



Ryosan Company, Limited

# Supplementary Materials for FY2020 Financial Results

Fiscal year ended March 31, 2021

**May 14, 2021**

# Financial Results for FY2020

Counter Measures for Profitability Enhancement

11th Medium-Term Business Plan

FY2021 Forecast of Business Results

Reference: Contribution to the SDGs

## 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



- Full-year net sales for FY2020 declined 3% from the previous fiscal year (YoY) to ¥219.8 bil.
- Operating income rose 49% YoY to ¥4.6 bil, while ordinary income surged 76% YoY to ¥5.1 bil.
- Net profit nearly tripled, rising 284% YoY to ¥4.5 bil, lifted by income from sale of investment securities and a rebound from temporary expenses incurred in the previous fiscal year.
- ROE edged up 3.9 points YoY to 5.3%.

(Unit: ¥Bil)	FY2019	FY2020			
	Full-year Business Results	January 26, 2021 Forecast	Full-year Business Results	Change (FY2020-2019)	Comparison with Forecast
Net Sales	227.2	215.0	<b>219.8</b>	-3.3%	+2.3%
Gross Profit	17.7	—	<b>19.0</b>	+7.2%	—
Operating Income	3.1	3.6	<b>4.6</b>	+48.9%	+28.6%
(% of Net Sales)	(1.4%)	(1.7%)	<b>(2.1%)</b>	(+0.7pt)	(+0.4pt)
Ordinary Income	2.9	4.5	<b>5.1</b>	+75.6%	+13.8%
(% of Net Sales)	(1.3%)	(2.1%)	<b>(2.3%)</b>	(+1.0pt)	(+0.2pt)
Net Profit	1.1	3.5	<b>4.5</b>	+284.2%	+31.0%
(% of Net Sales)	(0.5%)	(1.6%)	<b>(2.1%)</b>	(+1.6pt)	(+0.5pt)
EPS (¥)	50.96	149.39	<b>195.78</b>	+284.2%	+31.1%
ROE	1.4%	—	<b>5.3%</b>	+3.9pt	—
US Dollar Average Rate (¥)	108.74	—	<b>106.06</b>	-2.5%	—

- Factors in the decline in net sales YoY include the effects of the COVID-19 pandemic (¥13.0 bil) and a decrease in transactions prompted by counter measures for profitability enhancement (liquidation of loss-making businesses) (¥6.0 bil).
- Ordinary income increased YoY, lifted by decreases in costs such as inventory-related expenses, selling, general and administrative expenses (SG&A) and interest expenses, as well as by foreign exchange gains. SG&A declined YoY by only ¥200 mil: While the impact of the COVID-19 pandemic caused travel and transportation expenses, entertainment expenses and the like to fall dramatically, logistics-related expenses climbed.

Figure 1. Net Sales (billions of yen)

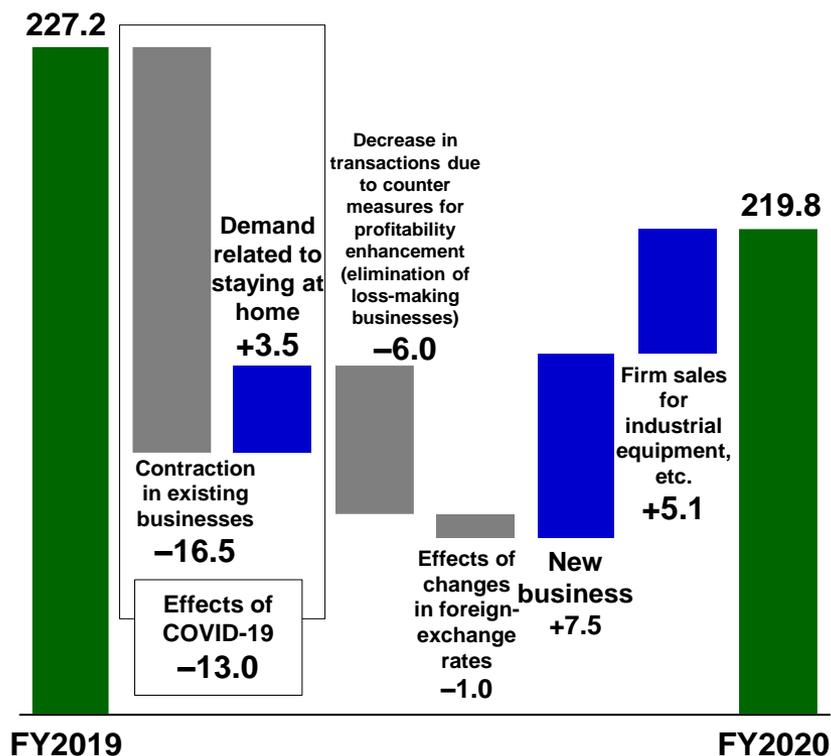
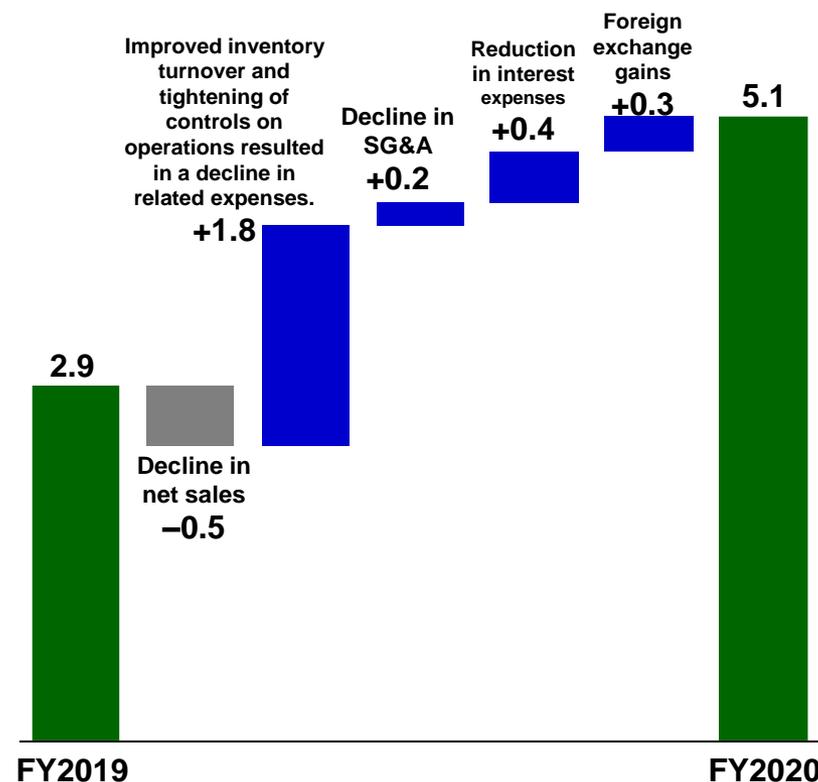


Figure 2. Ordinary Income (billions of yen)



# Segment Information

- In the Semiconductors business in FY2020, net sales declined YoY amid a decrease in sales related to automobiles in H1. Operating income rose 75% YoY due to factors such as a drop in inventory-related expenses.
- In the Electronic Components business, both sales and income increased YoY, as sales in the consumer and industrial equipment sectors were firm throughout the year and sales to the automotive sector recovered in H2.
- Both sales and income fell YoY in the Electronic Equipment business, as major projects in the automotive sector slumped.

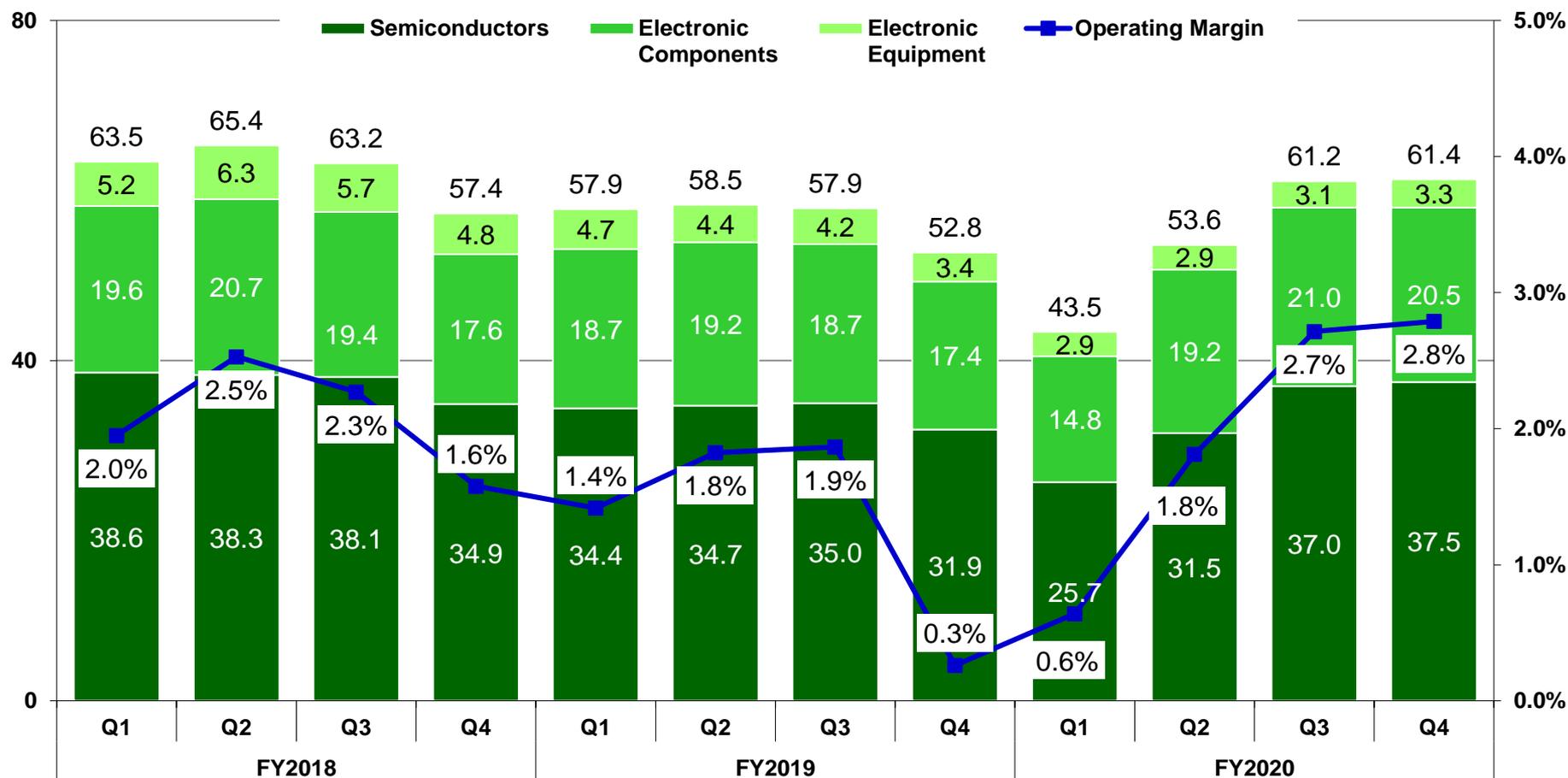
(Unit: ¥Bil)		FY2019	FY2020	
		Full-year Business Results	Full-year Business Results	Change (FY2020-2019)
Semiconductors	Net Sales	136.1	131.8	-3.2%
	Operating Income	1.16	2.03	+74.7%
	(% of Net Sales)	(0.9%)	(1.5%)	(+0.6pt)
Electronic Components	Net Sales	74.2	75.6	+2.0%
	Operating Income	2.14	2.55	+19.4%
	(% of Net Sales)	(2.9%)	(3.4%)	(+0.5pt)
Electronic Equipment	Net Sales	16.9	12.3	-27.1%
	Operating Income	0.38	0.18	-51.4%
	(% of Net Sales)	(2.3%)	(1.5%)	(-0.8pt)
Total	Net Sales	227.2	219.8	-3.3%
	Operating Income	3.10	4.62	+48.9%
	(% of Net Sales)	(1.4%)	(2.1%)	(+0.7pt)

# Trend in Net Sales and Operating Margins by Quarter

- FY2020 net sales bottomed out in Q1, recovering to over ¥60 bil in Q3 and Q4.
- Operating margin was shaved below 1 percentage point due to inventory disposal in Q4 FY2019 and deterioration in market conditions in Q1 FY2020. However, recovery in net sales coupled with success in restraining SG&A in H2 enabled an improvement to almost 3 percentage points in H2.

Net Sales (Unit: ¥Bil)

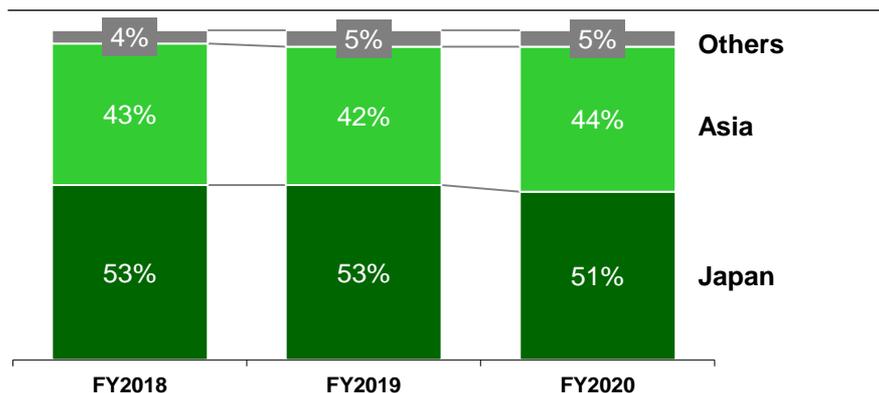
Operating Margin



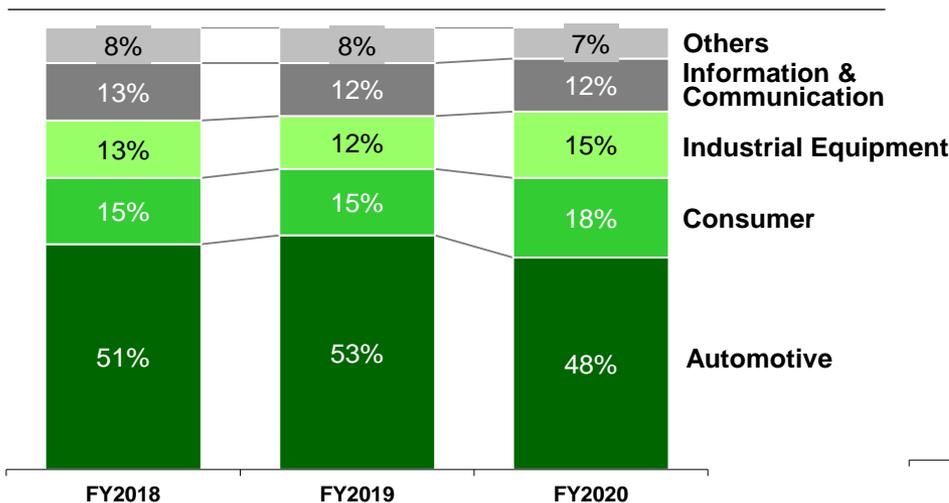
# Segment Trend Information

- FY2020 saw no changes by region. By application, the share of sales in the automotive sector decreased, as this sector was badly hit by the COVID-19 pandemic, while the share of sales to the consumer and industrial equipment sectors expanded. In sales by product, firm demand from consumers supported an increase in sales of electromechanical components.

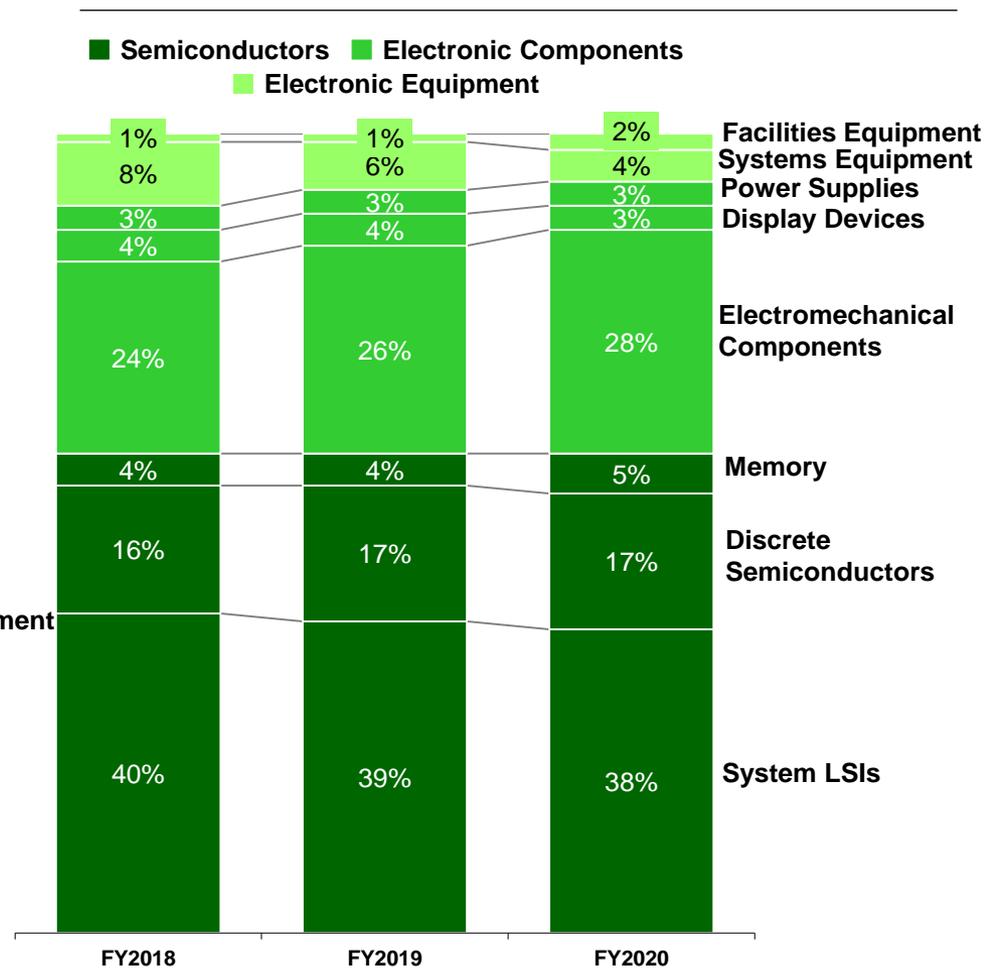
### By Region



### By Application



### By Product



- Total assets at the end of March 2021 were ¥10.3 bil greater than at the end of the previous fiscal year. Liabilities increased in tandem with a rise in accounts payable—trade, while net assets grew due to increases in retained earnings and in foreign currency translation adjustment caused by depreciation of the yen. The ratio of net assets to total assets was 60.5%.
- In consolidated cash flows in FY2020, cash flow from operating activities decreased by ¥3.7 bil, mainly due to an increase in accounts receivable—trade.

## Consolidated Balance Sheet

(Unit: ¥Bil)	End of Mar. 2019	End of Mar. 2020	End of Mar. 2021	Change from Previous Fiscal Year-end
<b>Total Assets</b>	146.5	137.7	<b>148.0</b>	+10.3
<b>Current Assets</b>	129.3	121.7	<b>132.4</b>	+10.7
<b>Non-Current Assets</b>	17.2	15.9	<b>15.5</b>	-0.4
<b>Liabilities</b>	58.7	52.8	<b>58.4</b>	+5.6
<b>Net Assets</b>	87.8	84.9	<b>89.6</b>	+4.7
<b>Net Assets to Total Assets (%)</b>	59.9%	61.7%	<b>60.5%</b>	-1.2pt

## Consolidated Statements of Cash Flow

(Unit: ¥Bil)	FY2018	FY2019	FY2020	Change (FY2020-2019)
<b>Cash Flow from Operating Activities</b>	13.0	17.9	<b>-3.7</b>	-21.6
<b>Cash Flow from Investing Activities</b>	-0.4	-0.3	<b>1.0</b>	+1.3
<b>Cash Flow from Financing Activities</b>	-11.5	-7.4	<b>-1.5</b>	+5.9
<b>Cash and Cash Equivalents at the End of the Period</b>	14.5	24.5	<b>20.6</b>	-3.9

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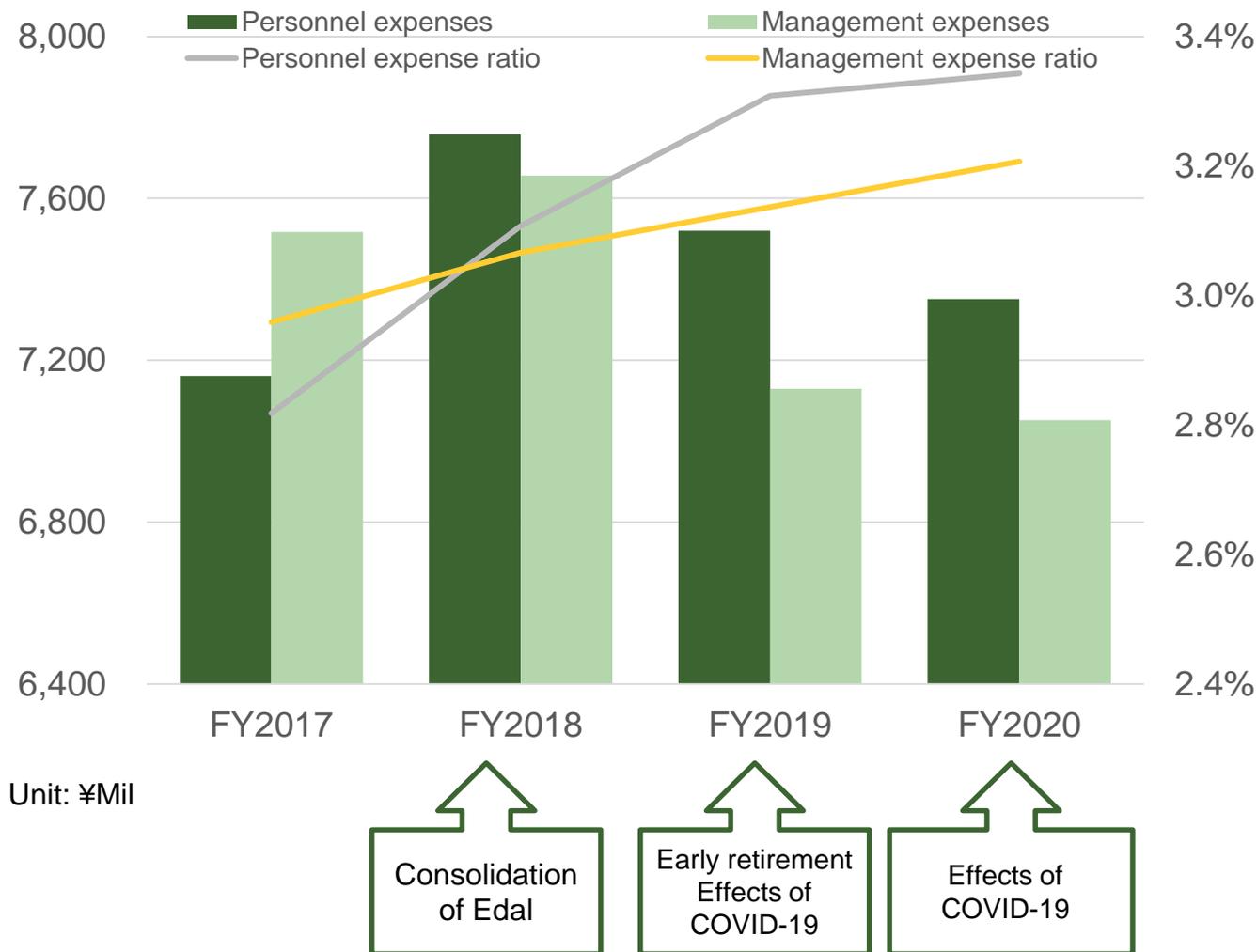
# Counter Measures for Profitability Enhancement (1/2)

- Since the freezing of the 10th Medium-Term Business Plan, Ryosan has focused on profitability enhancement.

Project Name	Details of Measures	KPI	Compared with FY2018
☑ Withdraw from non-profitable businesses	Reduction of resource outlays on sales promotion for non-profitable products	No. personnel	-46%
☑ Optimize organizations	Merging and elimination of domestic bases, HQs and logistical facilities	No. offices	-26%
☑ Review products at Solutions HQ	Narrowing the range of projects taken up and reduction of personnel requirements	No. projects	-25%
☑ Streamline control function	Streamlining by introducing reception systems Use of digital technologies (document storage, auditing, etc.)	No. relevant personnel	-50%
☑ Optimize headcounts	Personnel reduction through early retirement	No. relevant personnel	-12%
☑ Expand Renesas business	Reorganization in view of changes in the business environment	No. relevant personnel	-6%
☑ Revise engineering functions	Engineering PR (presentation of webinars, production of websites)	—	—
☑ Reduce inventory volume	Launch of in-house management projects, clarification of management rules	Value of inventory	-20%
☑ Maximize head office space usage	Termination of agreements on some rental properties around head office and bringing those functions into the head office building	Floor area	-20%
☑ Replace held assets	Sale of four real-estate assets and two stock holdings	Real-estate assets held	-31%

# Counter Measures for Profitability Enhancement (2/2)

- Personnel expenses\* are decreasing as the result of early retirement and SG&A is declining overall due to the impact of the COVID-19 pandemic.
- Reductions in expenses are partly the result of temporary factors. Company-wide cost-cutting efforts will continue.



\*Personnel expenses do not include the portion equivalent to development worker-months.

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- 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

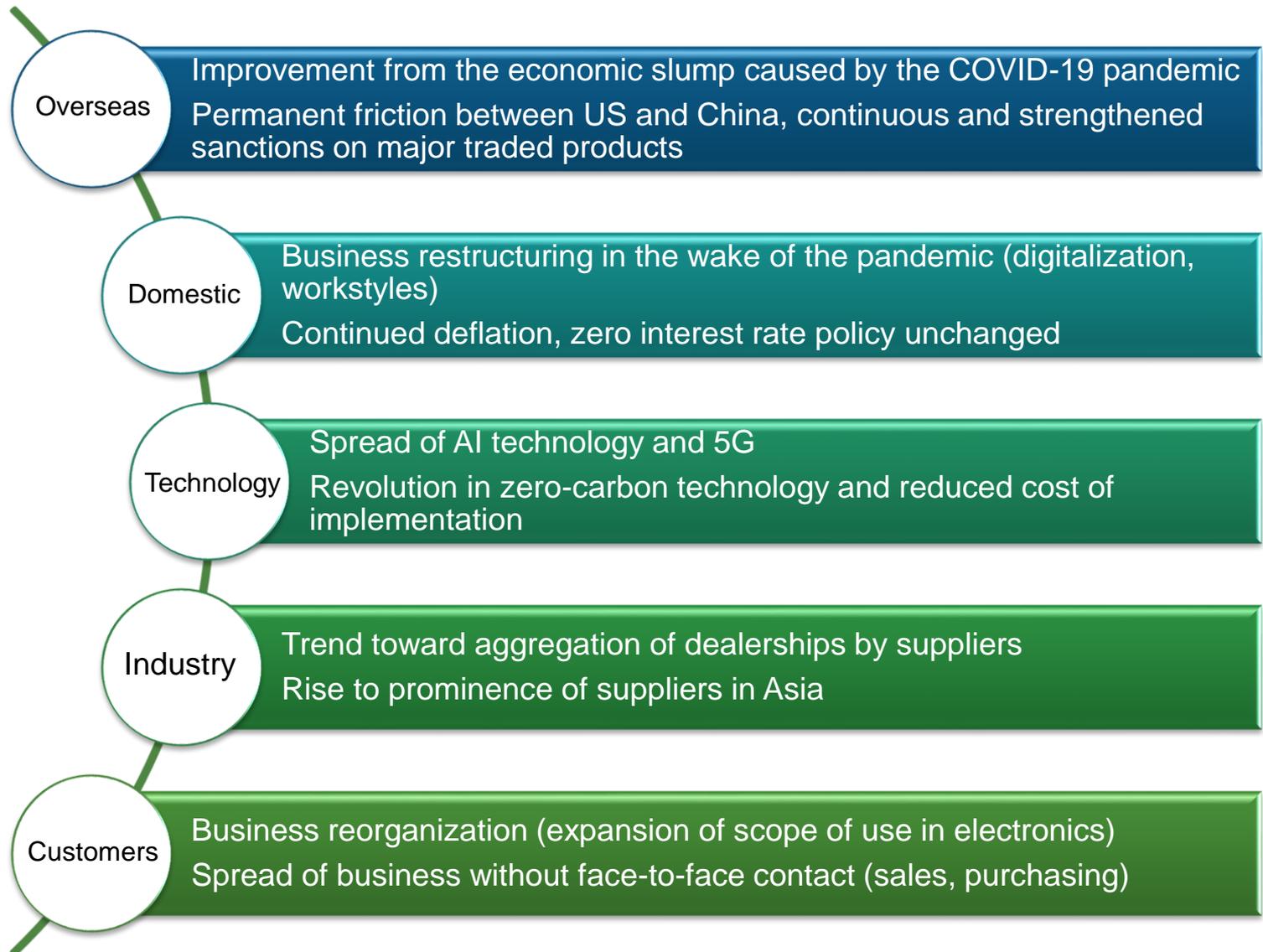
Inventory and operating income (fiscal half-years)



# 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.

8th (FY2011–2013)	9th (FY2014–2017)	10th (FY2018–2020)
<p>Emerging markets Global Japanese-affiliated customers</p> <p>Strengthening automotive and infrastructure operations</p>	<p>Shift to multi-vendor sales Overseas business New business models</p> <p>Investing for growth</p>	<p>Solution business Core suppliers Overseas local businesses</p> <p>New business models</p>
<p>Business infrastructure Strengthening the quality of management Financial strategy</p>	<p>Governance Ability to respond to risks Overhaul of IT systems Effective use of personnel</p>	<p>Next-generation IT systems Organization Personnel system Raising efficiency of clerical/administrative work</p>



## 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

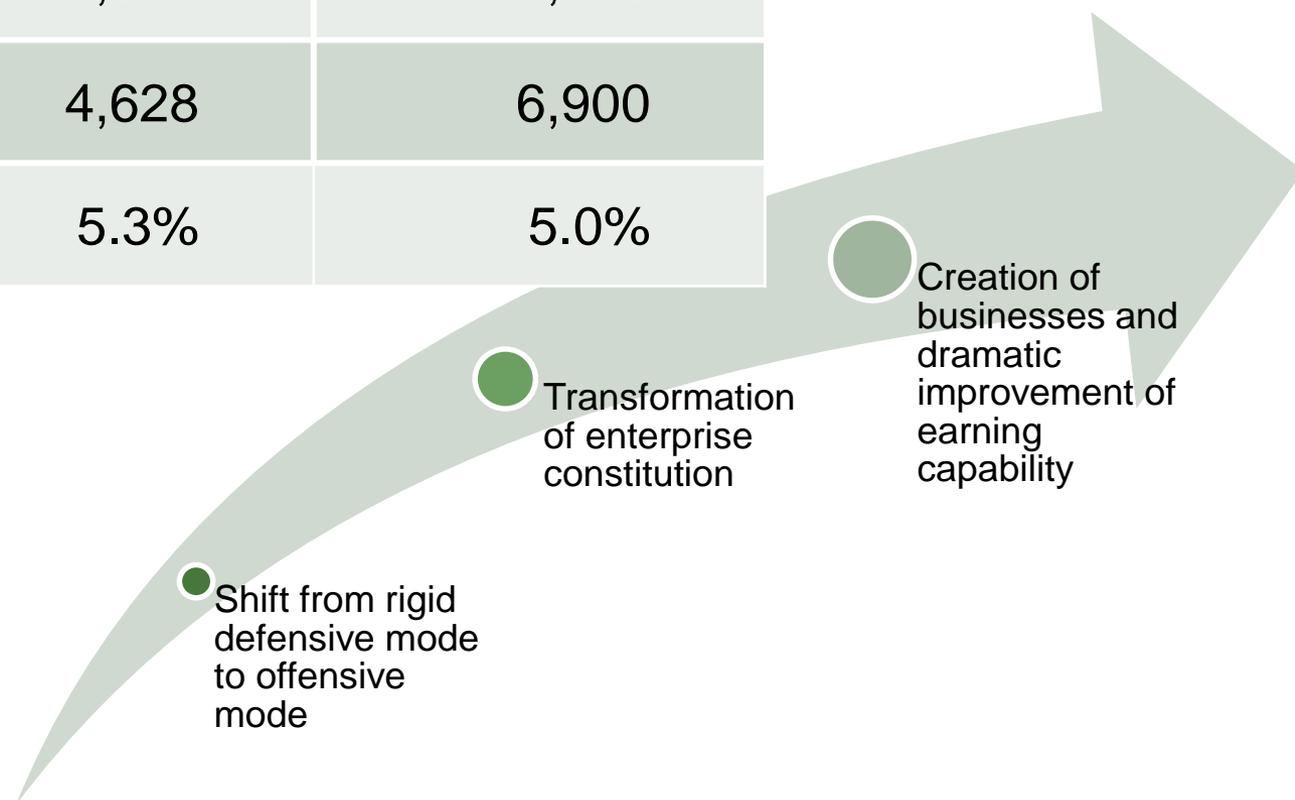
- Ryosan is boosting efficiency by reducing paperwork and shifting procedures to electronic systems.
- Practical knowledge is being digitalized using chat bots, AI, etc. Measures such as automation of order-receiving processes through concerted use of robotic process automation (RPA) technology are being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

Reinforcing the foundations

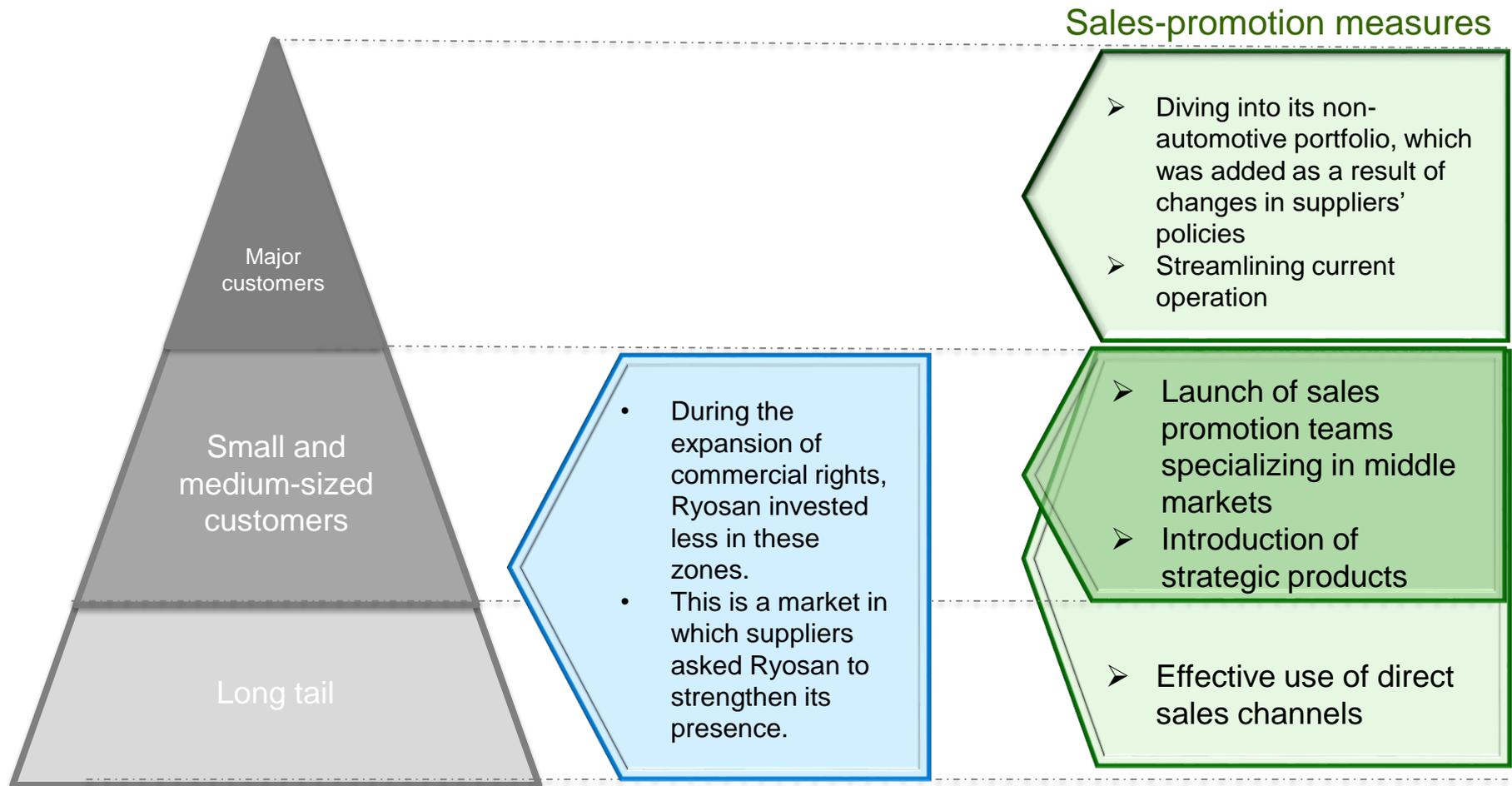
- In addition to overhauling basic sales information, Ryosan is bolstering internal management infrastructure such as education systems, risk management and governance frameworks.

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%

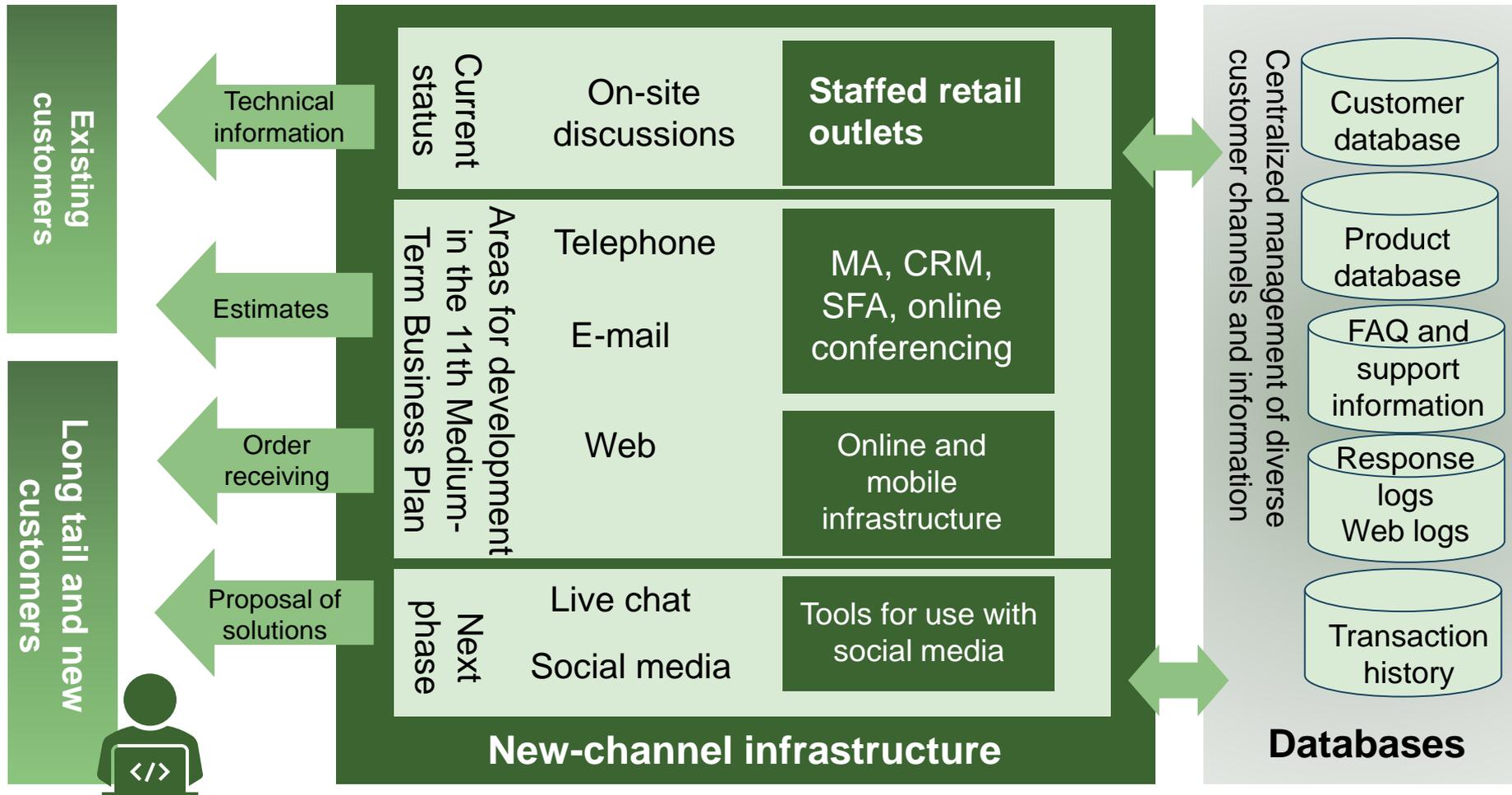
USD interest rate	2.0%
JPY interest rate	1.0%
Exchange rate	¥100



- 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.

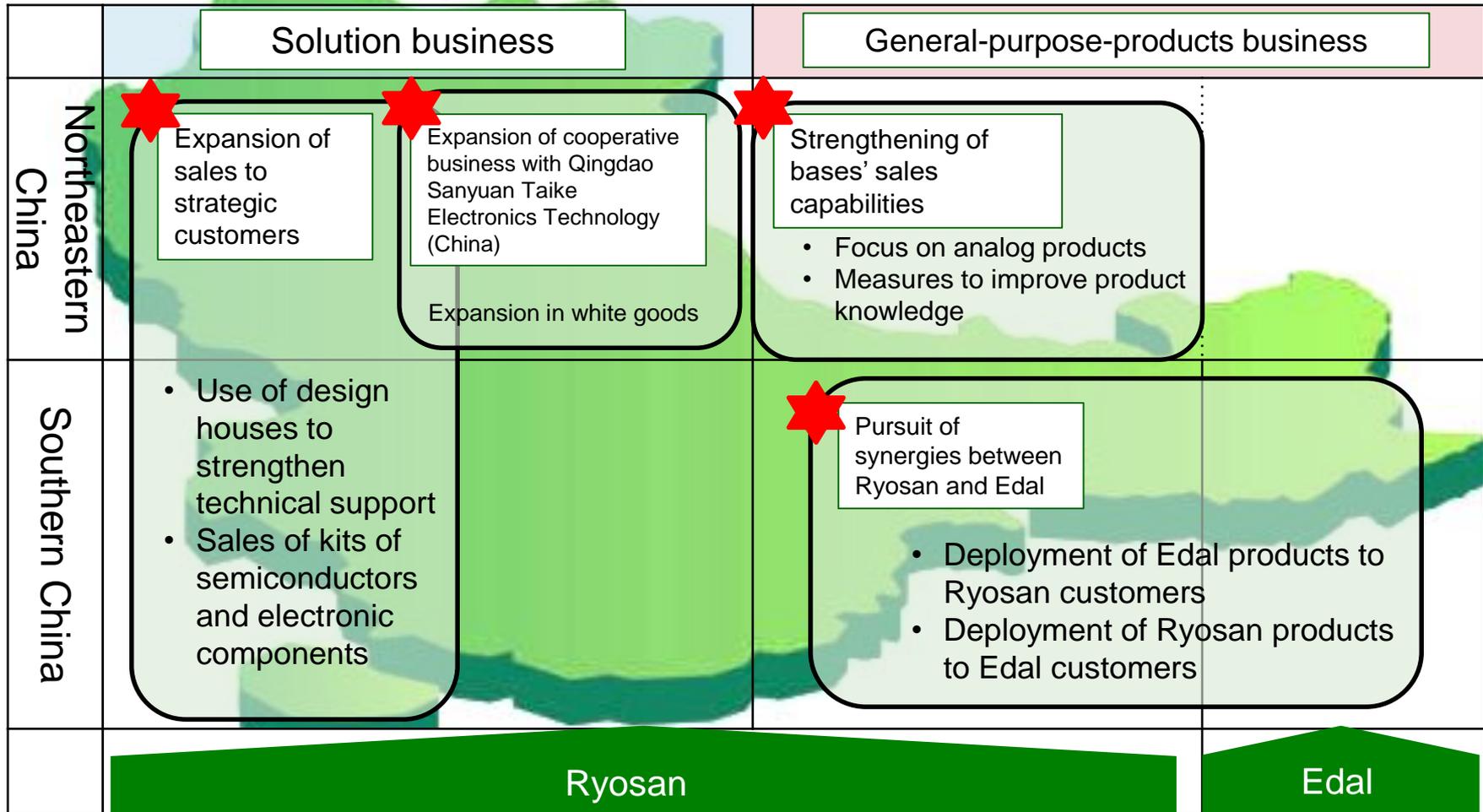


- Ryosan plans to develop marketing materials that enable sales promotion without face-to-face meetings, as well as system infrastructure for collecting customer information. To develop infrastructure that enables efficient sales promotion, Ryosan also plans to invest in inside sales as well as e-commerce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



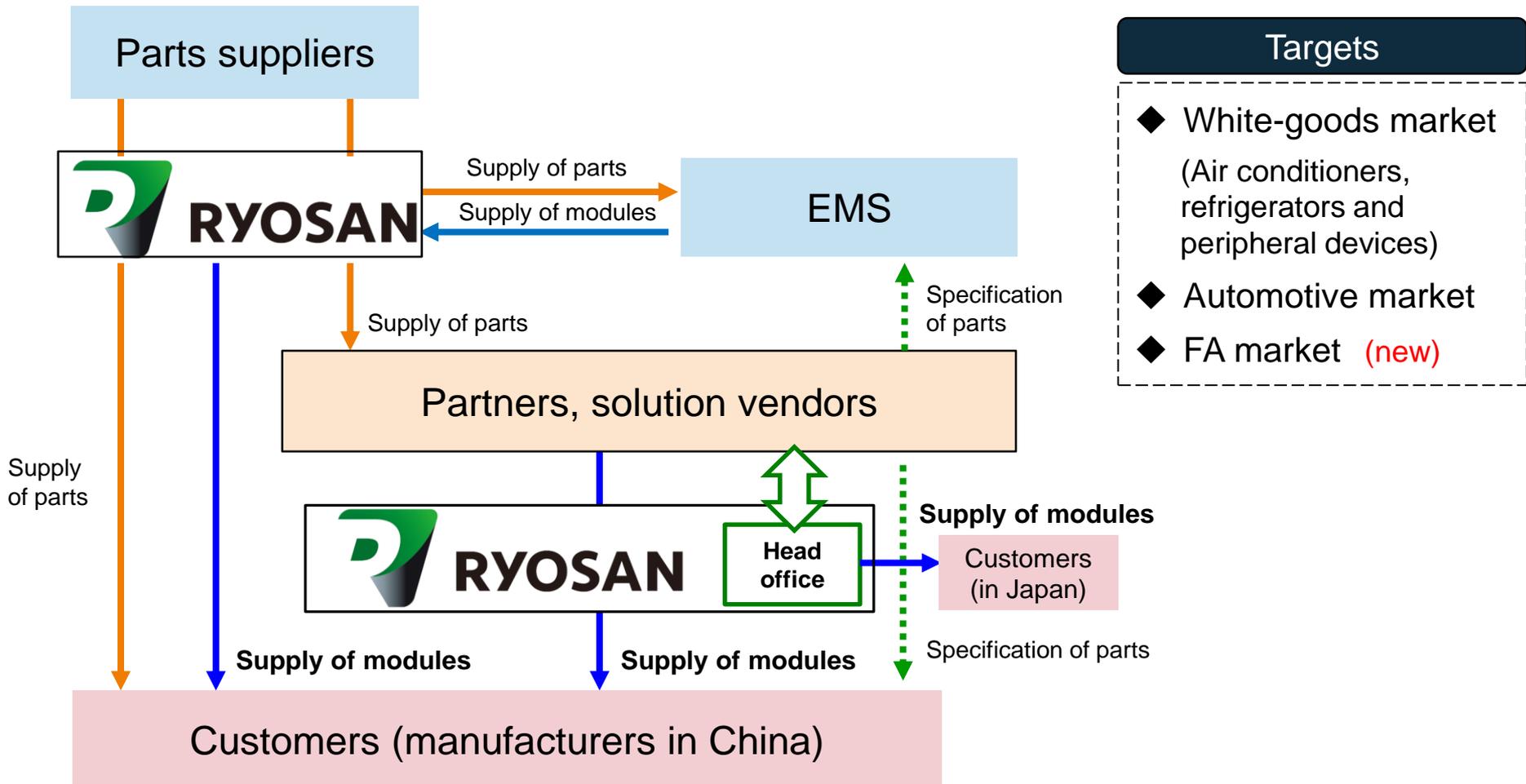
# Growth Strategies: Expand Local Business in China and Hong Kong (1)

- 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)

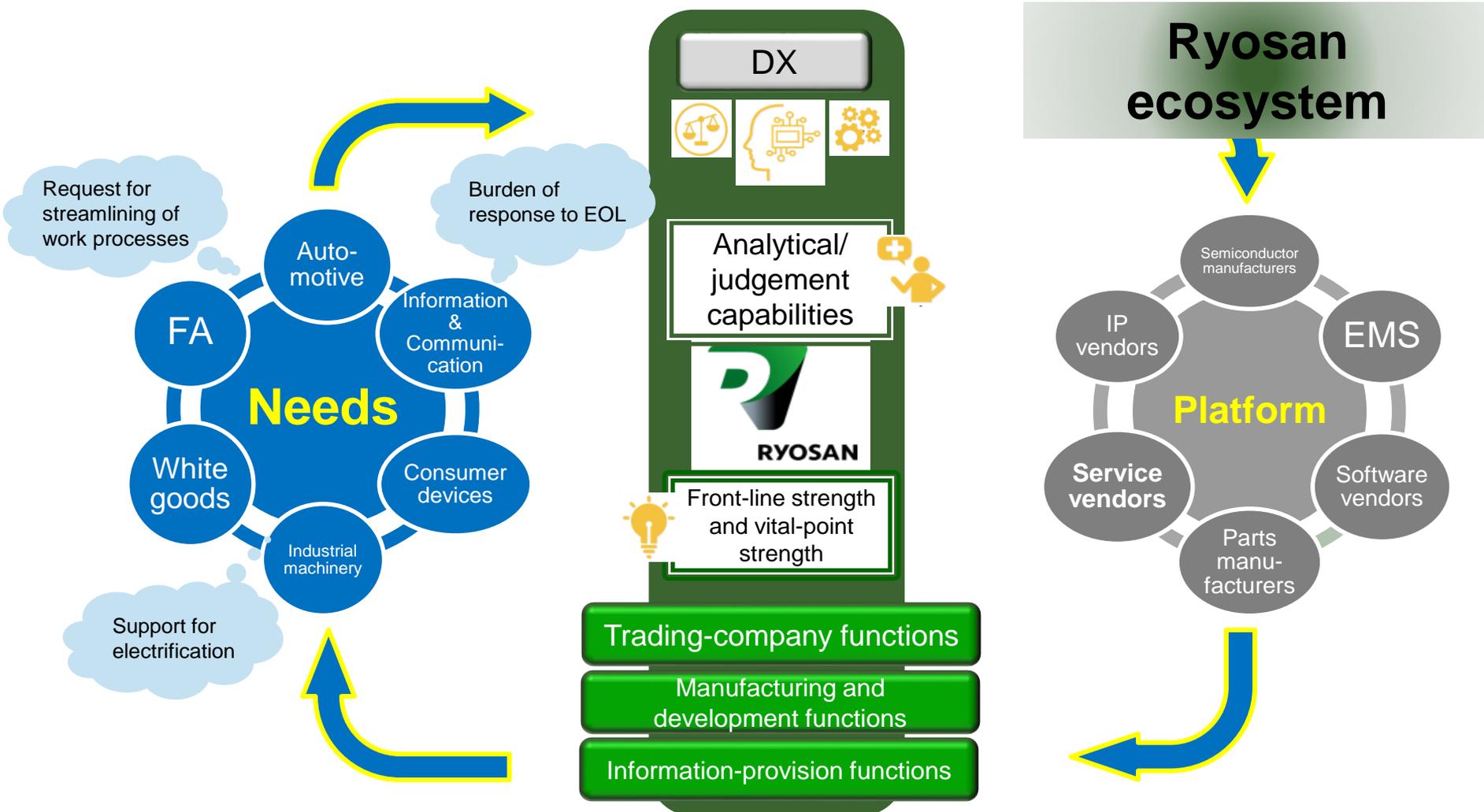
- Leveraging its strengths (sales capabilities, sales channels, technical capabilities, financial resources), Ryosan is expanding its business by expanding sales of module products, as well as sales in its existing device businesses.



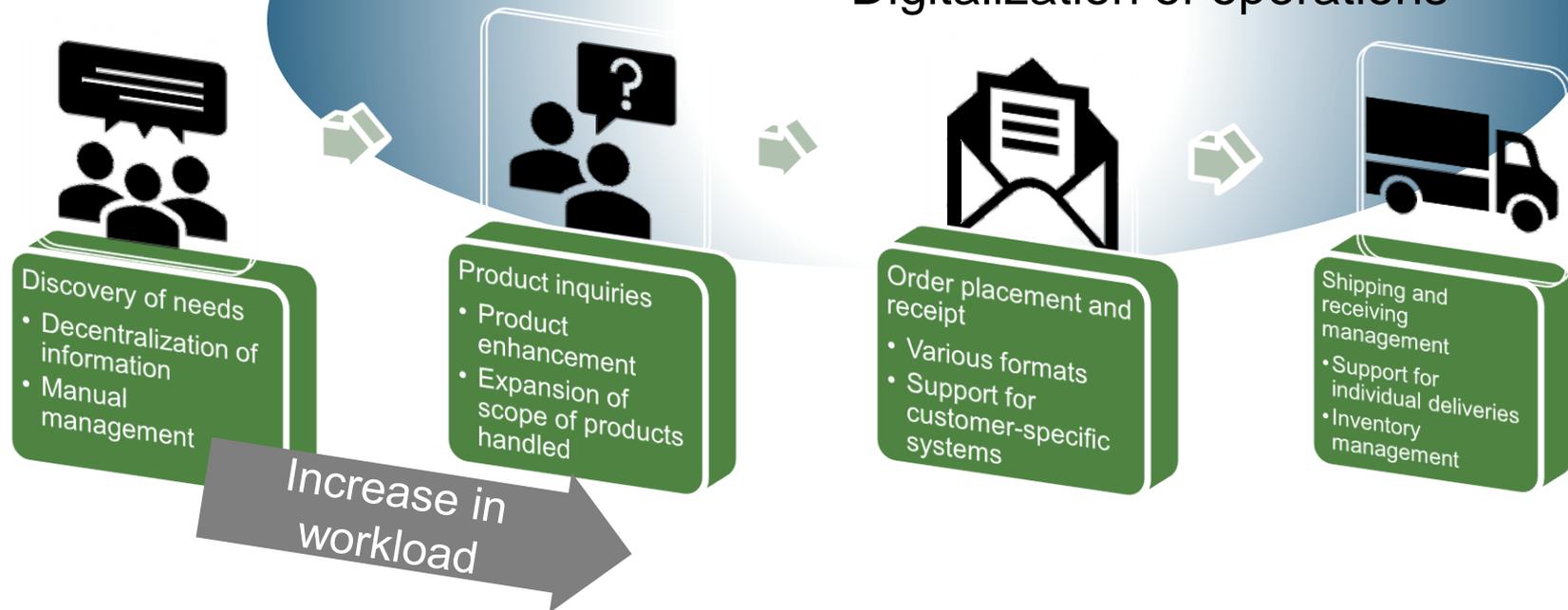
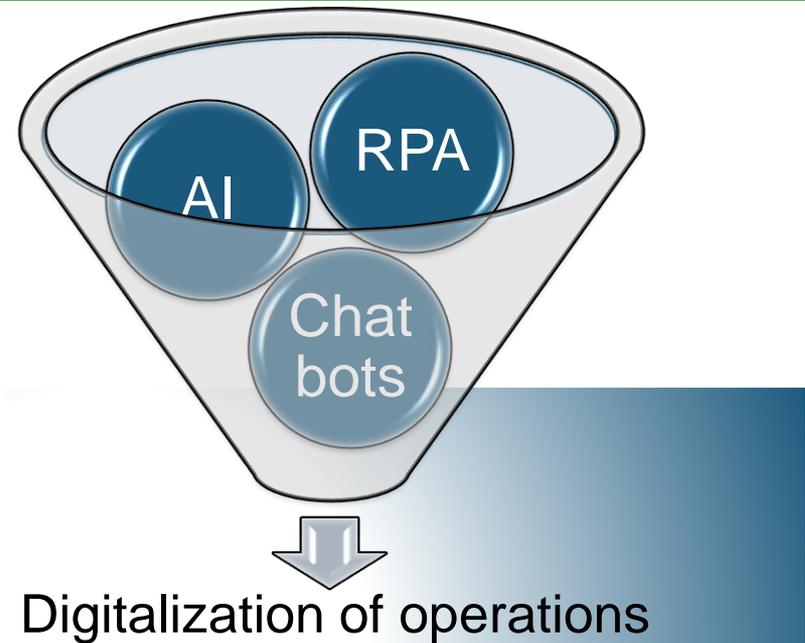
# Growth Strategies: Turn Front-line Strength and Vital-point Strength into Products

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



- 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.



- 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.

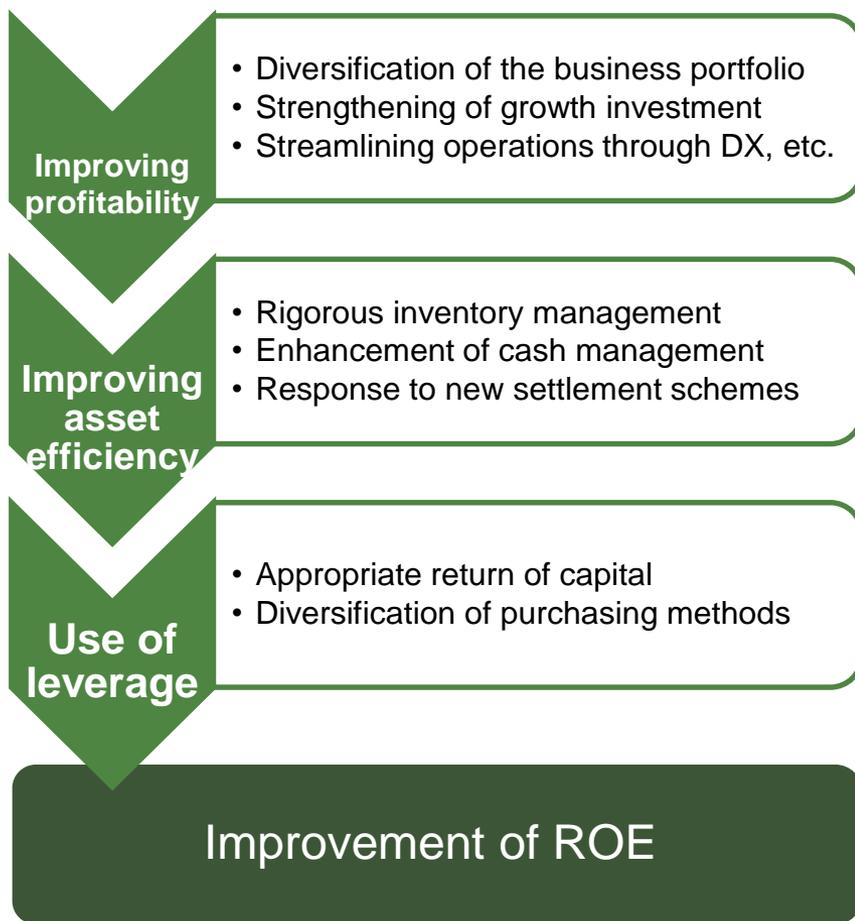


## Measures to improve capital efficiency

- 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.

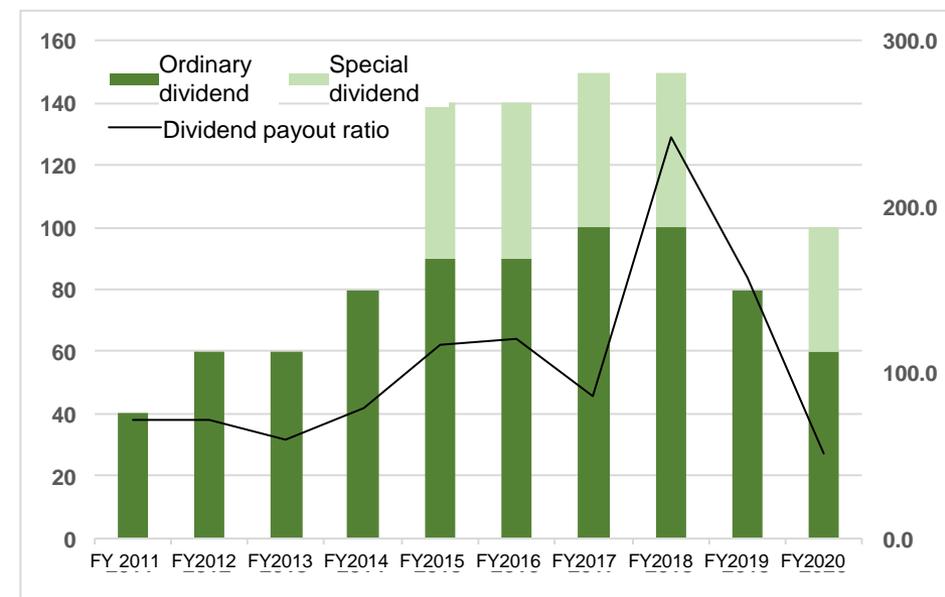
## Policy on return of capital

- 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

%



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**FY2021 Forecast of Business Results**

Reference: Contribution to the SDGs

# Business Objectives

- In view of the market recovery and other factors, Ryosan forecasts an increase in net sales in FY2021 by +1.4% YoY.
- Net profit is expected to decline 43% YoY, partly due to the lack of appropriation of extraordinary income such as income from sale of investment securities, which occurred in FY2020.
- At this point the forecast does not take into account the impact of product-delivery effects from incidents such as a fire at a Renesas Electronics plant.

(Unit: ¥Bil)	FY2020		FY2021 Forecast		Change (FY2021-2020)
	1st Half	Full Year	1st Half	Full Year	
<b>Net Sales</b>	97.1	219.8	110.0	<b>223.0</b>	+1.4%
<b>Gross Profit</b>	8.1	19.0	9.0	<b>18.3</b>	-3.8%
<b>Operating Income</b>	1.2	4.6	1.6	<b>3.7</b>	-20.1%
<b>(% of Net Sales)</b>	(1.3%)	(2.1%)	(1.5%)	<b>(1.7%)</b>	(-0.4pt)
<b>Ordinary Income</b>	1.6	5.1	1.7	<b>3.7</b>	-27.8%
<b>(% of Net Sales)</b>	(1.7%)	(2.3%)	(1.5%)	<b>(1.7%)</b>	(-0.6pt)
<b>Net Profit</b>	1.4	4.5	1.2	<b>2.6</b>	-43.3%
<b>(% of Net Sales)</b>	(1.5%)	(2.1%)	(1.1%)	<b>(1.2%)</b>	(-0.9pt)
<b>EPS (¥)</b>	63.90	195.78	51.22	<b>110.98</b>	-43.3%
<b>US Dollar Average Rate (¥)</b>	106.92	106.06	100.00	<b>100.00</b>	-5.7%

# Overview of Business Forecast by Business Segments

FY2021 Forecast of  
Business Results

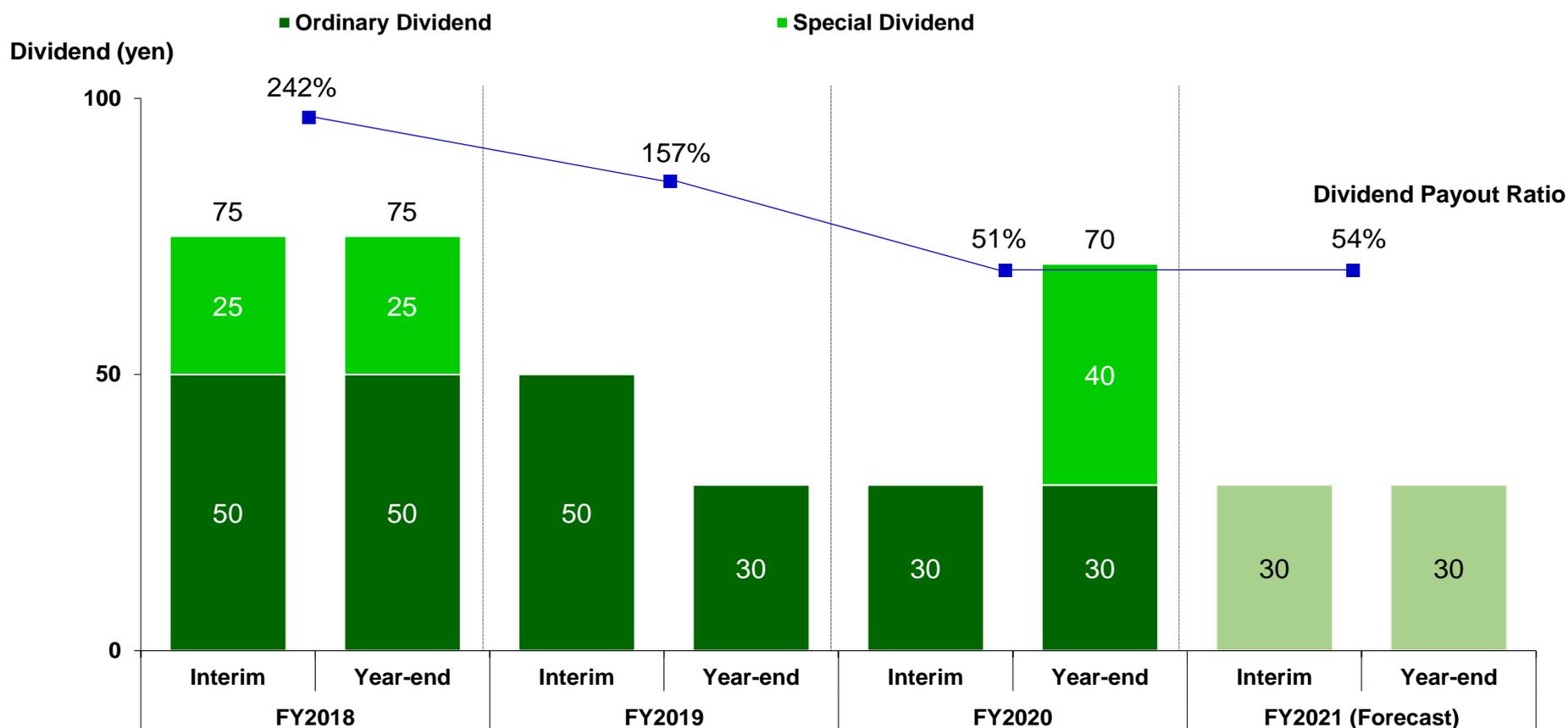


- In the forecast of full-year net sales in the Semiconductors business in FY2021, Ryosan expects sales to increase YoY, in tandem with the recovery in the automotive market. Operating income is expected to decline 26% YoY, as logistical costs rise and inventory-related expenses normalize.
- In the Electronic Components business, consumer sales, which were favorable in the previous fiscal year, are expected to decline in FY2021 as demand related to the stay-at-home lifestyle has run its course. Both sales and income are expected to decline YoY.
- In the Electronic Equipment business, large projects in information & communications are expected to launch in the second half of FY2021. Both sales and income are forecast to increase YoY.

(Unit: ¥Bil)	FY2020		FY2021 Forecast			
	1st Half	Full Year	1st Half	Full Year	Change (FY2021-2020)	
Semiconductors	Net Sales	57.2	131.8	66.5	134.0	+1.6%
	Operating Income	0.46	2.03	0.65	1.50	-26.1%
	(% of Net Sales)	(0.8%)	(1.5%)	(1.0%)	(1.1%)	(-0.4pt)
Electronic Components	Net Sales	34.0	75.6	37.2	73.5	-2.9%
	Operating Income	0.97	2.55	1.10	2.30	-10.1%
	(% of Net Sales)	(2.8%)	(3.4%)	(3.0%)	(3.1%)	(-0.3pt)
Electronic Equipment	Net Sales	5.8	12.3	6.3	15.5	+25.5%
	Operating Income	0.03	0.18	0.10	0.40	+114.5%
	(% of Net Sales)	(1.9%)	(1.5%)	(1.6%)	(2.6%)	(+1.1pt)
Total	Net Sales	97.1	219.8	110.0	223.0	+1.4%
	Operating Income	1.25	4.62	1.60	3.70	-20.1%
	(% of Net Sales)	(1.3%)	(2.1%)	(1.5%)	(1.7%)	(-0.4pt)

- In tandem with an upward revision of net profit for FY2020 on April 30, 2021, the most recent forecast of the year-end ordinary dividend for FY2020 is ¥30 per share. A special dividend of ¥40 will also be distributed. Including an interim dividend of ¥30, the total dividend for FY2020 is ¥100 per share. Dividend payout ratio is 51%.
- The forecast of total dividend for FY2021 is ¥60 per share.

## Dividend per Share



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Reference: Contribution to the SDGs

# Reference: Contribution to SDGs (1/2): Identifying Materialities

Reference:  
Contribution  
to the SDGs



- Ryosan aims to achieve sustainable growth together with customers, suppliers, employees, shareholders and other stakeholders, by creating confidence and the best fit in the electronics domain.
- Ryosan is committed to contributing to the Sustainable Development Goals (SDGs) in ways that lead to solutions for social issues.

	Growth strategy	Overview	Materialities/*Reasons for identification	SDGs
1	Business Innovation	Delivering new business models and value-added through risk-taking	Measures toward a low-carbon society and a recycling economy  *Promote a low-carbon society using Ryosan's capabilities in solutions and technology	 
2	Network Innovation	Strengthening Ryosan's value network to serve customers' wide-ranging needs	Overhaul of supply chains to supply customers with the best possible products and services  *Promote reduction of environmental impact across the entire supply chain	  
3	Channel Innovation	Expanding Ryosan's network of customers in Japan and overseas by reorganizing and strengthening its sales channels	Reliable and responsible governance *Need to strengthen compliance Group-wide  Decent work, health and workstyle innovation *Decent work and good health as the wellspring of enterprise vitality	  

# Reference: Contribution to SDGs (2/2): Opportunities and Risks in Materialities

Materiality	Opportunities	Risks	Aim
Measures toward a low-carbon society and a recycling economy	<ul style="list-style-type: none"> <li>• Promotion of energy-saving consumer electronics by applying inverter solutions in overseas markets</li> <li>• Supply of collaborative robots as a solution for labor shortages</li> <li>• Providing solutions to meet demand for energy generation, recharging and energy storage</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthened restrictions on the scope of business activities amid tightening environmental regulations</li> <li>• Increased cost of doing business from depletion of energy and resources</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution to solutions to social issues and formation of a sustainable society by adding value in electronics and technology</li> </ul>
Overhaul of supply chains to supply customers with the best possible products and services	<ul style="list-style-type: none"> <li>• Providing technical value-added in the mobility and FA fields</li> <li>• Contributing to improvement of logistical functions in preparation for the post-COVID-19 world</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of stakeholder trust if violations of human rights occur</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of responsible supply systems through optimization of products and services and reduction of environmental impact; contribution to fulfilling and affluent living</li> </ul>
Reliable and responsible governance	<ul style="list-style-type: none"> <li>• Improvement of enterprise value through practicable corporate governance (proactive risk-taking)</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of stakeholder trust if information security breaches occur</li> <li>• Increased cost of risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Contributing to a sustainable society through synergies between strengthened governance and business development</li> </ul>
Decent work, health and workstyle innovation	<ul style="list-style-type: none"> <li>• Workstyle and office innovation to improve productivity and motivation and form dynamic workplaces</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in productivity and motivation if Ryosan cannot respond to social needs</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of new business and workstyle innovation to promote active use of personnel and enhanced motivation</li> </ul>