



Supplementary Materials for FY2021 Financial Results

May 19, 2022

Ryosan Company, Limited



Financial Results for FY2021

FY2021 Overview

FY2022 Business Plan and Measures

Appendix

Notice

Business forecasts and other forward-looking statements contained in this document are based on information currently possessed by Ryosan Company, Limited (Ryosan) and on certain assumptions which Ryosan judges 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 (such as Japan and the rest of Asia) and rapid changes in consumption trends and in product supply and demand
- Sharp fluctuations in the dollar-yen exchange rate
- Sharp fluctuations in prices in capital markets, etc.



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Overview of Consolidated Business Results

Financial Results
for FY2021

- Full-year consolidated business results for FY2021, from net sales to profit, are at 10-year highs.
- EPS are the highest since Ryosan's listing on the TSX.

(Unit: ¥bil)	FY2020	FY2021			
	Full-year Business Results	January 28, 2022 Forecast	Full-year Business Results	Change (FY2021-2020)	Comparison with Forecast
Net sales	219.8	260.0	272.6	+24.0%	+4.9%
Gross profit	19.0	23.2	24.9	+30.9%	+7.4%
Operating income	4.6	7.6	8.8	+91.4%	+16.5%
(% of net sales)	(2.1%)	(2.9%)	(3.2%)	(+1.1pt)	(+0.3pt)
Ordinary income	5.1	7.4	8.0	+57.8%	+9.3%
(% of net sales)	(2.3%)	(2.8%)	(3.0%)	(+0.7pt)	(+0.2pt)
Profit	4.5	5.2	5.3	+16.9%	+3.1%
(% of net sales)	(2.1%)	(2.0%)	(2.0%)	(-0.1pt)	(+0.0pt)
EPS (¥)	195.78	222.03	228.75	+16.8%	+3.0%
US dollar average rate (¥)	106.06	108.40	112.38	+6.0%	+3.7%



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Factors in Increase/Decrease of Net Sales and Operating Income

- Net sales increased YoY by ¥52.8 bil, mainly from growth of sales of products for the automotive and industrial-equipment sectors. New business from acquired new territory and depreciation of the yen also contributed.
- Operating income increased YoY by ¥4.2 bil. Although SG&A expenses increased, sales volume rose, as did sales of high-margin products for industrial equipment.

Figure 1. Net Sales (billions of yen)

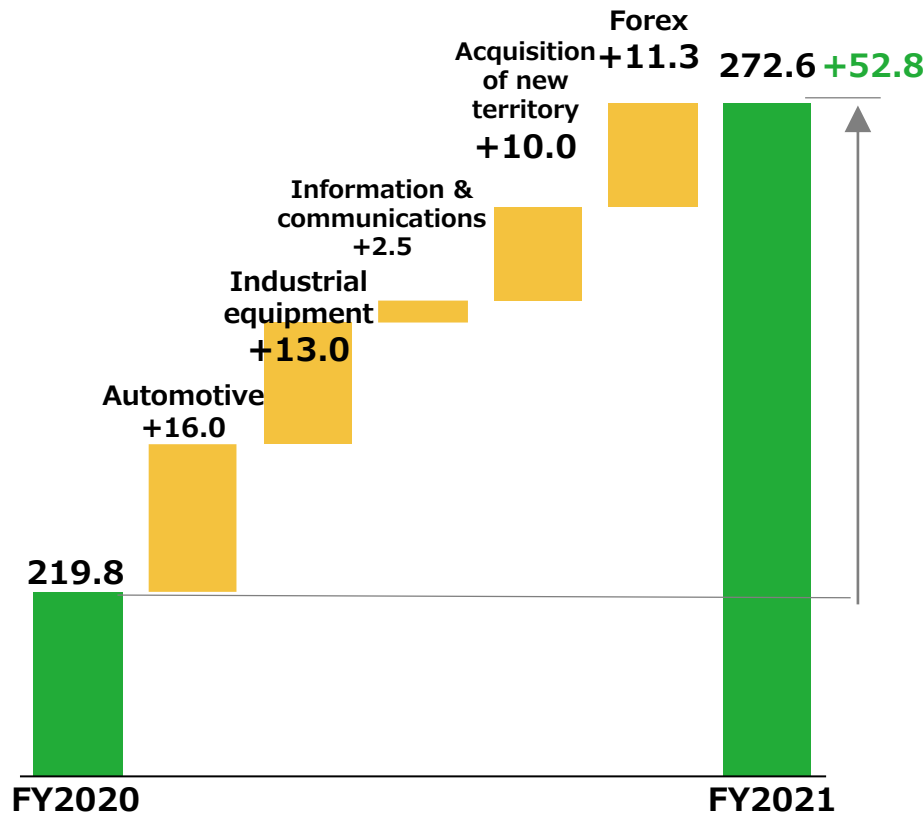
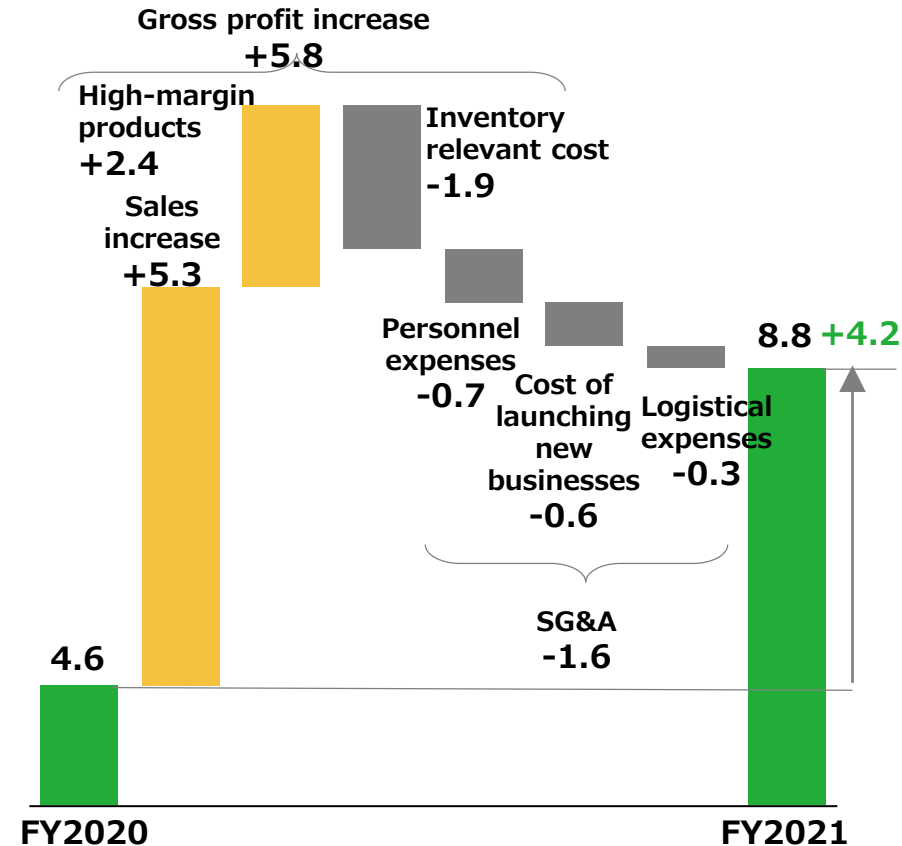


Figure 2. Operating Income (billions of yen)





Segment Information

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- In the Device Business, net sales increased to ¥240.8 bil (up 25.5% YoY) mainly because sales of products for the automotive and industrial-equipment sectors grew and new business was acquired from new territory. Operating income increased to ¥7.5 bil (up 86.8% YoY) as sales of high-margin products expanded.
- In the Solution Business, net sales increased to ¥31.8 bil (up 13.6% YoY) as business expanded in the automotive sector and through major projects in the system-equipment and information & communication markets. As a result, operating income rose to ¥1.4 bil (up 98.3% YoY) .

(Unit: ¥bil)		FY2020	FY2021	
		Full-year Business Results	Full-year Business Results	Change (FY2021-2020)
Device Business	Net sales	191.8	240.8	+ 25.5%
	Operating income	4.0	7.5	+ 86.8%
	(% of net sales)	(2.1%)	(3.1%)	(+ 1.0pt)
Solution Business	Net sales	27.9	31.8	+ 13.6%
	Operating income	0.7	1.4	+ 98.3%
	(% of net sales)	(2.6%)	(4.5%)	(+ 1.9pt)
	Adjustment	-0.1	-0.1	
Total	Net sales	219.8	272.6	+ 24.0%
	Operating income	4.6	8.8	+ 91.4%
	(% of net sales)	(2.1%)	(3.2%)	(+ 1.1pt)



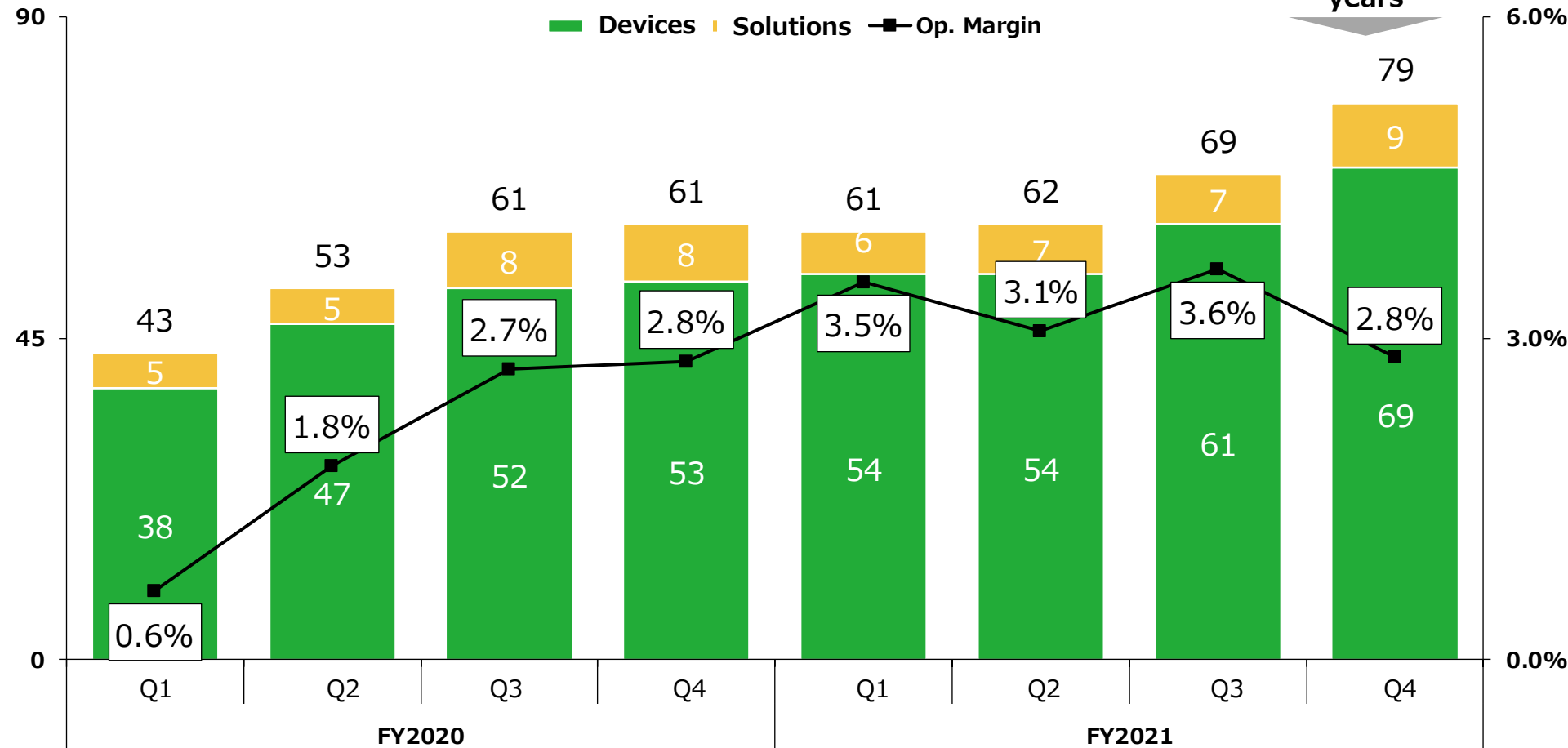
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Trend in Net Sales and Operating Margins by Quarter

Financial Results
for FY2021

- Quarterly net sales have stayed above ¥60 bil since Q3 FY2020. Net sales of ¥79.1 bil in Q4 FY2021 are the highest in the last 10 years.
- Operating margins have remained above 2% since Q3 FY2020 as sales increased and gross profit margins improved.

Net Sales (Unit: ¥bil)



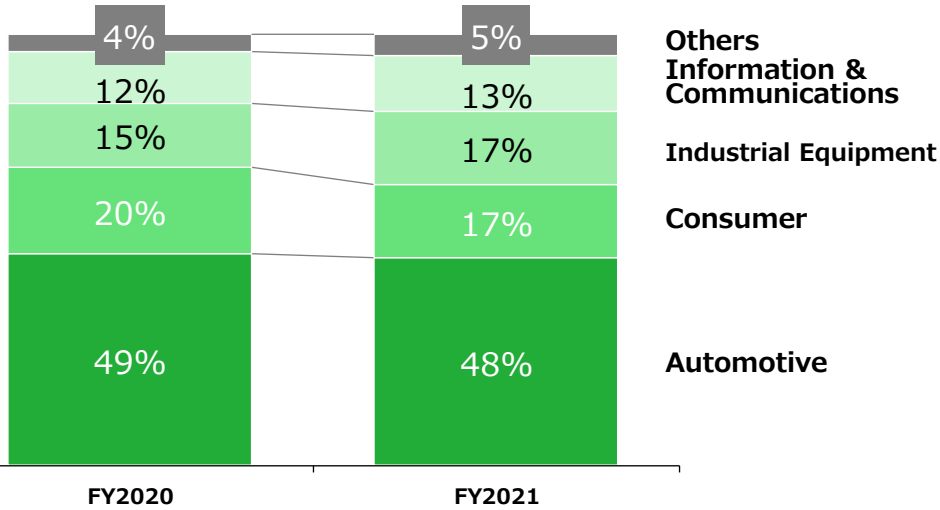


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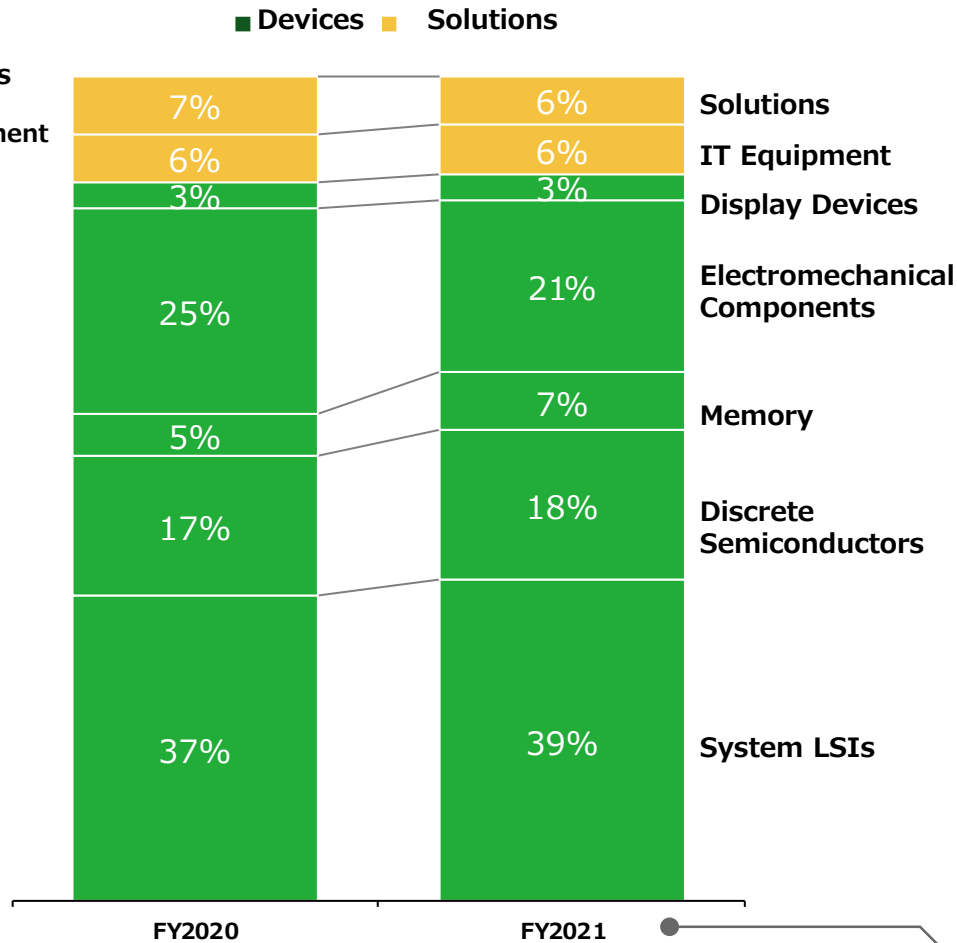
Segment Trend Information

- By application, sales in industrial equipment sector increased as a share of total. There are no major changes in regional trends to report. In sales by product, sales in the electrotechnical-component sector decreased as a share of total amid the normalization of staying-at-home demand and decrease of consumer businesses.

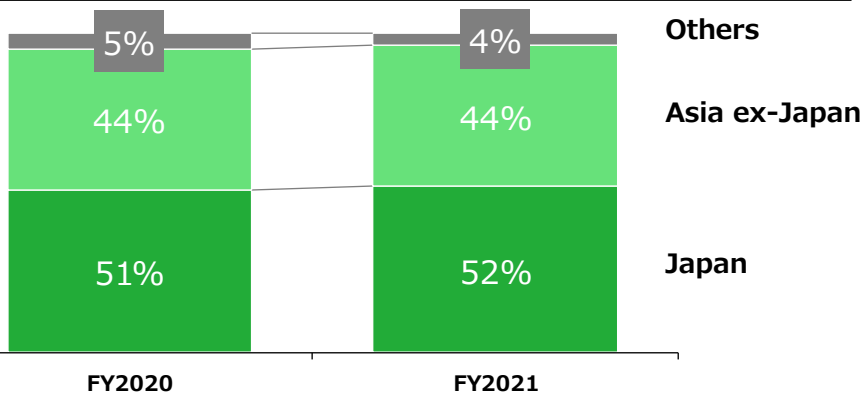
By Application



By Product



By Region



Consolidated Balance Sheet/Consolidated Statement of Cash Flow



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In the consolidated balance sheet as of the end of March 2021, accounts receivable–trade increased amid sales expansion. Inventories also expanded due to customers' production adjustments, demands for BCP-purpose inventories and responses to EOL products. Accounts receivable–other increased because of changes in suppliers' settlement procedures. These factors led to an increase of total assets to ¥190.5 bil, and decrease of operating cash flow of ¥28.9 bil.

Consolidated Balance Sheet

(Unit: ¥ bil)	End of Mar. 2021	End of Mar. 2022	Change
Total assets	148.0	190.5	+42.5
Current assets	132.4	176.8	+44.4
Accounts receivable–trade	71.0	92.5	+21.5
Inventories	35.7	52.6	+16.9
Accounts receivable–other	4.5	18.7	+14.2
Non-current assets	15.5	13.7	-1.8
Liabilities	58.4	95.8	+37.4
Accounts payable–trade	32.9	42.9	+10.0
Short-term loans payable	18.7	43.3	+24.6
Net assets	89.6	94.7	+5.1
Net assets to total assets (%)	60.5%	49.7%	-10.8pt

- Sales expansion

- Production adj.
- BCP
- EOL etc.

- Changes of suppliers' settlement procedures

Consolidated Statement of Cash Flow

(Unit : ¥ bil)	FY2020	FY2021	Change
Cash flow from operating activities	-3.7	-28.9	-25.2
Cash flow from investing activities	1.0	0.8	-0.2
Cash flow from financing activities	-1.5	18.9	+20.4
Cash and cash equivalents at end of period	20.6	12.0	-8.6



- Net sales are expected to be ¥265.0 in FY2022 (down 2.8% YoY). In the business environment, demand remains vulnerable due to factors such as geopolitical risk factors, while the impact of COVID-19 is diminished.
- Operating income of ¥7.0 bil (down 21.0% YoY) is expected, as net sales decrease compared to the previous fiscal year and as gross profit margin decreases in the Solution segment from changes in the product mix.

(Unit: ¥bil)	FY2021		FY2022 Forecast		
	H1	Full Year	H1	Full Year	Change (FY2022-2021)
Net sales	124.2	272.6	134.0	265.0	-2.8%
Gross profit	11.6	24.9	11.6	22.8	-8.5%
Operating income	4.0	8.8	3.3	7.0	-21.0%
(% of net sales)	(3.3%)	(3.2%)	(2.5%)	(2.6%)	(-0.6pt)
Ordinary income	4.0	8.0	3.2	6.8	-15.9%
(% of net sales)	(3.3%)	(3.0%)	(2.4%)	(2.6%)	(-0.4pt)
Profit	2.9	5.3	2.2	4.8	-10.4%
(% of net sales)	(2.3%)	(2.0%)	(1.6%)	(1.8%)	(-0.2pt)
EPS (¥)	124.17	228.75	93.90	204.88	-10.4%
US dollar average rate (¥)	109.80	112.38	110.00	110.00	-2.1%



- In the Device Business, net sales are forecasted to be ¥233.0 bil (down 3.3% YoY), and operating income to be ¥6.6 bil (down 13.0% YoY) as sales expansion is normalized.
- In the Solution Business, net sales are forecasted to reach ¥32.0 bil (up 0.6% YoY),) as major projects in information & communications continue to contribute to sales. Operating income is expected to be ¥1.0 bil (down 29.7% YoY) as gross profit margin decreases due to changes in the product mix.

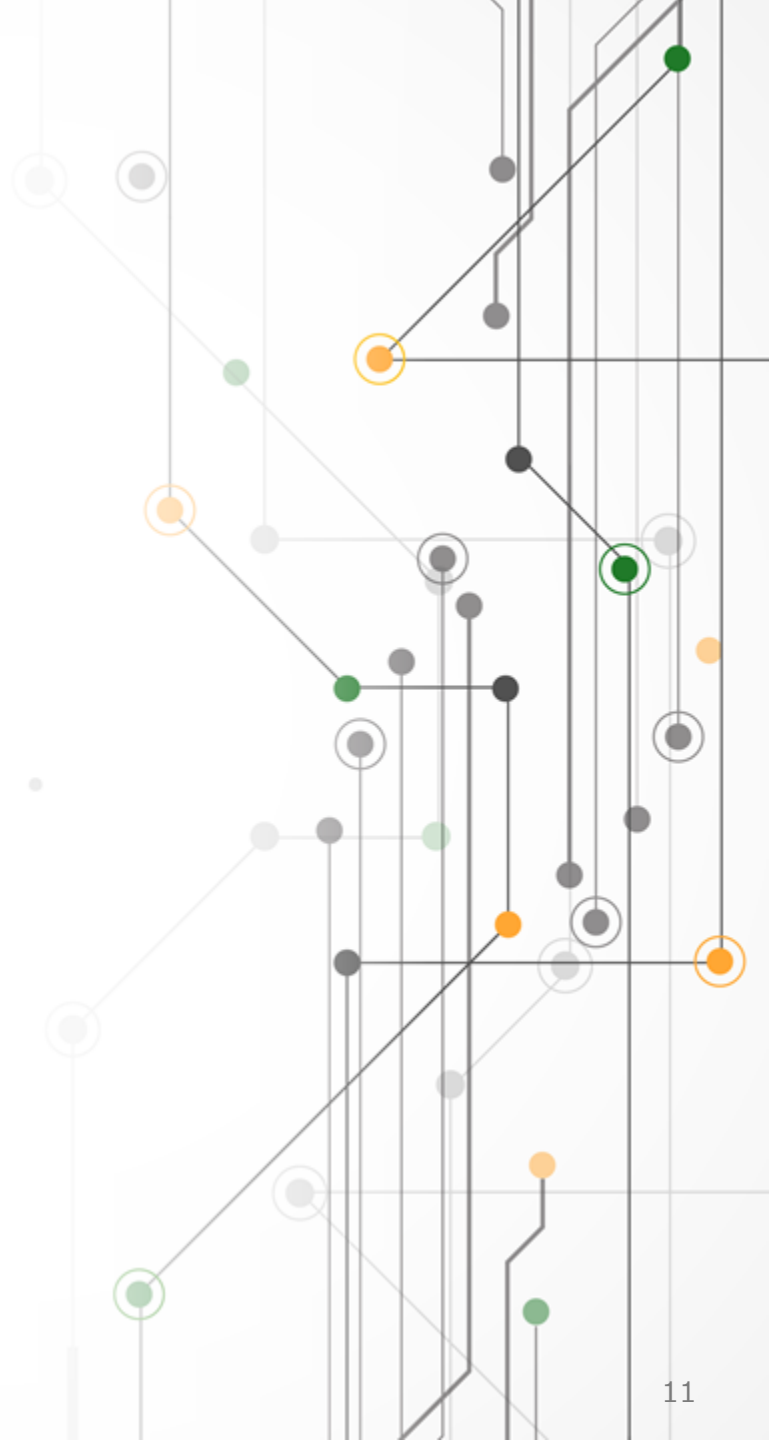
(Unit: ¥bil)		FY2021		FY2022 Forecast		
		H1	Full Year	H1	Full Year	Change (FY2022-2021)
Device Business	Net sales	109.6	240.8	115.5	233.0	-3.3%
	Operating income	3.4	7.5	3.0	6.6	-13.0%
	(% of net sales)	(3.2%)	(3.1%)	(2.6%)	(2.8%)	(-0.3pt)
Solution Business	Net sales	14.6	31.8	18.5	32.0	+0.6%
	Operating income	0.6	1.4	0.6	1.0	-29.7%
	(% of net sales)	(4.5%)	(4.5%)	(3.2%)	(3.1%)	(-1.4pt)
	Adjustment	-0.0	-0.1	-0.0	-0.6	
Total	Net sales	124.2	272.6	134.0	265.0	-2.8%
	Operating income	4.0	8.8	3.3	7.0	-21.0%
	(% of net sales)	(3.3%)	(3.2%)	(2.5%)	(2.6%)	(-0.6pt)

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FY2022 Business Plan and Measures

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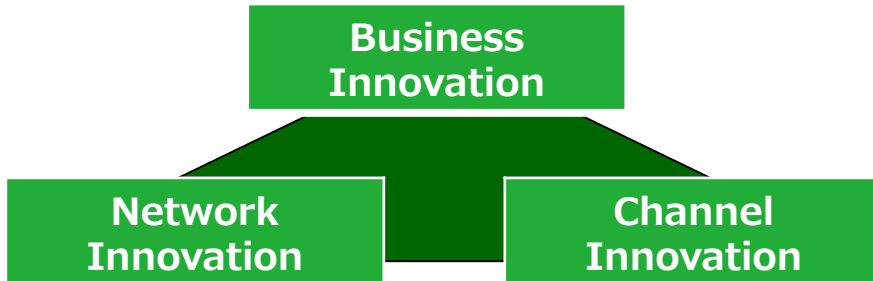
The 11th Medium-Term Business Plan

Business Plan and Measures (FY2021)

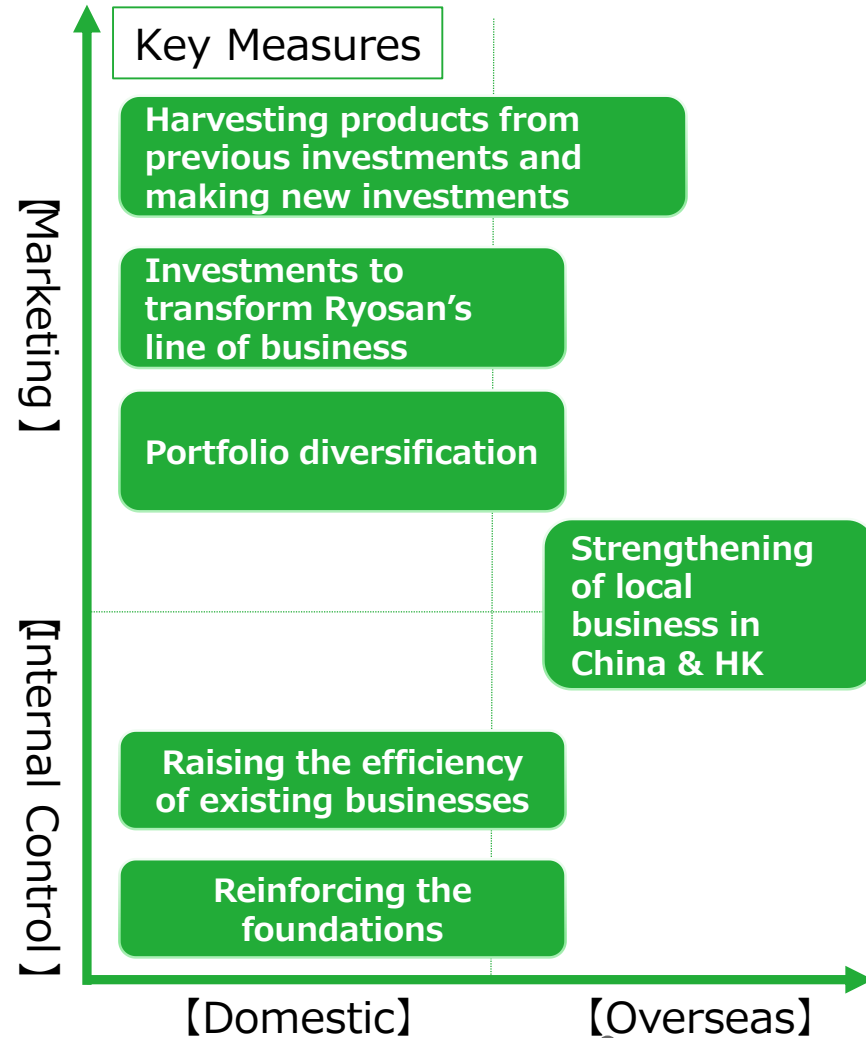
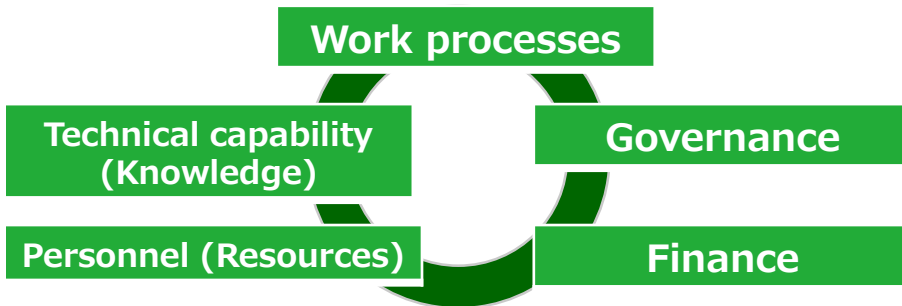
- The 11th Medium-Term Business Plan began in FY2021. The plan features six key measures, in line with Ryosan's Long-Term Vision.
- This Medium-Term Business Plan showed the shift of Ryosan's management stance from a rigid defensive mode to an active mode focused on transforming its business.

Ryosan Long-Term Vision: RS Innovation 2030

Three innovations for growth



Implementation of Business Infrastructure to Achieve the Target



Business Environment

Impact

Shortages in supplies of semiconductors & electric components persisted.

- High levels of orders received continued. Both sales volume and unit price rose.
- Vigilance is required regarding reversal of market trends when supply issues are resolved.

Business activities slowed down due to the prolonged COVID19 pandemic.

- Incentives toward operation productivity by DX were strengthened.
- Operating costs including logistic costs rose.
- Inventories increased due to customers' production adjustments and responses to business continuity requirements.

Suppliers' distributorship policies changed.

- New business opportunities were realized from acquisition of new territory.
- System investments were made to deal with changes in settlement procedures and goodwill expenses were recorded.

Several new risk factors occurred.

- Geopolitical risks were realized.
- Credit monitoring was strengthened in preparation for reversal of market trends.

□ : Plus factor
■ : Minus factor

FY2021 Status Update on Key Measures



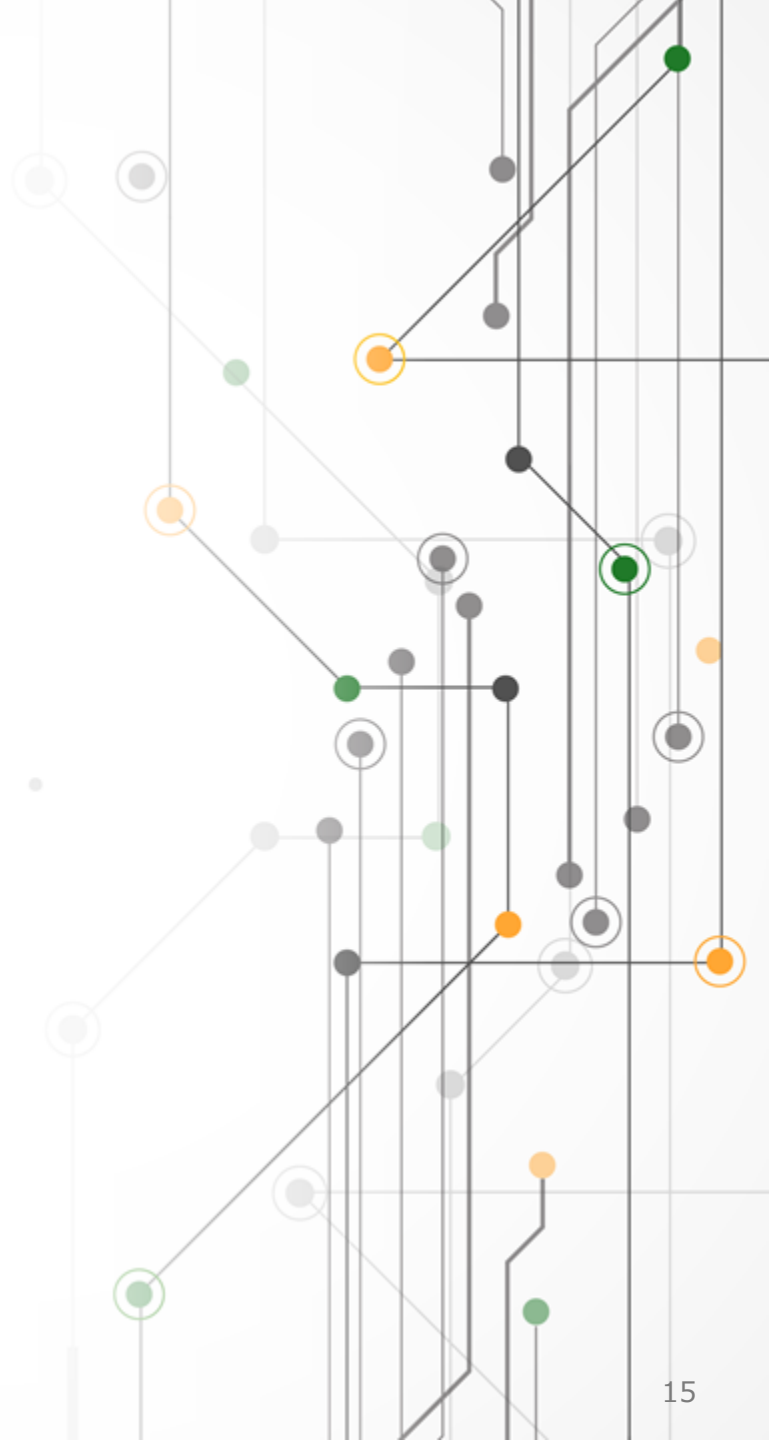
	Measures	Details	Actions done in FY2021
The 11 th Medium-Term Business Plan	Portfolio diversification	<ul style="list-style-type: none"> • Deep search for new territory to acquire and promotion of channel renovation 	<ul style="list-style-type: none"> • Completed transfer of acquired territory and expanded business volume. • Began test direct marketing.
	Strengthening of local business in China & HK	<ul style="list-style-type: none"> • Cooperation with local partners 	<ul style="list-style-type: none"> • Realized business synergies with China subsidiaries.
	Harvesting products from previous investments and making new investments	<ul style="list-style-type: none"> • Harvesting products from previous investments • Search for and expansion of new products 	<ul style="list-style-type: none"> • Expanded sales of products from previous investments. • Changed organization for sales promotion and set up a function taking exclusive charge of product development.
	Investments to transform Ryosan's line of business	<ul style="list-style-type: none"> • Entry into new businesses based on customer needs 	<ul style="list-style-type: none"> • Enhanced research activities on customer needs.
	Raising the efficiency of existing businesses	<ul style="list-style-type: none"> • Usage of digital technology 	<ul style="list-style-type: none"> • Completed initial review of internal promotion structure for business digitization.
	Reinforcing the foundations	<ul style="list-style-type: none"> • Management information, education, risk management enhancement 	<ul style="list-style-type: none"> • Conducted initial review toward data integration. • Introduced new personnel system. • Expanded education programs.
Internal Control	Governance enhancement	<ul style="list-style-type: none"> • Management to attain Medium-Term Business Plan 	<ul style="list-style-type: none"> • Enhanced KPI management framework and its monitoring. • Introduced new project management tools and efficient resource control.
	Corporate culture (Communication)	<ul style="list-style-type: none"> • Activate internal communication 	<ul style="list-style-type: none"> • Reviewed/modified internal communication. • Introduced frameworks to realize employees' initiatives (with commendations).

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Expected Business Environment

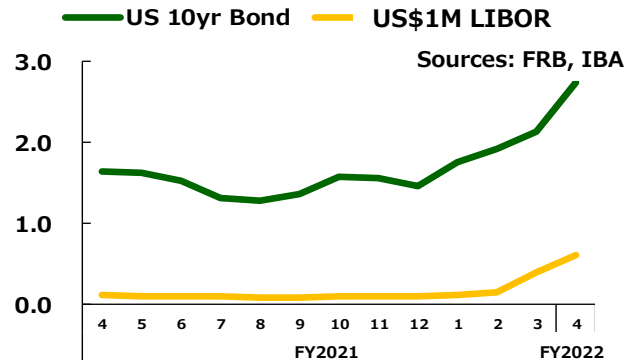
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- Geopolitical risks are emerging due to the Russian invasion to Ukraine, US-China trade friction, etc.
- Interest rates are trending up amid increases in US policy interest rates. Yen depreciation is advancing.
- Inventories are increasing among electronics trading companies.

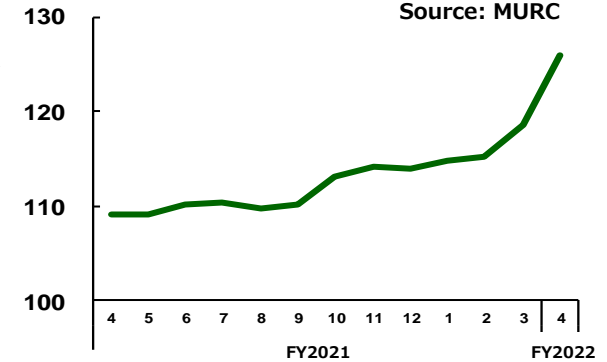
Geopolitical Risks



US 10yr bond, US\$1M LIBOR

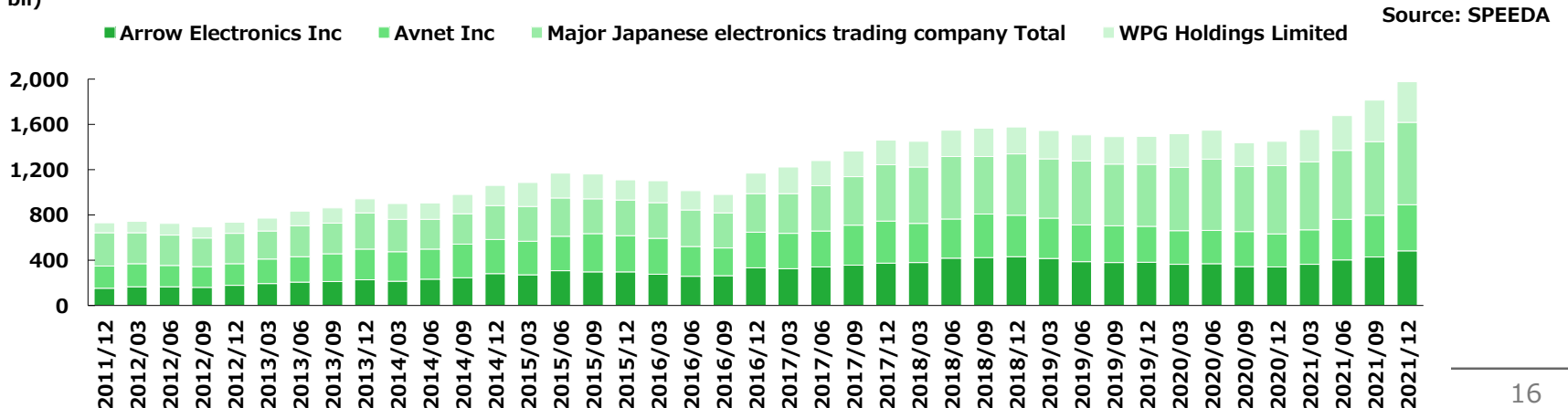


US\$/¥



Inventory trends at electronics trading companies

(Unit: ¥ bil)



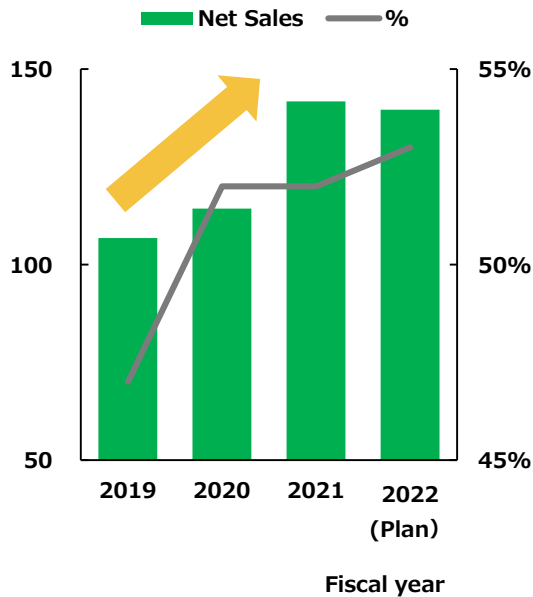
Portfolio Diversification

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- Sales expansion into non-automotive markets
 - Business in non-automotive markets will increase as a percentage of sales. As a result, net sales figures will be maintained at a high level. Ryosan is seeking new territory in non-automotive markets.
- Activation of the SME zone
 - Proving tests of direct marketing channels were implemented in FY2021. Ryosan plans to launch services in succession in FY2022.

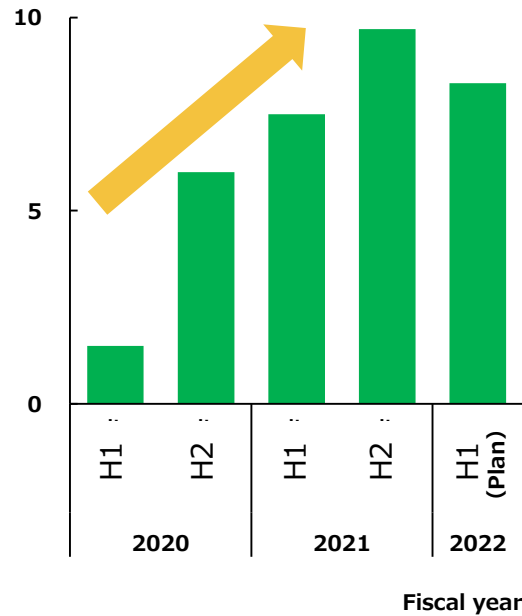
Non-auto net sales and share of total sales

(Unit : ¥ bil)

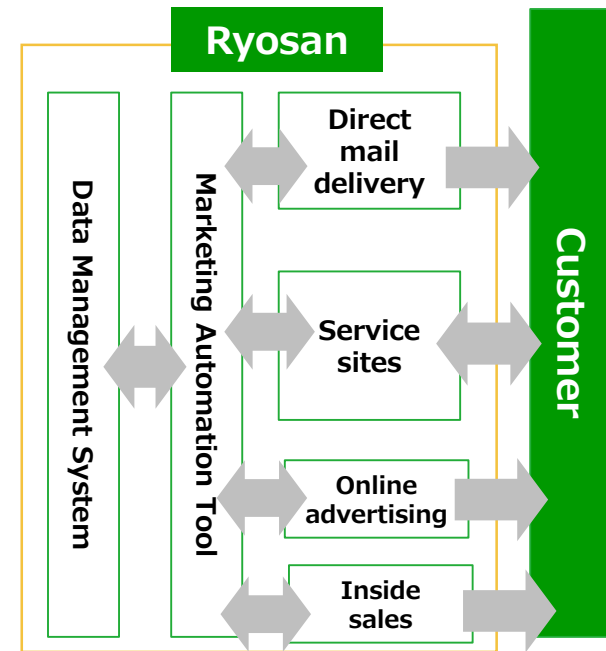


Net sales from acquired territory

(Unit : ¥ bil)

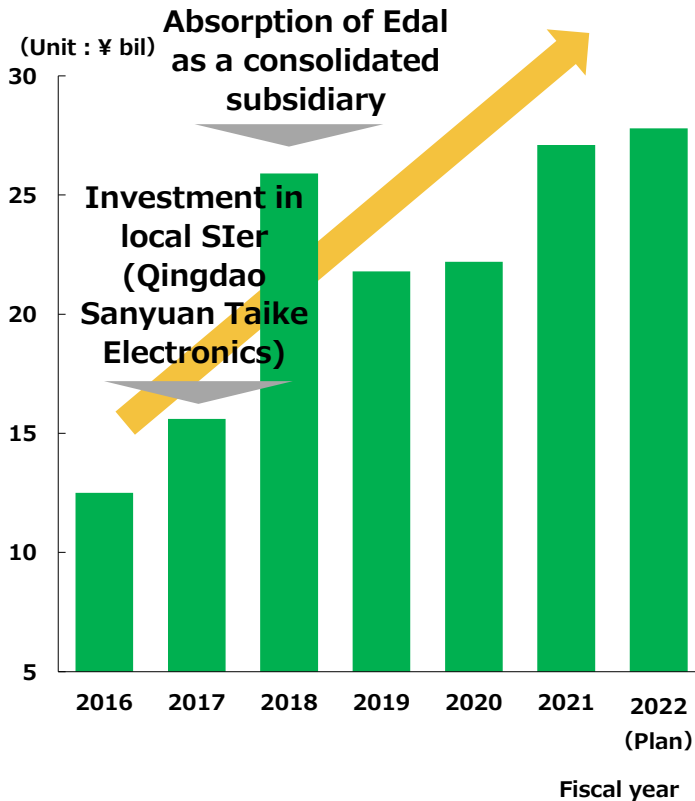


Development of direct marketing channels



- Local business in the China-HK region is growing steadily. Ryosan aims to maximize synergies through close coordination of all Group companies.

Sales to local customers in the China-HK region



Schematic view of promotion of local business in the China-HK region

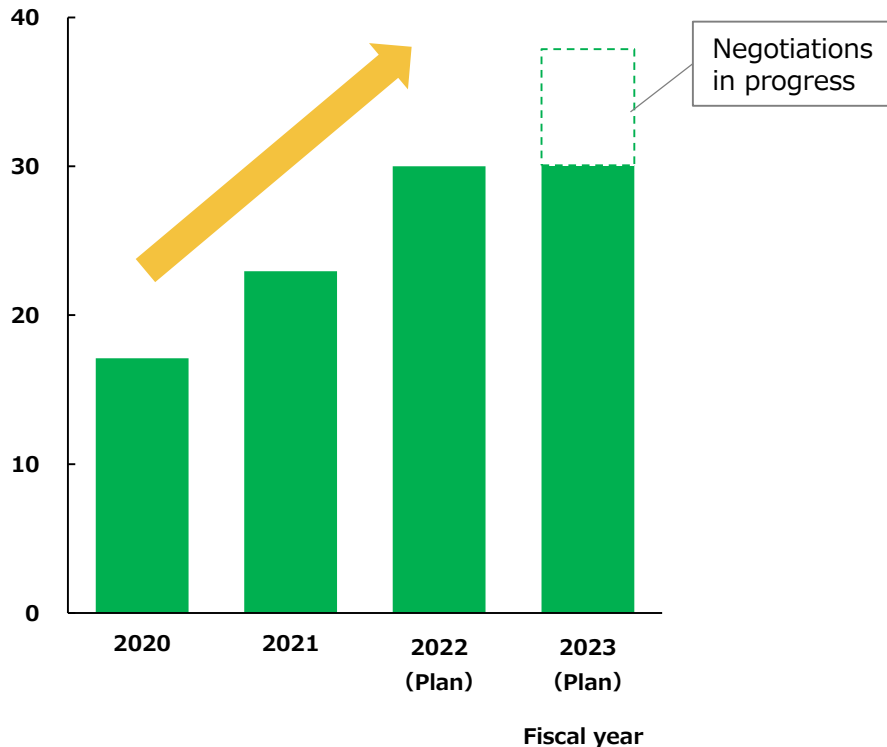
		Channel	South Region	North & East Region
General-purpose-products business	Edal		Pursuit of synergies between Ryosan and Edal	
	Ryosan			Strengthening of FAE sales expansion capability (focusing on analog products)
Solution business				Expansion of solutions business with local SIER (white goods)
			Expansion of sales to strategic customers (Strengthen technical support by working with design houses. Set sales of semiconductors and electric components.)	



- Sales of products from previous investments (overseas semiconductor businesses) are expected to expand to over ¥30 bil in FY2022. Efforts are focused on business in and after FY2023.
- Discovery of new products and releases of these products are under way through head-office reorganization and through investment of resources in specialized functions.

Sales of products from previous investments (overseas semiconductors)

(Unit : ¥ bil)



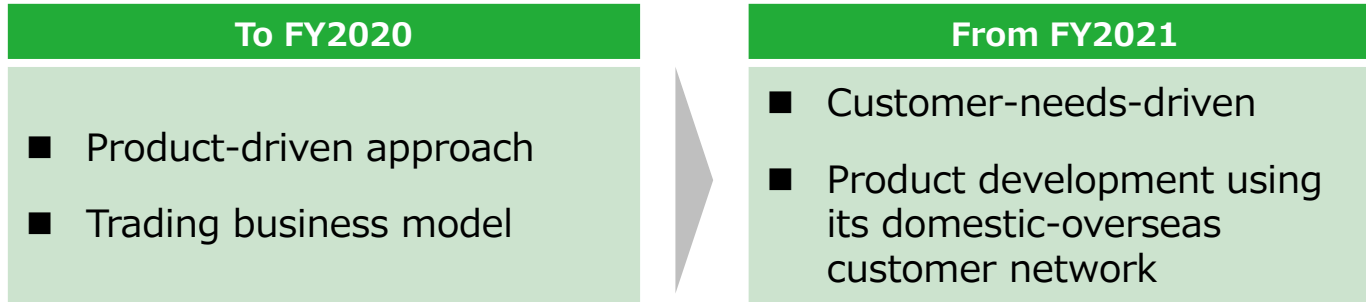
Examples of new products

Suppliers	Products
Company A	Optical sensors
Company B	Memory modules
Company C	Telecommunications ICs
Company D	Memory modules
Company E	Image bridge ICs
Company F	Data distribution 3DCAD
Company G	Memory
Company H	Optical modules
Company I	DRAM



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- Ryosan aims for early commercialization of business in the target fields, following approaches focused on customer needs and remaining open to collaborations with other companies.



New-business pipeline



Example) Liquid-crystal unit business

- Platforms (LCD+CPU+GDC +...) are developed and sold as a unit.
- Development of business in ticket gates, elevators etc. is under way.





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- New Personnel System
 - The basic policy includes “link corporate performance and employee contribution,” etc.
 - The new personnel system was launched in April 2022. Its main pillars are “promotion and demotion handling based on results and achievements,” excluding seniority and length of service, and “target management and absolute evaluations,” which feature clear identification of expected roles and goals.

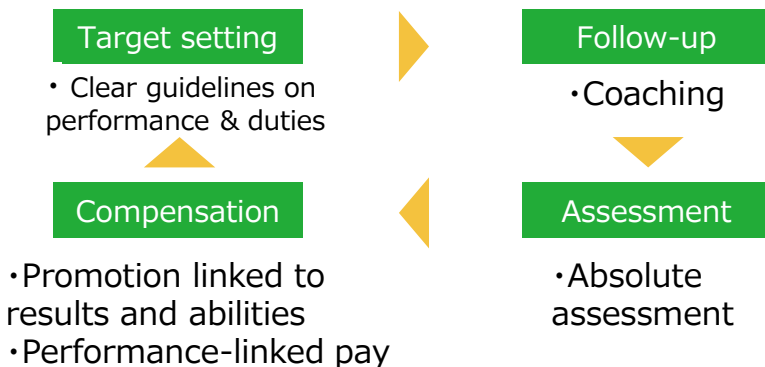
- Governance Enhancement
 - To enhance diversity, the number of outside directors in the Board of Directors is increased by one to four, including one female director.
 - Remuneration through performance-linked stock compensation will be introduced to incentivize improvement of business results and corporate value over the medium-to-long term.

New Personnel System

Basic Policy

1. Link corporate performance and employee contribution
2. Fair and timely assessment
3. Clear guidelines on performance & duties as well as improved coaching skills

Overview



Governance Enhancement

		Present	Afterwards
BOD	Outside Directors	3	Outside Directors* 4 (+1)
	Female Director	0	Female Director 1 (+1)
Remuneration	Fixed	Base salary + directors' shareholding association	Base salary + Performance-linked stock compensation*
	Variable	Short-term incentives	+ Short-term incentives

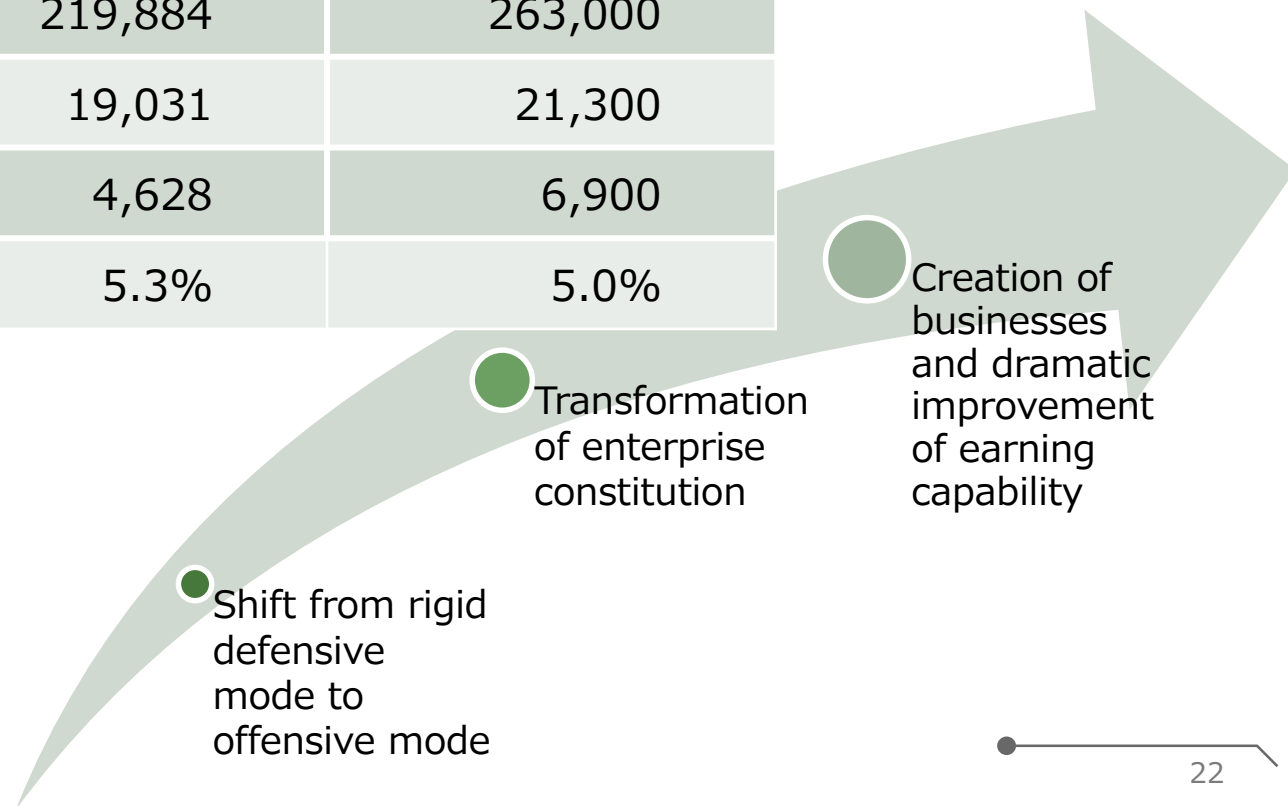
*To be proposed at the general meeting of shareholders in June 2022



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- The management targets of the 11th Medium-Term Business Plan have been attained ahead of schedule in FY2021. However, the management targets and business measures in the plan remain in force in view of the current status of each measure and the business environment ahead.

Unit : ¥ mil	FY2020 (Actual)	FY2023 Plan
Net sales	219,884	263,000
Gross profit	19,031	21,300
Operating income	4,628	6,900
ROE	5.3%	5.0%



Source: 11th Medium-Term Business Plan, published on May 14, 2021



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Forecast of Return to Shareholders

- Dividend payout ratio is set at around 50%.
- Total dividend is set at ¥120 for FY2021 and forecast at ¥100 for FY2022.

Dividend per Share

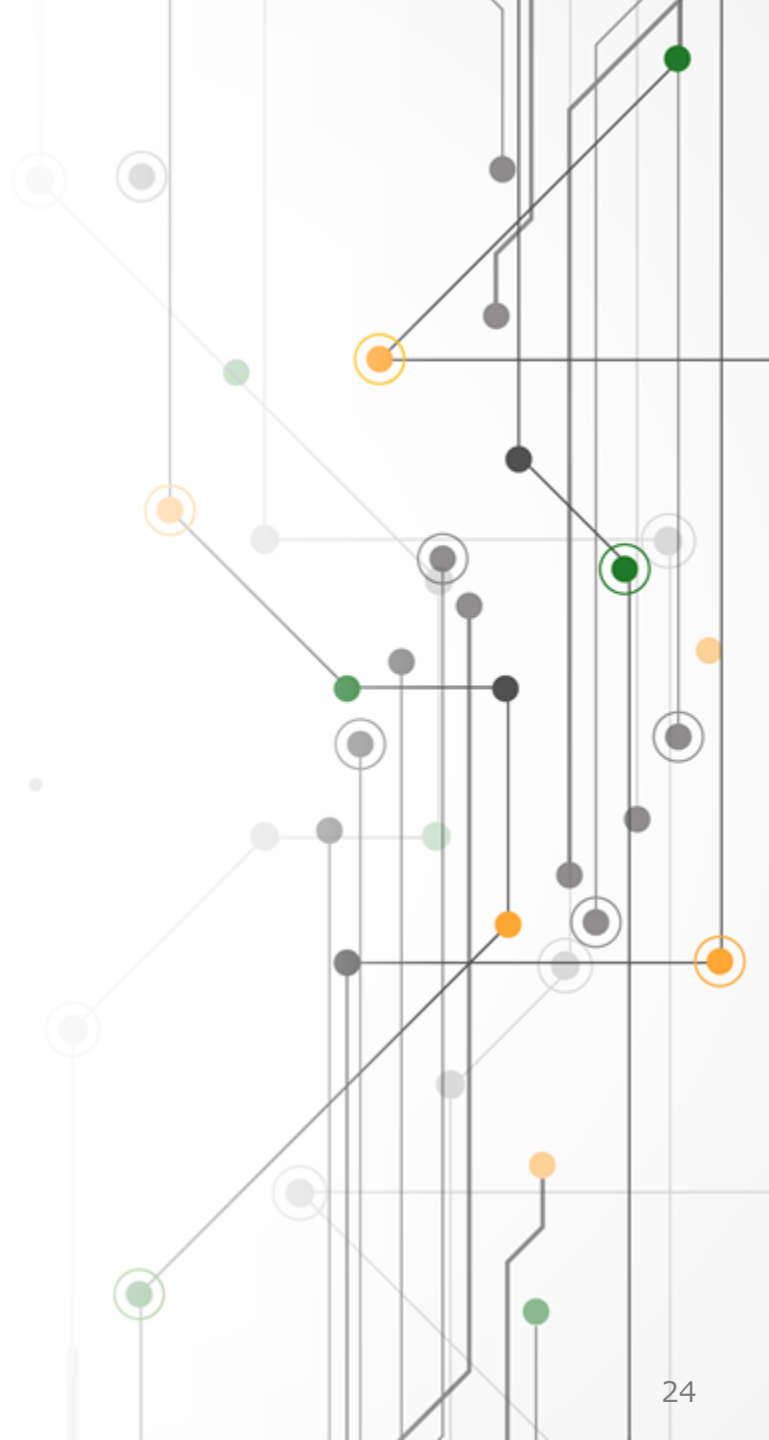


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Consolidated Business Results by Quarter



(Unit: ¥bil)	FY2020				FY2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	43.5	53.6	61.2	61.4	61.3	62.9	69.2	79.1
Gross profit	3.8	4.3	5.2	5.6	5.8	5.7	6.2	7.0
Operating income	0.2	0.9	1.6	1.7	2.1	1.9	2.5	2.2
(% of net sales)	0.6%	1.8%	2.7%	2.8%	3.5%	3.1%	3.6%	2.8%
Ordinary income	0.4	1.2	2.1	1.3	2.2	1.8	2.3	1.6
(% of net sales)	1.0%	2.3%	3.5%	2.1%	3.6%	2.9%	3.4%	2.1%
Profit	0.4	1.0	1.6	1.4	1.6	1.3	1.7	0.6
(% of net sales)	1.1%	1.9%	2.7%	2.3%	2.6%	2.1%	2.5%	0.9%



Segment Information by Quarter

(Unit: ¥bil)		FY2020				FY2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Device Business	Net sales	38.1	47.7	52.6	53.3	54.6	54.9	61.3	69.8
	Operating income	0.4	0.8	1.4	1.3	1.8	1.5	2.1	2.0
	(% of net sales)	1.2%	1.7%	2.7%	2.5%	3.4%	2.9%	3.4%	2.9%
Solution Business	Net sales	5.3	5.8	8.6	8.1	6.6	7.9	7.9	9.2
	Operating income	0.1	0.0	0.2	0.2	0.3	0.3	0.4	0.3
	(% of net sales)	2.0%	1.6%	3.0%	3.1%	4.7%	4.4%	5.6%	3.4%
	Adjustment	-0.3	0.0	-0.0	0.1	-0.0	-0.0	-0.0	-0.0
Total	Net sales	43.5	53.6	61.2	61.4	61.3	62.9	69.2	79.1
	Operating income	0.2	0.9	1.6	1.7	2.1	1.9	2.5	2.2
	(% of net sales)	0.6%	1.8%	2.7%	2.8%	3.5%	3.1%	3.6%	2.8%

Consolidated Balance Sheet by Quarter



(Unit: ¥bil)	2020/6	2020/9	2020/12	2021/3	2021/6	2021/9	2021/12	2022/3
Total assets	138.6	137.8	143.1	148.0	149.1	155.5	172.8	190.5
Current assets	122.8	122.3	127.2	132.4	133.8	140.1	158.0	176.8
Accounts receivable-trade	48.0	55.5	69.2	71.0	71.9	71.3	81.1	92.5
Inventories	44.6	40.6	35.1	35.7	40.2	47.0	53.9	52.6
Accounts receivable-other	5.5	5.4	5.0	4.5	5.3	4.6	10.0	18.7
Non-current assets	15.8	15.5	15.8	15.5	15.2	15.3	14.7	13.7
Liabilities	53.6	52.3	56.3	58.4	59.7	64.7	80.7	95.8
Accounts payable-trade	28.9	26.1	29.1	32.9	33.6	36.0	39.7	42.9
Short-term loans payable	19.8	20.7	21.5	18.7	19.5	21.8	34.1	43.3
Net assets	84.9	85.5	86.7	89.6	89.4	90.7	92.0	94.7
Net assets to total assets (%)	61.3%	62.1%	60.6%	60.5%	59.9%	58.3%	53.3%	49.7%