



Supplementary Materials for FY2023 First Half Financial Results

Results for the six months ended September 30, 2023
FY2023: Fiscal year ending March 31, 2024

November 15, 2023

Ryosan Company, Limited



Financial Results for H1 FY2023 and FY2023 Forecast of Business Results

Summary of Measures in the Medium-Term
Business Plan for FY2023

Management Integration with Ryoyo
Electro

Appendix





Overview of Consolidated Business Results

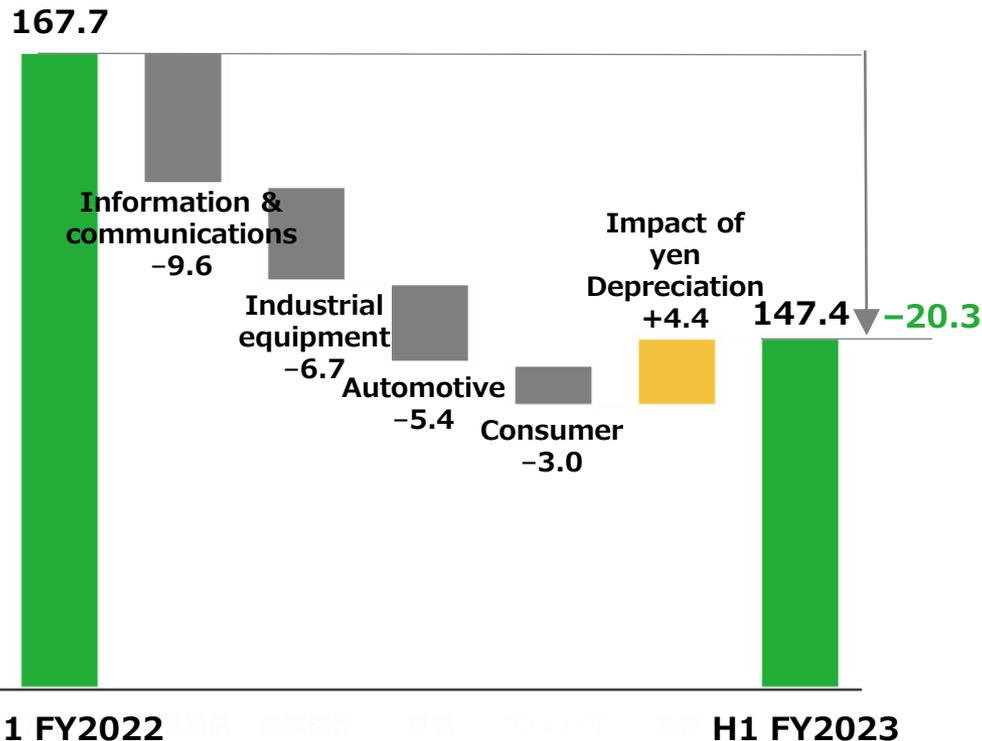
RYOSAN

- In the second quarter (Q2), net sales increased over the first quarter (Q1) in the consumer, information & communications and automotive sectors.
- During the consolidated first half under review (first half of the 2023 fiscal year: H1 FY2023), net sales declined against the same period of the previous fiscal year (YoY) due to the macroeconomic environment and the easing of supply shortages.
- Operating income, ordinary income, profit and EPS all declined YoY under the impact of decreasing net sales, despite a reduction in SG&A expenses.

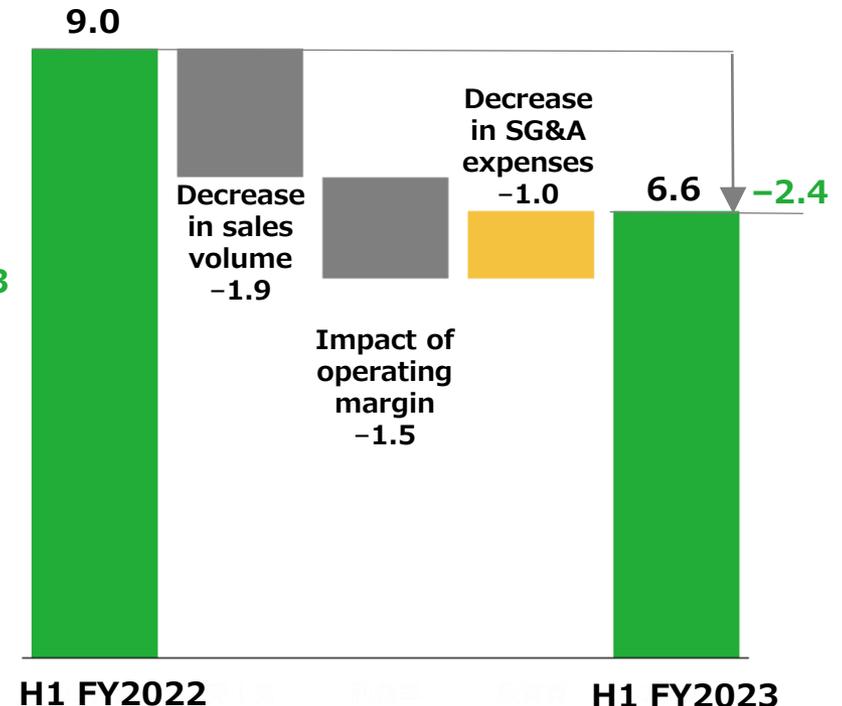
(Unit: ¥bil)	FY2022	FY2023			
	H1 Business Results	Forecast at Start of FY	H1 Business Results	Change (FY2023–2022)	Comparison with Forecast at Start of FY
Net sales	167.7	135.0	147.4	-12.1%	+9.2%
Gross profit	17.5	12.0	14.1	-19.6%	+17.8%
Operating income	9.0	4.0	6.6	-26.6%	+65.3%
(% of net sales)	(5.4%)	(3.1%)	(4.5%)	(-0.9pt)	(+1.4%)
Ordinary income	6.5	3.0	4.9	-24.9%	+64.9%
(% of net sales)	(3.9%)	(2.3%)	(3.4%)	(-0.5pt)	(+1.1%)
Profit	4.4	2.0	3.4	-23.5%	+71.2%
(% of net sales)	(2.7%)	(1.5%)	(2.3%)	(-0.3pt)	(+0.8%)
EPS (¥)	191.02	85.35	146.05	-23.5%	+71.1%
US dollar average rate (¥)	133.97	—	141.00	5.2%	—

- Net sales declined ¥20.3 bil YoY as major projects in information & communications wrapped up and adjustment continued in the industrial-equipment sector.
- Operating income declined ¥2.4 bil YoY under the impact of decreasing net sales, despite a reduction in SG&A expenses.

Net Sales (billions of yen)



Operating Income (billions of yen)





Segment Information

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- In the Device Business, sales in the automotive sector rose in Q2 in comparison with Q1, but against the backdrop of the macroeconomic environment and normalization of supply shortages, net sales in H1 FY2023 amounted to ¥131.1 bil (down 10.4% YoY) and operating income dropped to ¥5.6 bil (down 30.5% YoY).
- In the Solution Business, net sales increased in Q2 over Q1 in the consumer, information & communications and automotive sectors. Though sales of facility equipment were favorable, major projects in information & communications wrapped up. Net sales in H1 FY2023 fell to ¥16.3 bil (down 23.9% YoY) and operating income declined to ¥0.8 bil (down 28.2% YoY).

(Unit: ¥bil)		FY2022	FY2023			
		H1 Business Results	Forecast at Start of FY	H1 Business Results	Change (FY2023-2022)	Comparison with Forecast at Start of FY
Device Business	Net sales	146.2	115.0	131.1	-10.4%	+14.0%
	Operating income	8.27	3.50	5.69	-30.5%	+62.6%
	(% of net sales)	(5.7%)	(3.0%)	(4.4%)	(-1.3pt)	(+1.3pt)
Solution Business	Net sales	21.4	20.0	16.3	-23.9%	-18.5%
	Operating income	1.16	0.50	0.8	-28.2%	+66.0%
	(% of net sales)	(5.4%)	(2.5%)	(5.1%)	(-0.3pt)	(+2.6pt)
Total	Net sales	167.7	135.0	147.4	-12.1%	+9.2%
	Operating income	9.00	4.00	6.6	-26.6%	+65.3%
	(% of net sales)	(5.4%)	(3.0%)	(4.5%)	(-0.9pt)	(+1.5pt)

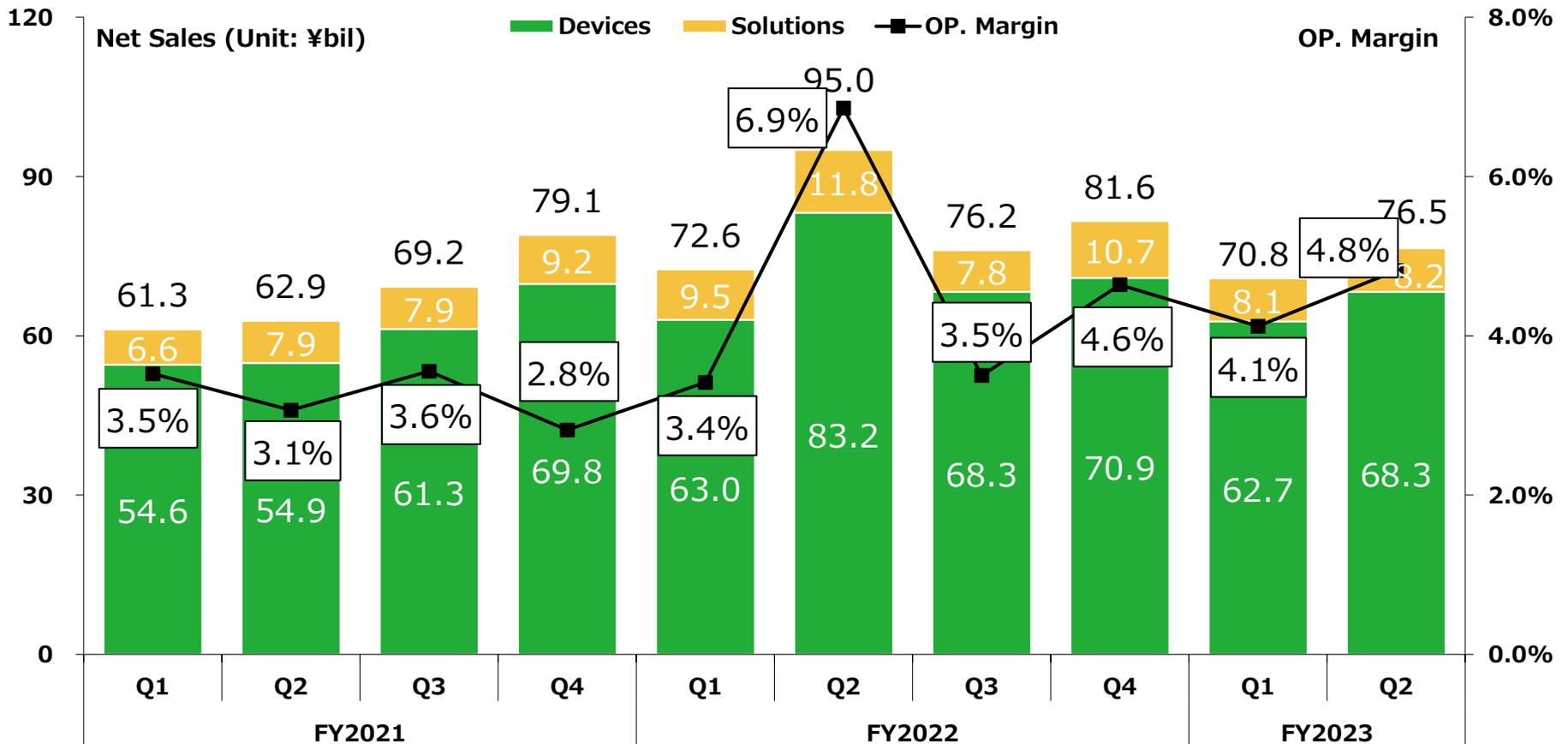


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Trend in Net Sales and Operating Margins by Quarter

Financial Results
for H1 FY2023

- Net sales have maintained a level of ¥70 bil per quarter since Q4 FY2021. In the same period, operating margin has maintained a level of 3% or higher, except in Q4 FY2021.
- In Q2 FY2023, trends were favorable in the Device Business for the automotive and industrial equipment sectors and in the Solution Business for consumer, information & communications and automotive sectors. Net sales and income rose in comparison with Q1.



Segment Trend Information

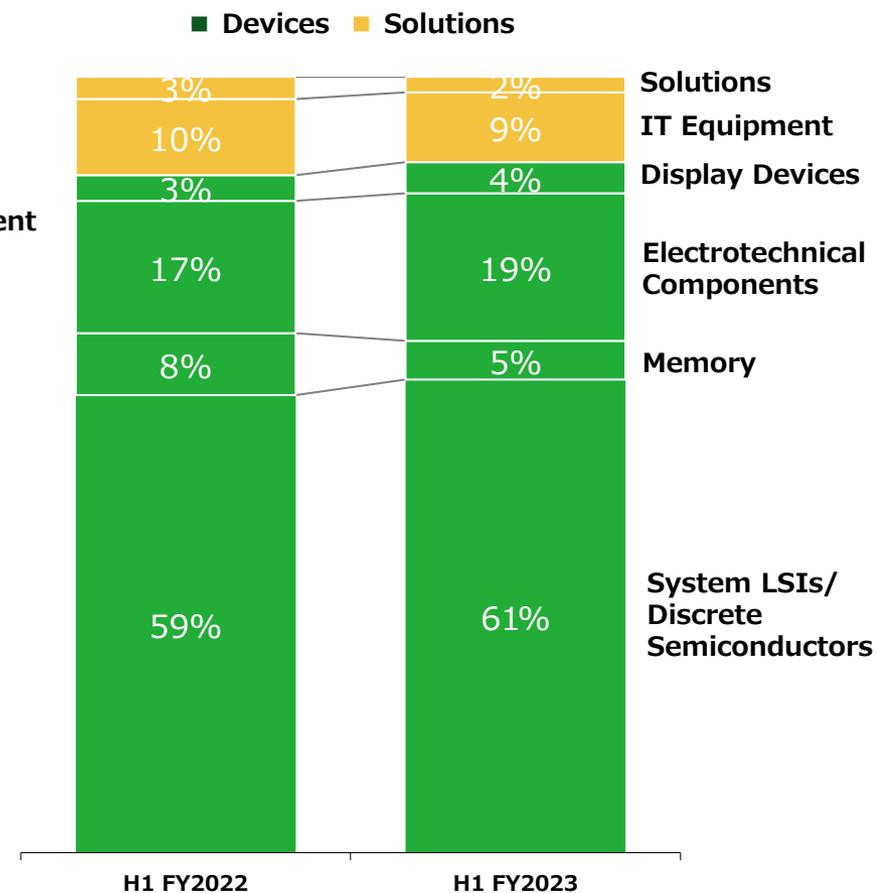
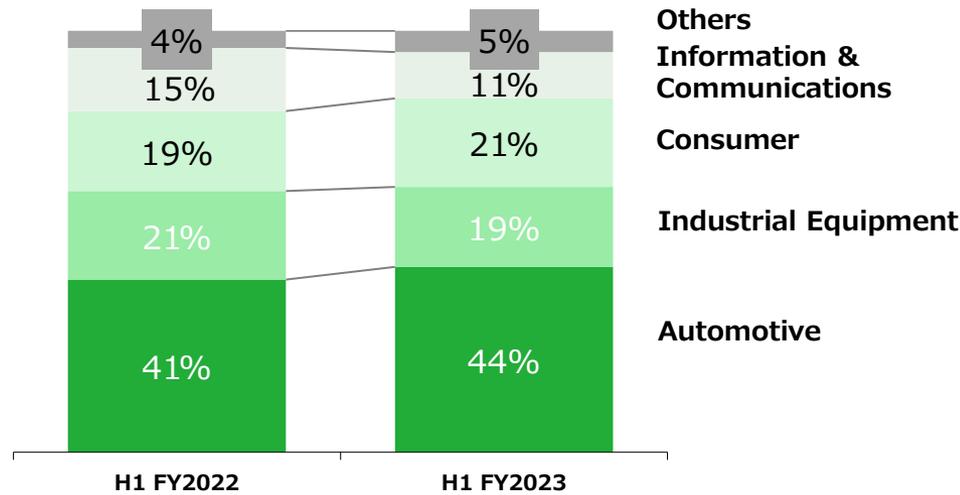


RYOSAN

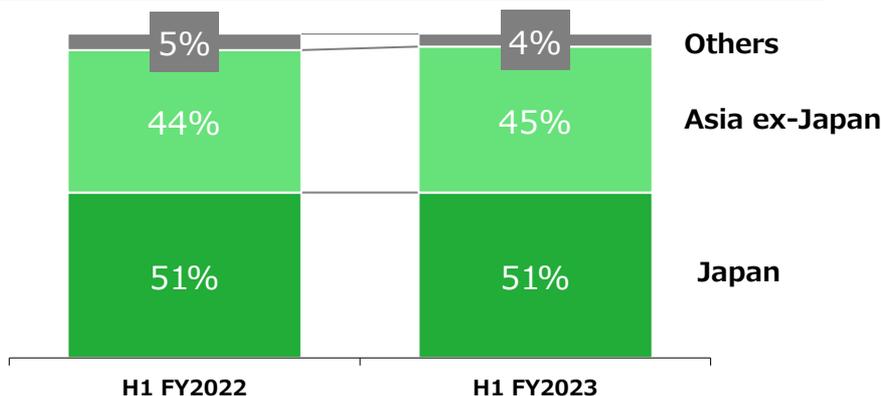
- By application, sales in the automotive and consumer sectors increased as a share of total. There are no major changes in regional trends to report. In sales by product, sales of electromechanical components for consumers were favorable, increasing as a share of total device sales. With the wrap-up of major projects for IT equipment in the information & communications sector, IT equipment decreased as share of total solution sales.

By Application

By Product



By Region





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Consolidated Balance Sheet/Consolidated Statement of Cash Flow

Financial Results
for H1 FY2023

- Though accounts receivable–trade declined, total assets increased by ¥4.1 bil due to increases in inventories and accounts receivable–other.
- Operating cash flow increased by ¥5.7 bil. Operating cash flow was used to reduce debt. Cash and cash equivalents at end of period were at roughly the same level as at the end of the previous fiscal period.

Consolidated Balance Sheet

(Unit: ¥ bil)	As of Sep. 30, 2022	As of Mar. 31, 2023	As of Sep. 30, 2023	Change
Total assets	205.3	188.1	192.2	+4.1
Current assets	191.4	173.9	176.8	+2.9
Accounts receivable–trade	109.0	95.1	90.8	-4.3
Inventories	51.1	47.6	51.6	+4.0
Accounts receivable–other	16.9	14.3	17.3	+3.0
Non-current assets	13.8	14.2	15.4	+1.1
Liabilities	104.0	85.4	84.2	-1.2
Accounts payable–trade	44.3	39.9	42.2	+2.2
Short-term loans payable, lease obligations and commercial papers	50.1	34.2	33.8	-0.3
Net assets	101.2	102.7	107.9	+5.2
Net assets to total assets (%)	49.3%	54.6%	56.1%	+1.5pt

Consolidated Statement of Cash Flow

(Unit: ¥ bil)	H1 FY2022	H2 FY2022	H1 FY2023	Change
Cash flow from operating activities	2.0	19.5	5.7	-13.8
Cash flow from investing activities	-0.1	-0.4	-0.2	+0.2
Cash flow from financing activities	-0.2	-15.3	-6.2	+9.1
Cash and cash equivalents at end of period	13.8	16.7	16.6	-0.1



Overview of Business Forecasts

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- In the forecast of consolidated business results for FY2023, net sales are expected to be ¥270.0 bil., operating income to be ¥8.0 bil and profit to be ¥5.0 bil.

	FY2022		FY2023		
	H1	Full Year	H1 Business Results	Full-year Forecast	Change (FY2023–2022)
(Unit: ¥bil)					
Net sales	167.7	325.6	147.4	270.0	-17.1%
Gross profit	17.5	32.8	14.1	24.0	-26.8%
Operating income	9.0	15.4	6.6	8.0	-48.1%
(% of net sales)	(5.4%)	(4.7%)	(4.5%)	(3.0%)	(-1.7pt)
Ordinary income	6.5	13.3	4.9	7.0	-47.6%
(% of net sales)	(3.9%)	(4.1%)	(3.4%)	(2.6%)	(-1.5pt)
Profit	4.4	9.2	3.4	5.0	-45.8%
(% of net sales)	(2.7%)	(2.8%)	(2.3%)	(1.9%)	(-0.9pt)
EPS (¥)	191.02	393.70	146.05	213.39	-45.8%
US dollar average rate (¥)	133.97	135.47	141.00	130.00	-4.0%

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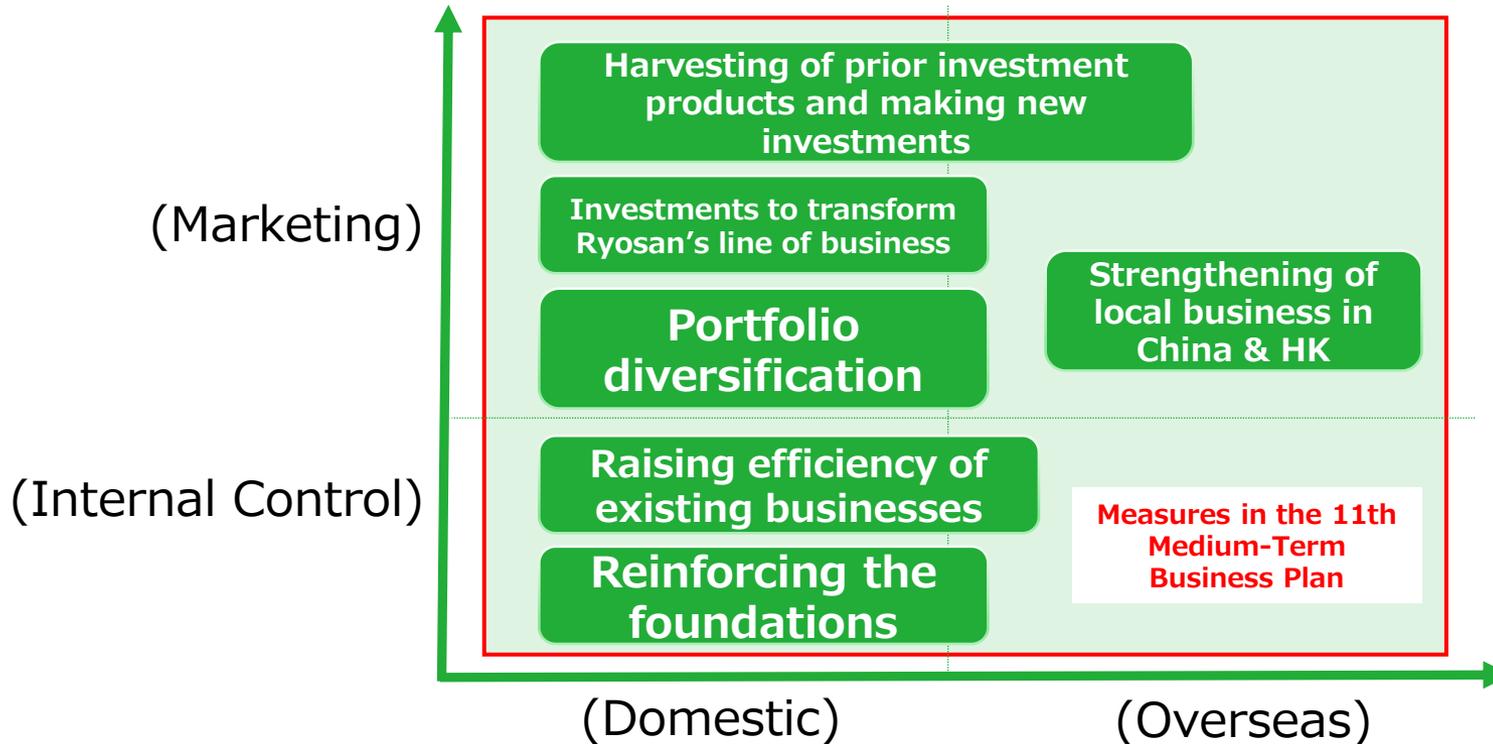
The 11th Medium-Term Business Plan



RYOSAN

- 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 focused on improvement of income to an active mode focused on transforming its business. As the current fiscal year is the last year of the Medium-Term Business Plan, Ryosan is moving to complete all measures by H2 of FY2023.
- Ryosan has entered into the final contract for the upcoming management integration with Ryoyo Electro. Discussions are accelerating toward the formation of a holding-company structure on April 1, 2024 (please see next section).

Management integration with Ryoyo Electro



	Measures	Details	Actions performed in H1 FY2023
The 11th Medium-Term Business Plan	Portfolio diversification	<ul style="list-style-type: none"> Expansion of new customers and strengthening of marketing functions 	<ul style="list-style-type: none"> A website was launched to disseminate information of use to customers.  To provide infrastructure for sharing sales expertise, webinars were prepared. Ryosan began using the webinars to develop its customer base.
	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"> Ryosan concluded a basic agreement to establish a joint-venture company with IAT Automobile Technology Co., Ltd. (IAT), China's largest independent automotive engineering company.
	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"> Ryosan continued to expand sales of prior investment products. After formation of the necessary sales forces in each sales Headquarters, Ryosan steadily increased the amounts discussed in sales negotiations and increased the number of contracts with dealers. Going forward, Ryosan is planning new methods to discover opportunities, leveraging its strengths.
	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"> Ryosan accelerated its collaboration with Priken. Ryosan built a base and framework for utilization and began cooperation with business sites.
	Raising efficiency of existing businesses	<ul style="list-style-type: none"> Usage of digital technology 	<ul style="list-style-type: none"> Internal workflow systems were prepared. Efforts began with the document approval process. Future expansion of the range of application was considered.
	Reinforcing the foundations	<ul style="list-style-type: none"> Establishment of management bases such as education and risk management 	<ul style="list-style-type: none"> Ryosan launched a project under specialized direction to rearrange the Engineering Headquarters into an organization that can function as originally intended. Ryosan continued to address issues that arose from implementation of a new personnel system and to carry out activities to entrench the new system. Ryosan implemented programs for training in English and business skills. Broad preparations were made on basic policy on sustainability and systems for its advancement.

Shift to an operating-division structure

Portfolio Diversification: Strengthening Marketing Functions



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- Dissemination of information through the Ryosan Tech Lab service site
 - Based on the concept of “a magazine site for engineers,” Ryosan is disseminating various information for customers who want to receive information faster and in an easy-to-understand format. Case studies and technical information are provided that are of particular interest to electronics trading companies.
- Dissemination of information through webinars
 - Information is disseminated to customers on ways of using technology in line with customer needs and on processes for reaching solutions. The webinars are also used for in-house training to strengthen sales capabilities.

Ryosan Tech Lab

A magazine site for engineers

•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.



Dissemination of information through webinars

Dissemination of information to customers on ways of using technology in line with customer needs and on processes for reaching solutions

Date	Content
April 25	Introduction: Enabling AI on embedded microcontrollers
May 30	Achieve miniaturization and short-TAT development! An introduction to mixed analog/digital programmable ICs
Jun. 20	Starting from zero on security microcontrollers
Aug. 29	Introduction to robotics
Sep. 26	Basic webinar on power sources: Technical trends in power electronics in terms of Tesla and made-in-Japan EV power sources
Oct. 31	Seminar on introducing BLE for IoT device development



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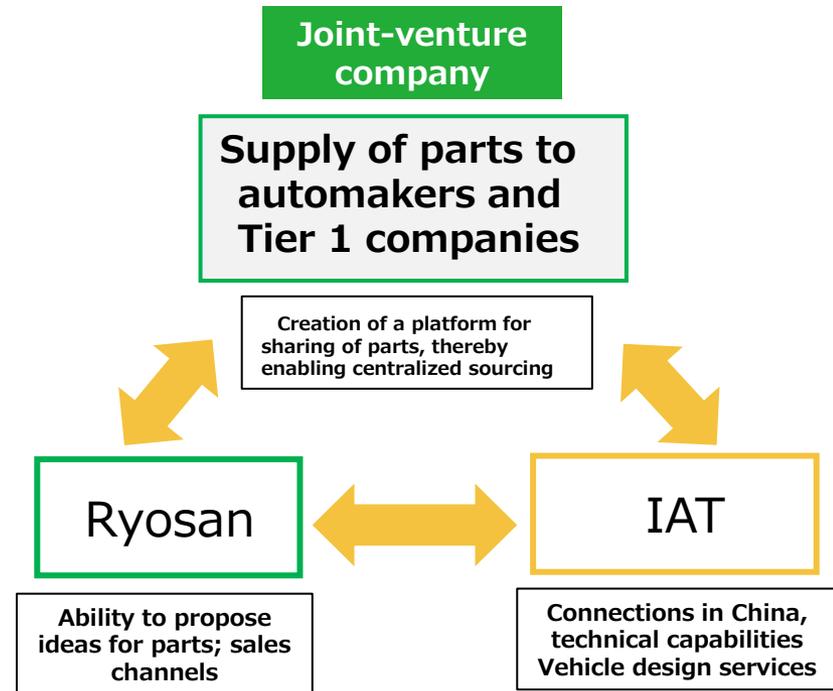
- In September 2023, Ryosan concluded a basic agreement to establish a joint-venture company with IAT, the China's largest independent automotive engineering company.
- Leveraging its expertise in the automotive business developed over many years, the Ryosan Group is providing electronic components necessary for platform development to local automakers and their suppliers in the world's biggest China's EV market.
- Going beyond its framework as an electronics trading company, Ryosan is fusing its knowledge with that of the engineering company to provide EV platforms, aiming to create a new business model.

Company name	Sichuan Xin Century Technology LLC
Location	Chengdu City, Sichuan Province, China
Representative	Qiwu Xuan, Chairman
Business Activities	Wholesale of semiconductors and electronic parts
Capital	50.0 million RMB
Investment Ratio	IAT: 60% Ryosan Group: 40%

Purposes of investment and strategic significance

- First full-fledged participation in a Chinese EV supply chain by a Japanese-affiliated electronics trading company
- Model for success in horizontal deployment of Ryosan's knowledge and expertise in automotive electronics cultivated over many years

- ✓ Improvement of the value-added Ryosan offers to existing suppliers by gathering information on the needs of the Chinese auto market
- ✓ Creation of business opportunities by leveraging IAT's solutions and business base
- ✓ Expansion of product lineup through new suppliers
- ✓ Gathering of information on trends in China's EV market, which is more advanced than Japan's.





Investments to Transform Ryosan's Line of Business: Collaboration with Priken

- After investing in Priken, Ryosan is preparing a framework for creating synergies. The two companies have begun collaboration to approach machinery and device manufacturers.

Prior Investment Products: Discovery of New Products Based on Needs

- Ryosan is moving forward to discover new products based on customer needs. Drawing on the results of analysis of customer needs, Ryosan is discovering new products and expanding its businesses.

Collaboration with Priken

Scale of sales	Target customers	Main actions
Parts evaluation boards	Device manufacturers	Expansion of operations (increase in orders accepted for evaluation boards and cross-selling of products to each company's customers)
Small-lot production	Machine manufacturers	Responses to provide solutions to customers' problems (response to small orders)
Prototypes	Machine manufacturers	Construction and support of contact points with customers Deepening of understanding of customers

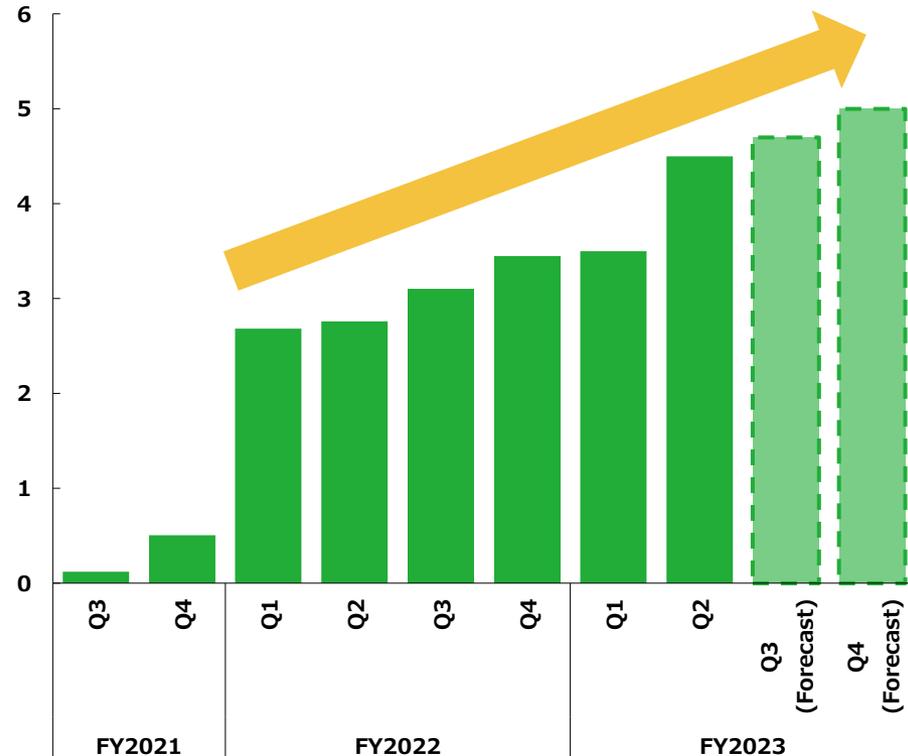
Approaches to customers

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
- A leader in testing boards for electronic components

Trend in amounts discussed in sales negotiations on new products

(Unit: ¥bil)





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- Ryosan is moving forward to achieve its Long-Term Vision, RS Innovation 2030. The Company is visualizing its efforts from the point of view of responding to society's demands for sustainability. By disclosing non-financial information, Ryosan is engaging in continuous dialogue with investors and other stakeholders.

Measures in H2

Sustainability

- A Sustainability Promotion Committee will be established in H2.
- A basic policy on sustainability will be drafted. (CSR approach, coexistence with the environment, relations with employees)

Measures against global warming (TCFD)

- CO₂ emissions in Scope 3 (domestic) will be calculated and disclosed in H2.

Strengthening of support for human capital

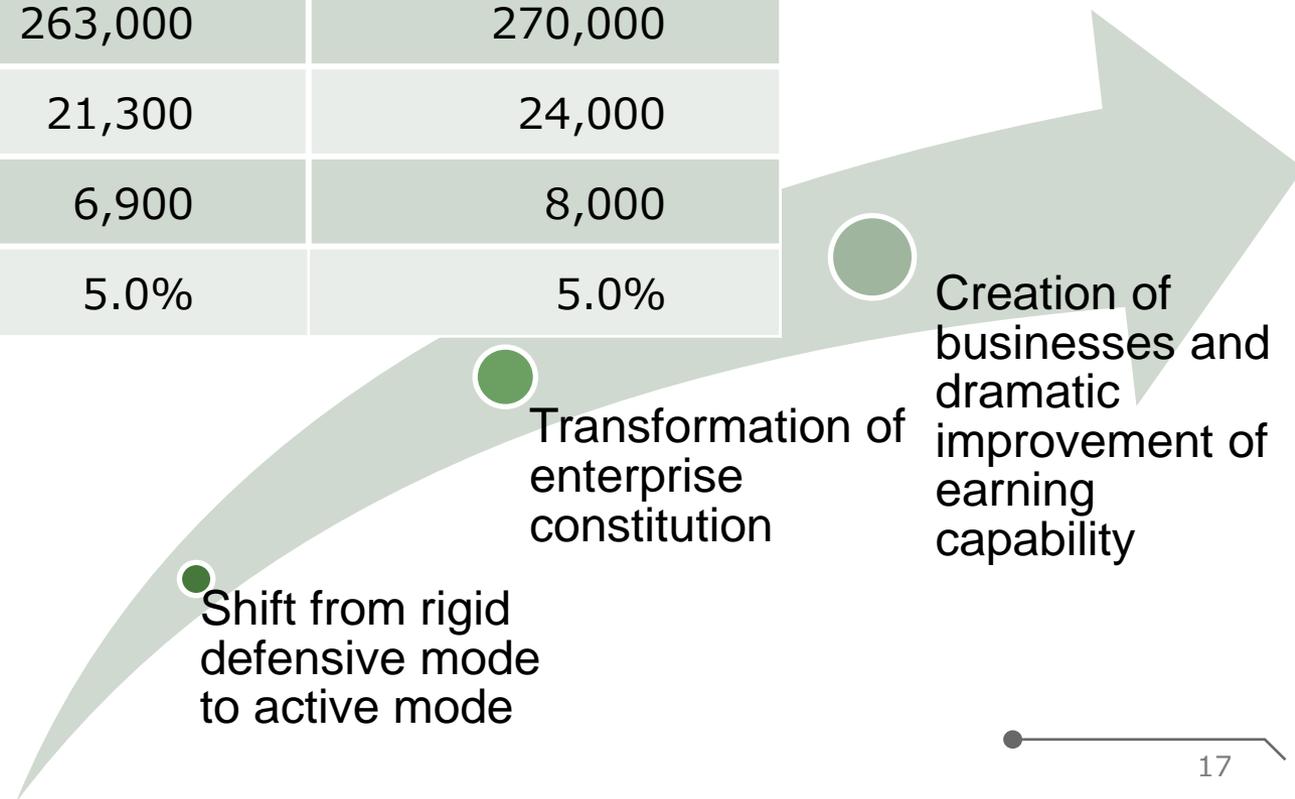
- Ryosan disclosed targets and results on item related to human capital in June 2023. Concrete measures to advance each item will be clarified in and after H2.



Indicator	Target	Result (FY2022)
Share of women in senior management	15% by March 31, 2031	2.2%
Percentage of male workers who take childcare leave	100% by March 31, 2031	33.3%
Gender pay gap (Women's wages as percentage of men's wages)	90% by March 31, 2031	65.8%

- Ryosan expects to meet its targets for the 11th Medium-Term Business Plan this fiscal year, the last fiscal year of the plan period.

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%



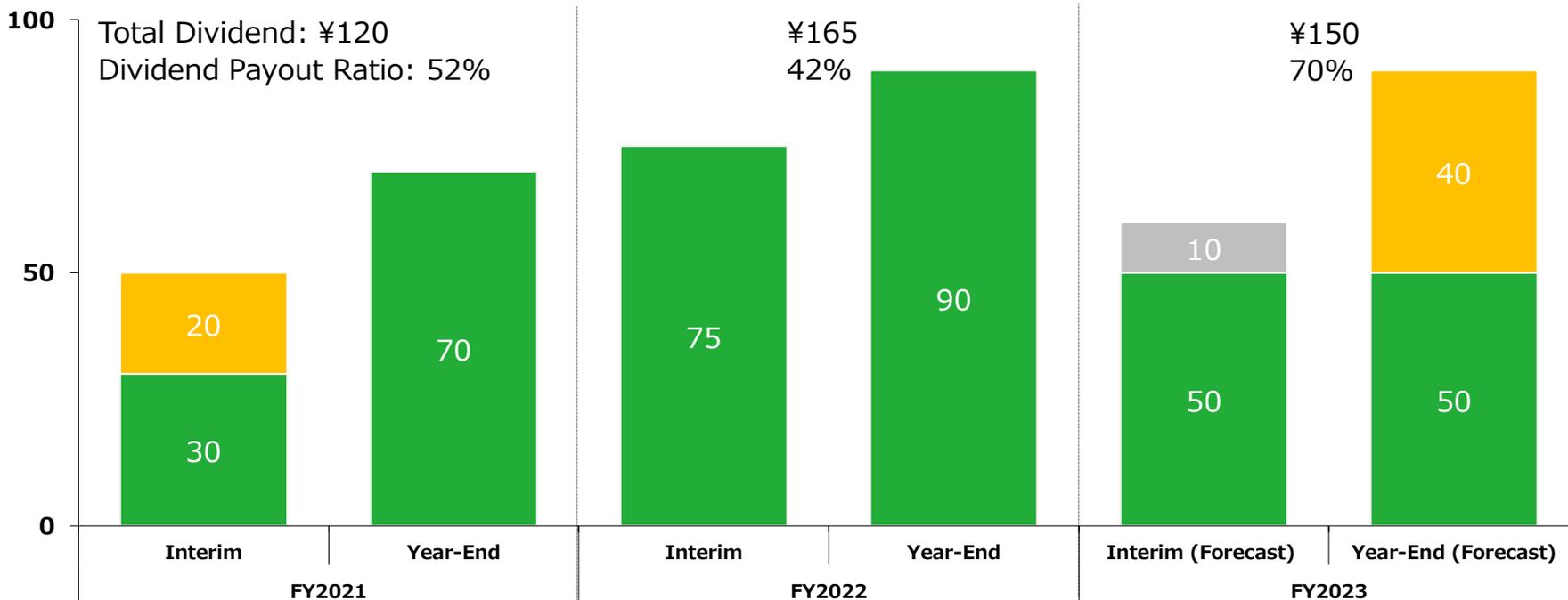
Forecast of Return to Shareholders

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- Interim dividend: In view of the upward revision of the forecast of business results for H1 FY2023, Ryosan has revised the ordinary dividend upward from ¥50 per share to ¥60 per share.
- Year-end dividend: On July 15, 2023, Ryosan celebrated the 40th anniversary of its listing on the Tokyo Stock Exchange. On November 18, 2023, Ryosan celebrates the 70th anniversary of its foundation. In commemoration of these milestones, and to express its heartfelt gratitude to all shareholders for their steadfast support, Ryosan expects to distribute a commemorative dividend of ¥40 per share.

Dividend per Share

Dividend (¥) ■ Ordinary Dividend ■ Special Dividend



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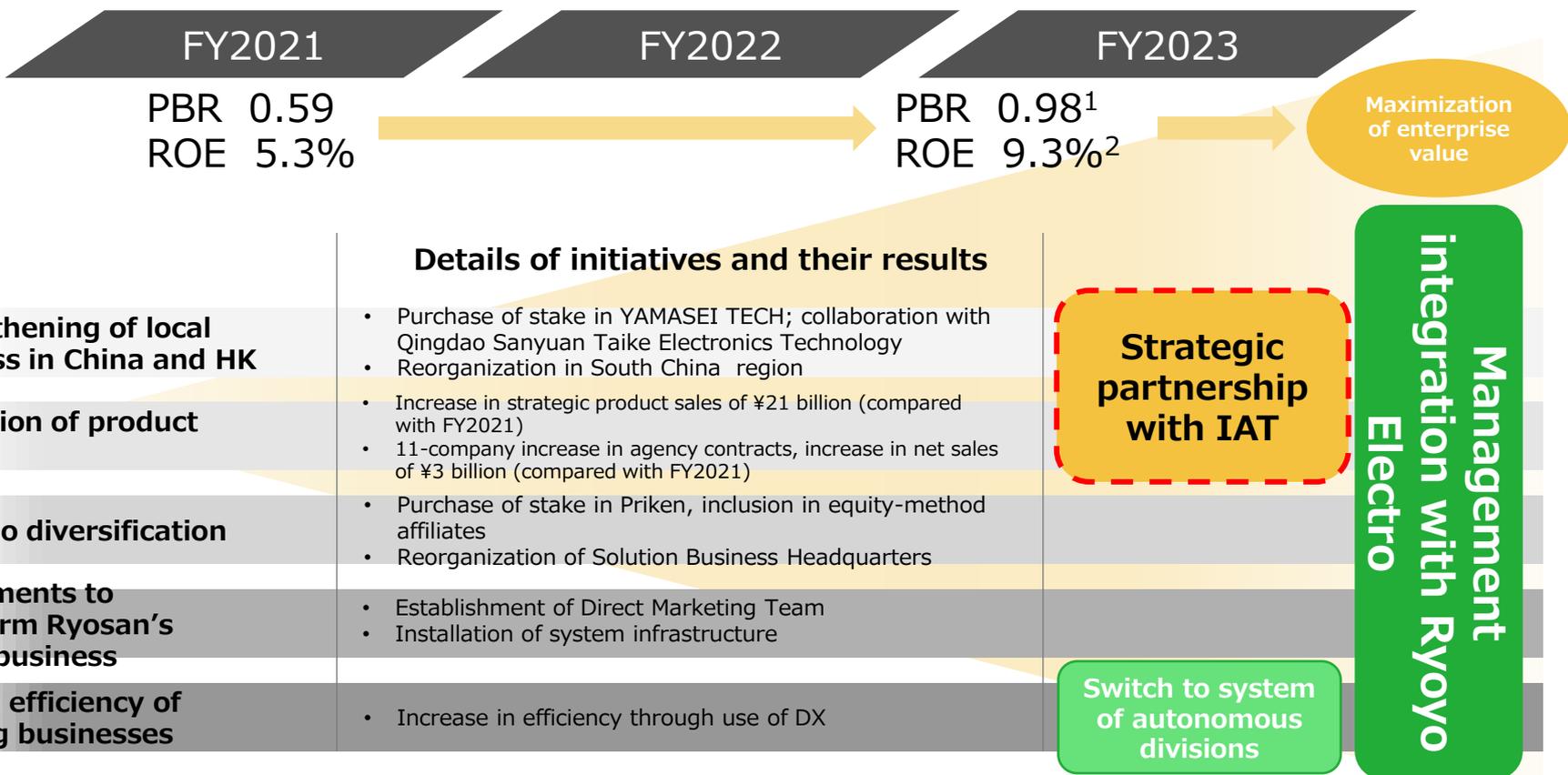




Positioning Within Group-wide Measures in Medium-term Business Plan

Implementation of measures in the 11th Medium-term Business Plan, including the strategic partnership with IAT, has expanded Ryosan’s business. As a result, Ryosan’s enterprise value is growing steadily. The strategic integration with Ryoyo Electro 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



Against the backdrop of the changing functions and roles required of electronics trading companies, we, as a new core group in the industry, will seek to add value to the entire value chain by joining the forces of two companies with different strengths.

Objectives

Challenges as a new core group

RYOYO

Generation of synergy



➤ Strengths in solution business combining ICT and services



➤ Strengths in device business with strong customer base

Background

Changing functions and roles required of electronics trading companies

Changes in the external environment

- Softening supply and demand in the semiconductor market
- Conflict between the U.S. and China and a tightening of semiconductor regulations
- Changes in interest rates and foreign exchange rates
- Rising prices of resources and materials
- Increasing geopolitical risks

Customers

- Incentives to improve operational efficiency in light of the impact of the Covid-19 pandemic, etc.
- Accelerating IoT and DX across society
- Changing and diversified customer needs

Suppliers

- Expansion of scale through mergers and acquisitions
- Review of distribution policies, including agency and commercial rights



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[Synergy] Initiatives to Generate Synergies

[Group management targets for the fiscal year ending March 31, 2029]
Sales Volume: JPY 500 billion; Operating Profit: JPY 30 billion

Expanding quantity

- Strengthening the customer base and product lines
- Expanding new contact points with customers
- Increasing products that match customer needs

Improving quality

- Acquiring know-how to meet needs
- Pursuing uniqueness to respond to needs
- Expanding business models for customers

Synergy effects by pursuing quantity and quality

- Grasping customer needs
- Understanding of common market needs

Creating an optimal structure and fostering a corporate culture

- (Structure) Accelerating harmony and integration for the unified management of the group
- (Structure) Establishing a system to realize the provision of new value to customers
- (Corporate culture) Individual growth and improvement of organizational capabilities



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[Synergy] Expanding Quantity and Improving Quality

We will help our customers to solve their problems by combining our contact points with customers, product lines and know-how, all of which are developed by Ryoyo Electro and Ryosan.

Expanding quantity

Expanding contact points with customers

- Strengthening information dissemination to customers
- Promoting cross-selling

Increasing products that match needs

- Strengthening the analysis of customer needs
- Providing products and services that meet customer requests

Strengthening the customer base and product lines

- Approaching and providing a wide variety of products to the customers of the Companies

Upgrading hardware	<ul style="list-style-type: none"> • Semiconductors • Electronic parts • Materials • Boards • ICT devices • Manufacturing equipment
Upgrading software	<ul style="list-style-type: none"> • Embedded software modules • Cloud software

Improving quality

Diversified business models

- Operating business by leveraging the products and services, know-how and expertise of the Companies

Enhancing service business

Enhancing consulting functions

Expanding know-how

- Expanding business models by accumulating and acquiring know-how

Creating unique value

- Creating unique value in line with customer needs

Fostering a corporate culture

Improving the ability to meet customer needs through employees' individual growth and improvement of organizational capabilities

- Fostering a corporate culture in which each and every employee can enhance their "individual" skills and experience the joy of contributing to customers and personal growth

Creating an optimal organization

Personnel affairs

IT system

Accounting

Publicity

Technology

Sales

Operation

Developing an infrastructure for the unified management of the group

- Boosting productivity and efficiency by integrating core systems and promoting DX
- Establishing a structure to share and utilize information
- Optimizing various corporate policies

Establishing a system to realize the provision of new value to customers

- Developing technical/know-how collaboration
- Improving sales capabilities, and operational efficiency and accuracy by standardizing business processes

Overview of the Joint Holding Company

Trade name	Ryoyo Ryosan Holdings, Inc.
Location of the head office	2-3-5 Higashi-Kanda, Chiyoda-ku, Tokyo, 101-0031
Location of the headquarters	1-12-22 Tsukiji, Chuo-ku, Tokyo 104-8408
Scheduled date of establishment	April 1, 2024
Fiscal year-end	March 31

Schedule of management integration (Planned)

October 16, 2023	The record date for the extraordinary general meeting of shareholders
December 19, 2023	The date of the extraordinary general meeting of shareholders
March 27, 2024	The last trading day of the shares of Ryoyo Electro and Ryosan on the TSE
March 28, 2024	The date of delisting the shares of Ryoyo Electro and Ryosan from the TSE
April 1, 2024	The effective date of management integration (the date of the initial listing of the shares of Ryoyo Ryosan Holdings)

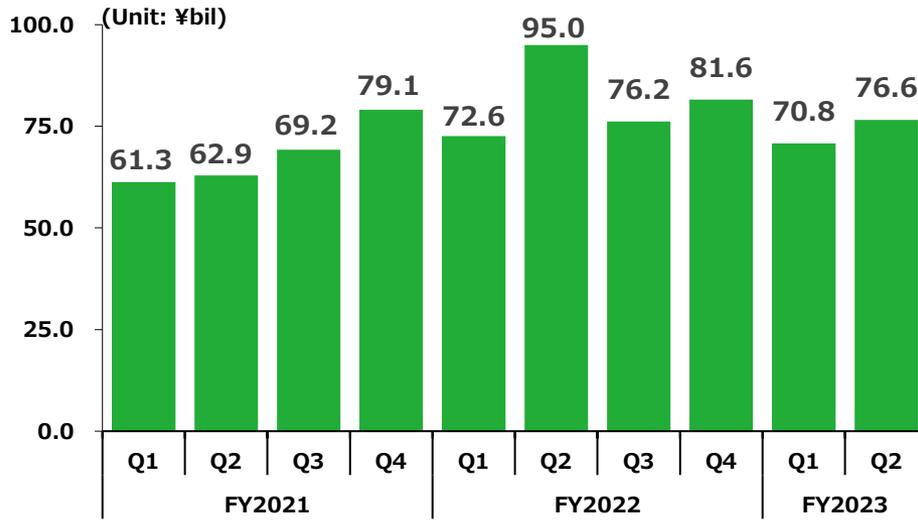
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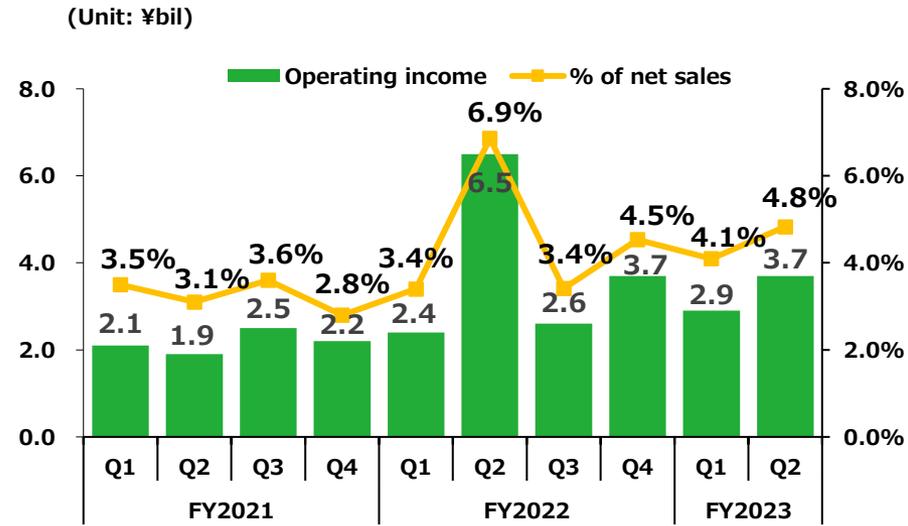
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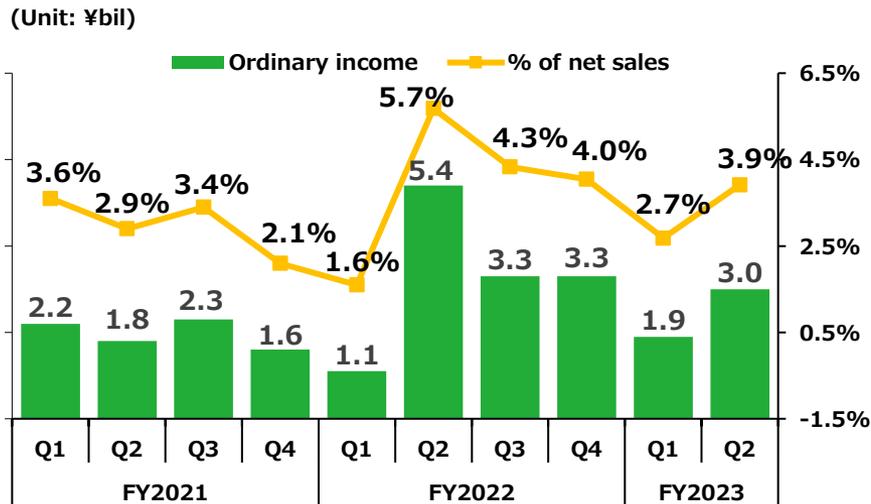
Net Sales



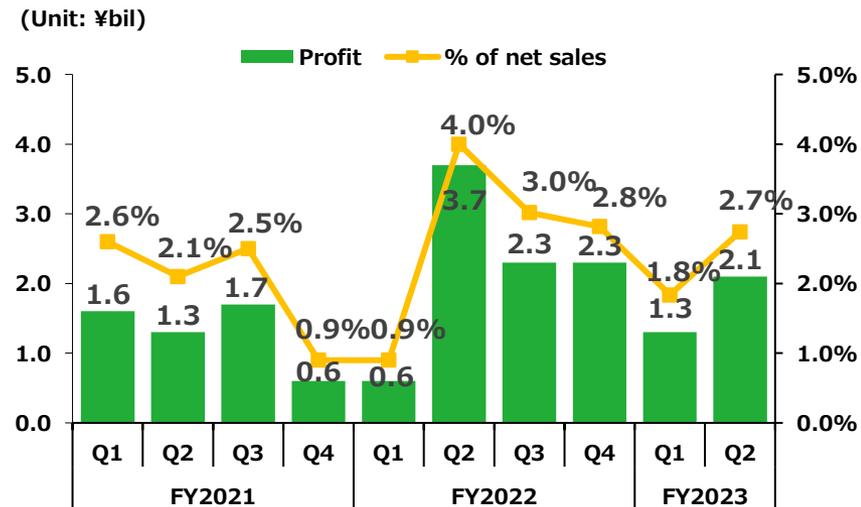
Operating Income



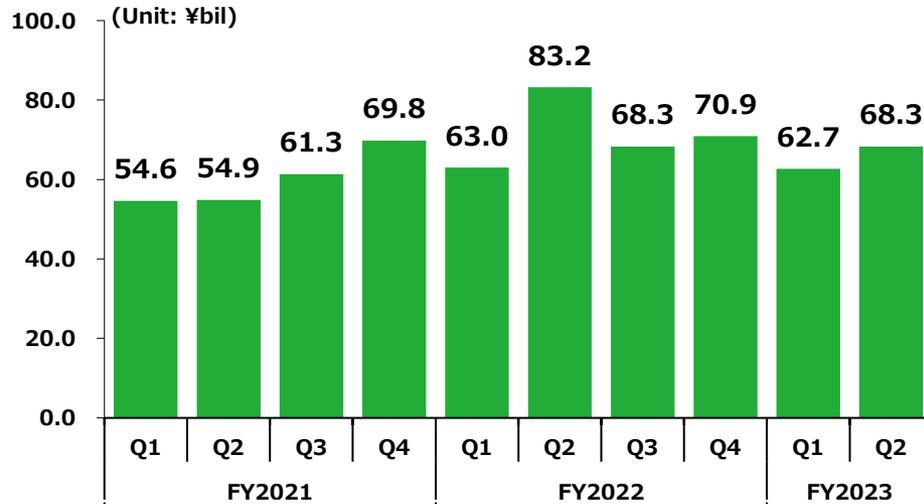
Ordinary Income



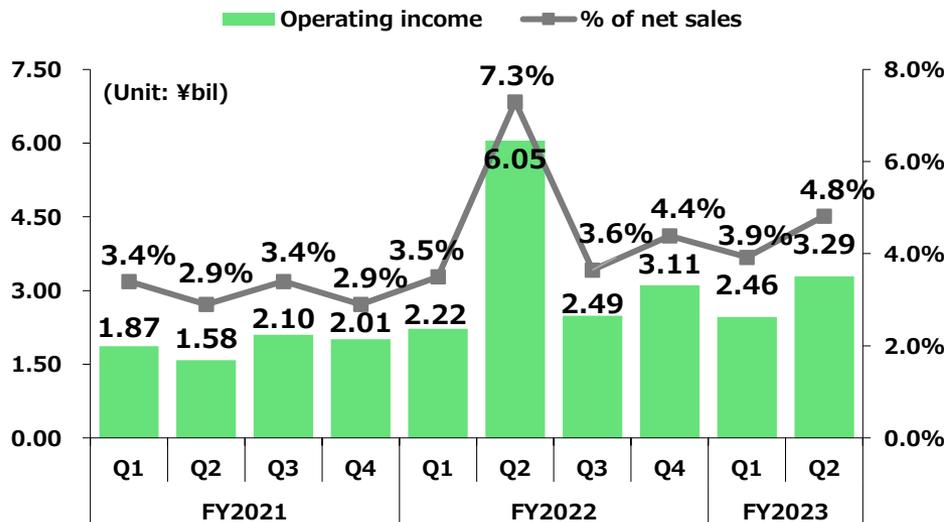
Profit



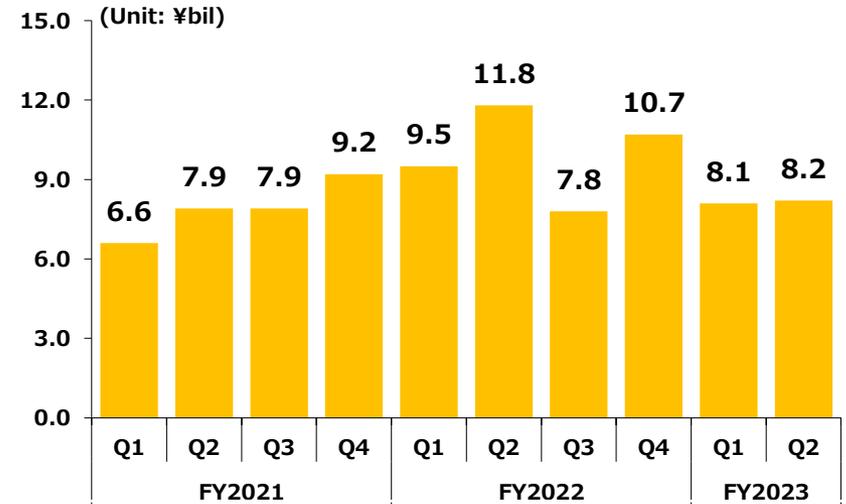
Net Sales in the Device Business



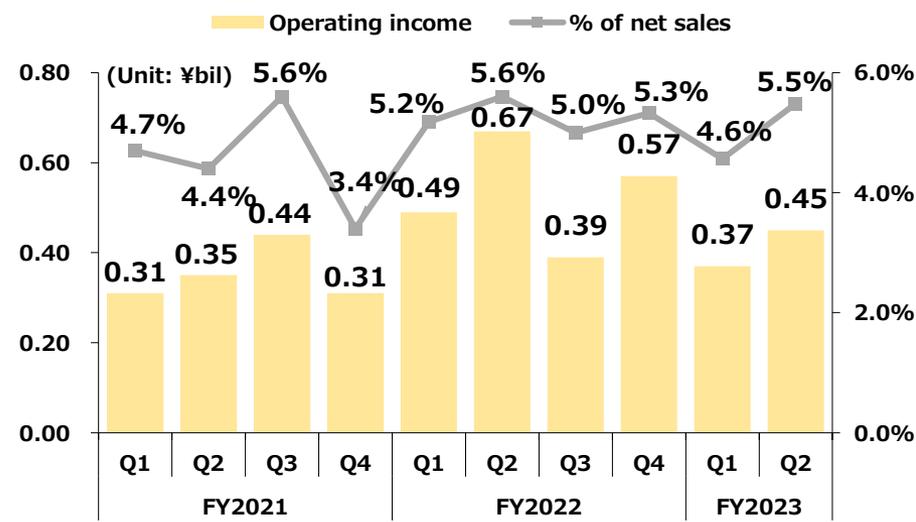
Operating Income in the Device Business



Net Sales in the Solution Business

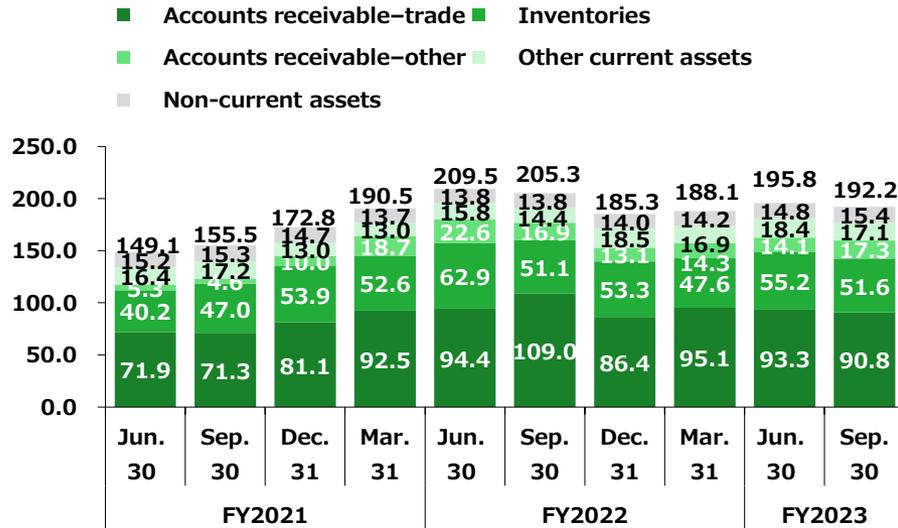


Operating Income in the Solution Business



Assets

(Unit: ¥bil)



Liabilities and Net Assets

(Unit: ¥bil)

