



Ryosan Company, Limited

# 11th Medium-Term Business Plan

May 14, 2021

# Positioning of This Plan

- The 11th Medium-Term Business Plan shifts Ryosan's management stance from the rigid defensive mode for improving profitability established two years ago, to an offensive (active) mode focused on transforming its business. Ryosan is actively pursuing the investments it needs for growth while strengthening its management of resources further than ever (people, equipment and funds).

## Environmental changes

- Changes in suppliers' policies
- Burden of end of life (EOL) and business continuity plan inventories
- Response to the COVID-19 crisis

## Rigid defensive posture

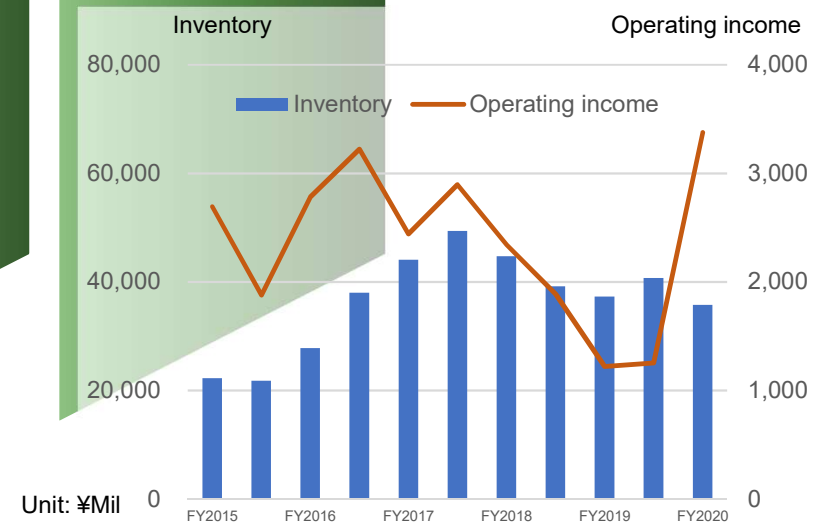
- Freezing of the Medium-Term Business Plan
- Counter measures for profitability enhancement
- Management reorganization

## Examination of strategy

- Long-term vision
- 11th Medium-Term Business Plan

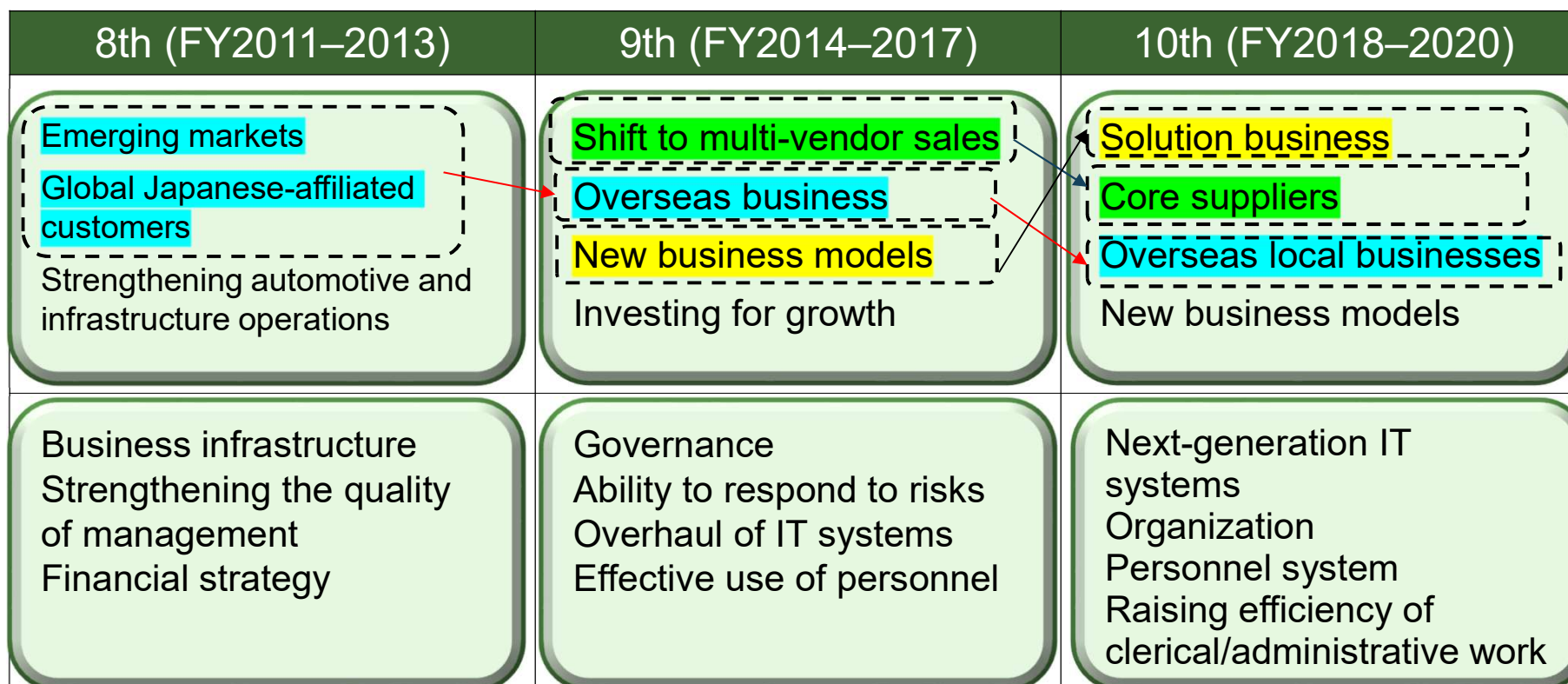
## Switch to an "offensive" (active) posture

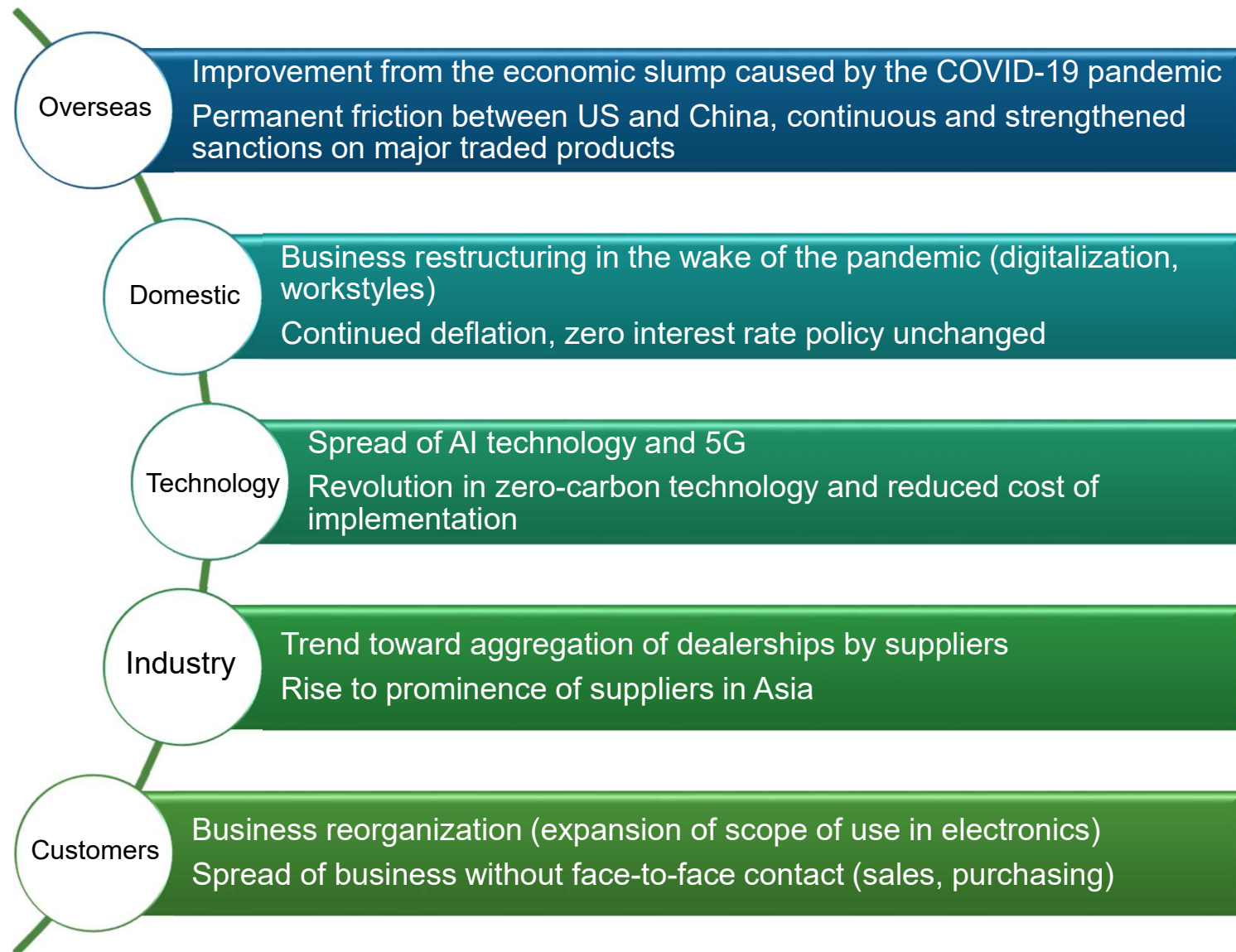
### Inventory and operating income (fiscal half-years)



# Summary of Previous Medium-term Business Plans

- In previous medium-term business plans, Ryosan made themes such as diversification of products, overseas expansion and new businesses the pillars of its plans. The Company's basic business model as a trading business remains the same.
- Now that changes in the business environment are unusually drastic, Ryosan is moving with unwavering conviction to transform its operating constitution.





### Portfolio diversification

- Thorough review of business opportunities for acquired commercial rights; diversification of current business portfolio relying on automotive sector
- Enabling of efficient sales activities through establishment of direct sales promotion; aiming to activate the medium-sized-enterprise zone

### Strengthening of local business in China and Hong Kong

- Deepening cooperation with local partners; expansion of solution business aimed at local companies
- Reciprocal use of the Ryosan and Edal brands; strengthening of general-purpose-product business in each zone of existing networks

### Harvesting of prior investment products and making new investments

- Harvesting of key businesses from preceding investments to new products expected to bear fruit during the 11th Medium-Term Business Plan
- Discovery of new products and launch of businesses based on those products; decentralization of device composition, which was hitherto focused on Renesas

### Investments to transform Ryosan's line of business: Turning front-line strength and vital-point strength into products

- Ryosan is establishing specialist teams tasked with planning new businesses using customer needs as their starting point. Investment is focused on resources to transform Ryosan's enterprise constitution.
- Ryosan is pursuing partnerships with other industries, including not only manufacturing functions but also strategic secondment of personnel.

### Raising the efficiency of existing businesses

- Ryosan is boosting efficiency by reducing paperwork and shifting procedures to electronic systems.
- Practical knowledge is being digitalized using chat bots, AI, etc. Measures such as automation of order-receiving processes through concerted use of robotic process automation (RPA) technology are being implemented.

### Reinforcing the foundations

- In addition to overhauling basic sales information, Ryosan is bolstering internal management infrastructure such as education systems, risk management and governance frameworks.

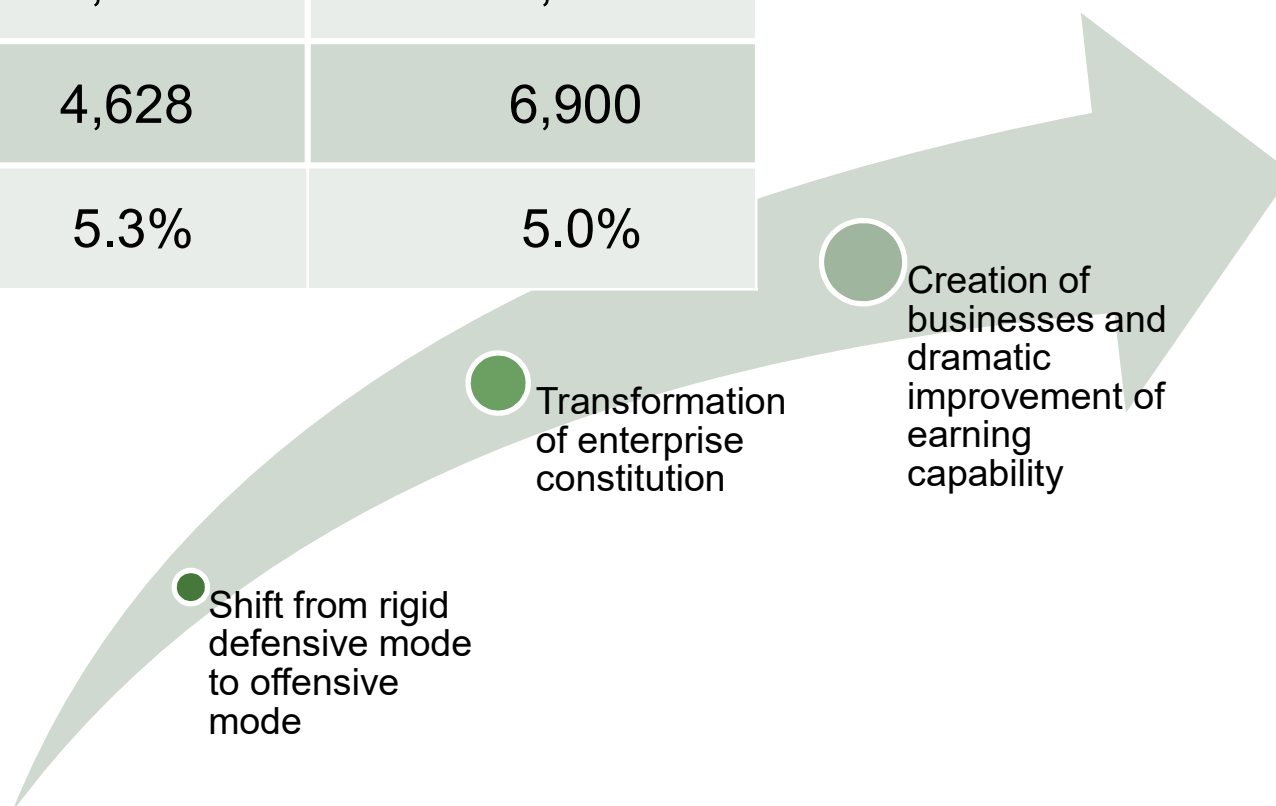
# Financial Plan

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Business Plan



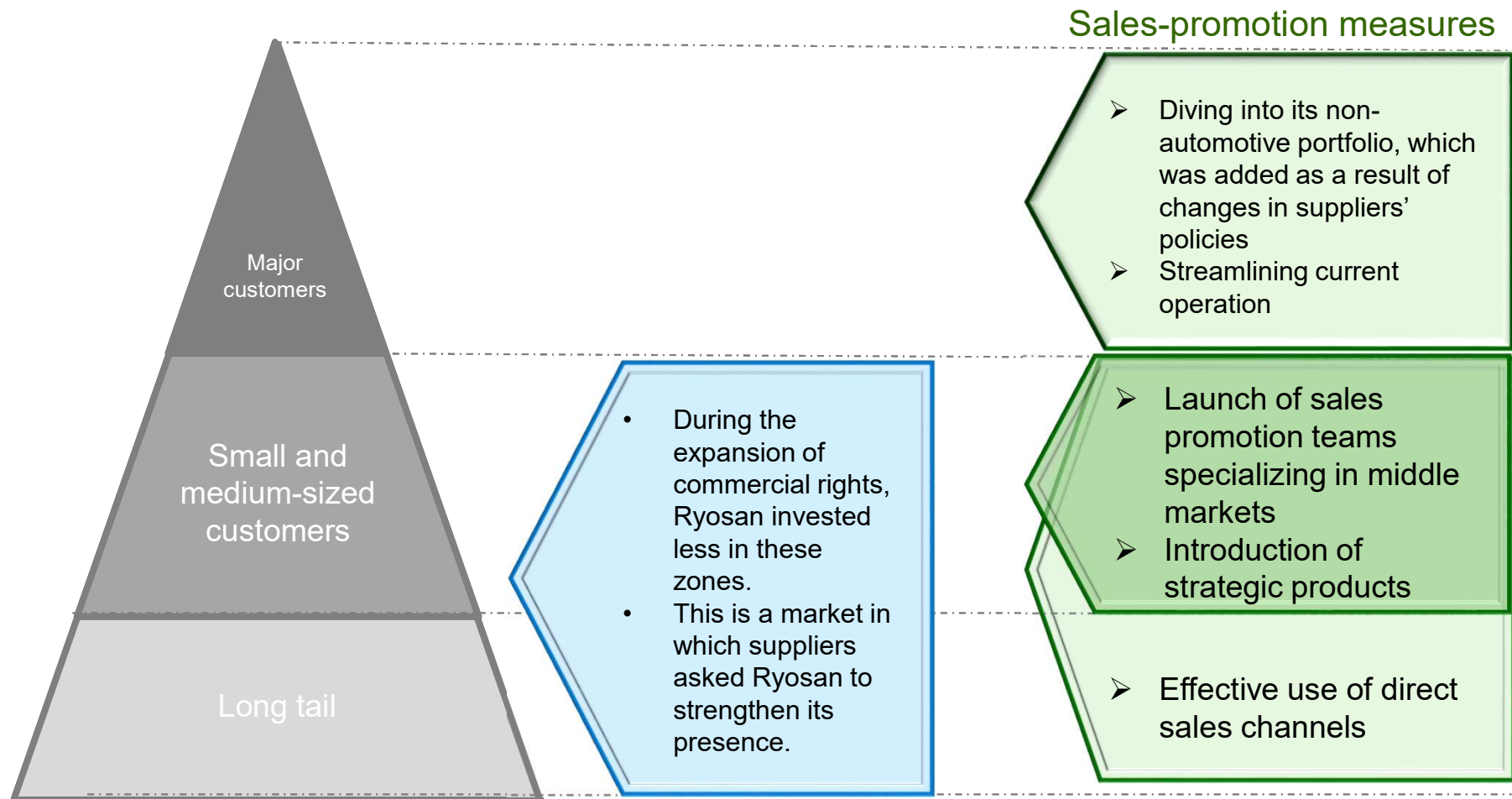
Unit: ¥Mil	FY2020 (Results)	FY2023 (Management targets)
Net Sales	219,884	263,000
Gross Profit	19,031	21,300
Operating Income	4,628	6,900
Consolidated ROE	5.3%	5.0%

USD interest rate	2.0%
JPY interest rate	1.0%
Exchange rate	¥100



# Growth Strategies: Portfolio Diversification

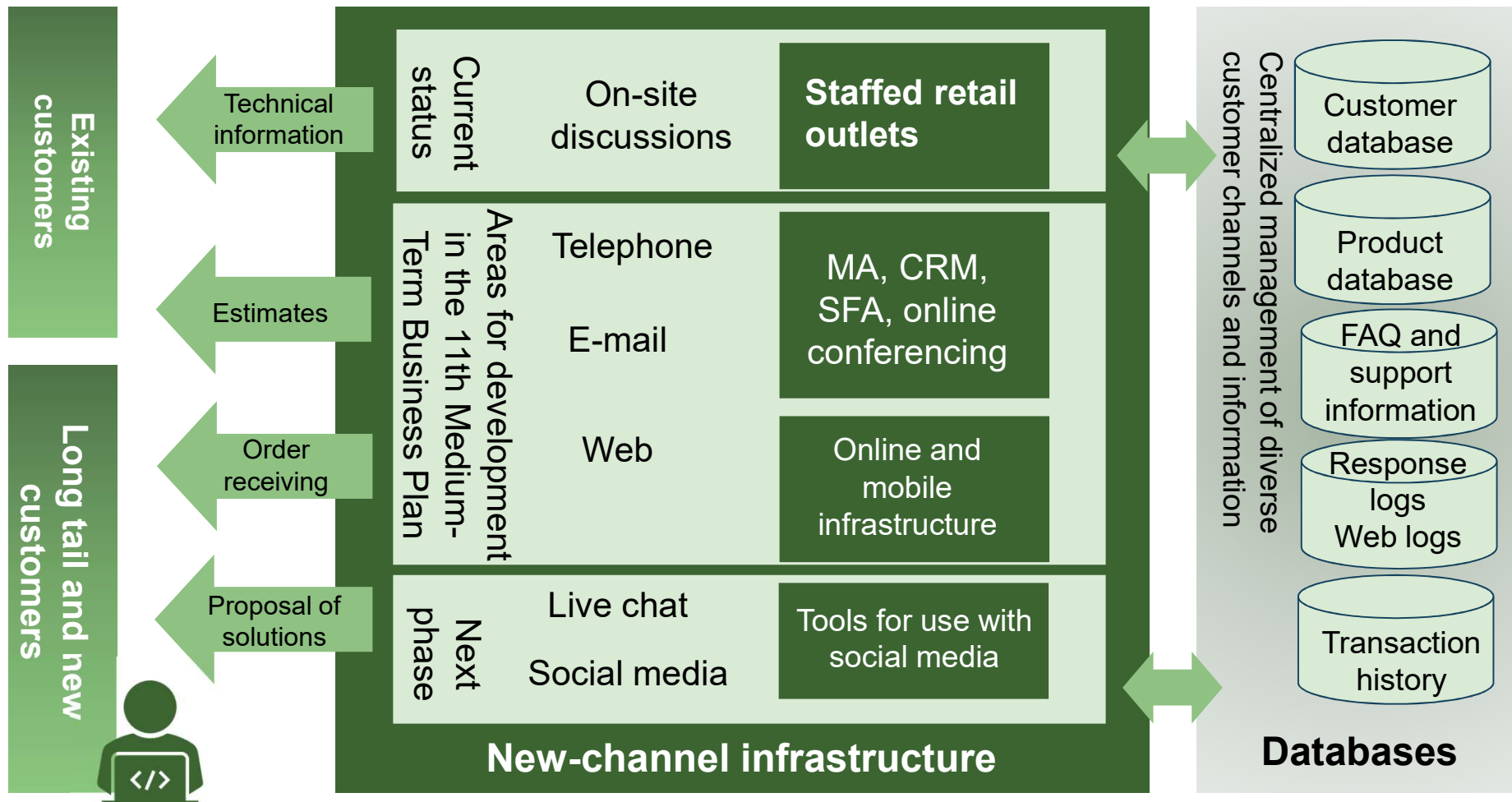
- Ryosan is diving into its newly added non-automotive portfolio.
- To discover opportunities in the SME and long-tail-zone categories, where its involvement has been relatively light, Ryosan is launching dedicated teams, expanding its product line and preparing direct sales channels, among other measures.





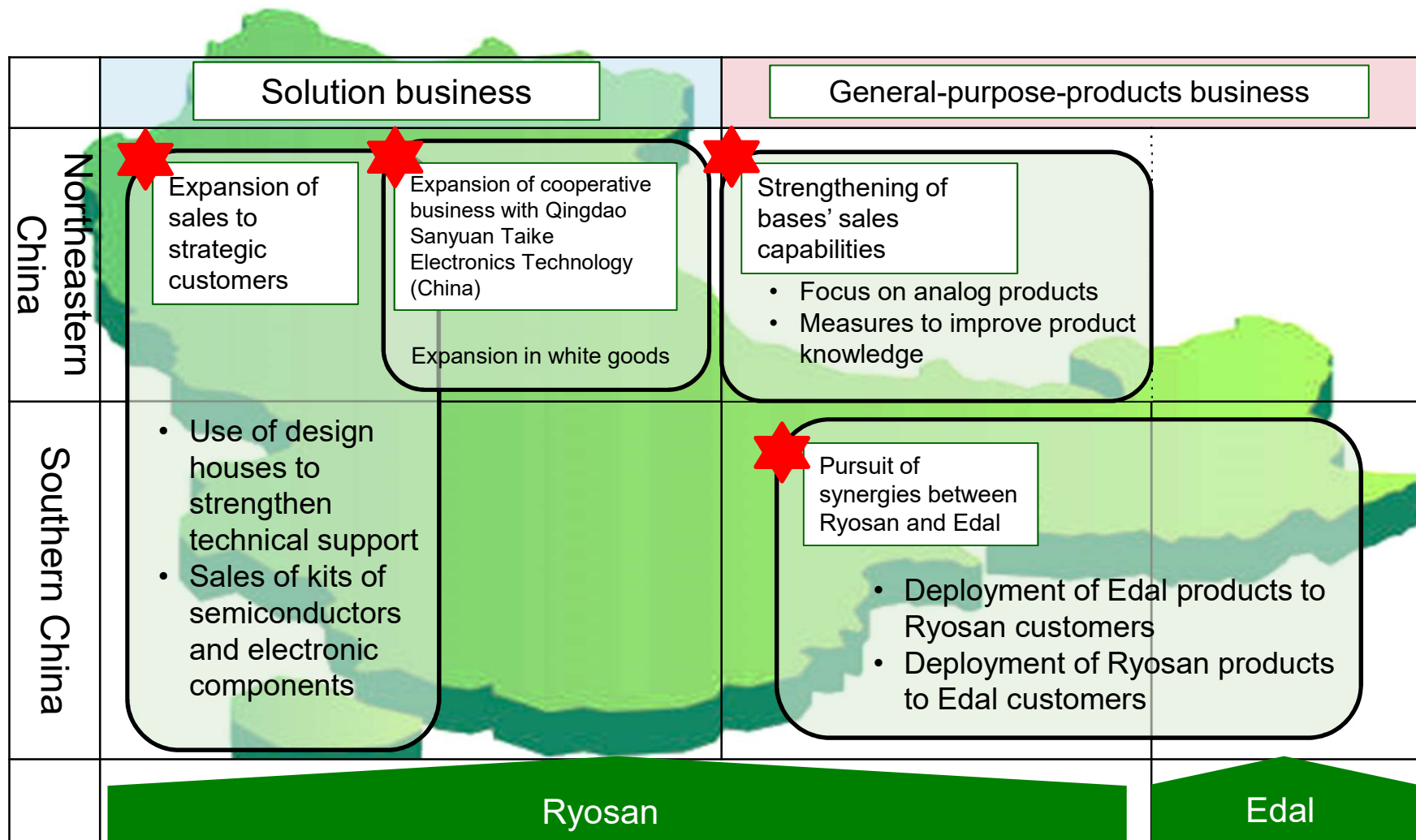
# Growth Strategies: Channel Strategy

- Ryosan plans to develop marketing materials that enable sales promotion without face-to-face meetings, as well as system infrastructure for collecting customer information. To develop infrastructure that enables efficient sales promotion, Ryosan also plans to invest in inside sales as well as e-commerce websites.



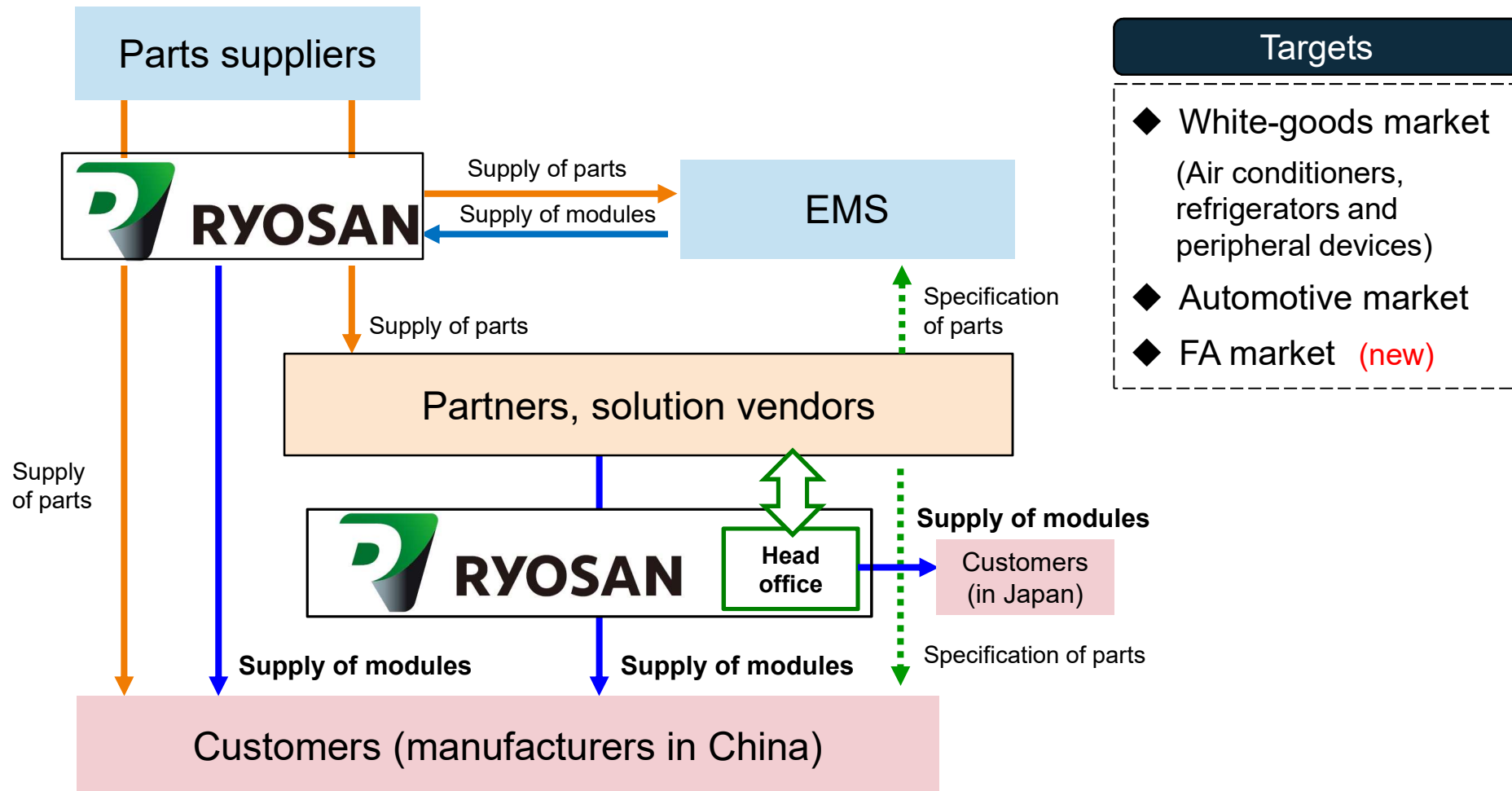
# Growth Strategies: Expand Local Business in China and Hong Kong (1)

- In southern China, Ryosan and Edal are moving to full-fledged cooperation in the field of sales promotion, achieving synergies in sales.
- In northeastern China, Ryosan plans to expand local business by 1) expanding sales of general-purpose products in Ryosan channels and 2) deploying value-added products into promising market areas and by expanding cooperation with investment targets (Qingdao Sanyuan Taike Electronics Technology (China)).



## Growth Strategies: Expand Local Business in China and Hong Kong (2) (Expansion of Sales to Strategic Customers)

- Leveraging its strengths (sales capabilities, sales channels, technical capabilities, financial resources), Ryosan is expanding its business by expanding sales of module products, as well as sales in its existing device businesses.



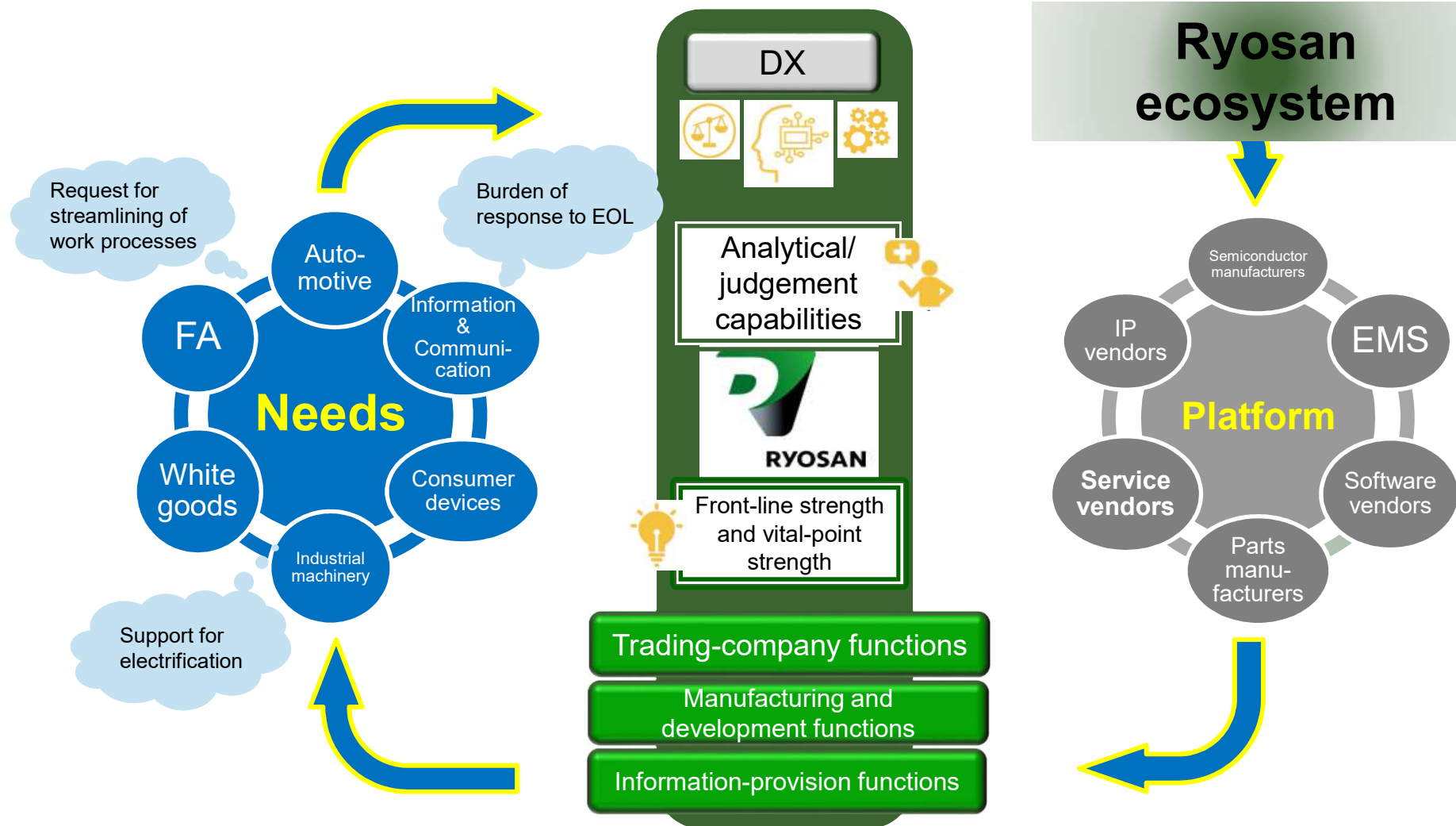
# Growth Strategies: Turn Front-line Strength and Vital-point Strength into Products

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Shift in development model from technology-driven to customer-needs-driven

Product-development framework leveraging Ryosan's network of outstanding corporate customers in Japan and overseas

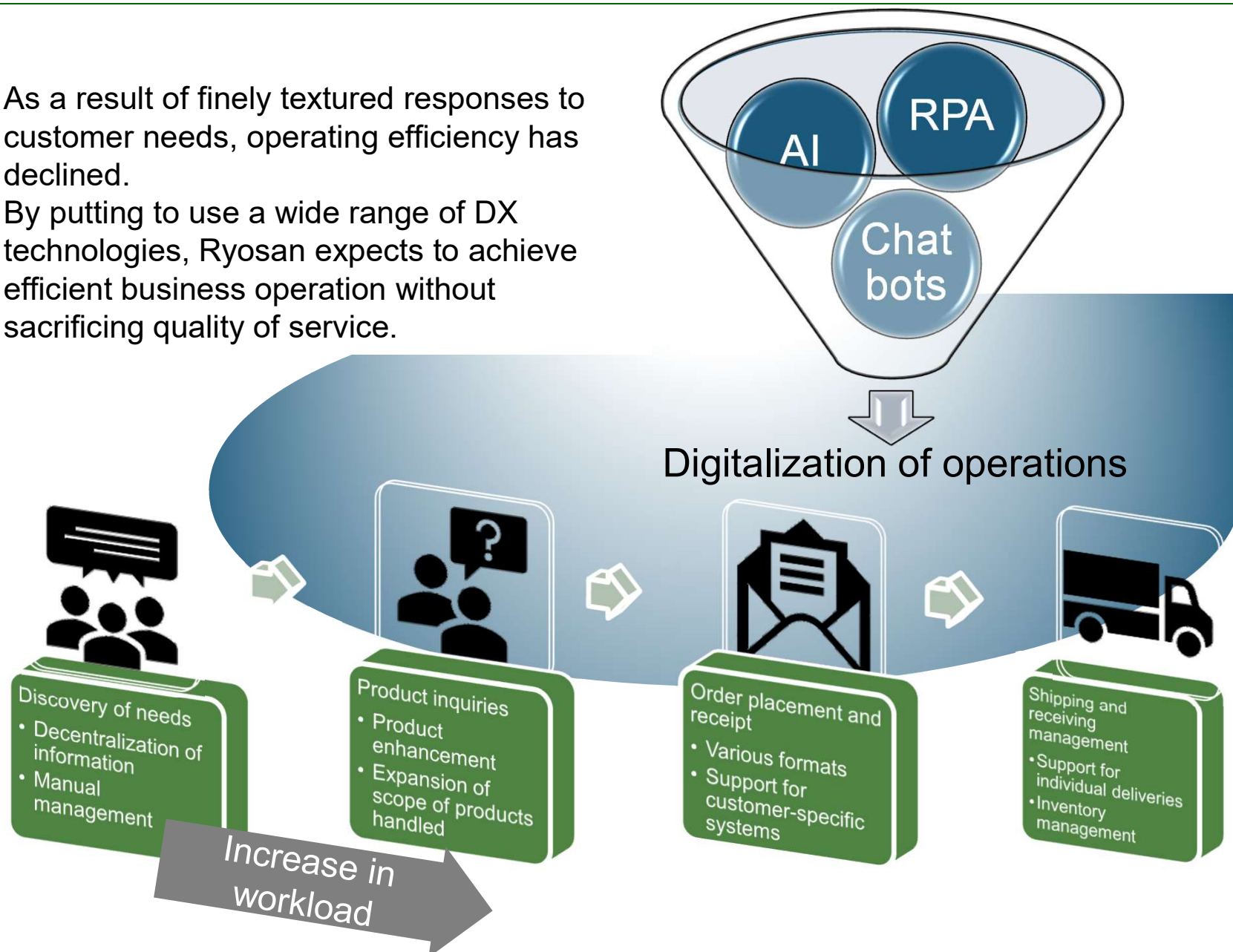


# Growth Strategies: Raise the Efficiency of Businesses operation

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- As a result of finely textured responses to customer needs, operating efficiency has declined.
- By putting to use a wide range of DX technologies, Ryosan expects to achieve efficient business operation without sacrificing quality of service.



# Growth Strategies: Reinforce the Foundations

- Ryosan is strengthening its management systems (governance and risk management) to enable a wide variety of risk-taking.
- Ryosan is enhancing its personnel and education systems to enable sustainable enterprise growth.



## Measures to improve capital efficiency

- Ryosan is improving profitability through measures such as diversification of its business portfolio and investing for growth.
- Ryosan is advancing rigorous cash and inventory management as well as use of leverage, aiming once again for ROE of 5% in FY2023.

### Improving profitability

- Diversification of the business portfolio
- Strengthening of growth investment
- Streamlining operations through DX, etc.

### Improving asset efficiency

- Rigorous inventory management
- Enhancement of cash management
- Response to new settlement schemes

### Use of leverage

- Appropriate return of capital
- Diversification of purchasing methods

## Improvement of ROE

## Policy on return of capital

- Ryosan places priority on investing in capital and business for growth.
- Ryosan is targeting a consolidated dividend payout ratio around 50%.
- Ryosan might consider the acquisition of treasury shares depending upon the market environment.

Japanese yen

%

