



Supplementary Materials for FY2022 Financial Results

FY2022: Fiscal year ended March 31, 2023

May 23, 2023

Ryosan Company, Limited



Financial Results for FY2022 and FY2023 Forecast of Business Results

FY2022 Overview

Management Integration with Ryoyo Electro

FY2023 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.

- In the full-year consolidated business results for FY2022, net sales were the highest since FY2001, while results from gross profit to profit are Ryosan's highest ever.

(Unit: ¥bil)	FY2021	FY2022			
	Full-year Business Results	April 27, 2023 Forecast	Full-year Business Results	Change (FY2022-2021)	Comparison with Forecast
Net sales	272.6	326.0	325.6	+19.4%	-0.1%
Gross profit	24.9	—	32.8	+31.7%	—
Operating income	8.8	15.4	15.4	+74.1%	+0.1%
(% of net sales)	(3.2%)	(4.7%)	(4.7%)	(+1.5pt)	(+0.0pt)
Ordinary income	8.0	13.4	13.3	+65.3%	-0.3%
(% of net sales)	(3.0%)	(4.1%)	(4.1%)	(+1.1pt)	(+0.0pt)
Profit	5.3	9.2	9.2	+72.1%	+0.3%
(% of net sales)	(2.0%)	(2.8%)	(2.8%)	(+0.8pt)	(+0.0pt)
EPS (¥)	228.75	392.65	393.70	+72.1%	+0.3%
US dollar average rate (¥)	112.38		135.47	+20.5%	

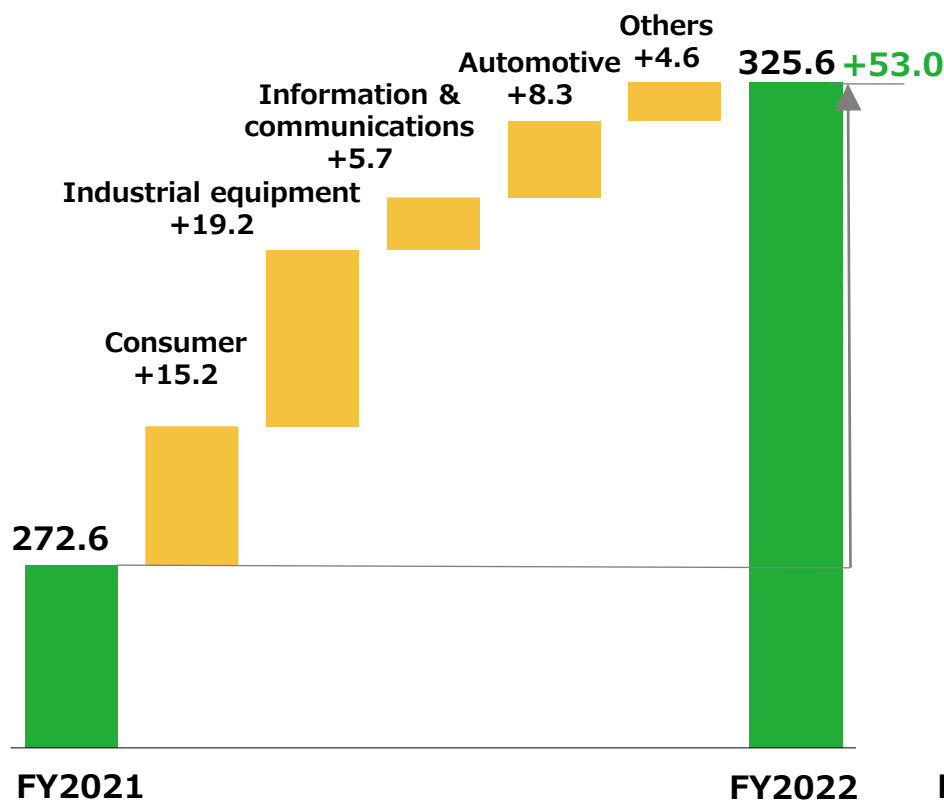


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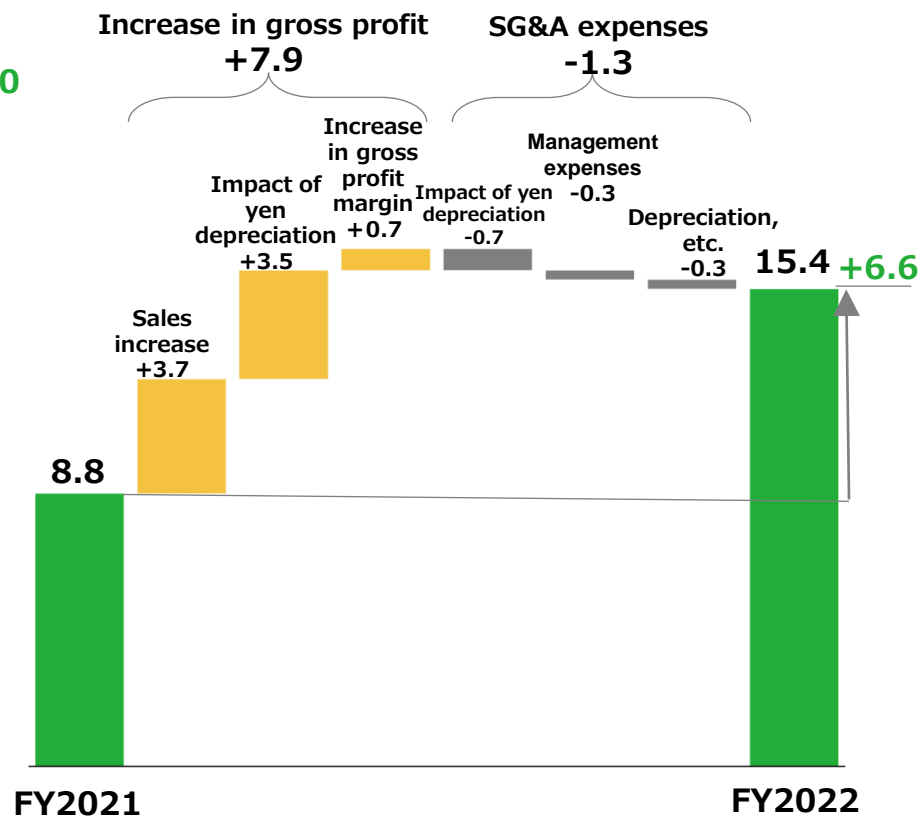
Factors in Increase/Decrease of Net Sales and Operating Income

- Net sales increased YoY by ¥53.0 bil, mainly due to growth of sales of products for the consumer and industrial-equipment sectors, as the result of harvesting of products from previous investments and local measures in China and Hong Kong.
- Operating income increased YoY by ¥6.6 bil. Sales volume rose, yen depreciation had an impact, and focused efforts were made to restrain SG&A expenses.

Net Sales (billions of yen)



Operating Income (billions of yen)





Segment Information

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- In the Device Business, net sales increased to ¥285.5 bil (up 18.6% YoY), mainly because sales of products for the consumer and industrial-equipment sectors grew. Operating income increased to ¥13.8 bil (up 83.1% YoY) amid yen depreciation and expanded sales.
- In the Solution Business, net sales increased to ¥40.0 bil (up 26.0% YoY) as a result of major projects in the information & communications business and expansion in sales of products for infrastructure. Operating income rose to ¥2.1 bil (up 49.8% YoY), lifted by increased sales of value-added products.

(Unit: ¥bil)		FY2021	FY2022	
		Full-year Business Results	Full-year Business Results	Change (FY2022-2021)
Device Business	Net sales	240.8	285.5	+ 18.6%
	Operating income	7.58	13.88	+ 83.1%
	(% of net sales)	(3.1%)	(4.9%)	(+ 1.8pt)
Solution Business	Net sales	31.8	40.0	+ 26.0%
	Operating income	1.42	2.12	+ 49.8%
	(% of net sales)	(4.5%)	(5.3%)	(+ 0.8pt)
	Adjustment	-0.14	-0.58	
Total	Net sales	272.6	325.6	+ 19.4%
	Operating income	8.85	15.42	+ 74.1%
	(% of net sales)	(3.2%)	(4.7%)	(+ 1.5pt)



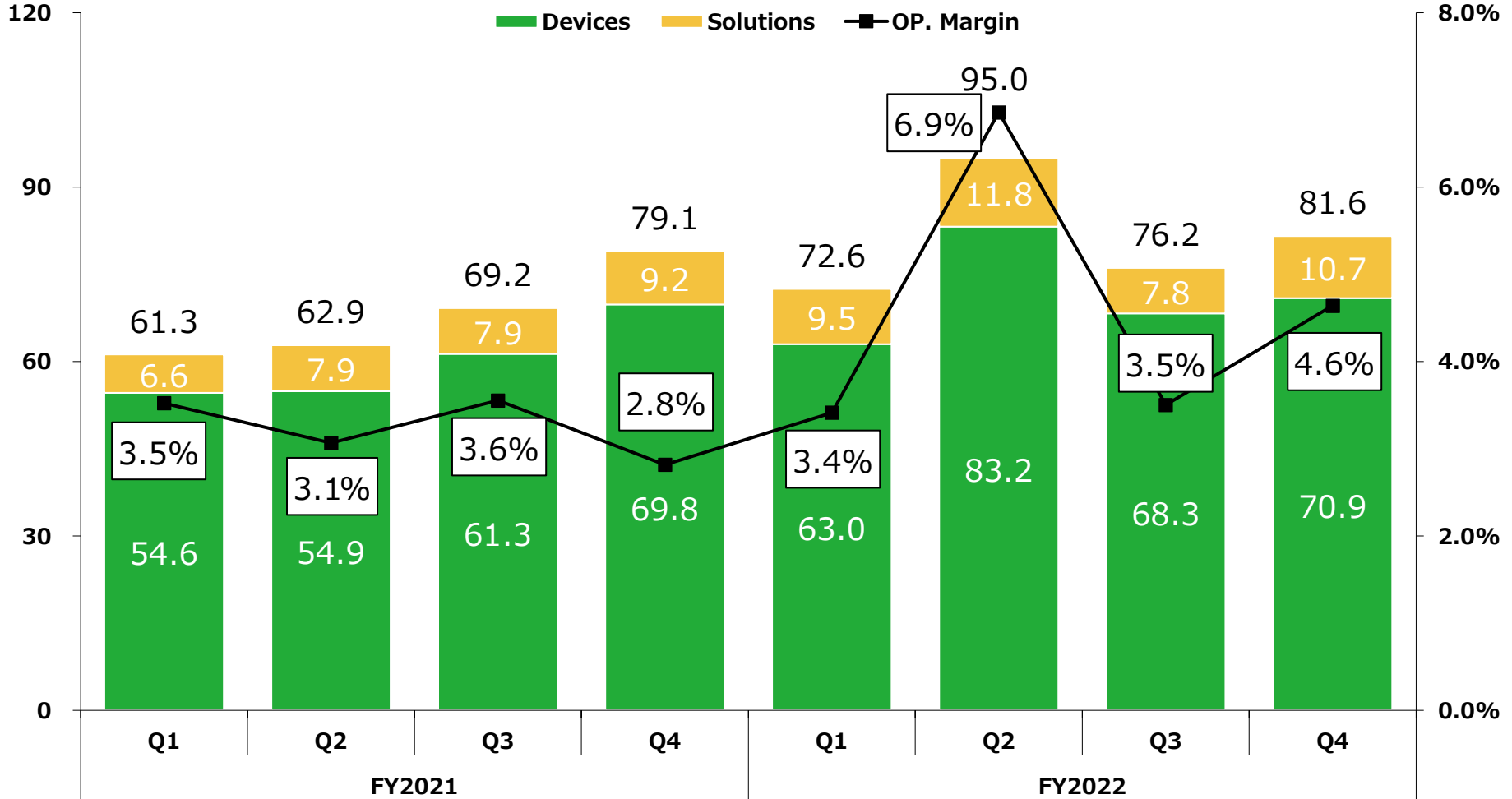
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Trend in Net Sales and Operating Margins by Quarter

Financial Results
for FY2022

- Quarterly net sales have stayed above ¥70 bil since Q4 FY2021. Net sales of ¥95.0 bil in Q2 FY2022 are Ryosan's highest ever.
- Operating margins stayed at 3% or higher in FY2022 as sales trended favorably and gross profit margins improved.

Net Sales (Unit: ¥bil)



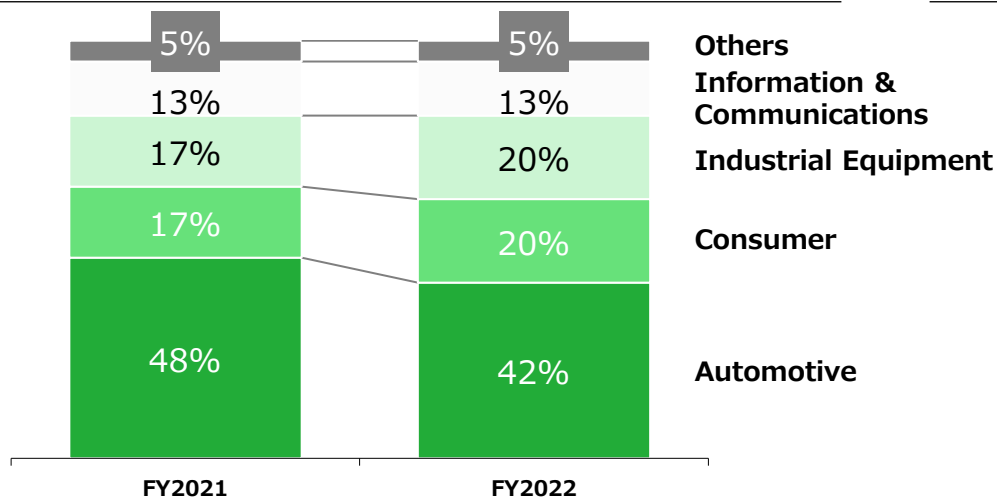


Segment Trend Information

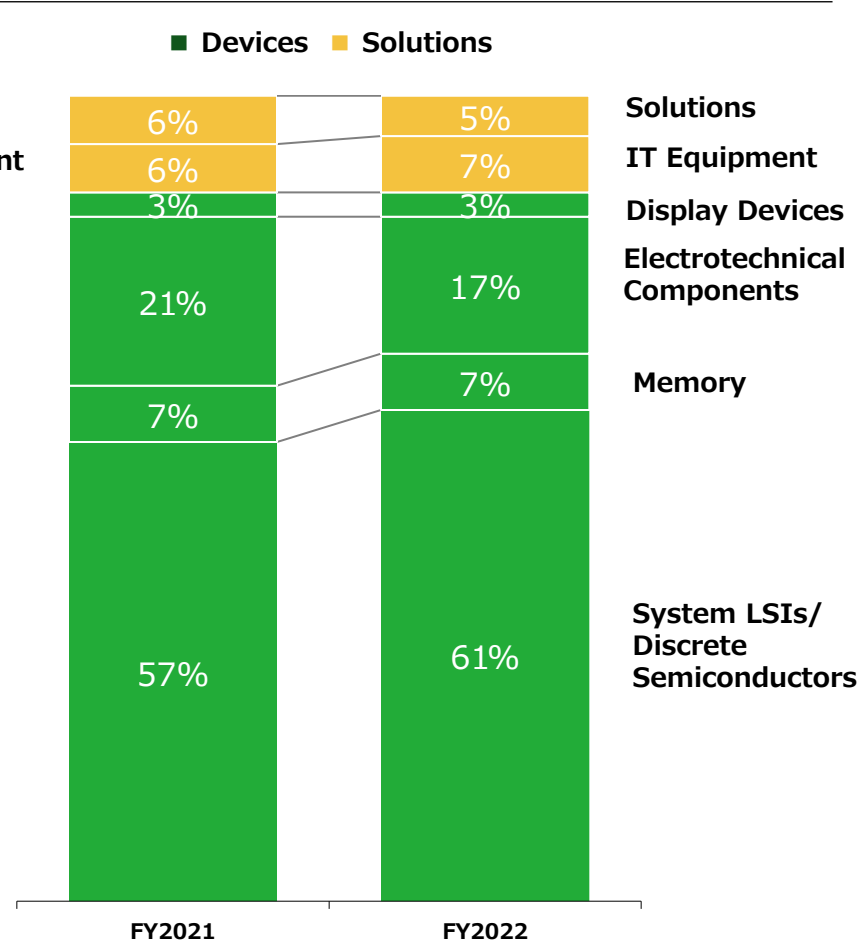
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- By application, sales in the industrial-equipment and consumer sectors increased as a share of total. There are no major changes in regional trends to report. In sales by product, sales in the electrotechnical-component sector decreased as a share of total device sales, while sales in the IT-equipment sector increased due to the information & communications sector as share of total solution sales.

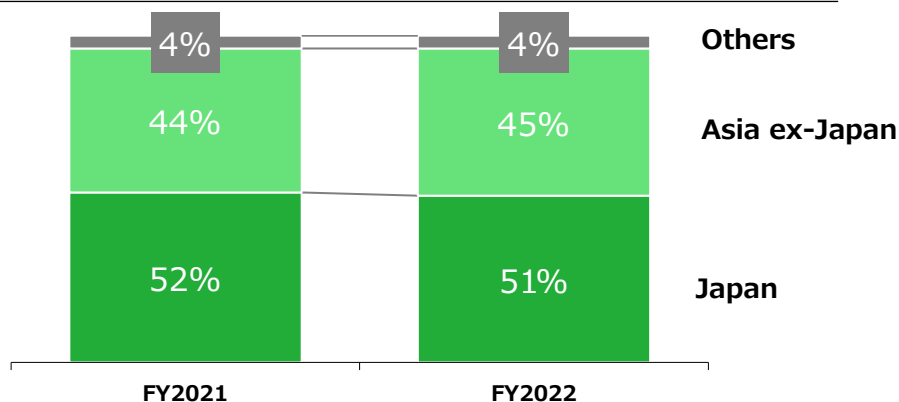
By Application



By Product



By Region





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- Accounts receivable–trade increased amid sales expansion, but total assets decreased to ¥188.1 bil amid inventory reduction and a decrease in accounts receivable–other.
- Operating cash flow turned positive, reaching ¥19.5 bil, driven by factors in earnings expansion as well as the reductions in inventory and accounts receivable–other.

Consolidated Balance Sheet

(Unit: ¥ bil)	FY2021 ended March 31, 2022	FY2022 ended March 31, 2023	Change
Total assets	190.5	188.1	-2.4
Current assets	176.8	173.9	-2.9
Accounts receivable–trade	92.5	95.1	+2.6
Inventories	52.6	47.6	-5.0
Accounts receivable–other	18.7	14.3	-4.4
Non-current assets	13.7	14.2	+0.5
Liabilities	95.8	85.4	-10.4
Accounts payable–trade	42.9	39.9	-3.0
Short-term loans payable, lease obligations and commercial papers	43.3	33.8	-9.5
Net assets	94.7	102.7	+8.0
Net assets to total assets (%)	49.7%	54.6%	+4.9pt

Consolidated Statement of Cash Flow

(Unit : ¥ bil)	FY2021	FY2022	Change
Cash flow from operating activities	-28.9	19.5	+48.5
Cash flow from investing activities	0.8	-0.4	-1.3
Cash flow from financing activities	18.9	-15.3	-34.3
Cash and cash equivalents at end of period	12.0	16.7	+4.7



Overview of Business Forecasts

- Factoring in a change in conditions in the markets for consumer and information-and-communications products, net sales are expected to be ¥270.0 bil in FY2023 (down 17.1% YoY).
- Operating income of ¥8.0 bil (down 48.1% YoY) is expected, due to factors such as reducing sales in the Device Business and a decrease in gross profit margin in the Solution Business from changes in the product mix.

(Unit: ¥bil)	FY2022		FY2023 Forecast		
	H1	Full Year	H1	Full Year	Change (FY2023-2022)
Net sales	167.7	325.6	135.0	270.0	-17.1%
Gross profit	17.5	32.8	12.0	24.0	-26.8%
Operating income	9.0	15.4	4.0	8.0	-48.1%
(% of net sales)	(5.4%)	(4.7%)	(3.1%)	(3.0%)	(-1.7pt)
Ordinary income	6.5	13.3	3.0	7.0	-47.6%
(% of net sales)	(3.9%)	(4.1%)	(2.3%)	(2.6%)	(-1.5pt)
Profit	4.4	9.2	2.0	5.0	-45.8%
(% of net sales)	(2.7%)	(2.8%)	(1.5%)	(1.9%)	(-0.9pt)
EPS (¥)	191.02	393.70	85.35	213.39	-45.8%
US dollar average rate (¥)	133.97	135.47	130.00	130.00	-4.0%



- In the Device Business, factoring in a change in conditions in the markets for consumer and information & communication products, net sales are forecasted to be ¥230.0 bil (down 19.5% YoY), and operating income to be ¥7.0 bil (down 49.6% YoY).
- In the Solution Business, despite the wrap-up of major projects in information & communications in the previous fiscal year, net sales are forecasted to reach ¥40.0 bil, thanks to acquisition of a new storage business. Operating income is expected to be 1.5 bil (down 29.5% YoY) as gross profit margin decreases due to changes in the product mix.

(Unit: ¥bil)		FY2022		FY2023 Forecast		
		H1	Full Year	H1	Full Year	Change (FY2023-2022)
Device Business	Net sales	146.2	285.5	115.0	230.0	-19.5%
	Operating income	8.27	13.88	3.50	7.00	-49.6%
	(% of net sales)	(5.7%)	(4.9%)	(3.0%)	(3.0%)	(-1.7pt)
Solution Business	Net sales	21.4	40.0	20.0	40.0	-0.2%
	Operating income	1.16	2.12	0.50	1.50	-29.5%
	(% of net sales)	(5.4%)	(5.3%)	(2.5%)	(3.8%)	(-1.6pt)
	Adjustment	-0.43	-0.58	-0.00	-0.50	
Total	Net sales	167.7	325.6	135.0	270.0	-17.1%
	Operating income	9.00	15.42	4.00	8.00	-48.1%
	(% of net sales)	(5.4%)	(4.7%)	(3.0%)	(3.1%)	(-1.7pt)

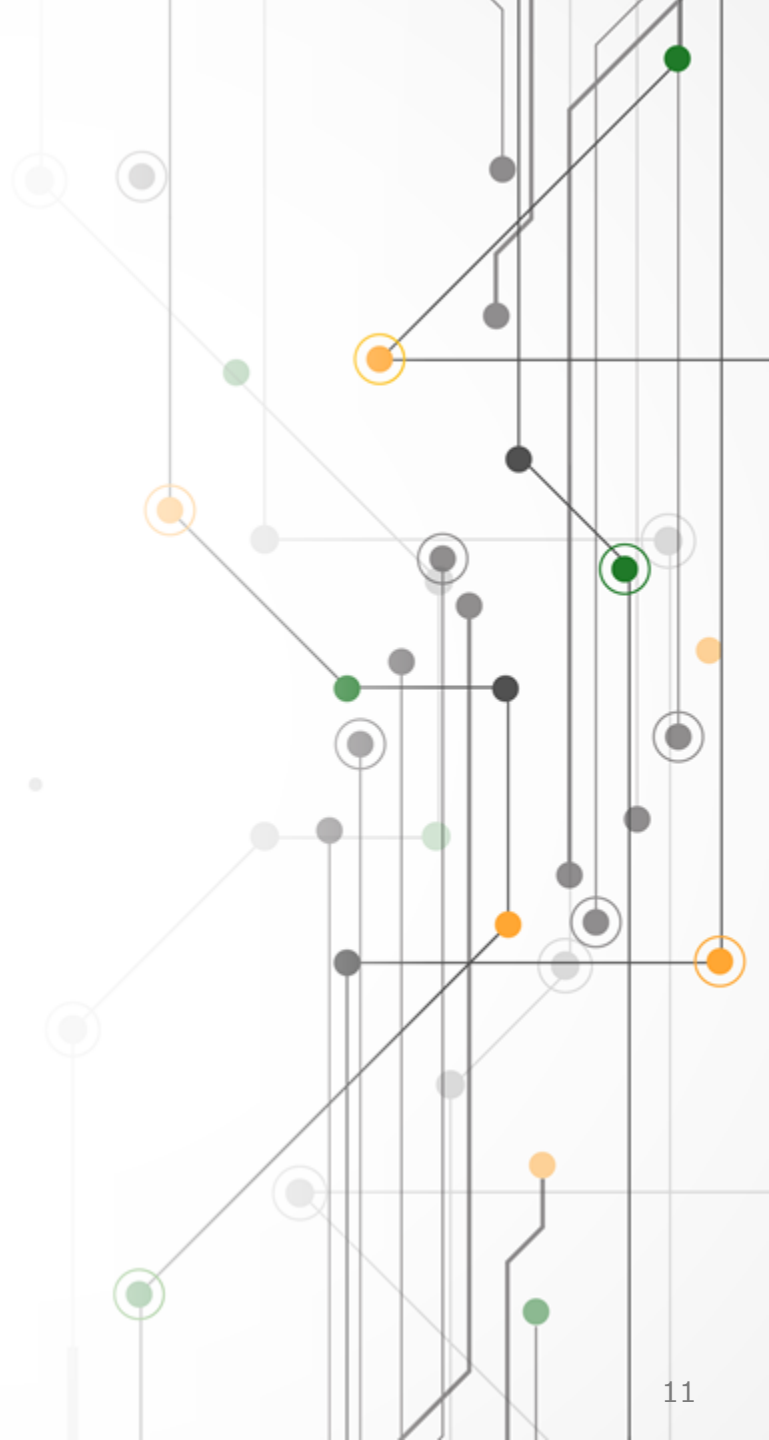
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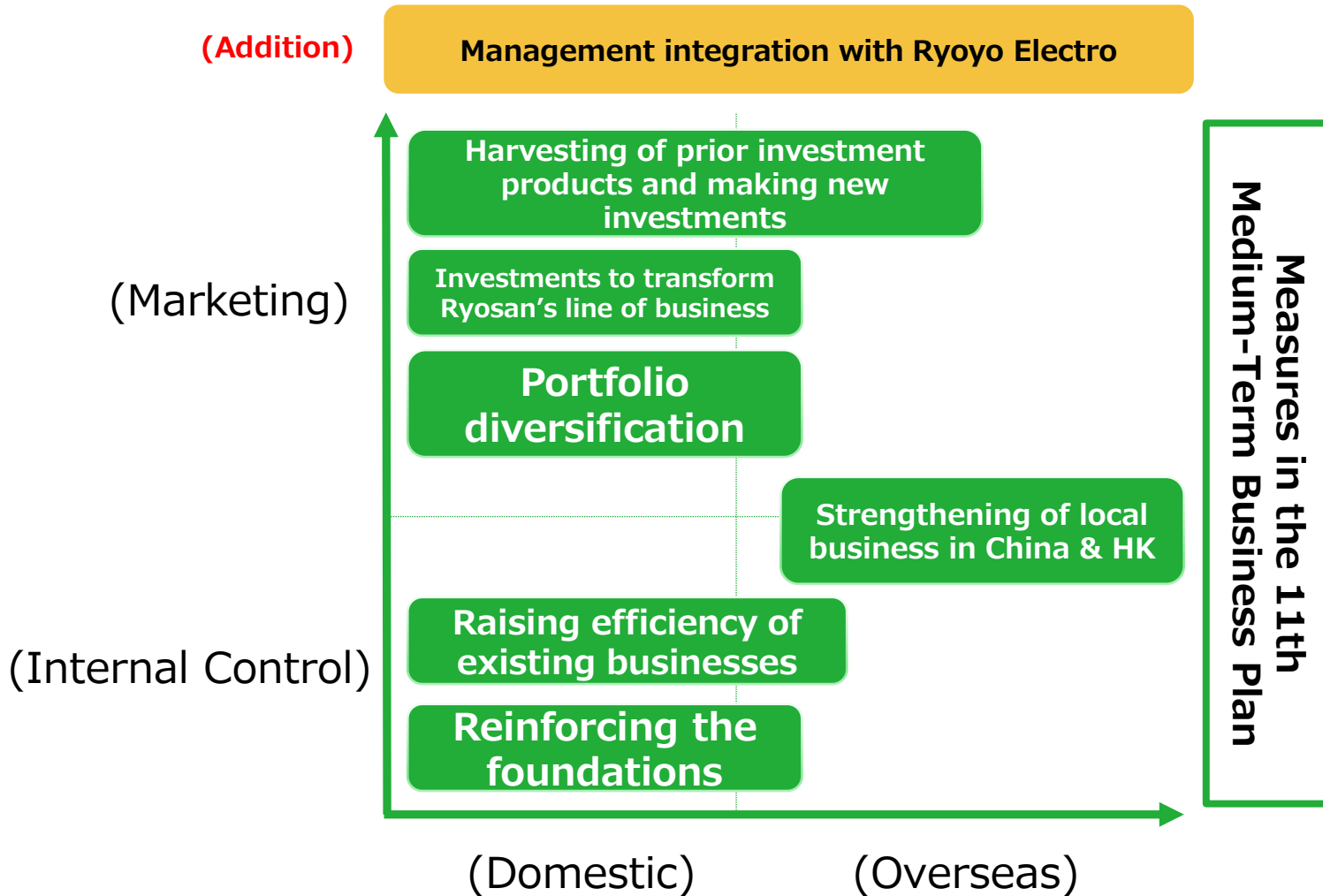




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The 11th Medium-Term Business Plan

- 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 has begun conferring in earnest in preparation for the upcoming management integration with Ryoyo Electro.



	Measures	Details	Actions performed in FY2022
The 11th Medium-Term Business Plan	Portfolio diversification	<ul style="list-style-type: none"> Expansion of non-automotive business Reaching out to medium-sized customers 	<ul style="list-style-type: none"> In H1, transfer of acquired territories was completed and business expanded in new territories. Marketing through non-face-to-face channels was shifted from the experimental to the practical phase.
	Strengthening of local business in China and HK	<ul style="list-style-type: none"> Co-working with local partners 	<ul style="list-style-type: none"> Business synergies with partners in China were activated. Ryosan invested in Yamasei Tech. Specific actions were examined with a view to synergy.
	Harvesting of prior investment products and making new investments	<ul style="list-style-type: none"> Harvesting business from previous investments (additionally introduced products) Discovery of new products 	<ul style="list-style-type: none"> Sales of products from previous investments expanded. Human resources at headquarters were expanded. Business negotiations were carried out.
	Investments to transform Ryosan's line of business	<ul style="list-style-type: none"> Entry into new businesses grounded in customer needs 	<ul style="list-style-type: none"> The integrated mechanical and electrical motor business leapfrogged to the prototype-delivery stage. Ryosan invested in Priken. A cross-cell framework was discussed between the two.
	Raising efficiency of existing businesses	<ul style="list-style-type: none"> Usage of digital technology 	<ul style="list-style-type: none"> Visualization of workload and work flow by area of responsibility was conducted and work-related issues were identified.
	Reinforcing the foundations	<ul style="list-style-type: none"> Management information, education, risk management enhancement 	<ul style="list-style-type: none"> Management information was enhanced and the status of management was visualized from multiple angles. Operation of a new personnel system began and thoroughgoing efforts were made to entrench it. Educational programs were expanded and implemented.
Internal Control	Governance enhancement	<ul style="list-style-type: none"> Strengthening management to attain Medium-Term Business Plan 	<ul style="list-style-type: none"> Enhanced KPI management framework and its monitoring. Budget processes were enhanced and resource allocation and management functions were strengthened.
	Corporate culture (Communication)	<ul style="list-style-type: none"> Promotion toward activate internal communication 	<ul style="list-style-type: none"> Internal communication reviewed/modified . Meeting frameworks were reviewed and methods of operation were improved.

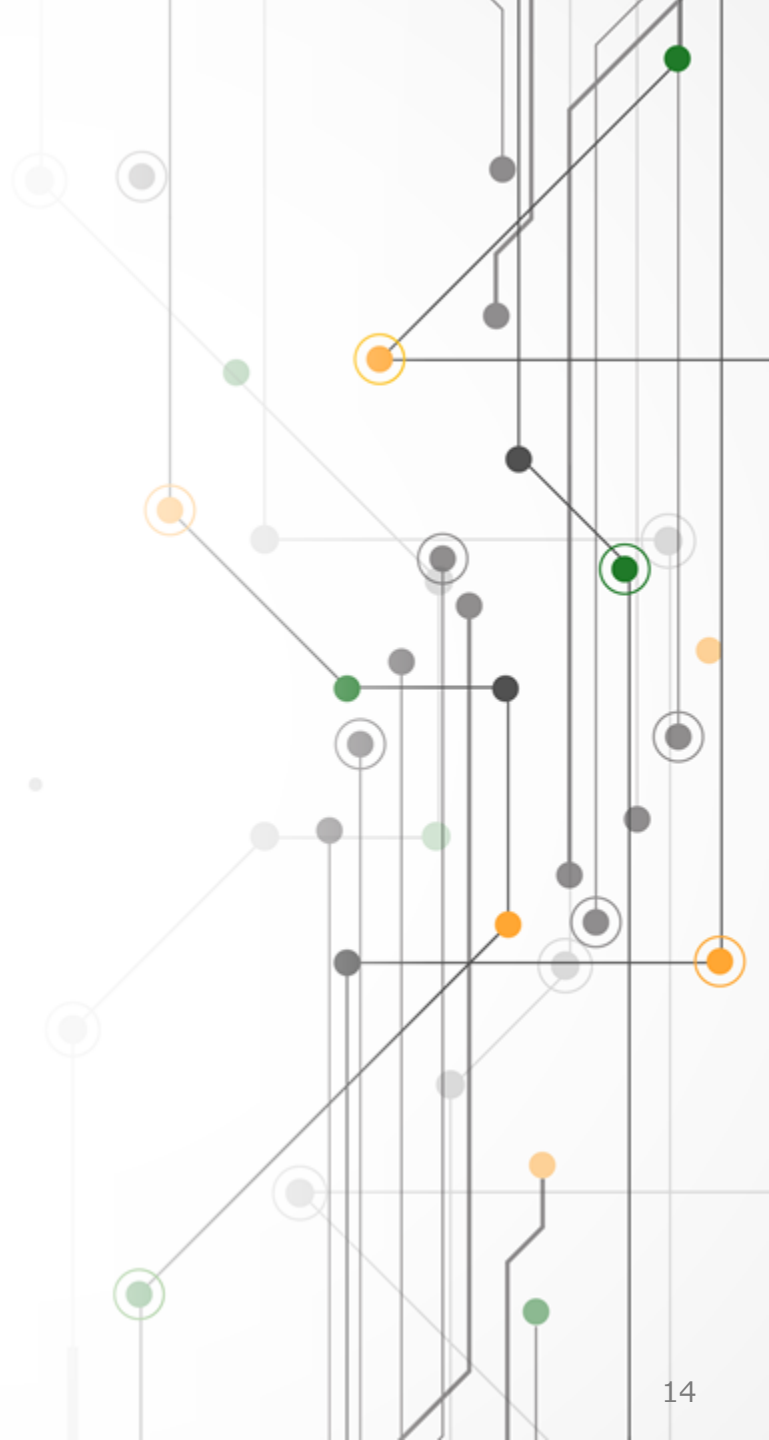
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Aiming for net sales of ¥500 bil and 8% ROE

RS Innovation 2030

Network innovation

Responding to a full range of customer needs by strengthening Ryosan's domestic and overseas supplier network

Business innovation

Delivering fresh business models and value-added through proactive risk-taking

Channel innovation

Filling out Ryosan's domestic and overseas customer network by revamping and strengthening sales channels



Integration with Ryoyo Electro

- Creating fresh value through the interaction of products and services
- Expanding product lines with minimal duplication of handled products while advancing cross-selling
- Broadening the customer base to extend from major companies to SMEs



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Timeline and Plan

- To accelerate discussions on business synergy, Ryoyo Electro acquired shares in Ryosan.
- To put their alliance on a tangible footing, the two companies concluded a basic agreement on management integration on May 15, 2023.
- Detailed discussions are under way with a view to achieving management integration by April 1, 2024.

Spring 2022

•Start of discussions regarding possibilities for synergies between the two companies' businesses

February 2023

•Acceleration of examination and discussion of the nature of the two companies' alliance
•Acquisition by Ryoyo Electro of a stake in Ryosan (18.71%)

March 2023

•Increase of Ryoyo Electro's stake in Ryosan from 18.71% to 20.08%, to increase assurance of achievement of new growth opportunities for the two companies

May 2023

•Conclusion of basic agreement on management integration between Ryosan and Ryoyo Electro; start of detailed discussions toward management integration

April 1, 2024 (tentative)
Management integration

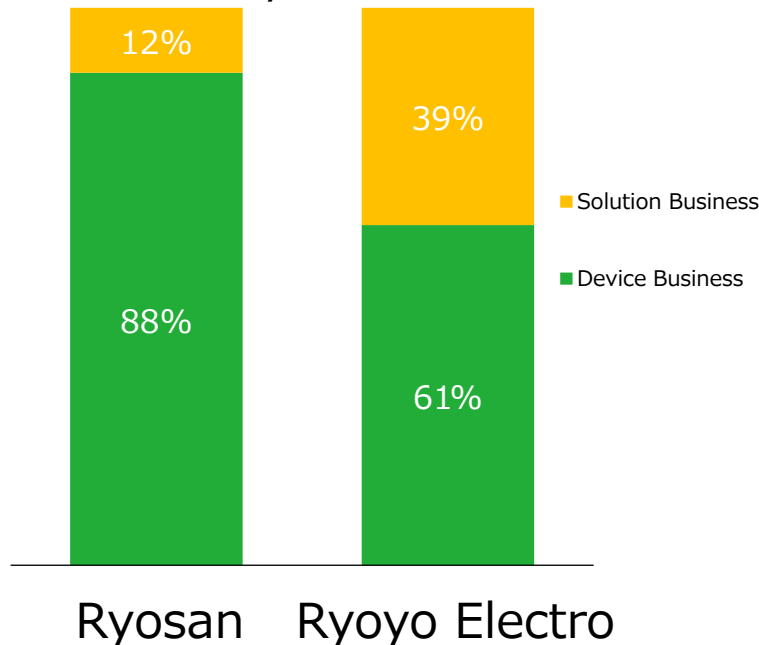
Objectives

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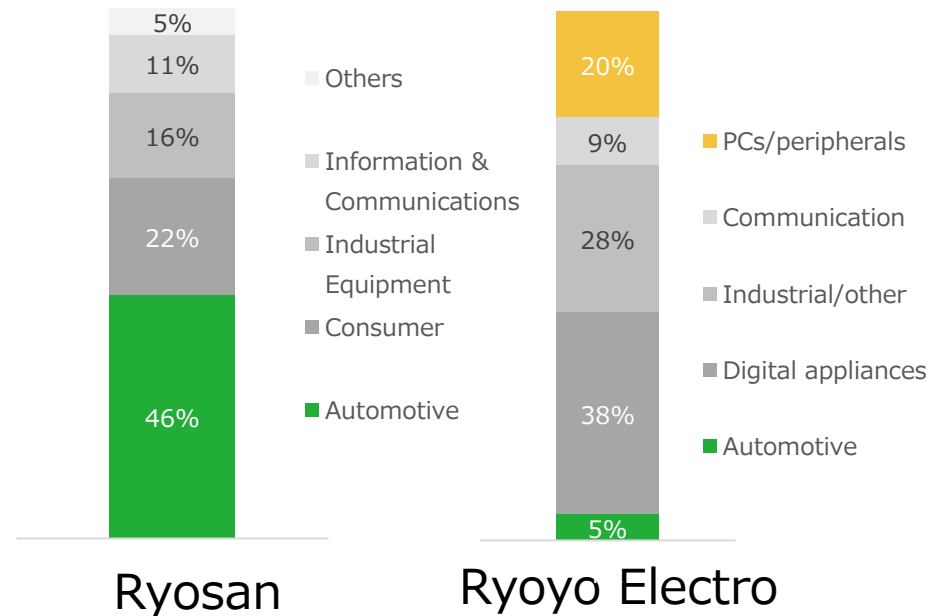
- By leveraging their management resources to maximum effect, the two companies aim to create a new core group of electronics trading companies in Japan.
- Overlap of products handled and customer base is limited. The two companies will enhance enterprise value through cross-selling of products handled and by building a business model that leads to fresh value creation.
- Ryosan and Ryoyo Electro envisage realizing a new kind of electronics trading company that creates solutions to the issues and needs of customers and the market as a whole.

Providing a wide range of products and services

Comparison of net sales by business



Comparison of net sales by application in the Device Business



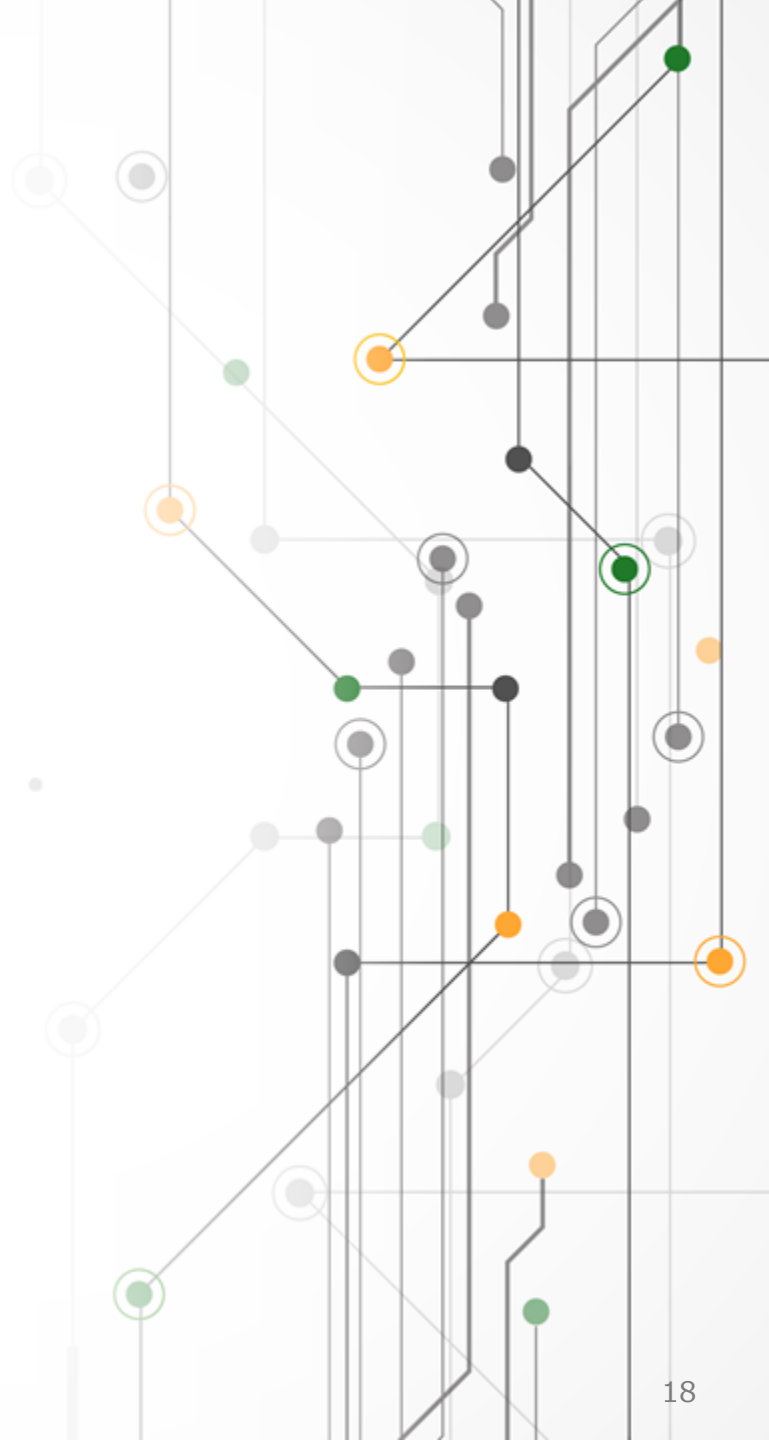
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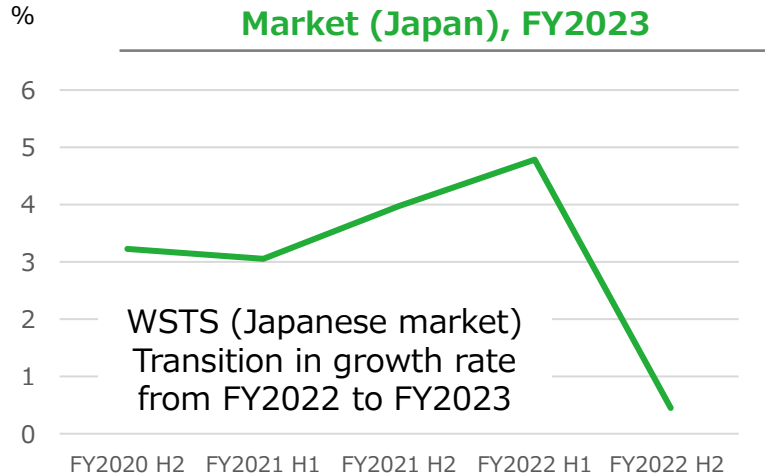


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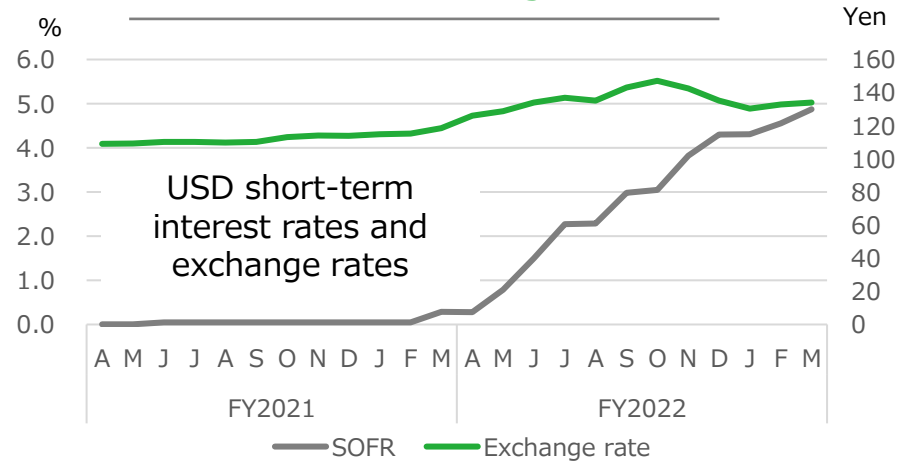
Expected Business Environment

- Growth in the semiconductor market lost momentum. Market conditions reversed as demand softened.
- Consumption in the United States faltered. Although the rise in USD interest rates has paused, rates remained at elevated levels.
- Against a background of geopolitical risk, prospects remain uncertain.

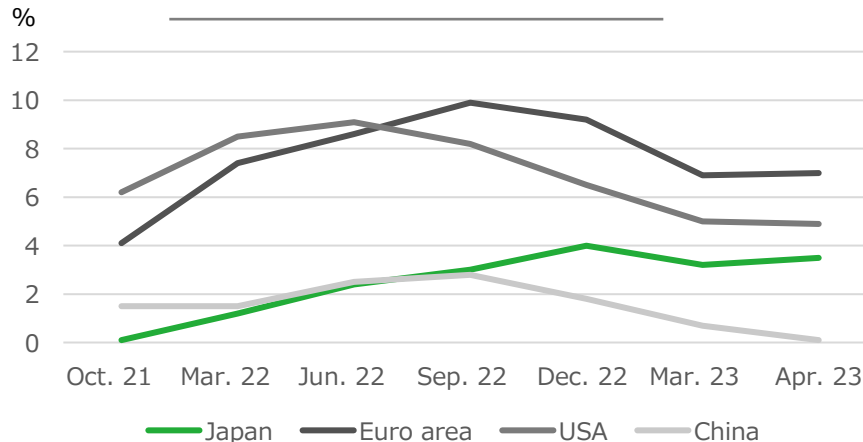
Growth Rate of the Semiconductor Market (Japan), FY2023



Interest and Exchange Rates



Inflation Rate



Geopolitical Risk

- ✓ Global economy is stalling as the conflict in Ukraine lengthens
- ✓ No apparent improvement in US-China relations
- ✓ Loss of confidence in Western financial institutions and fears of Asian contagion

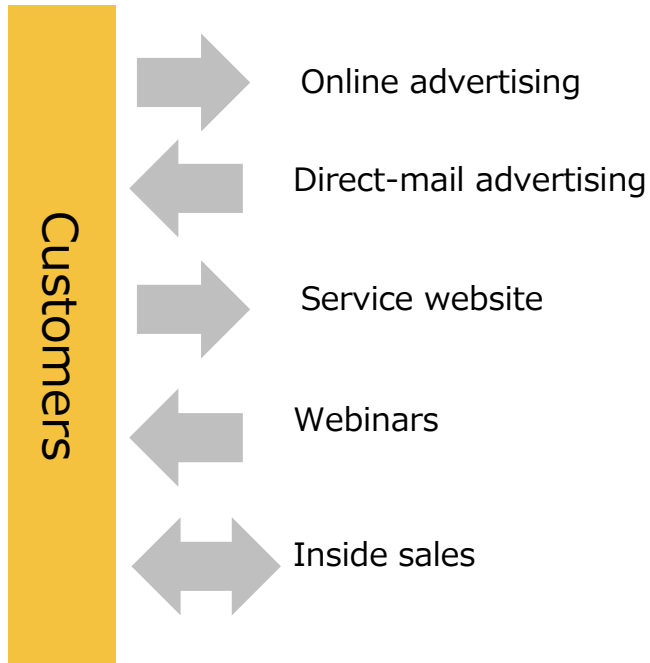




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- Advancing the discovery of new customers (including reaching beyond core markets)
 - Ryosan is establishing a new department dedicated to marketing functions. Using online and other technologies, Ryosan is diversifying its points of contact with customers. Ryosan is preparing approaches for leading customers to more value-added products through advancement of cross-selling and up-selling. By applying expertise Company-wide, Ryosan expects to attract new customers and boost its sales capabilities.
- Establishment of a service website using digital technologies (May 24, 2023 press release)
 - A website was established to enable customers to find the information they want quickly and in an easy-to-understand fashion. Customer-originated information will be disseminated to build the Ryosan fan base.

Advancing the discovery of new customers



Posted content

Content that leads to solutions for customer needs

- Useful information
Technological trends, market trends, success/failure stories, case studies in adoption/introduction, tech columns, etc.
- Product information
Introduction to manufacturers, product advantages, lineup of products handled for each set, etc.
- Comparative information
Selection methods, troubleshooting, vendor maps, product comparisons, etc.

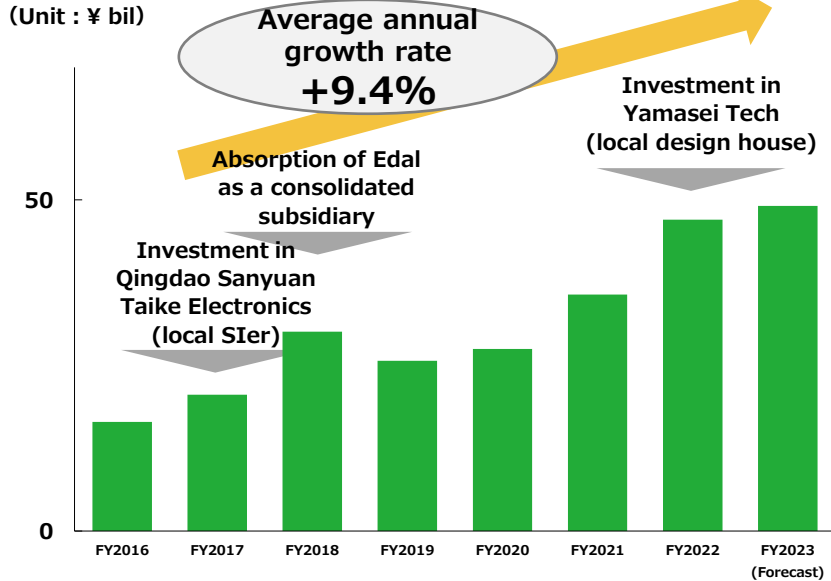




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- Maximization of synergies through Group-wide cooperation
 - Ryosan will strengthen its expansion of sales of general-purpose products by using Edal functions to maximum advantage.
 - Ryosan will advance cooperation with Qingdao Sanyuan Taike Electronics Technology (China) in the solution business focusing on the white-goods and automotive fields.
 - Ryosan will expand its solution business in the energy-storage-system field and in new fields.

Trend in net sales to local customers in the China-HK region

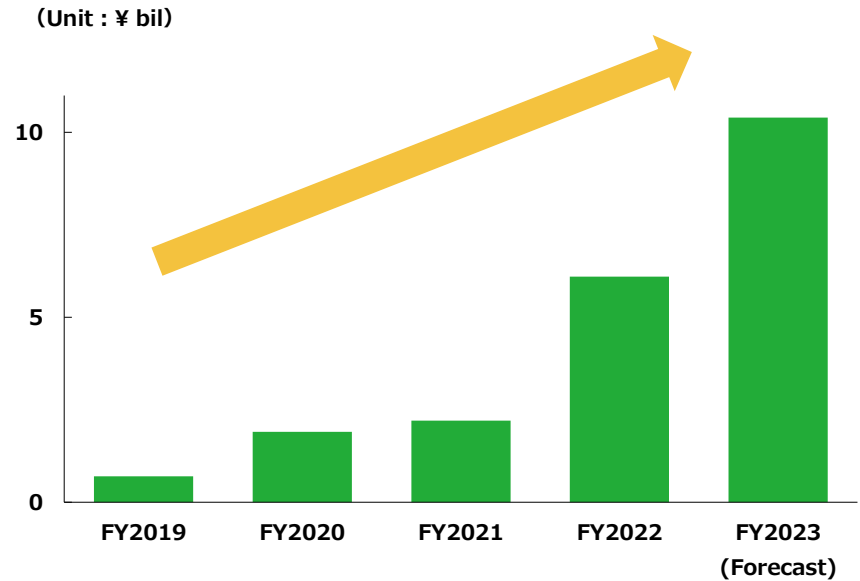


Devices

Achievement of synergies using the strengths of Edal and Ryosan

Strengthening of expansion of sales capabilities for FAE (focusing on analog products)

Trend in local-solution business in China and HK



Solutions

Expansion of sales to strategic customers (use of design houses to strengthen technical support and sale of kits of semiconductors and electronic components)

Expansion of solution business with local SIers (white goods, consumer electronics, other)



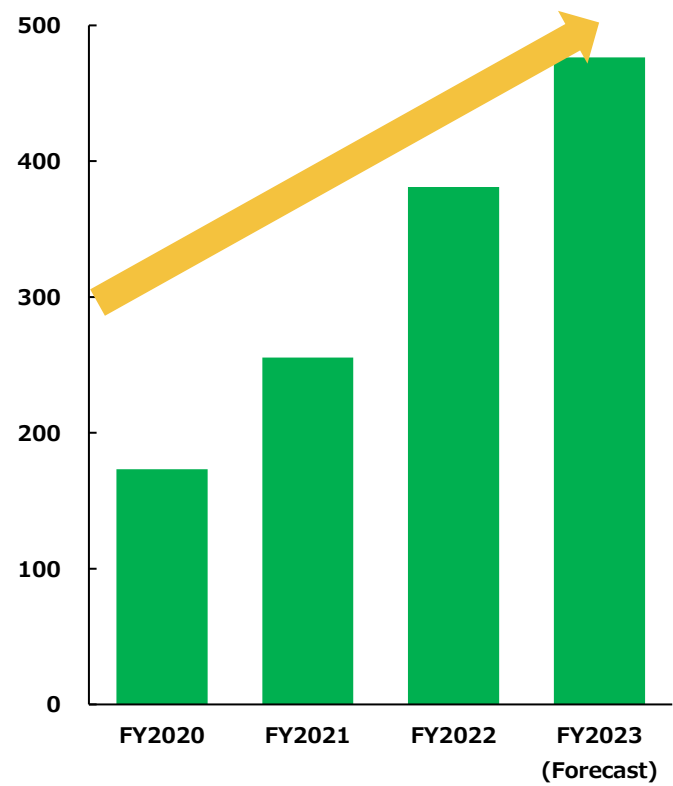
Harvesting of Prior Investment Products and Making New Investments

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- Handling of products Ryosan has been investing in for many years (from foreign-affiliated semiconductor manufacturers) is significantly increasing. In FY2022 Ryosan reached the ¥30 bil level. Beginning in FY2023, Ryosan is focusing on sales negotiations to push that figure still higher.
- Head-office reorganization and investment of resources in specialized functions are completed. By strengthening in-house communication, Ryosan will uncover further new product lines, working toward early commercialization.

Net sales of products from previous investments (foreign-affiliated semiconductor manufacturers, etc.)

(Unit : ¥ mil)

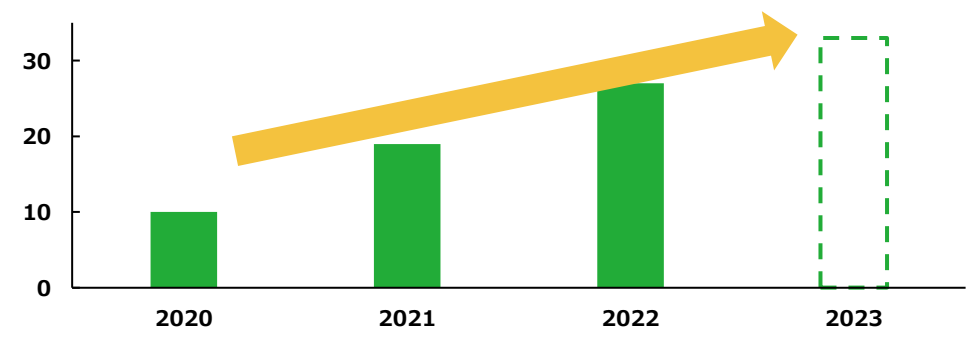


Examples of new products

Supplier	Sample product	Supplier	Sample product
Company A	Optical modules	Company G	Memory modules
Company B	Optical sensors	Company H	3DCAD data dissemination
Company C	Memory modules	Company I	BLDC motor drivers
Company D	Analog ICs	Company J	3D NAND
Company E	Build-up circuit boards	Company K	DRAM
Company F	Wireless communication ICs		

Number of new suppliers recruited

(Unit: No. of suppliers)

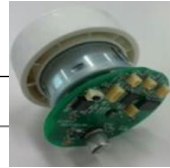




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- Entering new businesses based on customer needs
 - The integrated mechanical and electrical motor business has begun receiving orders for prototype development. Ryosan is aiming for early commercialization.
 - Ryosan invested in Priken Co., Ltd., a manufacturer of printed circuit boards. Ryosan is fleshing out the details of cooperation toward cross-selling of various products handled by Ryosan.

Commercialization of motor business



Planning and prototyping

Design and development

Mass production

■ PoC business
In motor evaluation at the customer prototyping stage, Ryosan provides test circuit boards and motor control switches

■ Circuit-board module business
At the customer mass production stage, switches are mounted on mass-produced circuit boards and mass-production-quality inverter circuit-board modules are provided.

■ Switch-and-tool business
Motor control switches are packaged for customer-developed inverter circuit boards and tools are provided. Royalty business is envisaged.

Target fields

- Commercial chillers
- Ventilators
- Pumps
- Medical devices
- Agricultural and construction equipment
- AGVs

Collaboration with Priken

	Synergy	Details
Sales	Expansion of product lines (strengthening of product lineup)	Promoting access to untapped areas with new and existing customers and cross-selling
	Expansion of customer base	Expansion of base among SMEs and industrial fields
Technology	Deepening knowledge of functions of processing machinery	Absorption of expertise with a view to entering processing and manufacturing businesses

Priken Characteristics of Priken

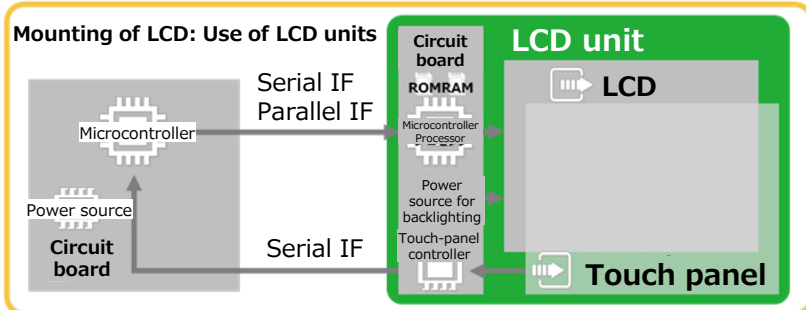
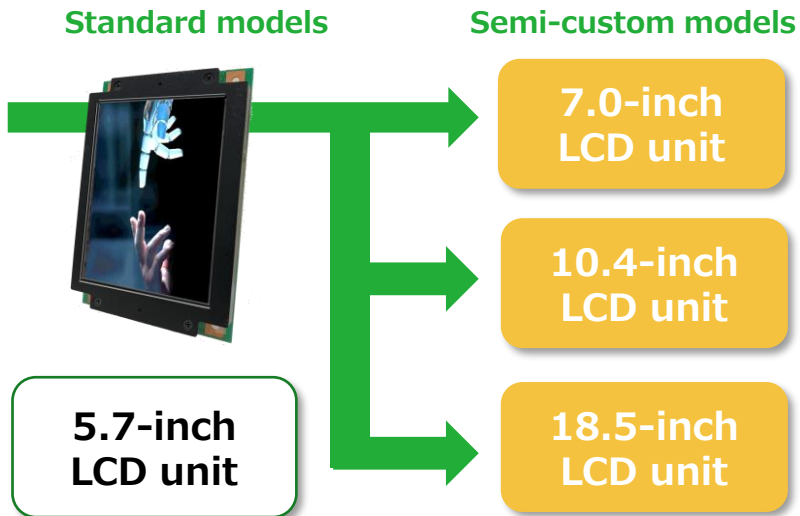
- Specializes in multi-model, small-lot production and delivery of prototypes on tight deadlines
- Seamless provision of services from circuit design through artwork simulation to circuit-board production and mounting
- Wide-ranging product lineup
Wide range of processing-material options, including general copper clad laminates, buildup circuit boards and metal-based circuit boards
- A leader in testing boards for electronic components



RYOSAN

- Entering new businesses based on customer needs
 - Ryosan is moving toward launching an LCD business building the necessary manufacturer functions. To serve customer demands, Ryosan is expanding from the module business into the unit business.
 - Delivery began in FY2022. Ryosan will expand sales by discovering further new customers and continuously invest management resources as a key pillar of the new business.

Expansion of product lineup



Target markets (examples)

Support for display diversification

Escalators		Automated ticket gates	
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Attraction of new customers

Elevators		Access gates	
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Participation in promising future markets

Unmanned convenience stores		Rapid chargers	
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- Ryosan is taking measures to achieve its Long-Term Vision, RS Innovation 2030.
- To respond to society’s demands for sustainability, Ryosan is enhancing transparency in its activities. By disclosing non-financial information, Ryosan is conducting a continuous dialogue with investors and other stakeholders.

Activities	<ul style="list-style-type: none"> ● Establishment of a Sustainability Promotion Committee (tentative name) ● Identification of risks and opportunities in key issues ● Drafting of basic policy, setting of indicators and targets
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Strengthening of measures against global warming (TCFD)



Risk management	<ul style="list-style-type: none"> ● Extreme weather Measures to alleviate climate-change risk and environmental impact ● Impact of carbon taxes Consideration of measures in response to climate-change risk
Targets	<ul style="list-style-type: none"> ● Amount of electricity used ● Recycling rate ● GHG and CO₂ emissions

Strengthening of support for human capital

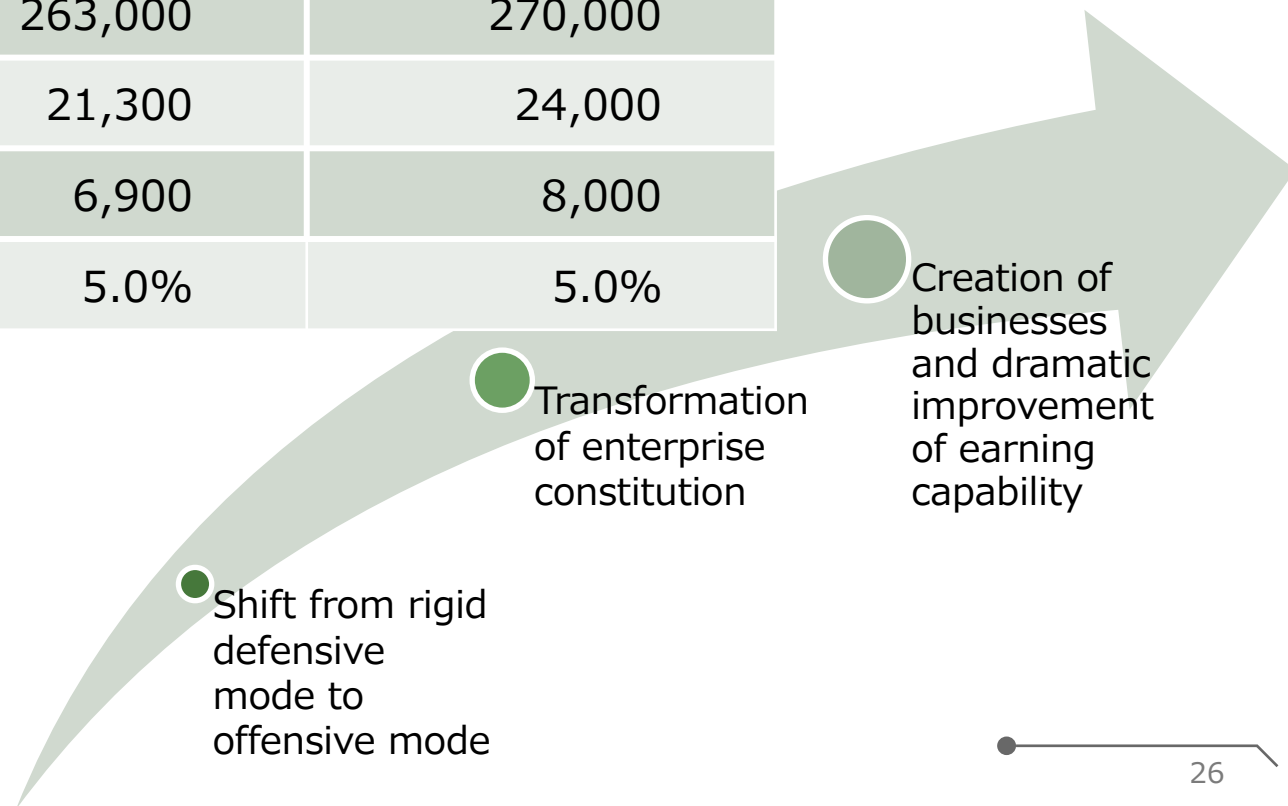


Strategy	<ul style="list-style-type: none"> ● Personnel education and training Active investment in human capital to achieve the Long-Term Vision ● Environmental upgrading Education from the perspectives of skills, knowledge and compliance
Targets	<ul style="list-style-type: none"> ● Women as share of management ● Men’s rate of uptake of childcare leave ● Male-female wage gap, etc.



- Management targets for the 11th Medium-Term Business Plan have been achieved ahead of schedule.
- In view of near-term market conditions and the effects of policies, Ryosan expects to exceed the Medium-Term Business Plan targets for FY2023.

Unit : ¥ mil	FY2023 Medium-Term Business Plan Target	FY2023 Target
Net sales	263,000	270,000
Gross profit	21,300	24,000
Operating income	6,900	8,000
ROE	5.0%	5.0%



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

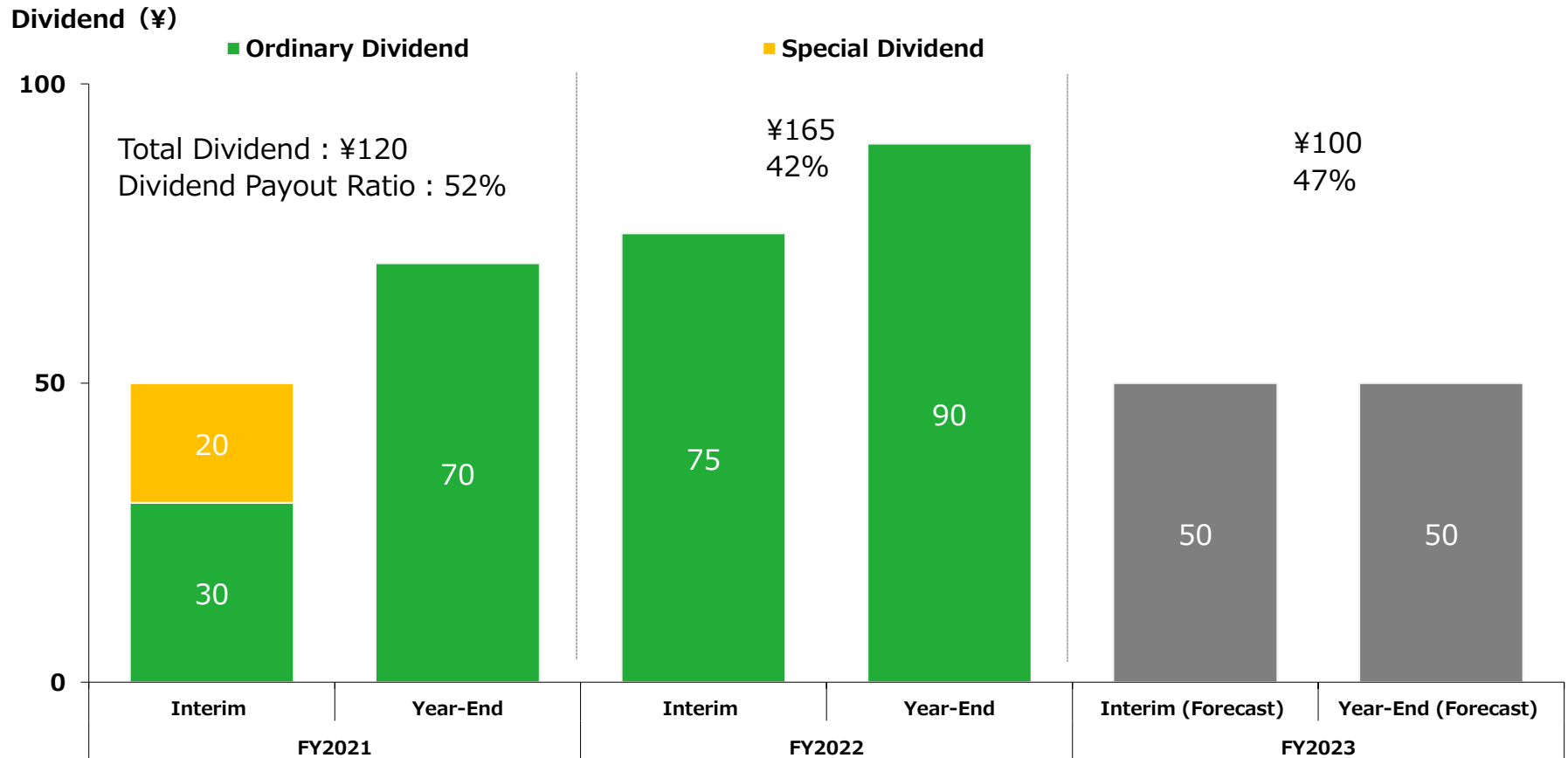


RYOSAN

Forecast of Return to Shareholders

- Dividend payout ratio is set at around 50%.
- Total dividend is set at ¥165 for FY2022 and forecast at ¥100 for FY2023.

Dividend per Share



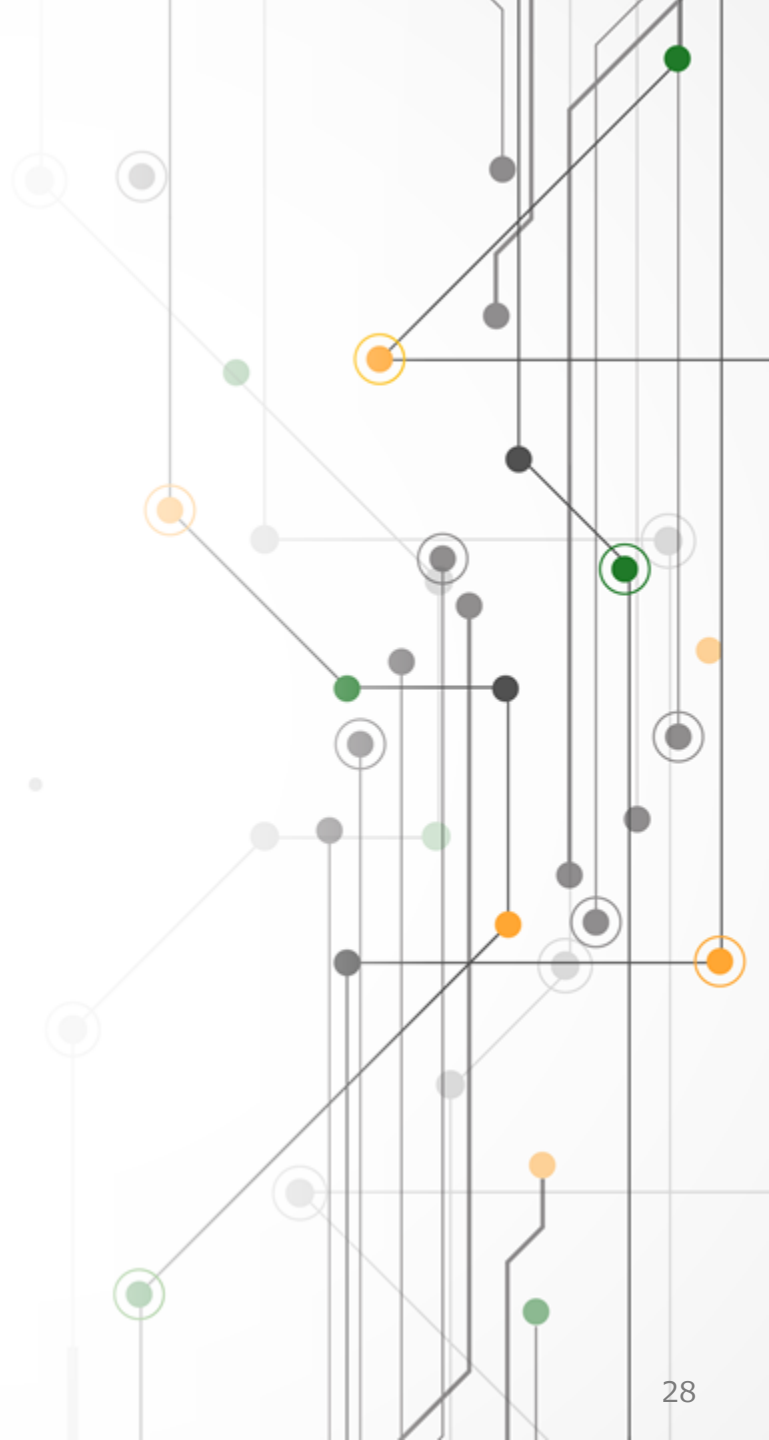
Financial Results for FY2022 and
FY2023 Forecast of Business Results

FY2022 Overview

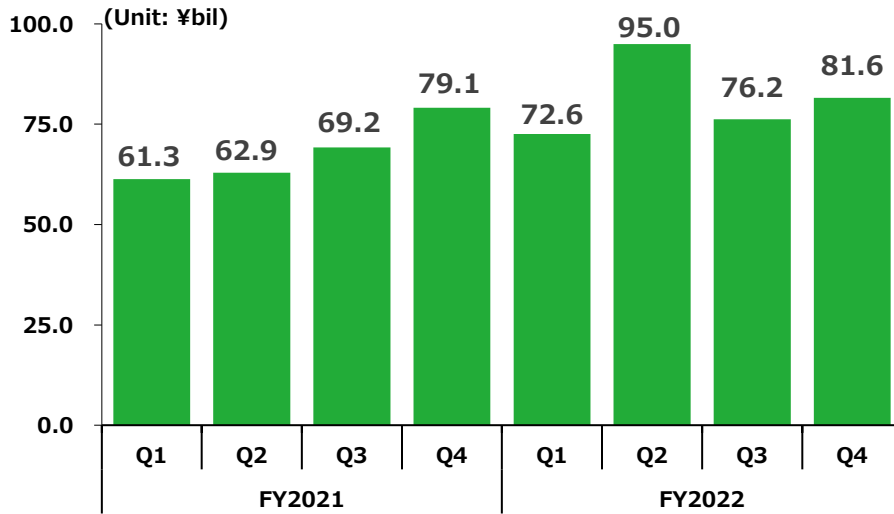
Management Integration with Ryoyo Electro

FY2023 Business Plan and Measures

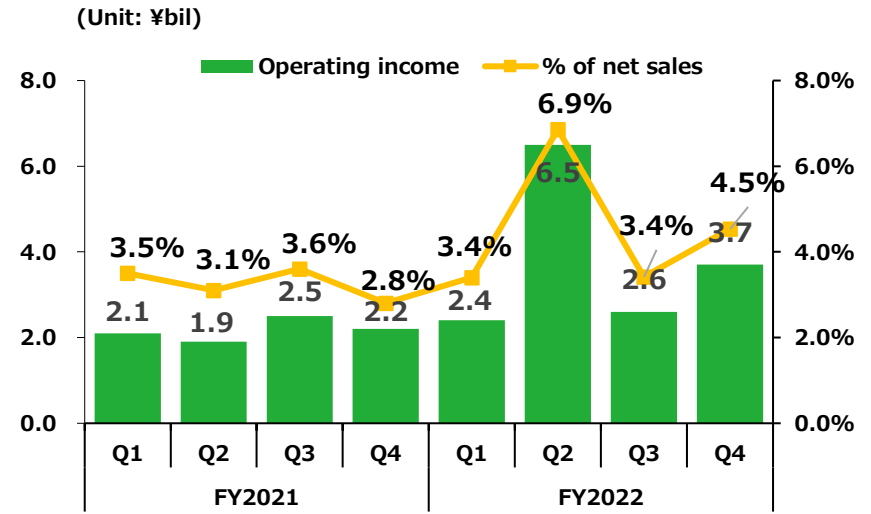
Appendix



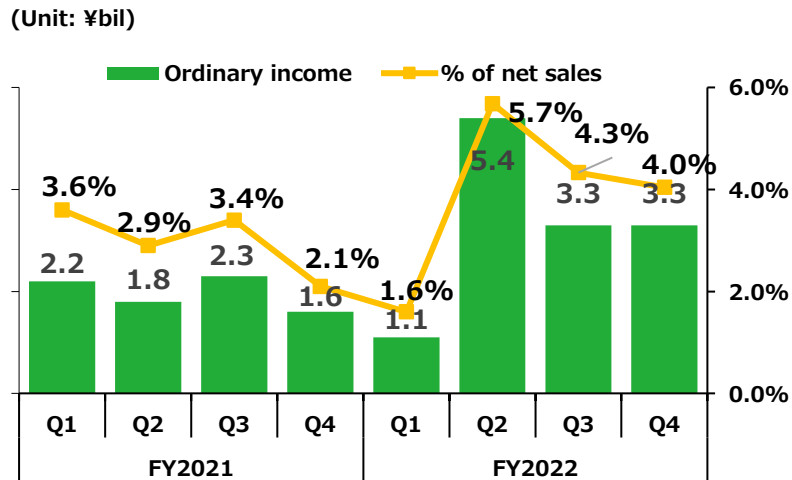
Net Sales



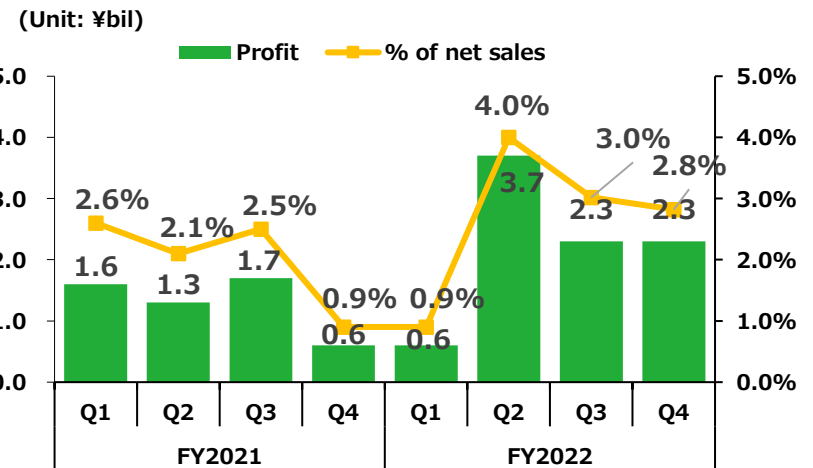
Operating Income



Ordinary Income

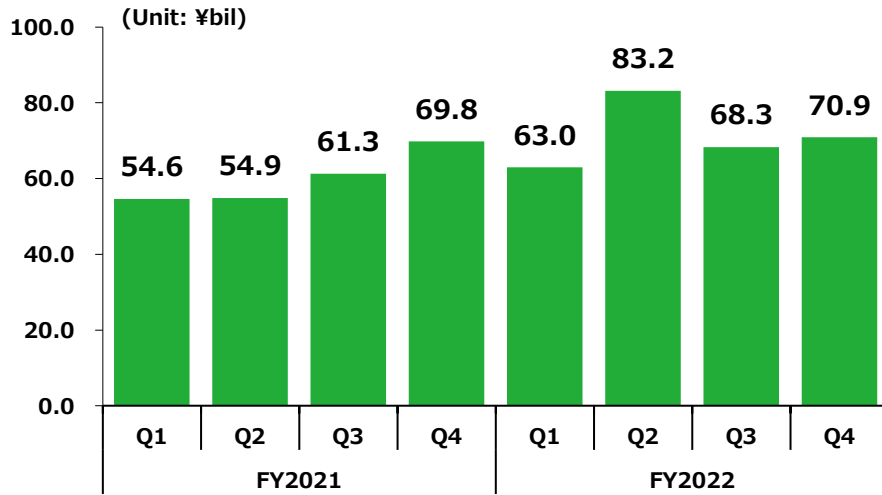


Profit

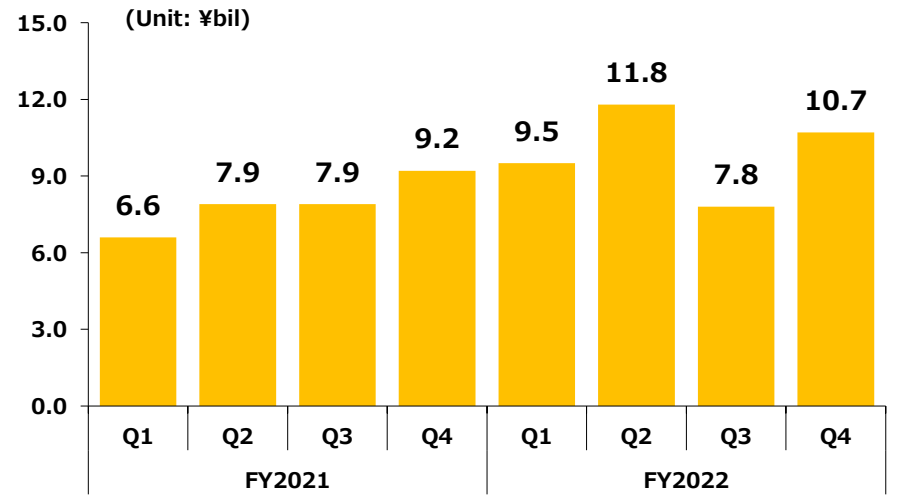




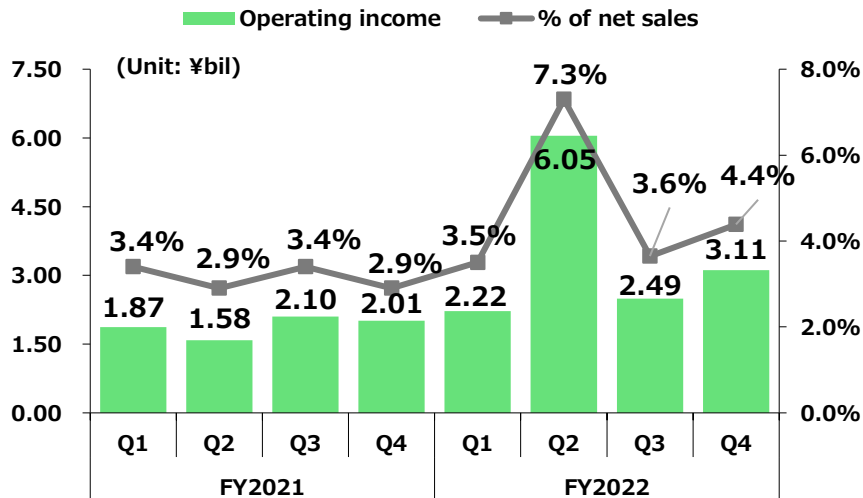
Net Sales in the Device Business



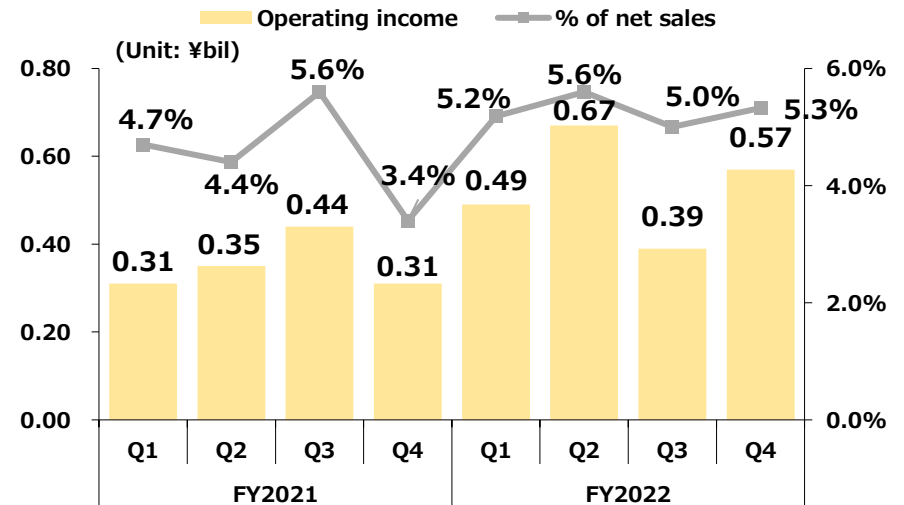
Net Sales in the Solution Business



Operating Income in the Device Business

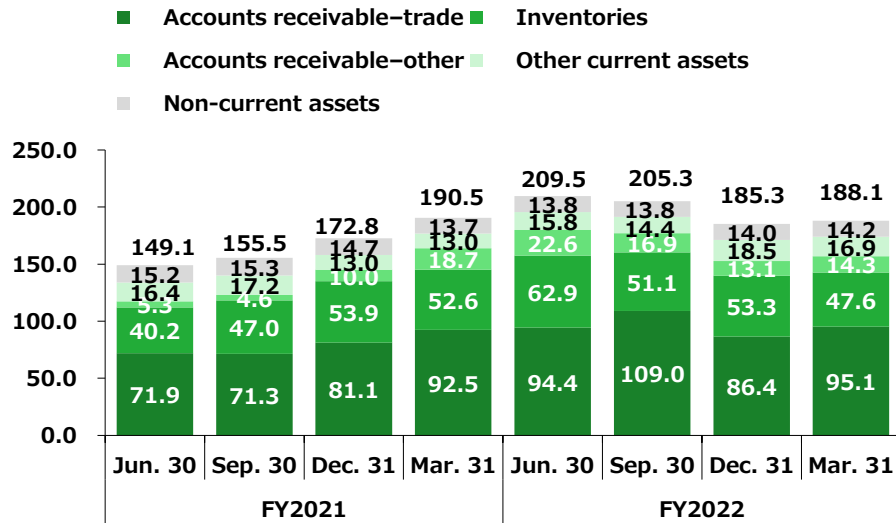


Operating Income in the Solution Business



Assets

(Unit: ¥bil)



Liabilities and Net Assets

(Unit: ¥bil)

