



Supplementary Materials for FY2021 First Half Financial Results

Results for the six months ended September 30, 2021
FY2021: Fiscal year ending March 31, 2022

December 3, 2021

Ryosan Company, Limited



Financial Results for H1 FY2021

Business Plan & Actions

Notice

Business forecasts and future-oriented statements contained in this document are based on information currently possessed by Ryosan Company, Limited (“Ryosan”) and on certain assumptions which are judged to be rational. Actual business performance may differ greatly depending on a variety of factors, including but not limited to:

- Economic conditions in key markets (Japan and the rest of Asia)
- Rapid changes in consumption trends and product supply and demand
- Sharp fluctuations in the dollar-yen exchange rate
- Substantial fluctuation in prices in capital markets





- In the consolidated first half under review (first half of the 2021 fiscal year: H1 FY2021), net sales improved to ¥124.2 bil (+27.8% from the same period of the previous fiscal year (“YoY”). Operating income more than tripled to ¥4.0 bil (+227.2% YoY).

| (Unit: ¥bil) | FY2020 | FY2021 | | | |
|----------------------------|--------|----------------------------------|------------------------|---------------------|-----------------------------|
| | H1 | July 28, 2021 Forecast for H1 | H1 Business Results | Change (FY21-20) | Comparison with Forecast |
| Net sales | 97.1 | 121.0 | 124.2 | +27.8% | +2.7% |
| Gross profit | 8.1 | 11.0 | 11.6 | +42.5% | +5.7% |
| Operating income | 1.2 | 3.6 | 4.0 | +227.2% | +13.8% |
| (% of net sales) | (1.3%) | (3.0%) | (3.3%) | (+2.0pt) | (+0.3pt) |
| Ordinary income | 1.6 | 3.7 | 4.0 | +142.3% | +9.7% |
| (% of net sales) | (1.7%) | (3.1%) | (3.3%) | (+1.6pt) | (+0.2pt) |
| Net profit | 1.4 | 2.7 | 2.9 | +95.9% | +7.7% |
| (% of net sales) | (1.5%) | (2.2%) | (2.3%) | (+0.8pt) | (+0.1pt) |
| EPS (¥) | 63.39 | 115.24 | 124.17 | +95.9% | +7.7% |
| US dollar average rate (¥) | 106.92 | — | 109.80 | +2.7% | — |

Factors in Increase/Decrease of Net Sales and Ordinary Income



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- Net sales increased to ¥124.2 bil (+¥27.1 bil YoY) as sales in the automotive sector and new businesses increased.
- Ordinary income increased to ¥4.0 bil YoY. Although increases in SG&A expenses and forex costs were recognized, sales volume expanded, profitable product sales were made to the Industrial Equipment segment and provisions for non-active inventories were reduced.

Figure 1. Net Sales (¥ bil)

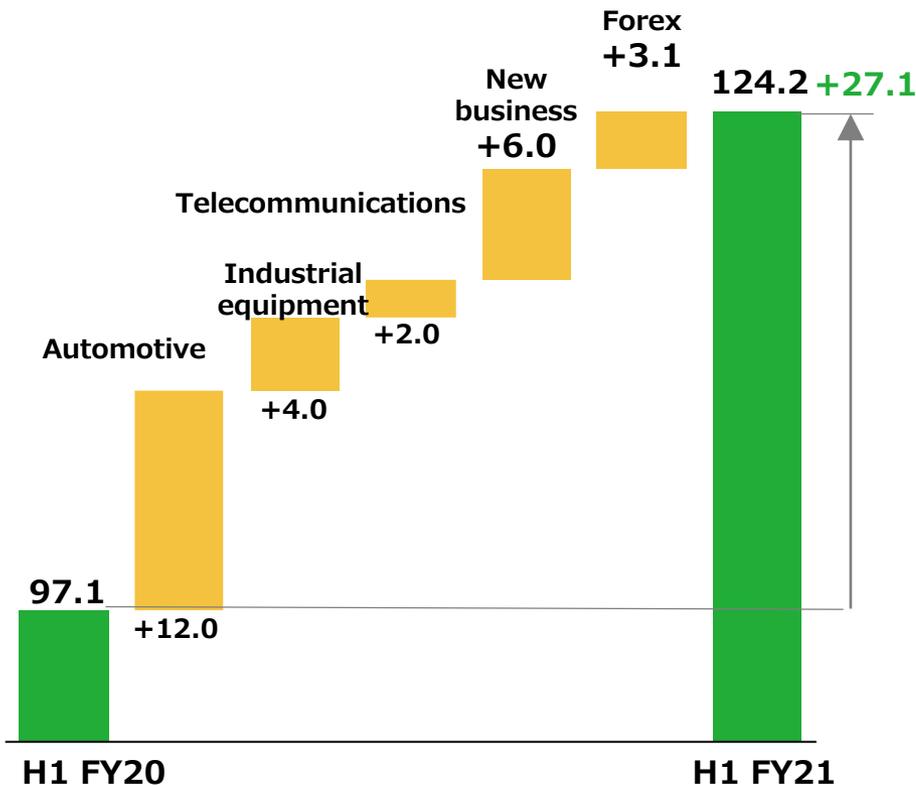
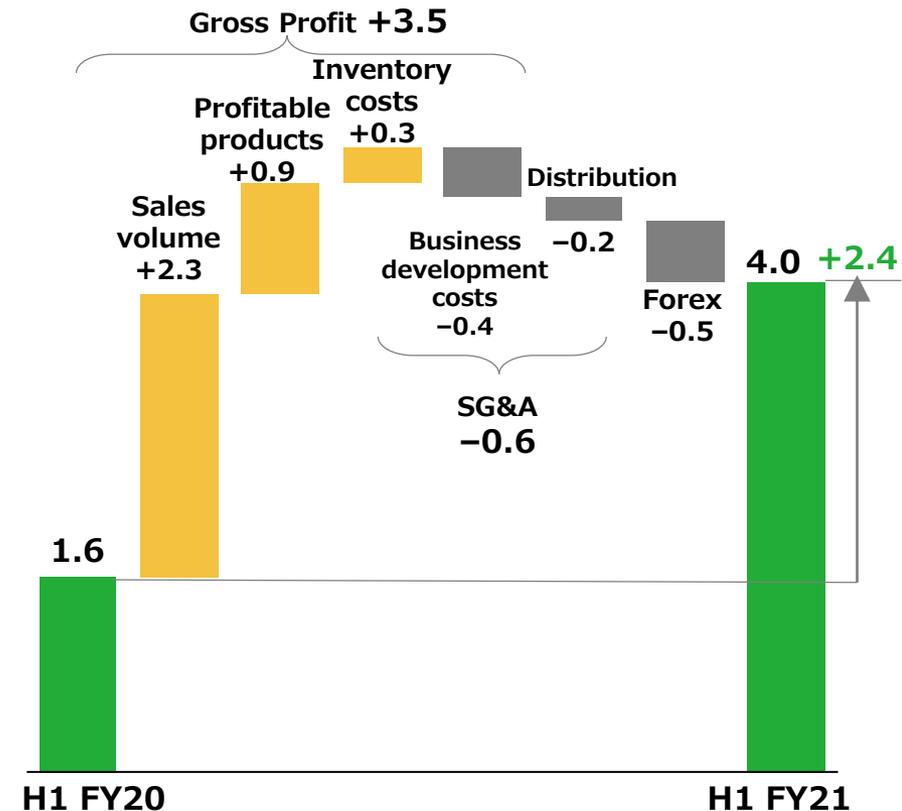


Figure 2. Ordinary Income (¥ bil)





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Segment Information

Financial Results
For H1 FY2021

- In the Device Business, net sales increased to ¥109.6 bil (+27.5% YoY) amid a wide-ranging recovery in demand. Operating income increased to ¥3.4 bil (+172.1% YoY), mainly due to sales of profitable products.
- In the Solution Business, net sales increased to ¥14.6 bil (+30.2% YoY) as business expanded in the automotive sector and in the major project in the system equipment sector. These increases led to a rise in operating income to ¥0.6 bil (+231.3% YoY) in addition to a reduction in SG&A expenses.

| (Unit: ¥bil) | | FY2020 | FY2021 | |
|-------------------|------------------|--------|-----------|------------------|
| | | H1 | H1 Result | Change (FY21-20) |
| Device Business | Net sales | 85.9 | 109.6 | + 27.5% |
| | Operating income | 1.2 | 3.4 | + 172.1% |
| | (% of net sales) | (1.5%) | (3.2%) | (+ 1.7pt) |
| Solution Business | Net sales | 11.2 | 14.6 | + 30.2% |
| | Operating income | 0.2 | 0.6 | + 231.3% |
| | (% of net sales) | (1.8%) | (4.5%) | (+ 2.7pt) |
| | Adjustment | -0.2 | -0.0 | |
| Total | Net sales | 97.1 | 124.2 | + 27.8% |
| | Operating income | 1.2 | 4.0 | + 227.2% |
| | (% of net sales) | (1.3%) | (3.3%) | (+ 2.0pt) |

Note: Reporting segments are changed as of FY2021.

Previous reporting segments

| | |
|----------------------|---|
| Semi-conductor | Memory, system LSIs and discrete semiconductors |
| Electronic-component | Displays, power supplies and electro- mechanical components |
| Electronic-equipment | Systems equipment and facility equipment |

New reporting segments

| | |
|-------------------|---|
| Device Business | Semiconductors (memory, system LSIs and discrete semiconductors) and electronic components (display devices and electromechanical components) |
| Solution Business | Systems equipment ¹ and solutions ² |

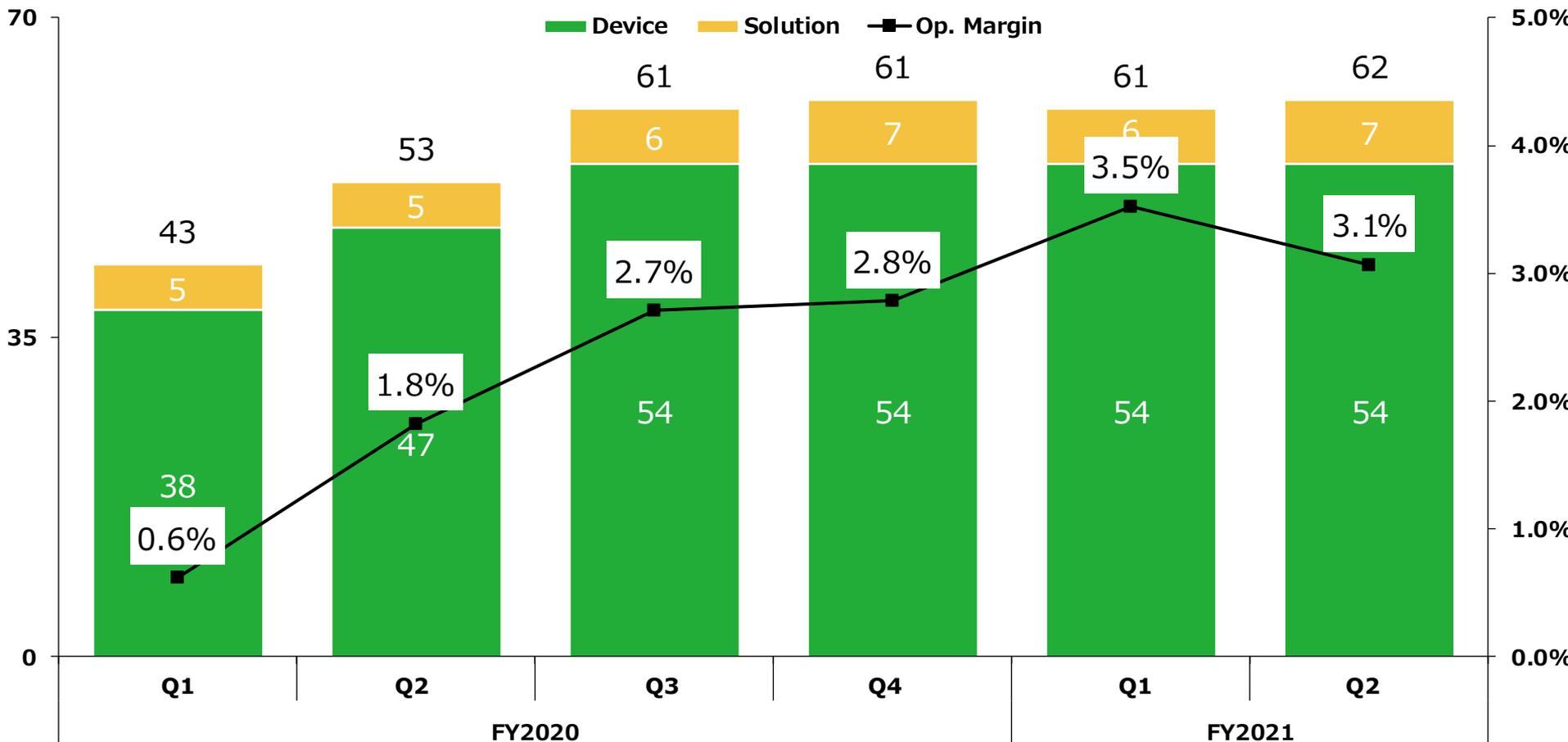
1. This product category combines systems equipment and facility equipment from the former Electronic Equipment business with power supplies from the former Electronic Component business.
2. Previously, the profit from solutions was included in each reporting segment.



- Quarterly net sales have stayed above ¥60 bil since Q3 FY21.
- Operating margins have remained above 3% since Q1 FY21 as sales increased and profit margins improved.

Net Sales (Unit: ¥Bil)

Op. Margin



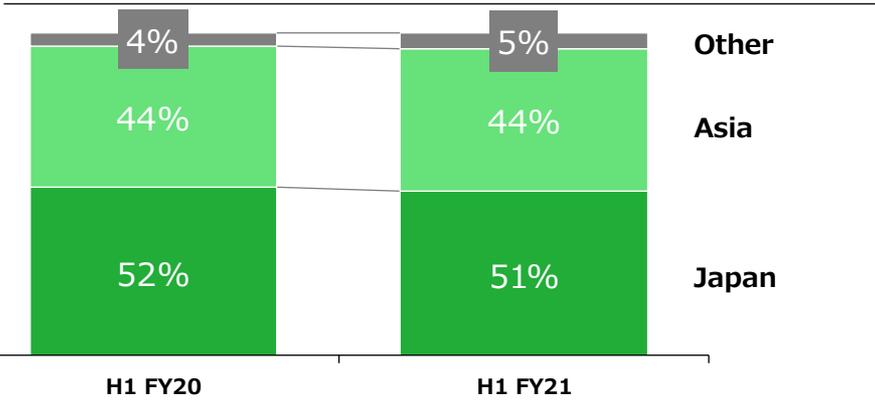


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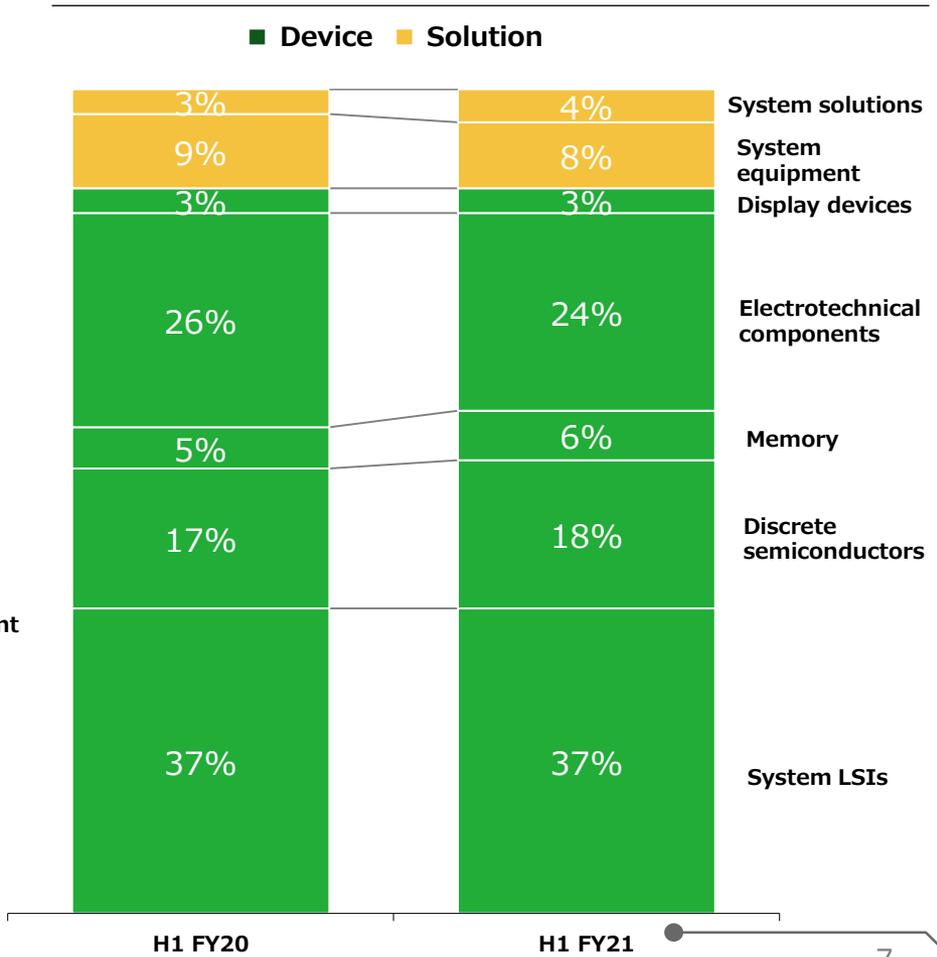
Segment Trend Information

- There are no major changes in regional trends to report. By application, the share of sales in the automotive sector increased amid to the recovery from the COVID-19 pandemic. The share of sales in the industrial-equipment sector also increased due to increased sales in that sector. In sales by product, the share of the electrotechnical-component sector decreased amid the normalization of staying-at-home demand.

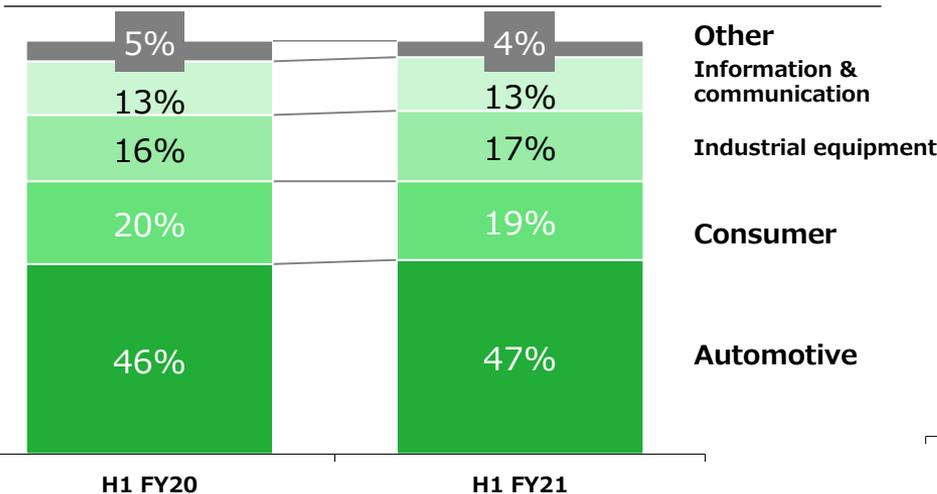
By Region



By Product



By Application



Consolidated Balance Sheet/Consolidated Statement of Cash Flow

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- In the consolidated balance sheet as of the end of September 2021, inventory increased by ¥11.3 bil amid customers' production adjustments, demands for BCP-purpose inventories and countermeasures for EOL products. These factors led to an increase of total assets by ¥7.5 bil to ¥155.5 bil, and decrease of operating cash flow of ¥5.1 bil.

Consolidated Balance Sheet

| (Unit: ¥bil) | As of Sep. 30, 2020 | As of Mar. 31,2021 | As of Sep. 30, 2021 | Increase/ Decrease |
|--------------------------------|------------------------|-----------------------|------------------------|-----------------------|
| Total assets | 137.8 | 148.0 | 155.5 | +7.5 |
| Current assets | 122.3 | 132.4 | 140.1 | +7.7 |
| Accounts receivable | 55.5 | 71.0 | 71.3 | +0.3 |
| Inventories | 40.6 | 35.7 | 47.0 | +11.3 |
| Non-current assets | 15.5 | 15.5 | 15.3 | -0.2 |
| Liabilities | 52.3 | 58.4 | 64.7 | +6.3 |
| Accounts payable | 26.1 | 32.9 | 36.0 | +3.8 |
| S/T loans payable | 20.4 | 18.5 | 21.6 | +3.1 |
| Net assets | 85.5 | 89.6 | 90.7 | +1.1 |
| Net assets to total assets (%) | 62.1% | 60.5% | 58.3% | -2.2pt |

Consolidated Statements of Cash Flow

| (Unit: ¥Bil) | H1 FY20 | H2 FY20 | H1 FY21 | Increase/Decrease |
|--|---------|---------|-------------|-------------------|
| Cash flow from operating activities | -6.3 | 2.5 | -5.1 | -7.6 |
| Cash flow from investing activities | 0.3 | 0.6 | -0.1 | -0.7 |
| Cash flow from financing activities | 2.0 | -3.6 | 1.1 | +4.7 |
| Cash and cash equivalents at end of period | 20.5 | 20.6 | 16.3 | -4.3 |



- Net sales is expected to reach ¥234.0 in FY2021 (+6.4% YoY). In the business environment in H2, demand remains vulnerable to factors such as the COVID-19 pandemic and a shortage of semiconductors.
- Operating income of ¥5.7 bil (+23.1% YoY) is expected, as demand for profitable products is forecast to peak and SG&A expense should increase due to a hike of distribution costs and the normalization of travel expenses.

| (Unit: ¥bil) | FY20 | | FY21 Forecasts | | |
|----------------------------|--------|-----------|----------------|----------------|----------------------------------|
| | H1 | Full Year | H1 | Full Year Plan | Change from Previous Fiscal Year |
| Net sales | 97.1 | 219.8 | 124.2 | 234.0 | +6.4% |
| Gross profit | 8.1 | 19.0 | 11.6 | 20.7 | +8.8% |
| Operating income | 1.2 | 4.6 | 4.0 | 5.7 | +23.1% |
| (% of net sales) | (1.3%) | (2.1%) | (3.3%) | (2.4%) | (+0.3pt) |
| Ordinary income | 1.6 | 5.1 | 4.0 | 5.8 | +13.2% |
| (% of net sales) | (1.7%) | (2.3%) | (3.3%) | (2.5%) | (+0.2pt) |
| Net profit | 1.4 | 4.5 | 2.9 | 4.2 | -8.4% |
| (% of net sales) | (1.5%) | (2.1%) | (2.3%) | (1.8%) | (-0.3pt) |
| EPS (¥) | 63.39 | 195.78 | 124.17 | 195.78 | -8.4% |
| US dollar average rate (¥) | 106.92 | 106.06 | 109.80 | 108.40 | +2.2% |



- In the Device Business, net sales is forecasted to be ¥205 bil (+5.3% YoY), as sales expand in the automotive and industrial-equipment segments and staying-at-home demand is normalized. Operating income is expected to be ¥5.0 bil (+21.9% YoY), as the demand for profitable products witnessed during H1 FY2021 is expected to peak in H2.
- In the Solution Business, net sales is forecasted to be ¥29 bil (+14.8% YoY), operating income to reach ¥0.9 bil (+45.0% (YoY)) and operating profit ratio to be 3.3% (+0.7pt YoY). Major projects in Information & Communication are starting in H2 with rather low profitability.

| (Unit: ¥bil) | | FY2020 | | FY2021 Forecast | | |
|-------------------|------------------|--------|-----------|-----------------|----------------|-------------------|
| | | H1 | Full Year | H1 | Full Year Plan | Increase/Decrease |
| Device Business | Net sales | 85.9 | 194.6 | 109.6 | 205.0 | + 5.3% |
| | Operating income | 1.2 | 4.1 | 3.4 | 5.0 | + 21.9% |
| | (% of net sales) | (0.8%) | (2.1%) | (3.2%) | (2.4%) | (+0.3pt) |
| Solution Business | Net sales | 11.2 | 25.2 | 14.6 | 29.0 | + 14.8% |
| | Operating income | 0.2 | 0.6 | 0.6 | 0.9 | + 45.0% |
| | (% of net sales) | (1.8%) | (2.6%) | (4.5%) | (3.3%) | (+0.7pt) |
| | Adjustment | -0.2 | -0.1 | -0.0 | -0.2 | |
| Total | Net sales | 97.1 | 21.9 | 124.2 | 234.0 | + 6.4% |
| | Operating income | 1.2 | 4.6 | 4.0 | 5.7 | + 23.1% |
| | (% of net sales) | (1.3%) | (2.1%) | (3.3%) | (2.4%) | (+0.3pt) |

Financial Results for H1 FY2021

Business Plan & Actions



Review of H1 FY2021



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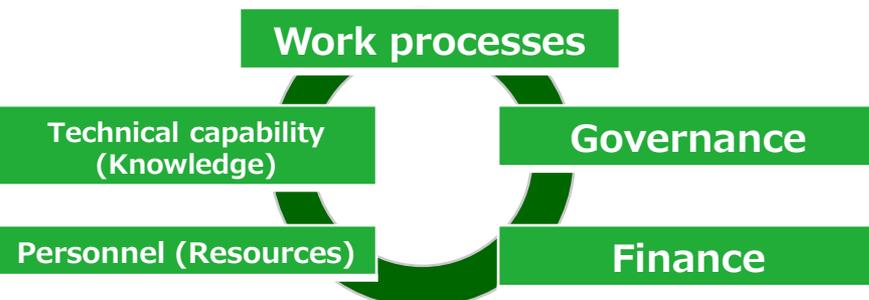
- The 11th Medium-Term Business Plan began in FY2021. The plan features six key initiatives, in line with Ryosan’s Long-Term Vision.
- This Medium-Term Business Plan shifted Ryosan’s management stance from a rigid defensive mode to an active mode focused on transforming its business.

Ryosan Long-term Vision: RS Innovation 2030

Three innovations for growth



Implementation of Business Infrastructure to Achieve the Target



Summary of 11th Medium-Term Business Plan

| Plans | Detail |
|--|--|
| Portfolio diversification | <ul style="list-style-type: none"> • Review of business opportunities for acquired commercial rights • Enabling of efficient sales activities through direct sales promotion |
| Strengthening of local business in China and HK | <ul style="list-style-type: none"> • Deepening cooperation with local partners |
| Harvesting of prior investment products and making new investments | <ul style="list-style-type: none"> • Harvesting of businesses from preceding investments • Discovery of new product lines and launch of the businesses |
| Investments to transform Ryosan’s line of business | <ul style="list-style-type: none"> • New businesses using customer needs as their starting points |
| Raising efficiency of existing businesses | <ul style="list-style-type: none"> • Digitalization of operations |
| Reinforcing the foundations | <ul style="list-style-type: none"> • Bolstering internal management infrastructure such as educational systems and risk management |

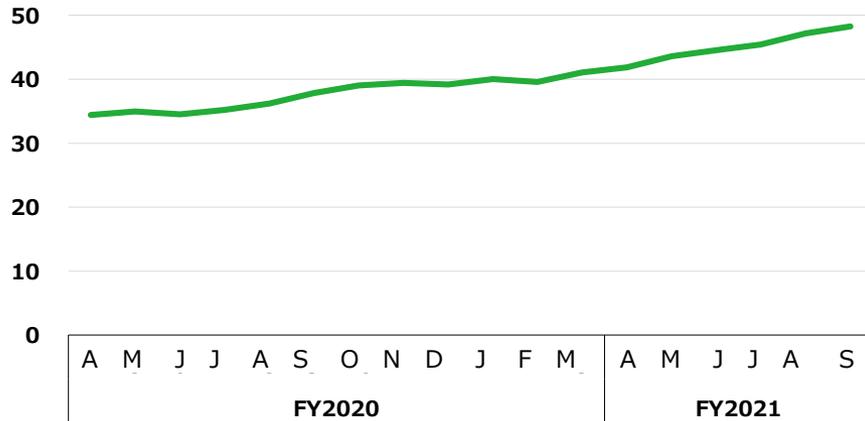


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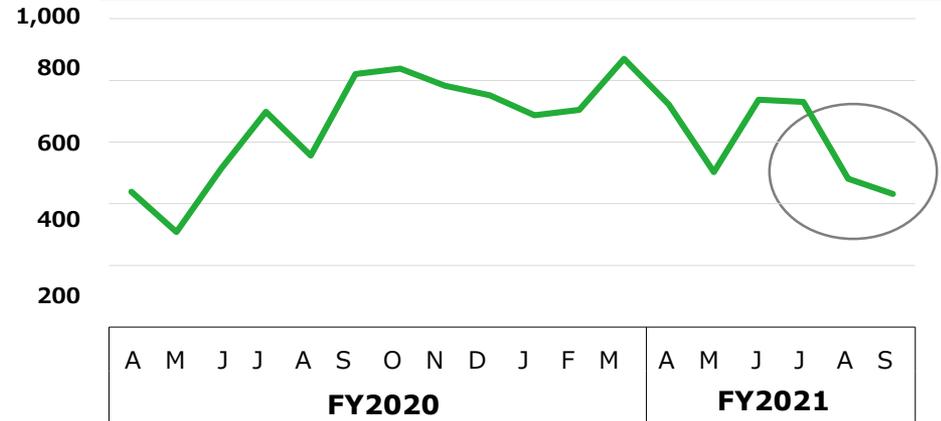
Macroeconomic Environment

- Global semiconductor sales has been increasing continuously. Global shipments of electronic components remain high.
- Production of automotive and brown goods has decreased compared to the same term of the previous fiscal year.

Global Semiconductor Sales (Monthly, Unit: \$ bil, Ref: WSTS)



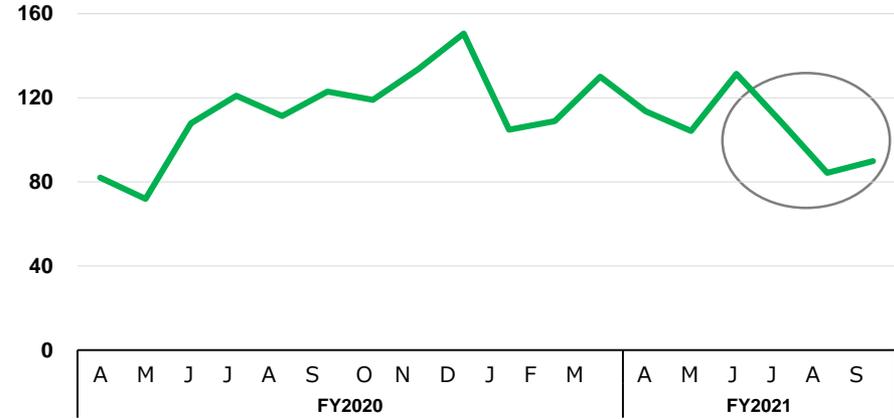
Auto Production in Japan (Monthly, Unit: thousands of units, Ref: JAMA)



Global Shipments of Electronic Components (Monthly, Unit: ¥bil, Ref: JEITA)



Domestic Shipments of Brown Goods (TVs/Audio) (Monthly, Unit: ¥bil, Ref: JEITA)



Current Business Environment

Shortages of semiconductors & electric components

Slowdown and delayed recovery of business activities from the COVID-19 pandemic

Amendment of terms of business with suppliers

Business Impact

- ❑ Order-placement activity is continuing at a high level.
- Counter measures are needed to cases where market reverses due To demand-supply gap normalization.

- ❑ It brings about incentives to rationalize operations through utilizing direct channel using DX technologies.
- Distribution and other SG&A expenses are increasing.
- Inventory is increasing as cargo piles up due to lockdowns throughout the supply chain.

- ❑ Shifts in commercial rights are creating fresh opportunities.
- Investments are being made to deal with changes in settlement procedures.

| Initiatives | Results | H2 Actions |
|--|--|---|
| Portfolio diversification | <ul style="list-style-type: none"> • Start of building infrastructure for direct marketing to small & medium-sized customers | <ul style="list-style-type: none"> • Investment to expand new business with new customers transferred from other distributors • Continued development of marketing infrastructure |
| Strengthening of local business in China and HK | <ul style="list-style-type: none"> • Co-marketing with local partners • Pursuit of business synergies with local affiliates | <ul style="list-style-type: none"> • Expansion of solution business into the China market • Realization of synergies with local affiliates |
| Harvesting of prior investment products and making new Investments | <ul style="list-style-type: none"> • Reorganization of HQ (merging semiconductor business and electric components business) • Set up functions to expand product lines | <ul style="list-style-type: none"> • Acceleration of introduction of new product lines • Realization of business for pre-marketing of product lines |
| Investments to transform Ryosan's line of business | <ul style="list-style-type: none"> • Expansion of functions for new business development | <ul style="list-style-type: none"> • Expansion of sales in promising fields • Advancement of efforts to accumulate and analyze data on customer needs |
| Raising efficiency of existing businesses | <ul style="list-style-type: none"> • Establishment of task forces for operation digitization | <ul style="list-style-type: none"> • Advancement of system development |
| Reinforcing the foundations | <ul style="list-style-type: none"> • Review of the human-resource management framework • Remodeling of the in-house database | <ul style="list-style-type: none"> • Release of new human-resources framework • Overall design and development for database integration |



- In view of the results for H1 FY2021, the interim dividend has been revised from ¥30 per share to ¥50 per share (increasing by ¥20).

Dividend per Share

