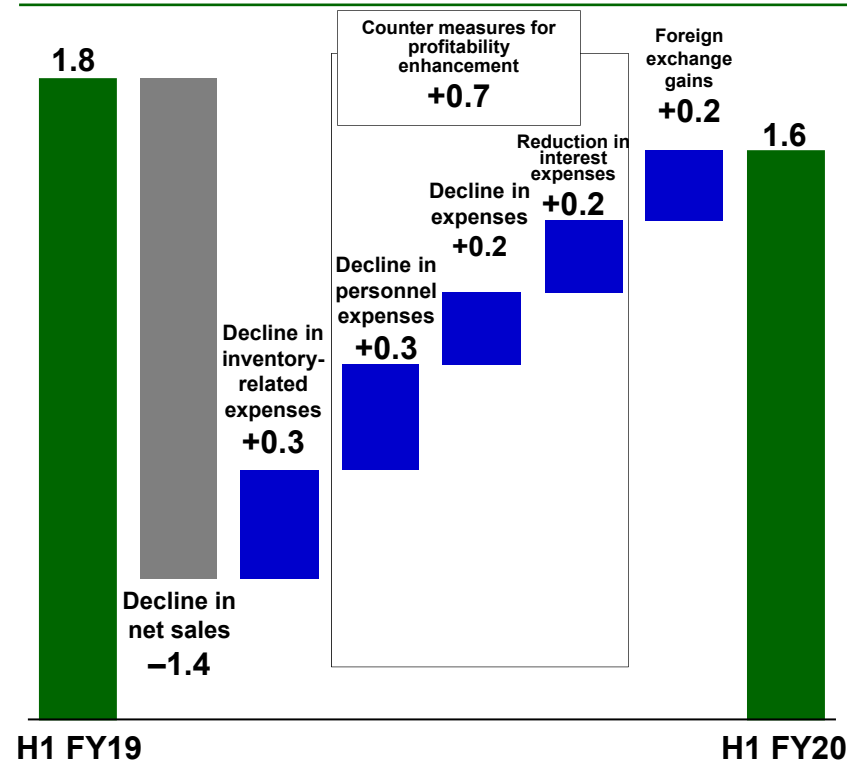


Figure 2. Ordinary Income (billions of yen)



*Foreign-currency-denominated assets and liabilities are balanced with foreign-currency loans payable. Foreign exchange gains and losses in gross profit are hedged using foreign exchange gains and losses generated by foreign-currency loans payable.

Segment Information

Financial Results for
FY2020 First Half

- In the Semiconductors business, net sales declined 17.3% YoY due to a slowdown in the automotive business resulting from the COVID-19 pandemic. Operating income dropped 42.7% YoY, impacted by the fall in net sales and ad hoc costs associated with changes in supplier policies.
- In the Electronic Components business, a favorable trend in the consumer business, derived from demand associated with staying at home, was more than offset by a decline in the automotive business, causing both sales and income to decline.
- The Electronic Equipment business suffered declines in both sales and income due to a significant decrease in large projects in the automotive business.

(Unit: ¥Bil)		H1 FY19	H1 FY20	
		Results	Results	Change
Semiconductors	Net Sales	69.2	57.2	-17.3%
	Operating Income	0.8	0.46	-42.7%
	(% of Net Sales)	(1.2%)	(0.8%)	(-0.4pt)
Electronic Components	Net Sales	38.0	34.0	-10.3%
	Operating Income	1.19	0.97	-18.8%
	(% of Net Sales)	(3.1%)	(2.8%)	(-0.3pt)
Electronic Equipment	Net Sales	9.2	5.8	-36.5%
	Operating Income	0.17	0.03	-77.4%
	(% of Net Sales)	(1.9%)	(0.7%)	(-1.2pt)
Total	Net Sales	116.4	97.1	-16.5%
	Operating Income	1.88	1.25	-33.7%
	(% of Net Sales)	(1.6%)	(1.3%)	(-0.3pt)

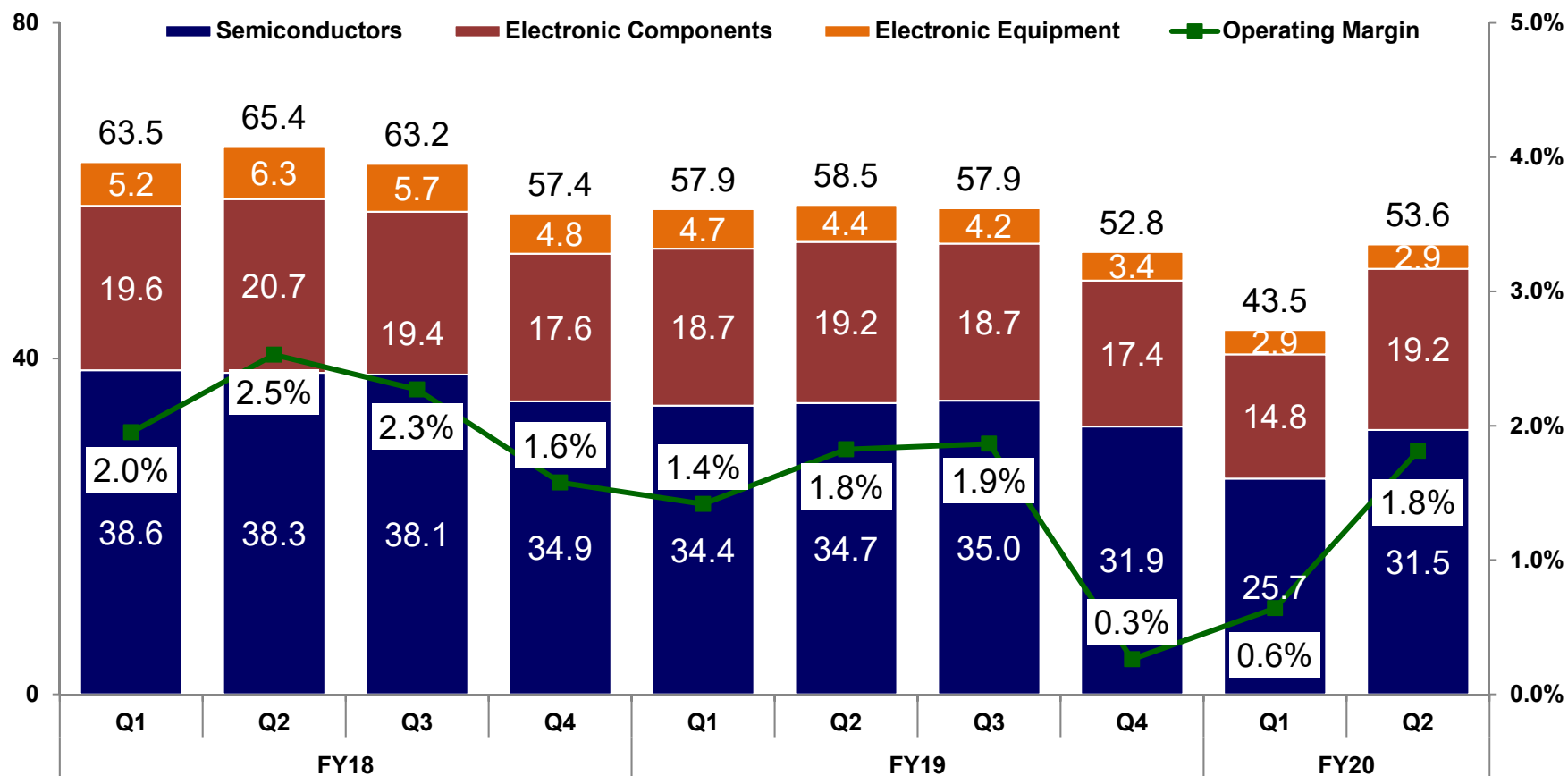
Trend in Net Sales and Operating Margins by Quarter

Financial Results for
FY2020 First Half

- Net sales in FY2020 bottomed out in Q1 and recovered to ¥53.6 bil in Q2.
- Operating margin declined to below 1% due to elimination of inventory in Q4 FY2019 and a reduction in net sales in Q1 FY2020 but recovered to 1.8% in Q2.

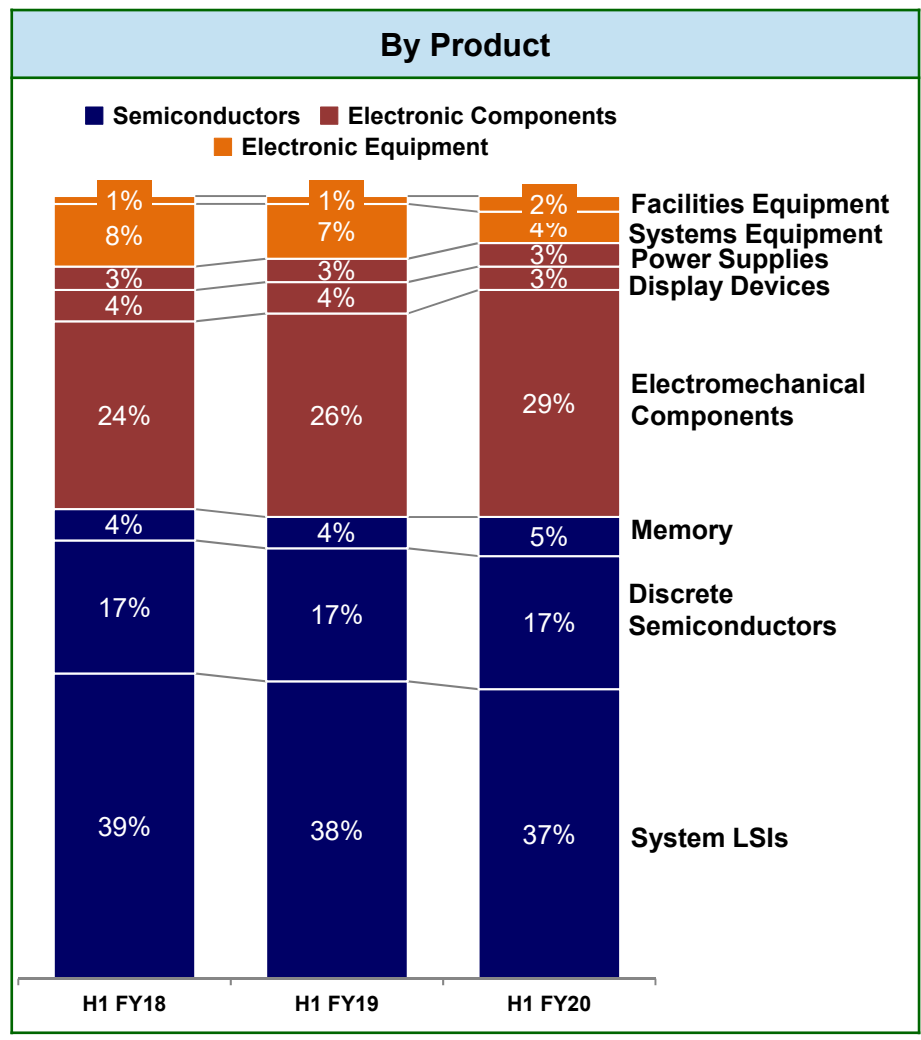
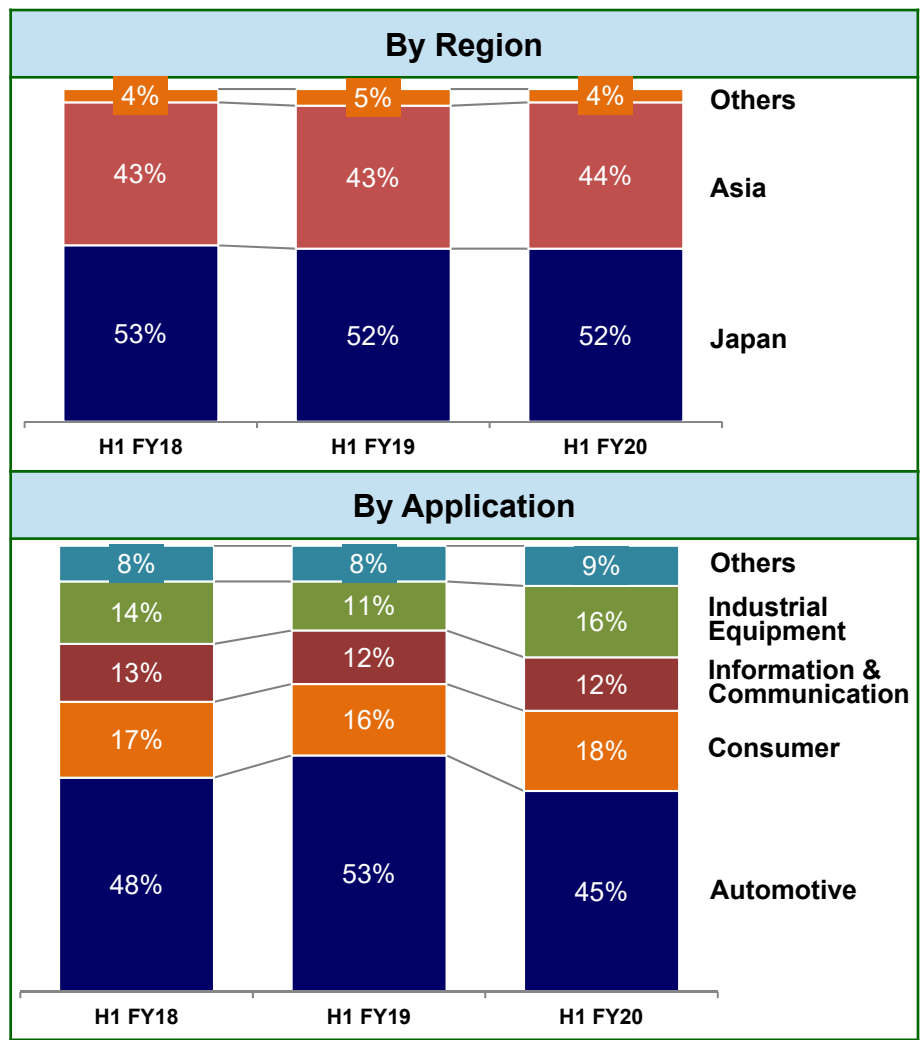
Net Sales (Unit: ¥Bil)

Operating Margin



Segment Trend Information

■ In trends by region, no significant changes are recognized. In trends by application, automotive business, which was most severely impacted by the COVID-19 pandemic, declined. Trends by product revealed an expansion in sales of electromechanical components amid firm consumer sales, driven by demand associated with staying at home.



Consolidated Balance Sheet / Consolidated Statements of Cash Flow

Financial Results for
FY2020 First Half

- The consolidated balance sheet is little changed from March 31, 2020.
- Cash flow from operating activities in H1 FY2020 decreased by ¥6.3 bil amid an increase in inventories due to production adjustments by business partners and a decline in notes and accounts payable–trade. Cash flows from financing activities increased by ¥2 bil, driven by factors such as an increase in short-term loans payable.

(Unit: ¥Bil)	As of Mar. 31, 2020	As of Sept. 30, 2020	Increase and Decrease
Total Assets	137.7	137.8	+0.1
Current Assets	121.7	122.3	+0.6
Non-Current Assets	15.9	15.5	-0.4
Liabilities	52.8	52.3	-0.5
Net Assets	84.9	85.5	+0.6
Net Assets to Total Assets (%)	61.7%	62.1%	+0.4%

(Unit: ¥Bil)	H1 FY19	H1 FY20	Increase and Decrease
Cash Flow from Operating Activities	13.0	-6.3	-19.3
Cash Flow from Investing Activities	-0.1	0.3	+0.4
Cash Flow from Financing Activities	-6.1	2.0	+8.1
Cash and Cash Equivalents at the End of the Period	21.1	20.5	-0.6

Financial Results for FY2020 First Half

Business Plan for Full Year FY2020

Business Objectives

Business Plan for
Full Year FY2020

- Full-year net sales and operating income in FY2020 are forecast to decline to ¥200 bil and ¥2.2 bil respectively. The downtrend in demand, particularly in the automotive business, from the impact of the COVID-19 pandemic in H1 is expected to linger.
- Some temporary expenses associated with counter measures for profitability enhancement that occurred in the previous fiscal year did not occur in the period under review. Accordingly, Ryosan is targeting an 84.3% increase in net profit YoY to ¥2.2 bil.

(Unit: ¥Bil)	FY19	FY20			Change (FY20-19)
	Full Year	1st Half	2nd Half Plan	Full-Year Plan	
Net Sales	227.2	97.1	102.8	200.0	-12.0%
Gross Profit	17.7	8.1	8.0	16.2	-8.8%
(% of Net Sales)	(7.8%)	(8.4%)	(7.8%)	(8.1%)	(-1.0pt)
Operating Income	3.1	1.2	0.9	2.2	-29.2%
(% of Net Sales)	(1.4%)	(1.3%)	(0.9%)	(1.1%)	(-0.3pt)
Ordinary Income	2.9	1.6	0.9	2.6	-10.9%
(% of Net Sales)	(1.3%)	(1.7%)	(0.9%)	(1.3%)	(+0.0pt)
Net Profit	1.1	1.4	0.7	2.2	+84.3%
(% of Net Sales)	(0.5%)	(1.5%)	(0.7%)	(1.1%)	(+0.6pt)
EPS (¥)	50.96	63.39	30.51	93.90	+84.3%
US Dollar Average Rate (¥)	108.74	106.92	105.00	105.96	-2.6%

Overview of Business Plan by Business Segments

Business Plan for
Full Year FY2020

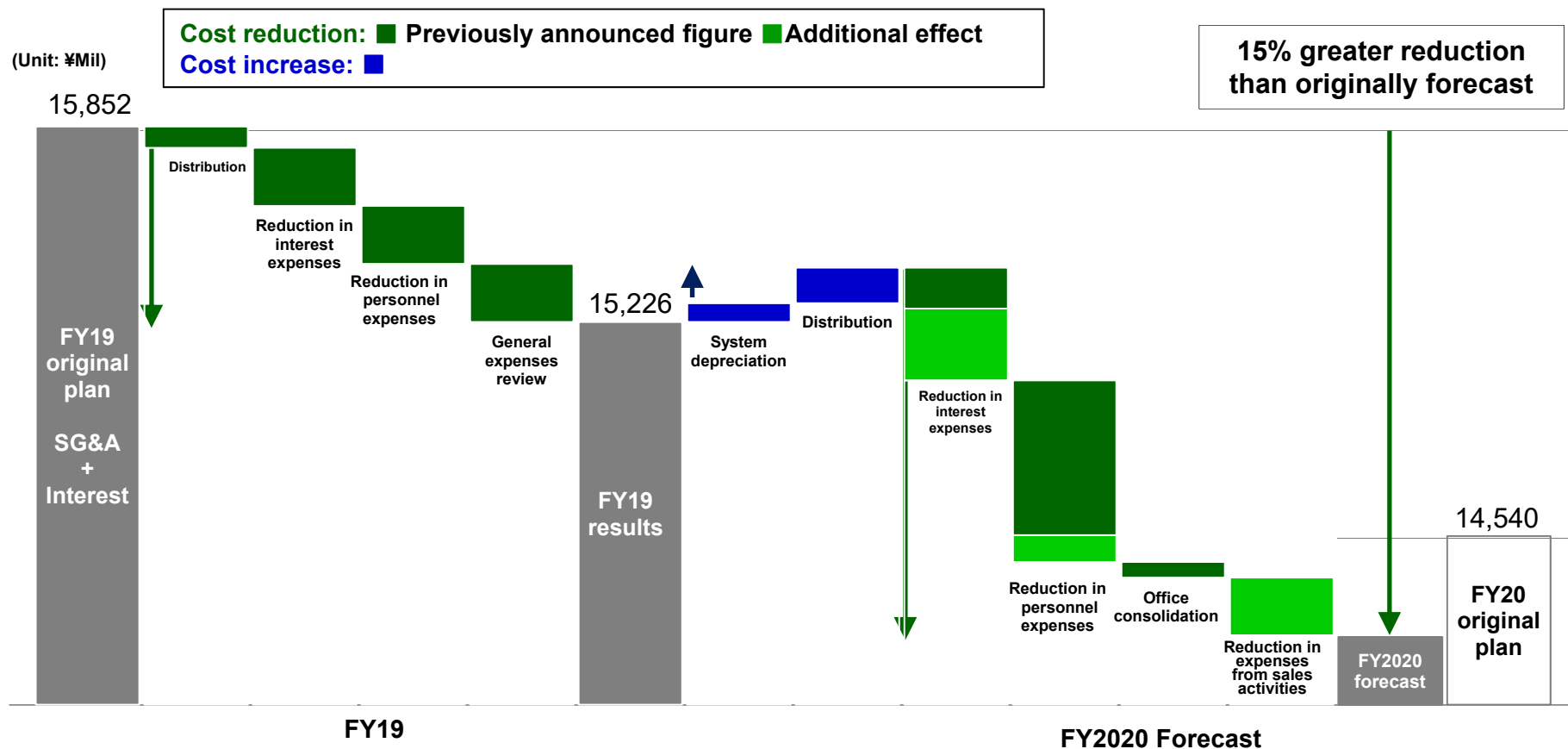
- Ryosan expects a decline in full-year net sales, as growing contributions to revenues from new businesses will not be enough to offset a decline in the automotive business. Operating income is expected to decrease due to ad hoc costs in new businesses.
- In the Electronic Components business, while trends in the consumer business are favorable, the impact from the stalling automotive business will be significant. Both sales and income are expected to decline.

(Unit: ¥Bil)		FY19	FY20			
		Full Year	1st Half	2nd Half Plan	Full-Year Plan	Change (FY20-19)
Semiconductors	Net Sales	136.1	57.2	61.2	118.5	-13.0%
	Operating Income	1.16	0.46	0.03	0.50	-57.0%
	(% of Net Sales)	(0.9%)	(0.8%)	(0.1%)	(0.4%)	(-0.5pt)
Electronic Components	Net Sales	74.2	34.0	34.9	69.0	-7.0%
	Operating Income	2.14	0.97	0.92	1.90	-11.3%
	(% of Net Sales)	(2.9%)	(2.8%)	(2.7%)	(2.8%)	(-0.1pt)
Electronic Equipment	Net Sales	16.9	5.8	6.6	12.5	-26.2%
	Operating Income	0.38	0.03	0.11	0.15	-60.9%
	(% of Net Sales)	(2.3%)	(0.7%)	(1.7%)	(1.2%)	(-1.1pt)
Total	Net Sales	227.2	97.1	102.8	200.0	-12.0%
	Operating Income	3.10	1.25	0.94	2.20	-29.2%
	(% of Net Sales)	(1.4%)	(1.3%)	(0.9%)	(1.1%)	(-0.3pt)

Counter Measures for Profitability Enhancement in FY2020: Expected Cost Reduction Effects

- Expenses were reduced by over ¥600 mil in FY2019.
- In FY2020, Ryosan expects to reduce costs by 15% more than originally planned. Among the factors in this expectation, interest expenses are expected to decline due to falling USD interest rates, and expenses such as personnel expenses and expenses from sales activities are also expected to decline.

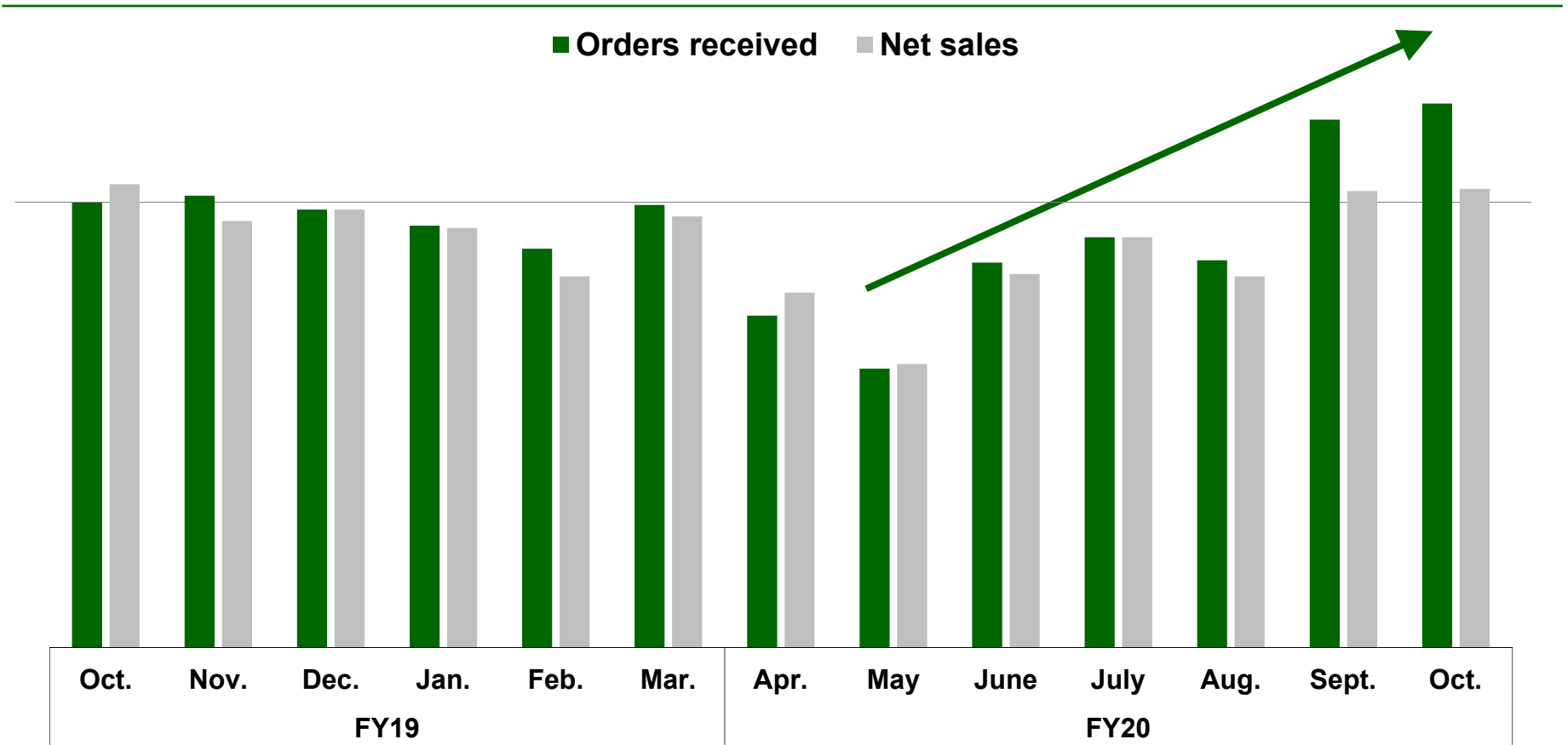
Cost Reduction Forecast



Trend in Monthly Orders Received

- Monthly orders received are on an improving trend, having bottomed out in May 2020.
- The most recent monthly figure for orders received, for October 2020, is higher than that for the same period of the previous fiscal year.

Monthly trend

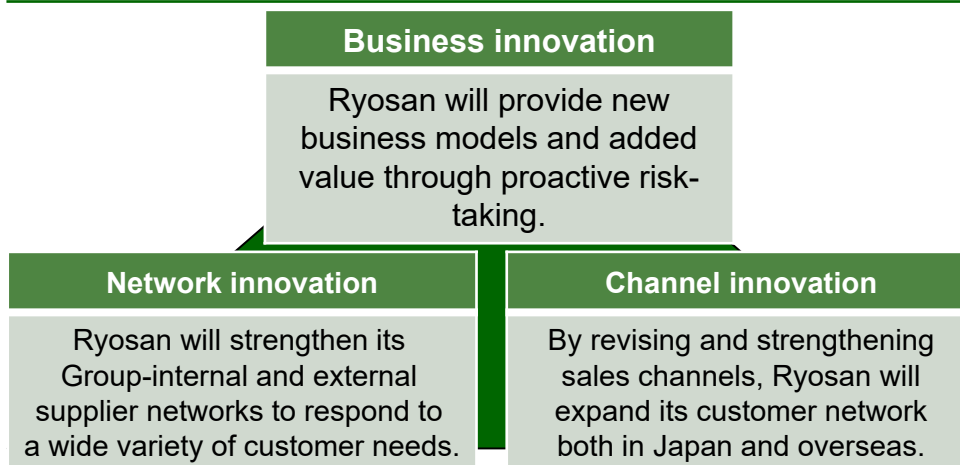


- To improve its financial position further, Ryosan is grappling with measures in addition to remaining counter measures for profitability enhancement.
- Various projects are moving forward toward drafting the next Medium-term Business Plan.

Overall efforts to enhance profitability and raise operating efficiency

- In FY2019 Ryosan launched counter measures for profitability enhancement.
- Ryosan is working on further cost reductions and inventory control.

Ryosan Long-term Vision: RS Innovation 2030 Three innovations for growth



Scope of Medium-term Business Plan

1. Business Promotion

- Enhancement of sales channels to respond to customer attributes
- Industry-specific marketing strategies
- Enhancement of product strategies
 - Expansion of lineups
 - Enhancement of methods of capturing market needs
- Strategy for promotion of overseas business
- New business Etc.

2. Internal controls

- Raising operating efficiency
- Application of digital technologies
- Preparation of new personnel systems and training programs
- Strengthening of risk management Etc.

- Three employees in the Ryosan Group have tested positive for COVID-19 (as of November 15, 2020).
- No incidents have occurred that have a significant impact on its business continuity.

1. Management system

- A Crisis Management Headquarters is established, headed by the President.
- Information on the status of infection and counter measures is shared on a timely and appropriate basis.
- Key measures;
 - Determination of Group-wide policy and disclosure policy
 - Monitoring of infection status and examination and implementation of infection counter measures
 - Analysis of impact on operations and business results

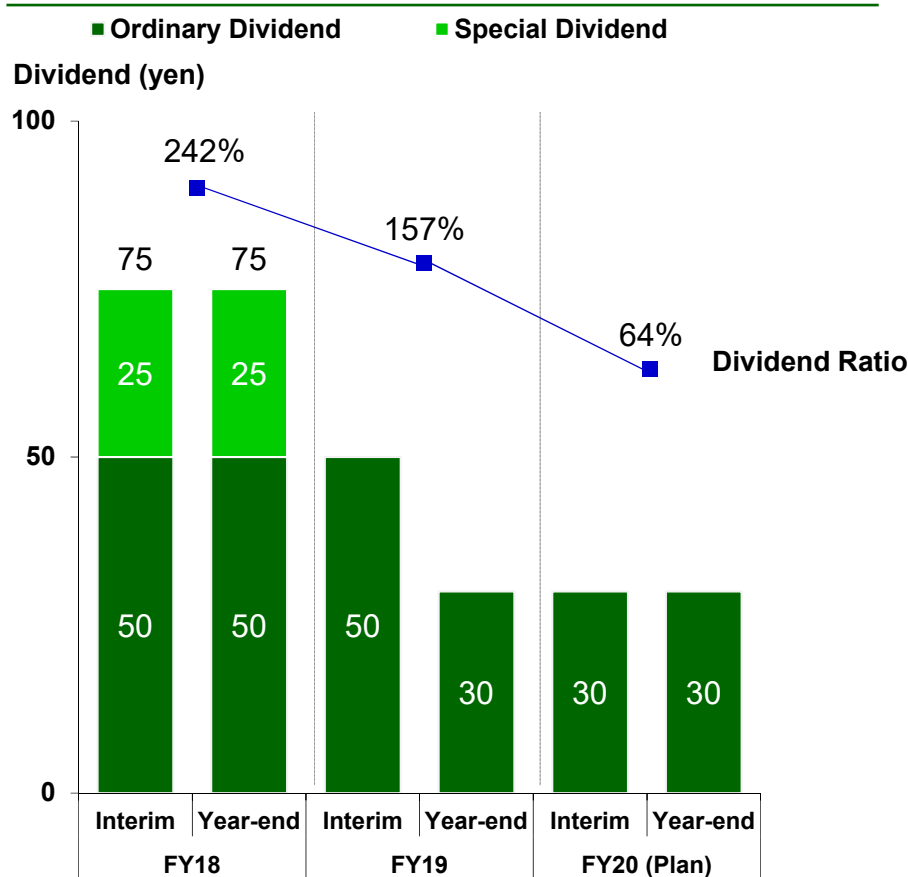
2. Main measures against infection

- Working at home
- Staggered work hours
- Use of online conferencing
- Encouragement of hand disinfection and temperature checks
- Distribution of masks at overseas locations
- Improvement of workplace environments. Etc.

Plan for Return to Shareholders

- The basic policy on dividends is to preserve a dividend ratio of 50% or more, to support a stable, high dividend.
- Ryosan aspires to reserve its retained earnings for investments to support sustainable growth.

Dividend per Share



Acquisition of Treasury Shares

Year	No. of Acquired Shares (Thousand)	Amount (¥Bil)
FY18	1,050	4.2
FY19	0	0
FY20 (Plan)	—	—

■ Instrument-panel design and function (low reflectivity, etc.) are growing in importance. In these fields, Ryosan is providing Tier 1 customers with solutions to improve design and function in decoration and lamination and providing new options such as separate purchases.

Proposed scope

- Periphery of vehicle displays
- Ryosan plans to expand to all fittings in the passenger compartment, including gauges and instrument panels



Example of measures by Ryosan

- Ryosan provides decorative products such as overlays for vehicle center displays and undertakes some of their lamination processes.

