



September 4, 2023

For Immediate Release

Ryosan Company, Limited

Representative: Kazuhiko Inaba

Representative Director, President

Listing Code No.: 8140

Listing: Prime Market, Tokyo Stock Exchange

Inquiries: Norihiko Takahashi

Executive Officer

General Manager, Corporate Planning

Headquarters

TEL: +81-3-3862-3816

Notice of Basic Agreement on Establishment of Joint Venture with IAT Automobile Technology Co., Ltd.

Aiming to make a full-scale entry into the Chinese EV market, which is the world's largest EV market and is rapidly expanding, Ryosan announced today that it has entered into a basic agreement to establish a joint venture company (hereinafter, "New Co") with IAT Automobile Technology Co., Ltd. (hereinafter, "IAT"), which is China's largest automotive engineering company. This press release states the background and purpose of the establishment, as well as the strategic positioning of the establishment.

1. Background and purpose of establishment

(1) Overview of New Co

China's EV market is the world's largest and is rapidly shifting to a platform for core parts. In this business environment, the New Co will utilize Ryosan's knowledge in electronic parts and know-how for automotive technology which Ryosan has accumulated over many years to provide electronic parts necessary for platform development to the client base (Chinese automobile manufacturers, Teir 1 companies, etc.) held by IAT. By combining the knowledge of an engineer company with Ryosan's knowledge, the New Co aims to create a new business model that goes beyond the framework of an electronics trading company and to provide an EV platform that prevails throughout the market regardless of Keiretsu supply-chains.

(2) Roles of both companies

The New Co partner, IAT, is China's largest independent automotive engineering company. As an international leading company with state-of-the-art technology, IAT designs finished automobiles, designs and develops automobile parts, and provides technical services. IAT possesses business relationships with more than 100 automobile manufacturers which include not only China domestic companies but also global players. For the New Co, IAT will provide services such as development, design, testing, prototyping, and software development of EV platforms mainly for domestic automobile manufacturers and Tier 1 companies.

Ryosan will provide the New Co with the electronic parts necessary for production by each manufacturer based on the designs created by IAT. Ryosan will also fulfill roles such as introducing new products, proposing solutions and devices, and providing technical support to IAT.

(3) Purpose of investment by both companies and business significance for Ryosan

Through this investment, IAT aims to break away from the individual design contract business and to expand into the platform design area. IAT seeks to deepen its relationships with domestic automobile manufacturers and Tier 1 companies by securing a stable supply of relevant parts and expanding transactions with global electric suppliers.

In addition to handling parts for the New Co as an opportunity to enter the world's largest EV market, Ryosan anticipates a wide range of business significance including the following: 1) increased added value for existing suppliers by consolidating the needs of the Chinese automobile market, 2) creation of business opportunities that leverage IAT's solutions and business platform, 3) expansion of new supplier products, and 4) acquisition of information on trends in the Chinese EV market, which is ahead of Japan.

The establishment of New Co represents the first full-scale entry into the Chinese EV supply chain by a Japanese electronics trading company. This investment project is positioned as having significant business meaning in terms of how it crystallizes the trust from Chinese companies which Ryosan has cultivated over 50 years of business development in Greater China, as well as how it serves as a successful model for horizontal expansion of knowledge and know-how accumulated by Ryosan in the automotive electronics field.

(4) Overview of New Co

(1) Name	Sichuan Xin Century Technology LLC
(2) Address	Chengdu City, Sichuan Province, China
(3) Name/Position of Representative	Qiwu Xuan, Chairman
(4) Business Activities	Wholesale of semiconductors and electronic parts
(5) Capital	50.0 million RMB
(6) Investment Ratio	IAT Automobile Technology Co., Ltd 60% Zhong Ling International Trading (Shanghai) Co.,Ltd. 40%

(5) Overview of IAT

(1) Name	IAT Automobile Technology Co., Ltd.
(2) Address	Beijing City, China
(3) Position/Name of Representative	Qiwu Xuan, Chairman
(4) Business Activities	Design of finished automobiles, design and development of automobile parts, technical service, etc.
(5) Capital	497.43 million RMB
(6) Date of Establishment	May 23, 2007

(7) Main Shareholders and Ownership Ratio	IAT (Beijing) Investment Consulting Co., Ltd.	13.59%
	Jiaxing Junwen Yinbao Investment Partnership	3.70%
	Ling Lin	
	Jiangsu Yueda Investment Co., Ltd.	2.69%
	IAT Automobile Technology Co., Ltd. - the First Term	2.28%
	Employee Stock Ownership Plan	1.96%
	Beijing Jirui Branch Science and Technology Innovation Investment Center	1.92%
	Shanghai Yunran Investment Management Co., Ltd. - the 11th Yunran Emerging Growth Private Securities Investment Fund	1.42%
	Liqiang Zhang	
	Honda Technology Research Industry (China) Investment Co., Ltd	1.40%
		1.34%
	Ningbo Hutong Private Fund Management Partnership (Limited Partnership) - Hutong Chuangzhi No.1 Private Securities Investment Fund	1.21%
	Other	68.49%

2. Positioning of this matter in the business strategy of Ryosan

(1) China business strategy

Ryosan entered the Greater China market in the early 1970s. Initially, Ryosan expanded the base of its local transactions in the form of receiving the commercial rights for transactions of Chinese clients owned by Japanese manufacturers. However, since the 2010s, Ryosan has explored ways to expand its own trading base. In March 2017, Ryosan acquired Edal Electronics, a local trading company in the South China region, as a subsidiary. In November 2017, Ryosan made a partial investment (equity-method affiliated) in Qingdao Sanyuan Taike Electronics Technology (China), a local software development company that excels in inverter control technology. In 2022, Ryosan expanded the base of its transactions with local companies, such as partial investment in Yamasei Tech, a software development venture for motorcycles in Taiwan.

This New Co with IAT can be expected to expand the base of transactions at once, and is positioned to contribute to the expansion of transactions with various electronic component suppliers. In addition, through the integration with Ryoyo Electro, Ryosan is looking forward to horizontal development of new products, mainly solutions, to local companies, and Ryosan will accelerate the expansion of the Greater China business area through new business development.

(2) Company-wide strategy

Ryosan has steadily improved its corporate value as the result of business expansion through the implementation of the measures set forth in the 11th Medium-Term Business Plan. As already announced, in addition to management integration with Ryoyo Electro Corporation, Ryosan is shifting toward divisional organization as an efficiency measure, with the aim of accelerating the speed of business promotion. In addition to this new strategic partnership with IAT, Ryosan will continue to further improve value in the medium to long term.

Measures in Medium-Term Business Plan	Results	New Initiatives
Business in Greater China	Invested in Yamasei Tech Co., Ltd.. Deepened cooperation with Qingdao Sanyuan Taike Electronics Technology (China). Restructured organization in the South China region.	<ul style="list-style-type: none"> • Merge with Ryoyo Electro Corporation. Realize synergies. • Transition to a divisional organization structure. • Enter into strategic partnership with IAT.
Expansion of products	Increased sales of strategic products by 21.0 billion yen (compared to fiscal 2021). Increased number of agency contracts by 11 with contributions to sales of 3.0 billion yen (compared to fiscal 2021).	
Transformation of line of business	Invested in Priken Co., Ltd. as equity-method affiliate. Restructured the Solutions Headquarters.	
Diversification of portfolio	Established a Direct Marketing Team. Developed system infrastructure.	
Increased efficiency	Promoted the use of DX in business.	

3. Impact on business results, etc.

Ryosan has judged that the impact on its consolidated business results for the fiscal year ending March 31, 2024 will be insignificant. If Ryosan judges that the impact will be significant for its future outlook, Ryosan will promptly disclose related information.