



Supplementary Material Notice on Basic Agreement to Establish a JV with IAT Automobile Technology Co., Ltd.

**Preparing for full-scale entry into the
rapidly growing Chinese EV market**

Ryosan Company, Limited

September 4, 2023





- Ryosan 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 independent automotive engineering company.
- In China, the world’s largest electric-vehicle (EV) market, the development of platforms for core components is rapidly expanding. The New Co will supply IAT’s customers, including domestic automakers and Tier-1* companies, with the electronic parts necessary to develop those platforms. In doing so, the New Co will leverage the knowledge of electronic parts and expertise in automotive technology that Ryosan has accumulated over many years.
- The New Co aims to create a new business model that goes beyond the framework of an electronics trading company. By combining Ryosan’s knowledge with IAT’s knowledge as an engineering company, the New Co will supply EV platforms that can prevail throughout the market regardless of Keiretsu supply-chains.

*Parts manufacturers that deliver directly to automakers

Company name	Sichuan Xin Century Technology LLC
Location	Chengdu City, Sichuan Province, China
Representative	Qiwu Xuan, Chairman
Details of operations	Wholesaling of semiconductors and electronic parts
Capital	50 million renminbi
Ownership	IAT 60%, Ryosan 40%



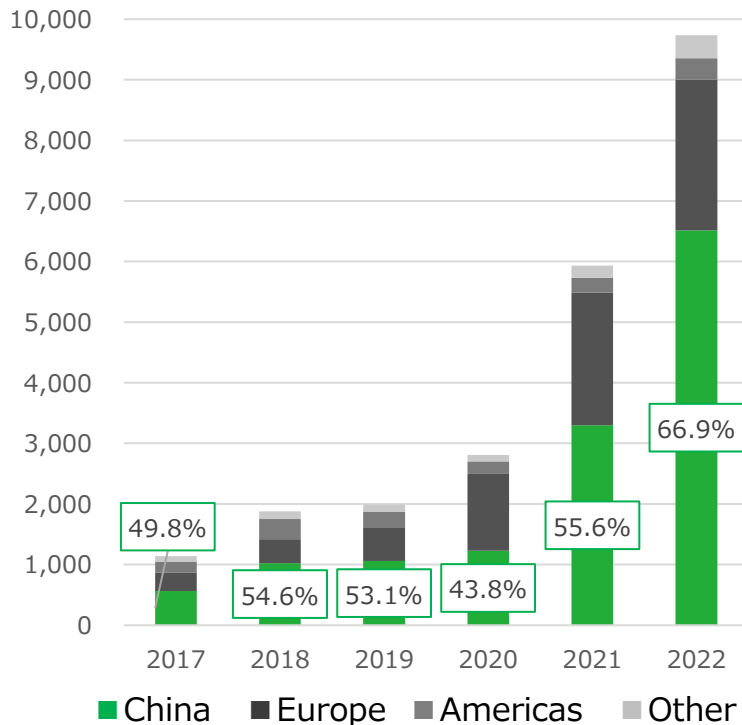
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The Chinese EV Market

- China is the world's biggest EV market, accounting for 67% of global market share in FY2022.
- Sales of new-energy vehicles (NEVs) are expected to expand further, reaching 50% market penetration by 2035.

Unit sales of NEVs worldwide

(Thousands of vehicles)



Source: Created by Ryosan using data from MarkLines Co., Ltd.

Main targets of Roadmap 2.0

Size of automobile market		2025	2030	2035
Size of automobile market (millions of vehicles)		32	38	40
Share by vehicle type	ICE	40-50%	15-25%	0%
	HEVs	5-10%	20-25%	40-45%
	NEVs	20%	40% or more	50% or more

Source: The table above was created by Ryosan using data from MarkLines, "China Energy-saving Vehicle & NEV Roadmap 2.0: Curbing Carbon Emissions for a Green Society"(April 20, 2021)
(https://www.marklines.com/en/report/rep2142_202104)

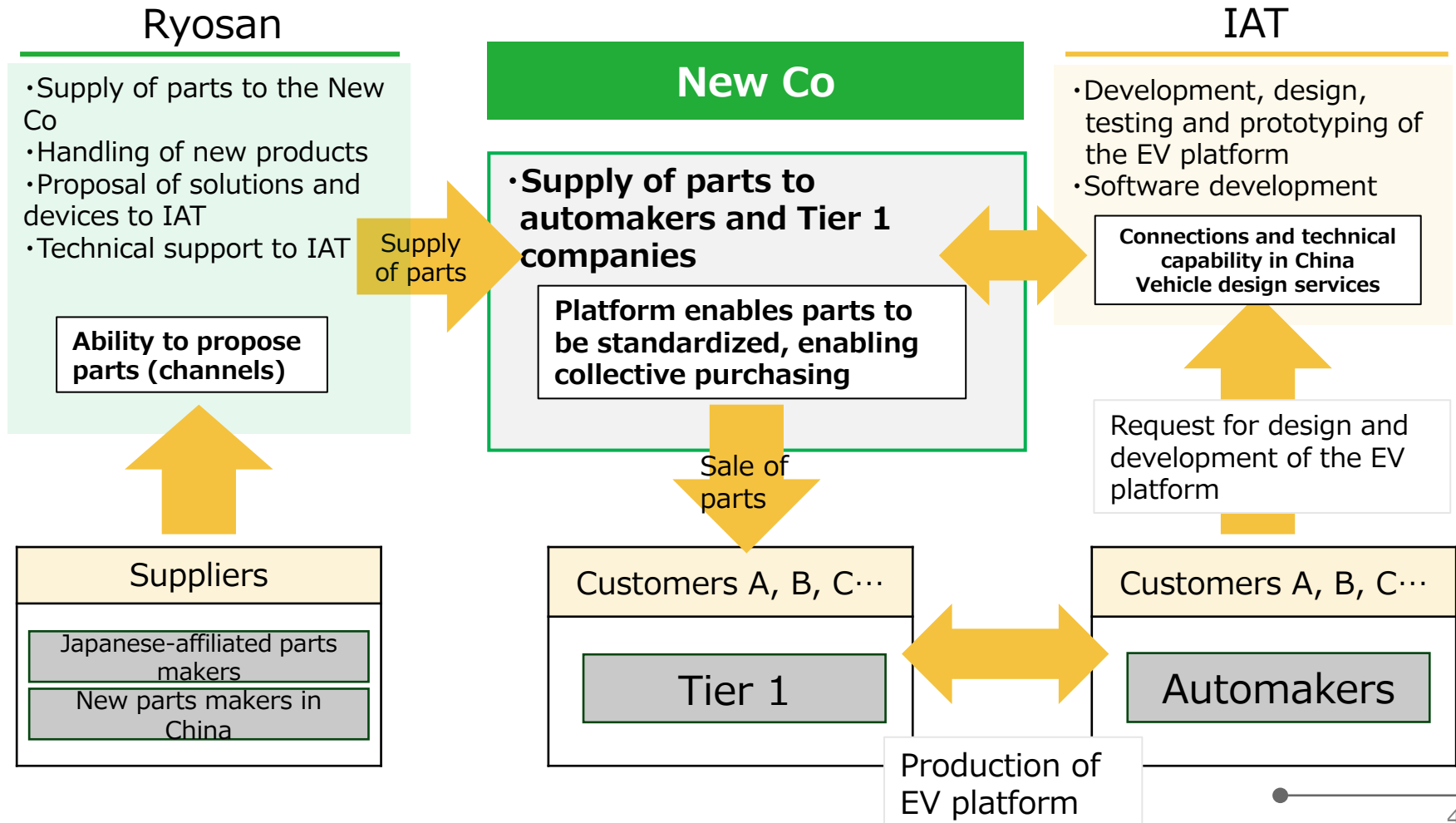
- In October 2020, the China Society of Automotive Engineers (SAE China), an industry think tank, published "Energy-saving/NEV Technology Roadmap 2.0," announcing a target of zero internal-combustion-engine (ICE) vehicles by 2035.



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Roles of the Partner Companies

IAT will provide Chinese domestic automakers with services such as development and design of EV platforms. 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 and proposing solutions and devices.





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Partner Companies' Investment Objectives and Significance for Ryosan's Business

For Ryosan, entry into the world's biggest EV market offers the prospect of investment results beyond handling of parts, including discovery of new customers and new products. These investment projects offer Ryosan an opportunity to leverage its accumulated expertise to maximum advantage. As such, their significance for Ryosan as investments is enormous.

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- Increase of value-added for existing suppliers by consolidating the needs of the Chinese automobile market
- Creation of business opportunities by leveraging IAT's solutions and business platform
- Expansion of products from new suppliers
- Acquisition of information on trends in the Chinese EV market, which is ahead of Japan

IAT

- Breaking away from the individual design contracting business and expanding into the platform design area
- Securing a stable supply of relevant parts and expanding transactions with global electronics suppliers, thereby strengthening relations with Chinese automakers
- Achieving these goals requires partners in cooperating industries.

Strategic
significance

- ☑ This arrangement marks the first full-scale entry of a Japanese electronics trading company into the Chinese EV supply chain.
- ☑ The arrangement also crystallizes the trust Ryosan has cultivated with Chinese companies over 50 years of business development in Chinese-speaking Asia.
- ☑ The arrangement is a successful model for horizontal expansion of the knowledge and expertise Ryosan has accumulated over many years in the automotive electronics field.



Business Strategy of Ryosan



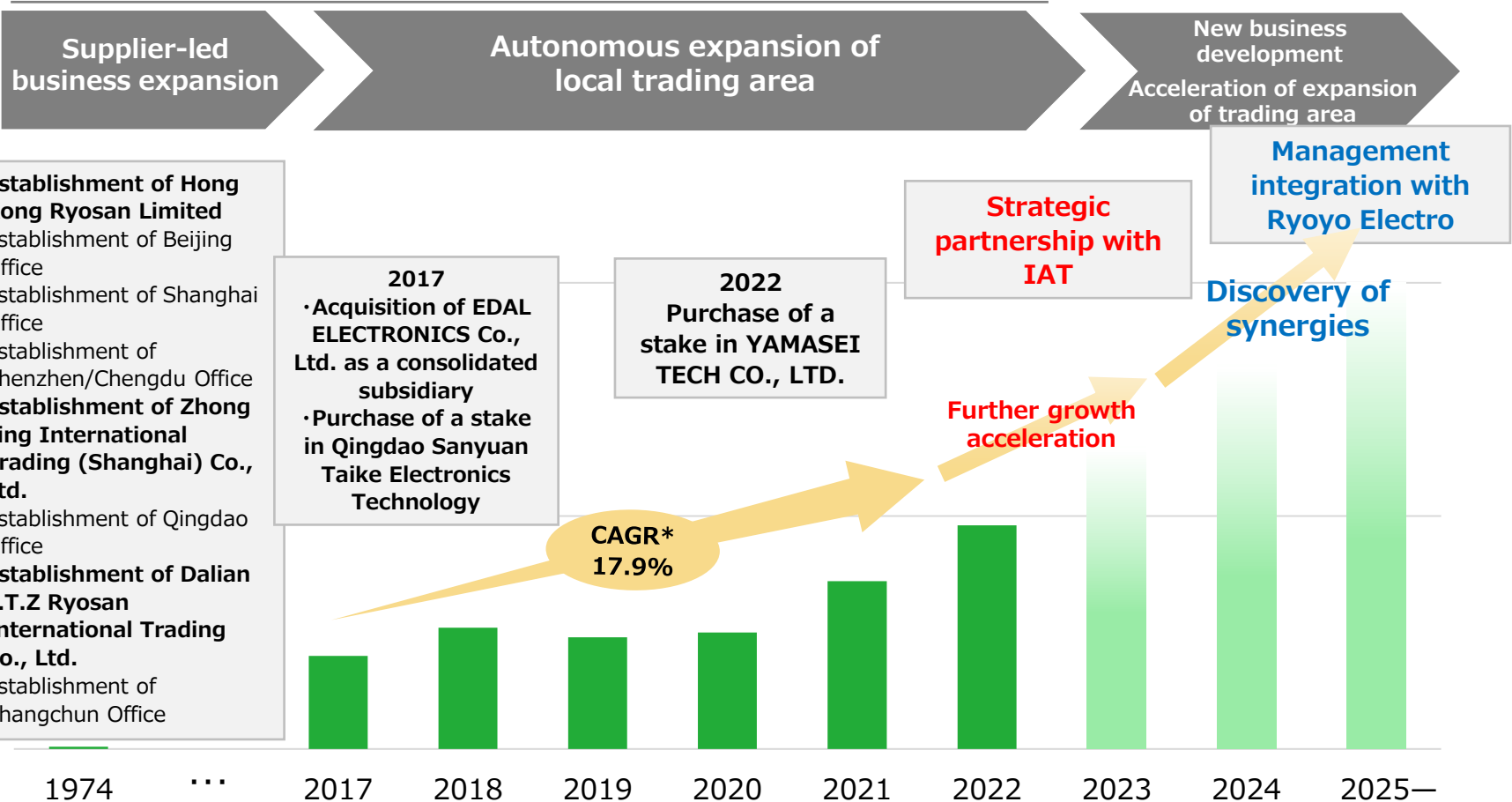
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Positioning of Local Business Initiatives in Chinese-speaking Asia

- By consolidating a local semiconductor trading company, investing in local SIers and deploying a unified Group-wide business network, Ryosan has autonomously expanded its local business in Chinese-speaking Asia. The current establishment of a New Co with IAT, along with the management integration with Ryoyo Electro Corporation, will enable fresh business opportunities through which to expand Ryosan's trading area.

Trend in net sales from local business in Chinese-speaking Asia

*Compound annual growth rate from FY2017 to FY2022

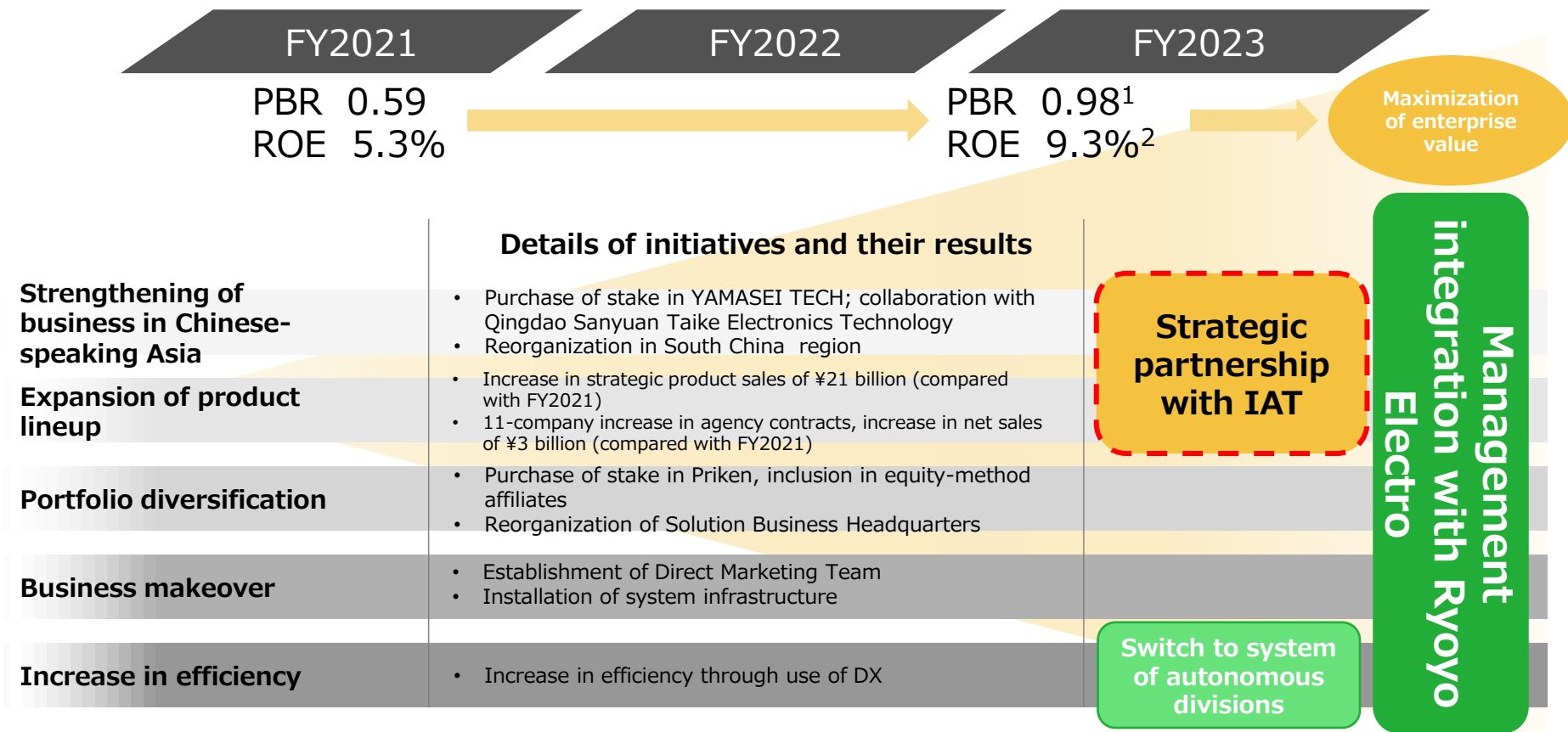




Positioning Within Group-wide Measures in Medium-term Business Plan

Implementation of measures in the 11th Medium-term Business Plan have expanded Ryosan's operations. As a result, Ryosan's enterprise value is growing steadily. The strategic partnership with IAT will enable Ryosan to reach out to new players and improve its value further over the medium-to-long-term.

11th Medium-term Business Plan (FY2021–FY2023) 1 As of June 30, 2023 2 As of March 31, 2023





Appendix



IAT is China's biggest independent automotive engineering company. This company is involved in design of completed automobiles, design and development of automobile parts and technical services (prototyping and evaluation).

Company name	IAT Automobile Technology Co., Ltd.
Location	Beijing City, China
Representative	Qiwu Xuan, Chairman
Details of operations	Design of completed automobiles, design and development of automobile parts and technical services (prototyping and evaluation), etc.
Capital	497.43 million renminbi
Date established	May 23, 2007
Major shareholder	IAT (Beijing) Investment Consulting Co., Ltd. (13.48%)

Characteristics of IAT

- ❑ An international leader possessing leading-edge technology
- ❑ National-level industrial design center*
- ❑ The only engineering company listed on the Shenzhen Stock Exchange
- ❑ Possession of some of the world's strongest design, technology design and software development teams and a workforce that includes over 2,500 engineers
- ❑ A wide range of business partnerships with over 100 major and emerging automakers; track record of over 500 development and database-construction projects

*This term indicates ability to handle the full range of development tasks from automobile design to prototyping and testing.



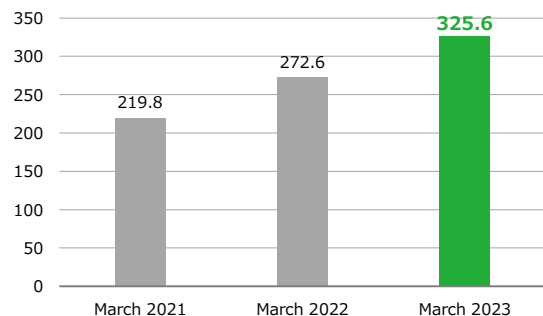
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Overview of Ryosan Company, Limited

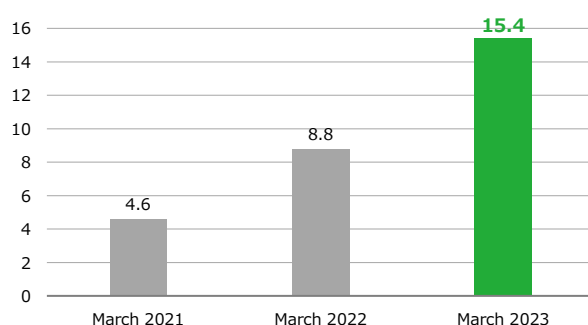
Company name	Ryosan Company, Limited
Head office	2-3-5 Higashi-Kanda, Chiyoda-ku, Tokyo
Representative	Kazuhiko Inaba, President
Details of operations	Sale of semiconductors, electronic parts and electronic devices
Capital	¥17,690,508,514
Date established	November 18, 1953
Listing exchange	Prime Market, Tokyo Stock Exchange (Securities code: 8140)

- A major and long-serving semiconductor trading company, Ryosan was established in 1947 and incorporated in 1953. In November 2023, Ryosan celebrates the 70th anniversary of its foundation.
- Ryosan is expanding its operations, underpinned by a solid customer base focused on automotive industries.
- Workforce includes over 100 highly specialized engineers.
- Possesses a network of over 40 locations in Japan and overseas. Ryosan began operations in Chinese-speaking Asia in 1974 (a half-century of operations).

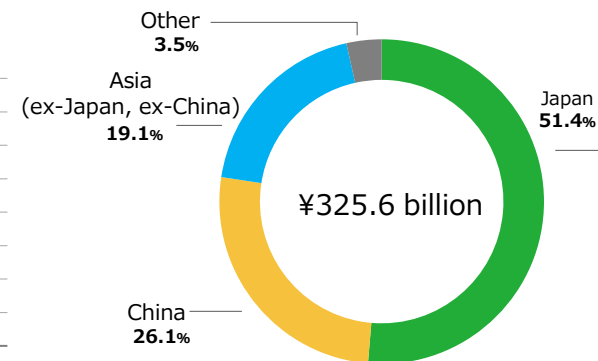
Net sales (Billions of yen)



Operating income (Billions of yen)



Share of net sales by region (FY2022)



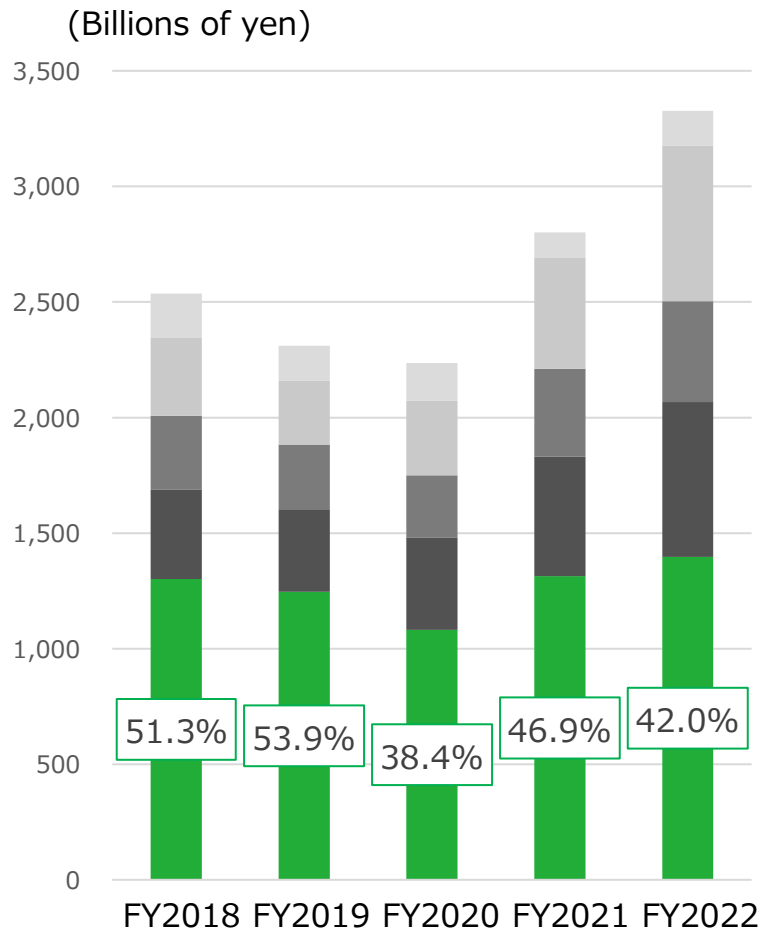


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Ryosan's Results in the Automotive Field

With its strengths in the automotive field, an extensive product lineup and relationships with major Japanese-affiliated customers, Ryosan is focused on the development of its automotive business.

Trend in sales by market



■ Automotive electronics ■ Consumer ■ Communications ■ Industrial equipment
■ Other

Automotive product lineup

- | | |
|-----------------------------|---|
| ■ Renesas Electronics Corp. | ■ Winbond Electronics Corporation |
| ■ Seiko Epson Corp. | ■ Japan Aviation Electronics Industry, Ltd. |
| ■ Alps Alpine Co., Ltd. | ■ Macronix International Co., Ltd. Etc. |
| ■ Fujipream Corp. | |
| ■ Toppan Inc. | |

Results of participation in automotive projects

<Industry organization of which Ryosan is a member>
Ryosan is an associate member of the Japan Automotive Software Platform and Architecture (JASPAR) Consortium.

<Results in automotive development >

- Solutions for AD/ADAS in collaboration with partners
- 48V DC-DC converter reference for mild HV
- Provision of middleware for on-board, wireless video transmission solutions
- Functional safety and security technology
- Development of automotive software (IVI, BCM, DMS, OTA, on-board communications)

