



Supplementary Materials for FY2022 First Half Financial Results

Results for the six months ended September 30, 2022
FY2022: Fiscal year ending March 31, 2023

November 15, 2022

Ryosan Company, Limited



Financial Results for H1 FY2022 and FY2022 Forecast of Business Results

Status of the 11th Medium-Term Business Plan

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.



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Overview of Consolidated Business Results

Financial Results
for H1 FY2022

- In the consolidated first half under review (first half of the 2022 fiscal year: H1 FY2022), both sales and income improved from the same period of the previous fiscal year (“YoY”) and from the forecast at the beginning of the fiscal year. Causal factors included the effects of the 11th Medium-Term Business Plan and the depreciating Japanese yen.
- EPS reached a record high.

(Unit: ¥bil)	FY2021	FY2022			
	H1 Business Results	Forecast at Start of FY (May 13, 2022)	H1 Business Results	Change (FY2022-2021)	Comparison with Forecast at Start of FY
Net sales	124.2	134.0	167.7	+35.0%	+25.2%
Gross profit	11.6	11.6	17.5	+51.2%	+51.5%
Operating income	4.0	3.3	9.0	+119.8%	+172.9%
(% of net sales)	(3.3%)	(2.5%)	(5.4%)	(+2.1pt)	(+2.9pt)
Ordinary income	4.0	3.2	6.5	+62.3%	+105.8%
(% of net sales)	(3.3%)	(2.4%)	(3.9%)	(+0.6pt)	(+1.5pt)
Profit	2.9	2.2	4.4	+53.8%	+103.4%
(% of net sales)	(2.3%)	(1.6%)	(2.7%)	(+0.4pt)	(+1.1pt)
EPS (¥)	124.17	93.90	191.02	+53.8%	+103.4%
US dollar average rate (¥)	109.80	110.00	133.97	+22.0%	—



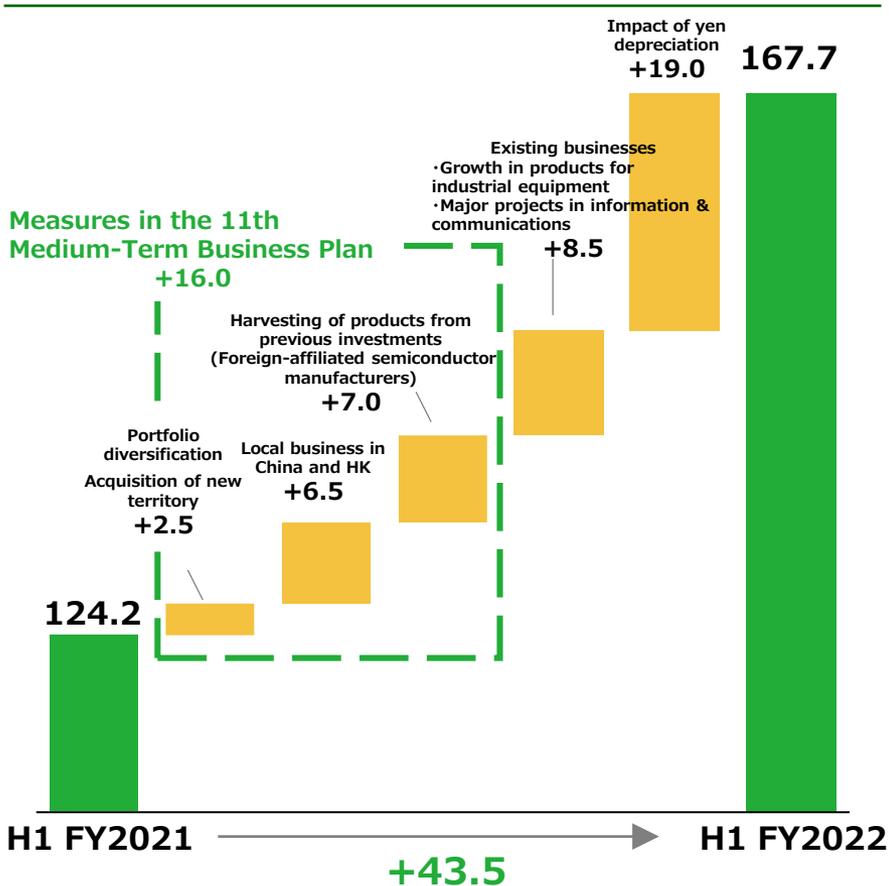
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Factors in Increase/Decrease of Net Sales and Operating Income

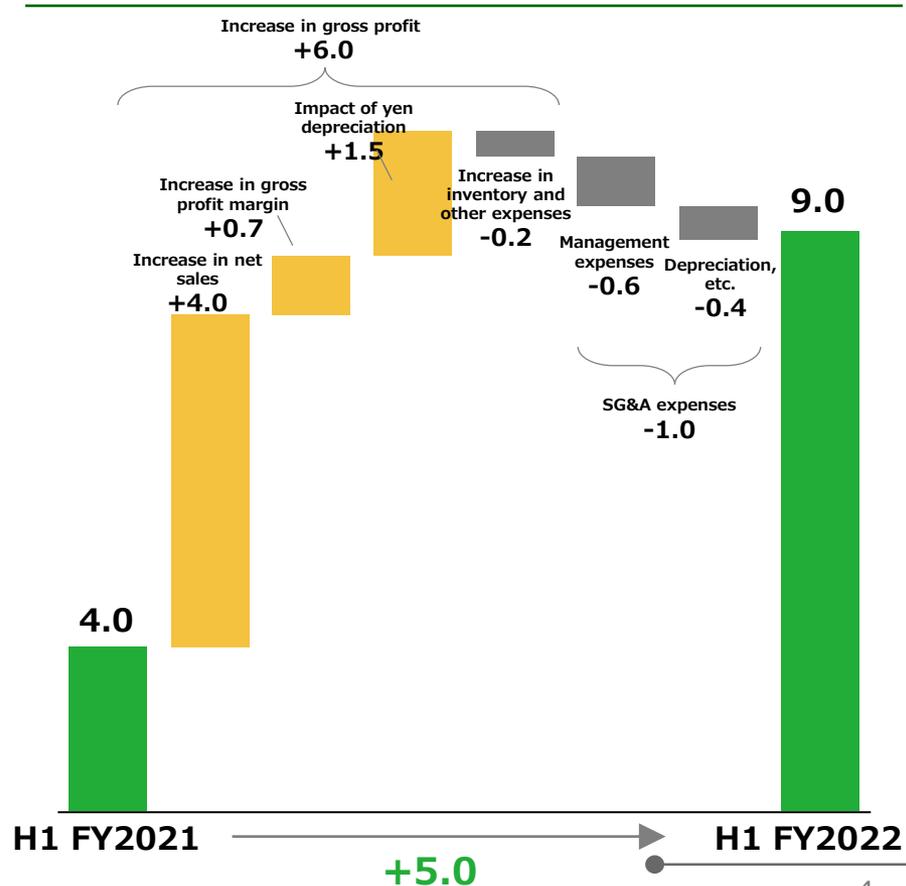
Financial Results
for H1 FY2022

- Net sales improved ¥43.5 bil YoY as a result of actions such as harvesting of products from previous investments in accordance with the 11th Medium-Term Business Plan, which appreciated ¥16 bil YoY, as well as growth in existing businesses and depreciation of the yen.
- Despite an increase in SG&A expenses, operating income increased YoY by ¥5 bil., buoyed by rises in net sales, gross profit margin and other indicators.

Net Sales (billions of yen)



Operating Income (billions of yen)





Segment Information

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- In the Device Business, the implementation of the 11th Medium-Term Business Plan was effective, and sales grew, particularly in value-added products for industrial equipment. Net sales rose to ¥146.2 bil (up 33.4% YoY). Operating income increased to ¥8.2 bil (up 139.0% YoY).
- In the Solution Business, major projects in information & communications drove growth. Net sales improved to ¥21.4 bil (up 46.7% YoY) and operating income rose to ¥1.1 bil (up 76.2% YoY).

(Unit: ¥bil)		FY2021	FY2022			
		H1 Business Results	Forecast at Start of FY (May 13, 2022)	H1 Business Results	Change (FY22-21)	Comparison with Forecast at Start of FY
Device Business	Net sales	109.6	115.5	146.2	+33.4%	+26.6%
	Operating income	3.46	3.00	8.27	+139.0%	+175.9%
	(% of net sales)	(3.2%)	(2.6%)	(5.7%)	(+2.5pt)	(+3.1pt)
Solution Business	Net sales	14.6	18.5	21.4	+46.7%	+15.7%
	Operating income	0.66	0.60	1.16	+76.2%	+94.5%
	(% of net sales)	(4.5%)	(3.2%)	(5.4%)	(+0.9pt)	(+2.2pt)
Total	Net sales	124.2	134.0	167.7	+35.0%	+25.1%
	Operating income	4.09	3.30	9.00	+119.8%	+172.9%
	(% of net sales)	(3.3%)	(2.5%)	(5.4%)	(+2.1pt)	(+2.9pt)



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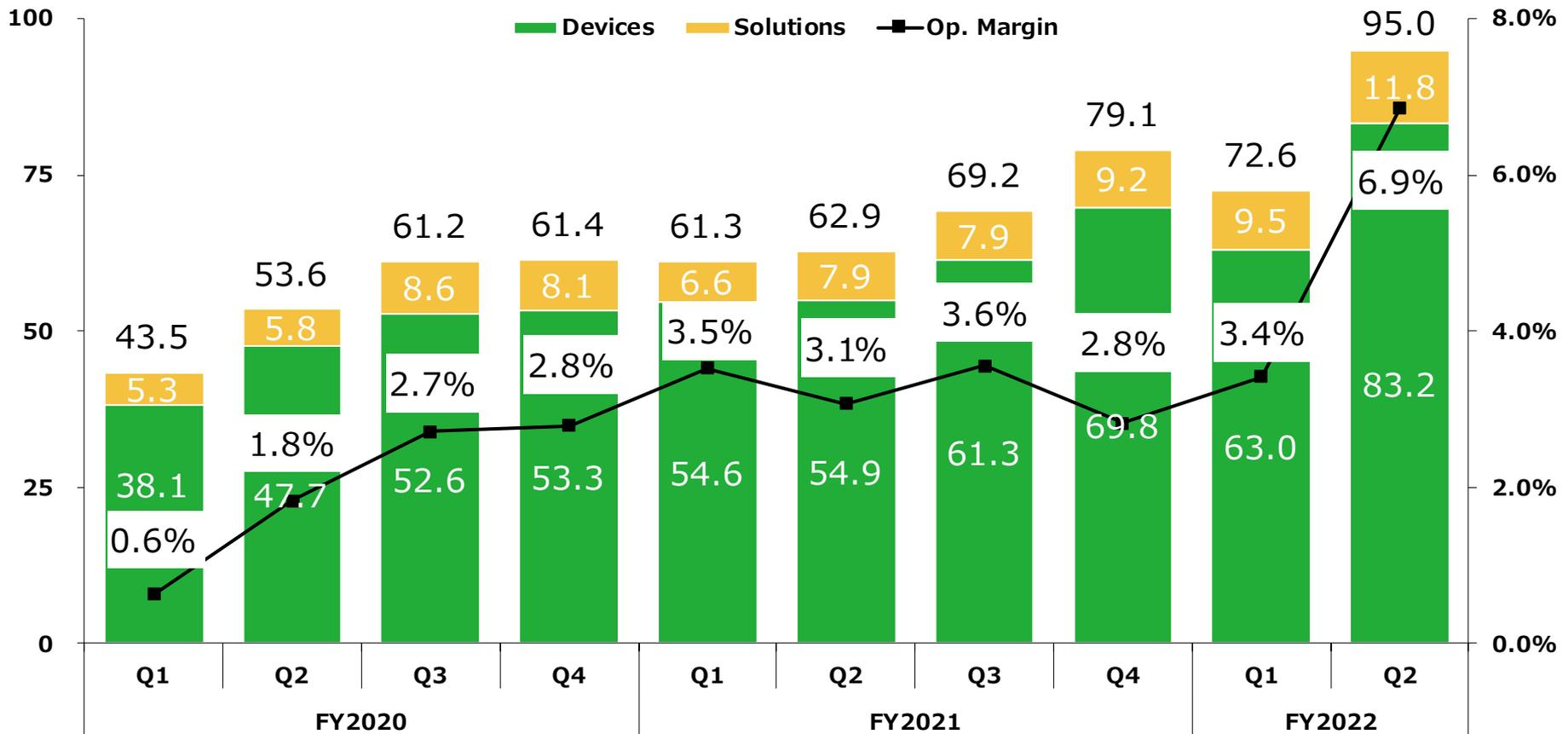
Trend in Net Sales and Operating Margins by Quarter

Financial Results
for H1 FY2022

- Quarterly net sales have stayed above ¥60 bil since Q3 FY2020. Net sales reached ¥95 bil in Q2 FY2022.
- Operating margins have remained above 2% since Q3 FY2020, reaching 6.9% in Q2 FY2022.

Net Sales (Unit: ¥bil)

Op. Margin



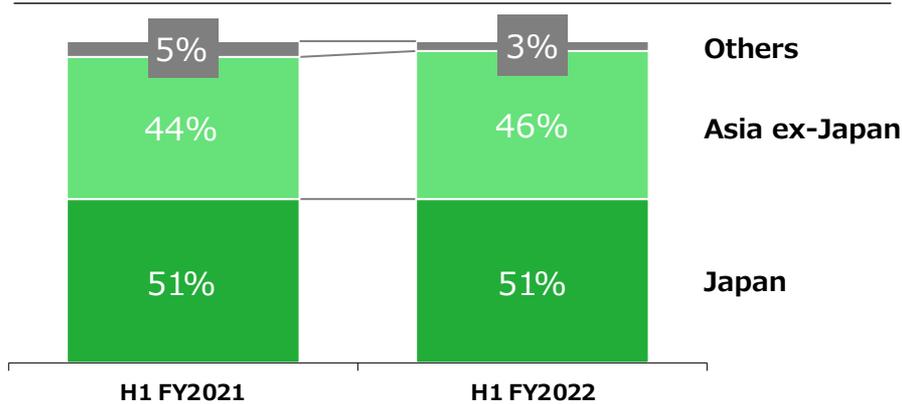


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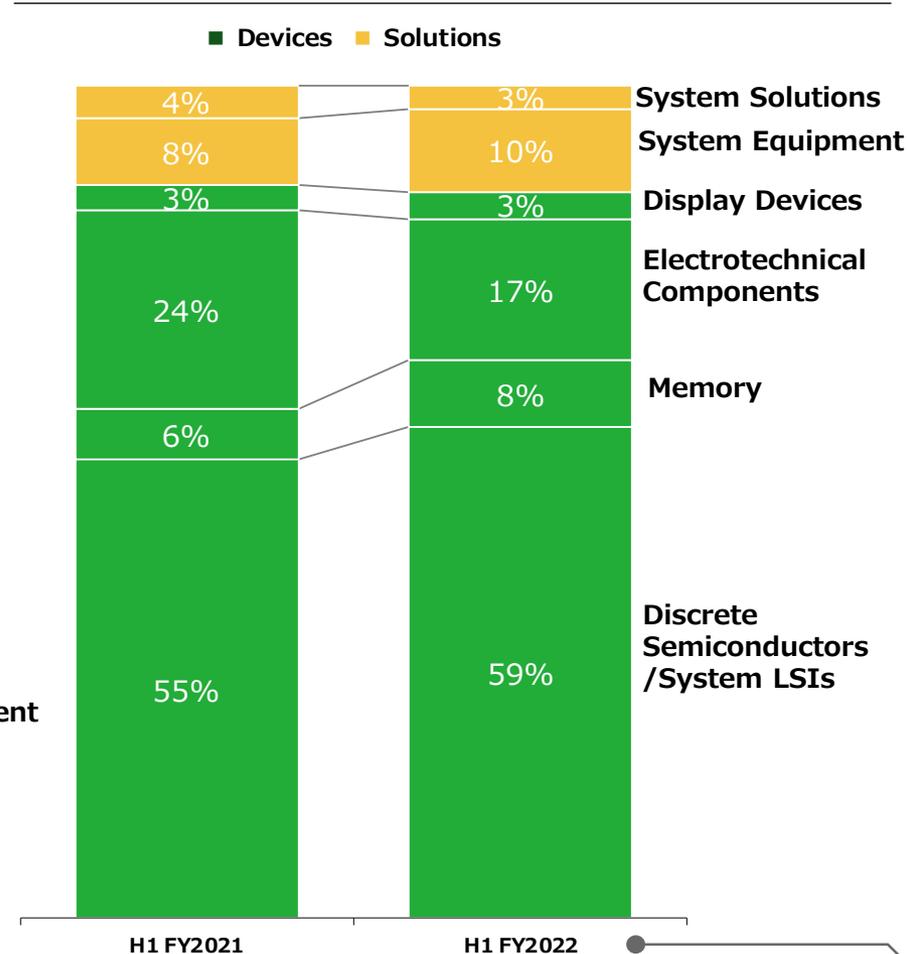
Segment Trend Information

- In the breakdown of net sales by region, sales in Asia ex-Japan increased as a share of total, driven by growth in local business in China.
- In the breakdown of net sales by application, industrial equipment increased as a share of total. By product, discrete semiconductors and system LSIs grew as a share of total.

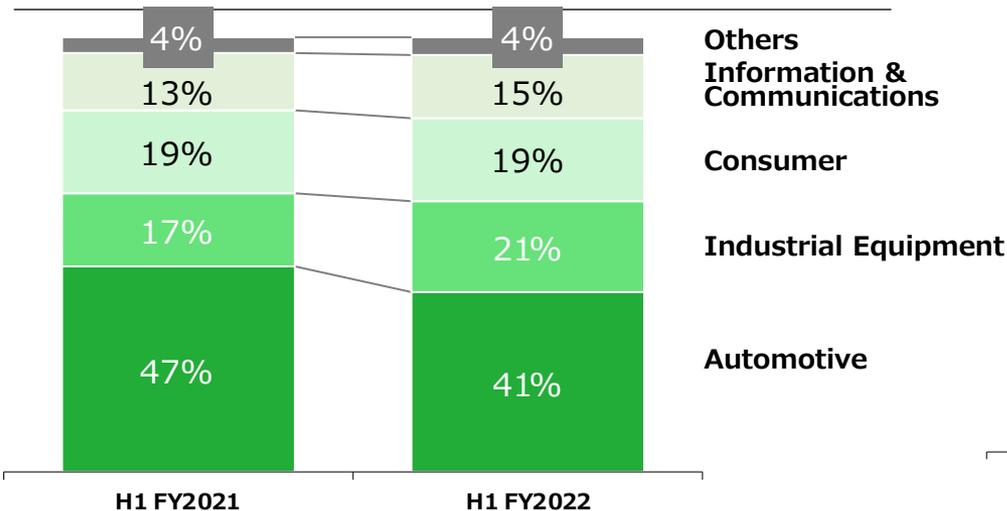
By Region



By Product



By Application





- As a result of an increase in accounts receivable–trade driven by increasing revenues, gross assets totaled ¥205.3 bil. Cash flow from operations reached ¥2 bil, as a result of increased earnings, reduced inventories and accounts receivable–other.

Consolidated Balance Sheet

(Unit: ¥ bil)	As of Sep. 30, 2021	As of Mar. 30, 2022	As of Sep. 30, 2022	Comparison with End of Previous FY
Total assets	155.5	190.5	205.3	+14.8
Current assets	140.1	176.8	191.4	+14.6
Accounts receivable–trade	71.3	92.5	109.0	+16.5
Inventories	47.0	52.6	51.1	-1.5
Accounts receivable–other	4.6	18.7	16.9	-1.8
Non-current assets	15.3	13.7	13.8	+0.1
Liabilities	64.7	95.8	104.0	+8.2
Accounts payable–trade	36.0	42.9	44.3	+1.4
Short-term loans payable, lease obligations and commercial papers	21.8	43.3	50.1	+6.8
Net assets	90.7	94.7	101.2	+6.5
Net assets to total assets (%)	58.3%	49.7%	49.3%	-0.4pt

Consolidated Statement of Cash Flow

(Unit : ¥ bil)	H1 FY2021	H2 FY2021	H1 FY2022	Comparison with Previous FY
Cash flow from operating activities	-5.1	-28.9	2.0	+30.9
Cash flow from investing activities	-0.1	0.8	-0.1	-0.9
Cash flow from financing activities	1.1	18.9	-0.2	-19.1
Cash and cash equivalents at end of period	16.3	12.0	13.8	+1.8

- In the forecast of consolidated business results for FY2022, sales are anticipated to increase, despite expectations that uncertainty in the macro environment will mount. Net sales and all income items are forecasted to rise against the previous fiscal year.

(Unit: ¥bil)	FY2021		FY2022		
	H1	Full Year	H1	Full-year Forecast	Change (FY2022-2021)
Net sales	124.2	272.6	167.7	300.0	+ 10.0%
Gross profit	11.6	24.9	17.5	29.5	+ 18.4%
Operating income	4.0	8.8	9.0	13.0	+ 46.8%
(% of net sales)	(3.3%)	(3.2%)	(5.4%)	(4.3%)	(+ 1.1pt)
Ordinary income	4.0	8.0	6.5	10.0	+ 23.7%
(% of net sales)	(3.3%)	(3.0%)	(3.9%)	(3.3%)	(+ 0.3pt)
Profit	2.9	5.3	4.4	7.0	+ 30.6%
(% of net sales)	(2.3%)	(2.0%)	(2.7%)	(2.3%)	(+ 0.3pt)
EPS (¥)	124.17	228.75	191.02	298.79	+ 30.6%
US dollar average rate (¥)	109.80	112.38	133.97	129.49	+ 15.2%



- In the Device Business, although the pace of growth is anticipated to wane in H2, net sales is forecasted to be ¥263.5 bil (up 9.4% YoY) and operating income is expected to be ¥12 bil (up 58.3% YoY).
- In the Solutions Business, despite wrap-up of major projects for the information & communications sector in H2 FY2022, net sales is forecasted to be ¥36.5 bil (up 14.7% YoY) and operating income is expected to be ¥1.7 bil (up 19.6% YoY).

(Unit: ¥bil)	FY2021		FY2022			
	H1	Full Year	H1	Full-year Forecast	Change (FY2022-2021)	
Device Business	Net sales	109.6	240.8	146.2	263.5	+ 9.4%
	Operating income	3.46	7.58	8.27	12.00	+ 58.3%
	(% of net sales)	(3.2%)	(3.1%)	(5.7 %)	(4.6%)	(+ 1.5pt)
Solution Business	Net sales	14.6	31.8	21.4	36.5	+ 14.7%
	Operating income	0.66	1.42	1.16	1.70	+ 19.6%
	(% of net sales)	(4.5%)	(4.5%)	(5.4 %)	(4.7%)	(+ 0.2pt)
Total	Net sales	124.2	272.6	167.7	300.0	+ 10.0%
	Operating income	4.09	8.85	9.00	13.00	+ 46.8%
	(% of net sales)	(3.3%)	(3.2%)	(5.4 %)	(4.3%)	(+ 1.1pt)

Financial Results for H1 FY2022 and
FY2022 Forecast of Business Results

Status of the 11th Medium-Term Business Plan

Appendix



- Measures are generally in progress according to the original plan.

Measures

Details

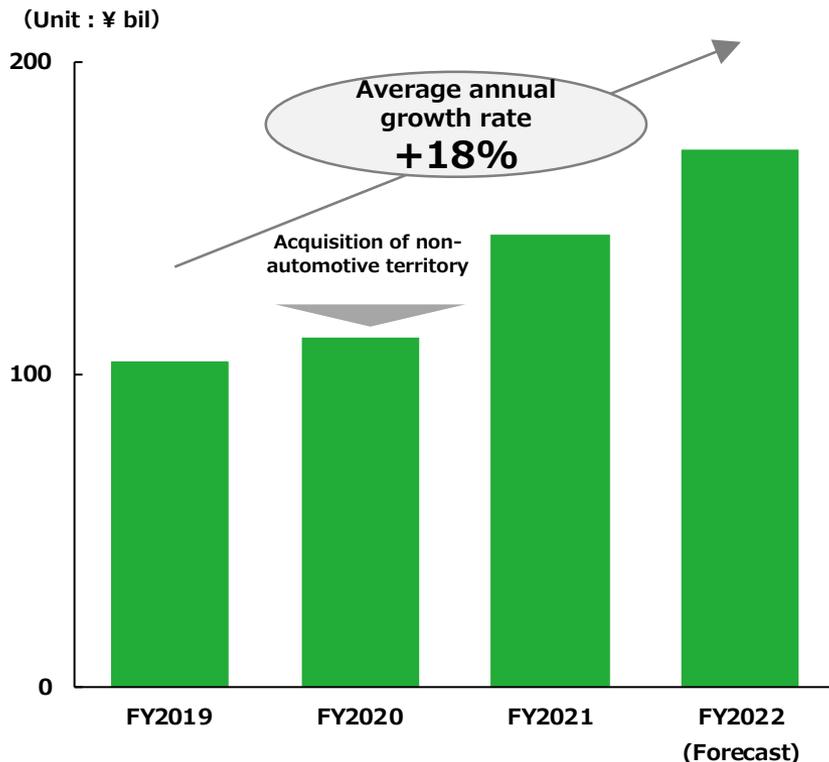
	Measures	Details
The 11th Medium-Term Business Plan	Portfolio diversification	<ul style="list-style-type: none"> Expansion of non-automotive business and reaching out to medium-sized customers
	Strengthening of local business in China and HK	<ul style="list-style-type: none"> Maximization of synergies through Group-wide cooperation Co-working with local partners
	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
	Investments to transform Ryosan's line of business	<ul style="list-style-type: none"> Entry into new businesses grounded in customer needs
	Raising efficiency of existing businesses	<ul style="list-style-type: none"> Usage of digital technology
	Reinforcing the foundations	<ul style="list-style-type: none"> Management information, education, risk management enhancement
Internal Control	Governance enhancement	<ul style="list-style-type: none"> Strengthening management to attain Medium-Term Business Plan
	Corporate culture (Communication)	<ul style="list-style-type: none"> Promotion toward activate internal communication



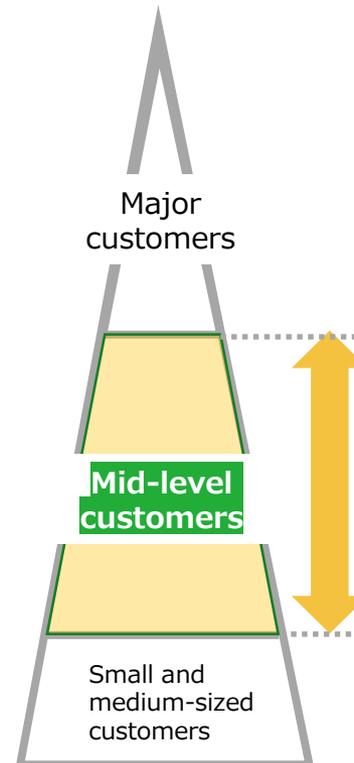
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- Expansion of non-automotive business
 - Transfer of acquired territory was completed in H1 FY2022. The non-automotive business is expanding further, mainly due to those newly acquired customers.
- Reaching out to mid-level markets
 - Using online and other new sales channels, guided by approaches grounded in customer needs, Ryosan is promoting business development with medium-sized customers. New services are being released in sequence as they pass proving tests for each feature.

Trend in net sales, non-automotive



Reaching out to mid-level markets



Marketing

- Ryosan original sales measures
- Lineup of high-value-added products
- Cross-selling
- Up-selling

Business model

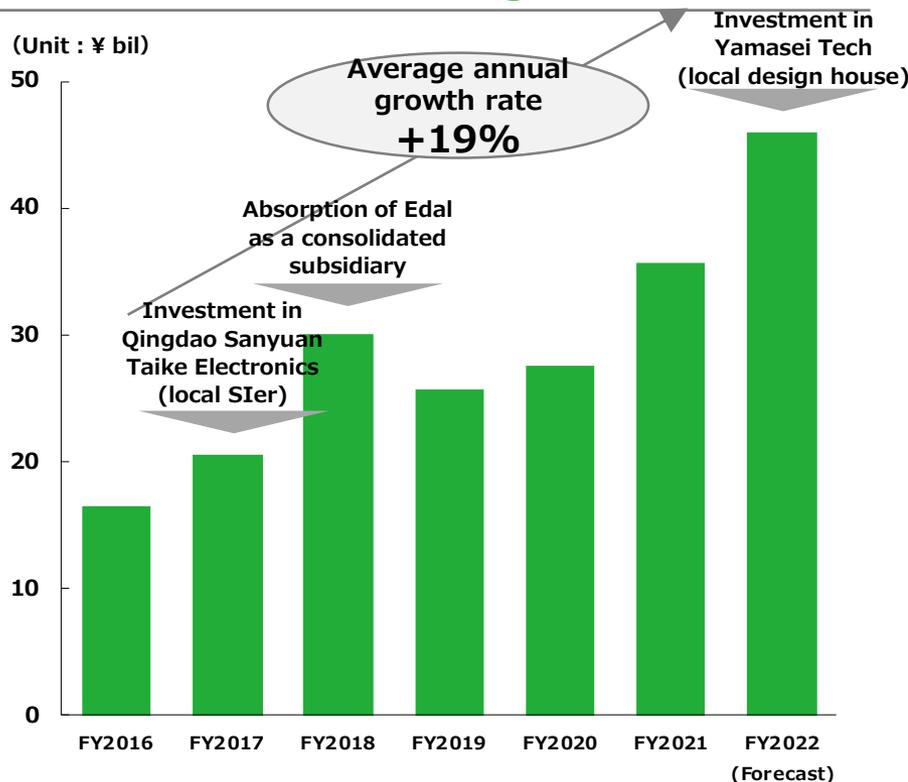
- Order placement and acceptance based on Ryosan standards
- Examination of pricing policy
- Expansion of service-option menu



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- Maximization of synergies through Group-wide cooperation
 - Ryosan is collaborating with Qingdao Sanyuan Taike Electronics Technology (China) in the fields of HVAC control systems, EVs and robotics.
 - Products handled by Edal (general-purpose products) are being expanded through Ryosan channels.
- Cooperation with local partners
 - In May 2022, Ryosan invested in Yamasei Tech Co., Ltd., a design house based in Taiwan with strengths in motorcycle meters. The move enhances Ryosan’s capabilities in automotive-peripheral solutions and establishes a foundation for local business.

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



Overview of Yamasei Tech

Trade name	Yamasei Tech Co., Ltd.	
Date established	April 2020	
CEO	Li Daoqing	
Location of head office	Taipei, Taiwan	
Business outline	Development of motorcycle meters, provision of solutions, development of hardware and software, design of mechanisms, sourcing of electronic components	

Strengths

- Development results in automotive meters (for Europe and Japan) and engineering capability
- Provision of total solutions from mechanism design to software development
- Solid relationships with Tier 1 motorcycle-related companies in Taiwan

Development results

- Motorcycle meters
- Meters for agricultural and construction vehicles

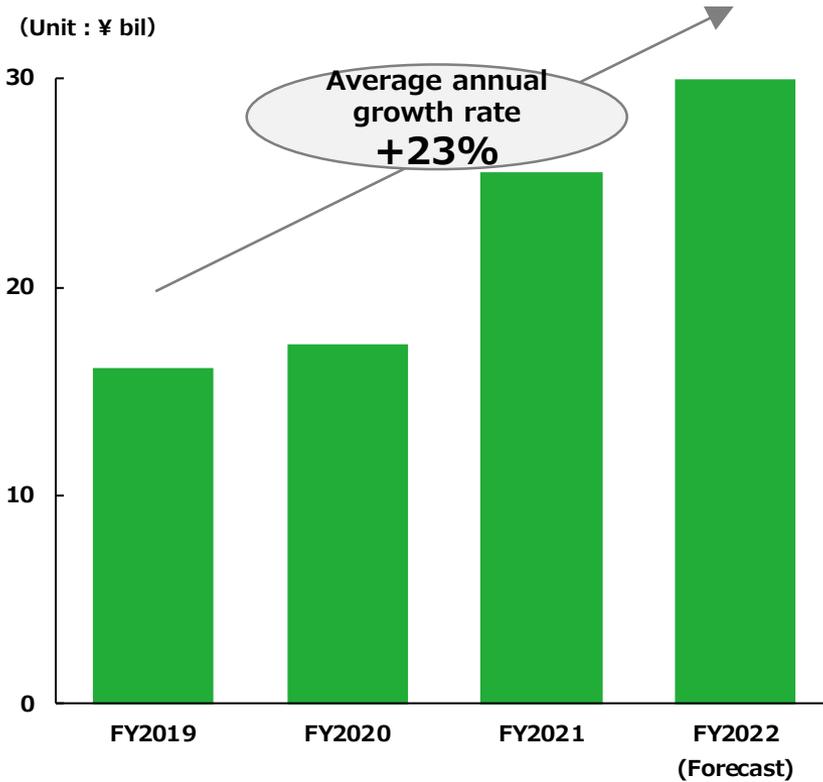




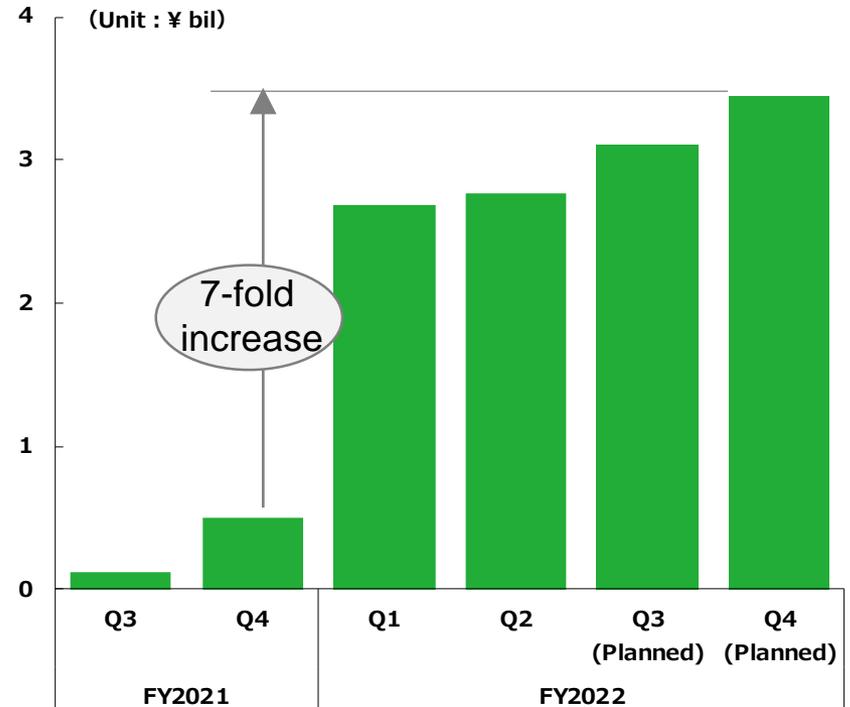
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- Harvesting of prior investment products (newly introduced products)
 - Ryosan plans to increase harvesting of business from previous investments to the ¥30-bil range in FY2022, by continuing to focus on approaching target customers related to automotive systems and industrial equipment. At present, Ryosan is concentrating on business development for the period in and after FY2024.
- Discovery of new products
 - Ryosan is investing human resources in the initiatives to discover new products. Ryosan is expanding its product line, with those easy to cross-sell with existing products. The aim is to achieve early break-even.

Trend in Net Sales of products from previous investments (overseas semiconductors)



Trend in expected business from new products





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- Entry into new businesses grounded in customer needs
 - In new business development, Ryosan is focusing on models already in progress, aiming for early service release.
 - Ryosan is investing in Priken Co., Ltd., a manufacturer of printed circuit boards. Priken is in the top class in its industry in terms of rapid delivery. Through this investment, Ryosan will achieve cross-selling with a variety of its product line.

New businesses (case studies)

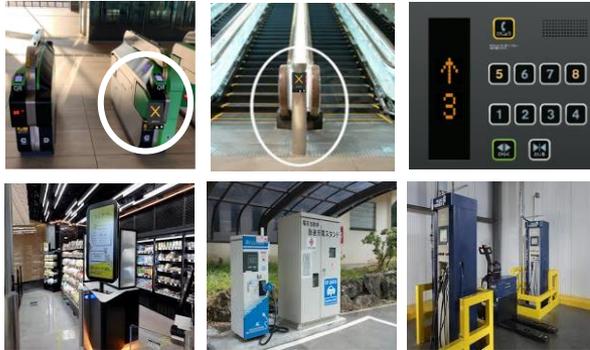
Case study 1: LCD unit business

➢ Meeting customers' needs for products sold as a unit



LCD units

(Sample applications)



Case study 2: Integrated mechanical and electrical motor business

➢ Total coordination from examination of specifications to mass production delivery



Integrated mechanical and electrical motor

(Sample applications)



Overview of Priken

Trade name	Priken Co., Ltd.	
Date established	June 1981	
Representative	Shinya Tanaka	
Location of head office	Fujimino City, Saitama	
Business outline	Design and manufacture of various printed circuit boards	

Strengths

- Priken provides one-stop service from development to manufacture and mounting of various printed circuit boards.
- Specializing in circuit boards for prototypes, Priken can support multi-model, small-lot production.
- In the top class in its industry in terms of rapid delivery.



Source: <https://www.priken.co.jp/>



Reinforcing the Foundations



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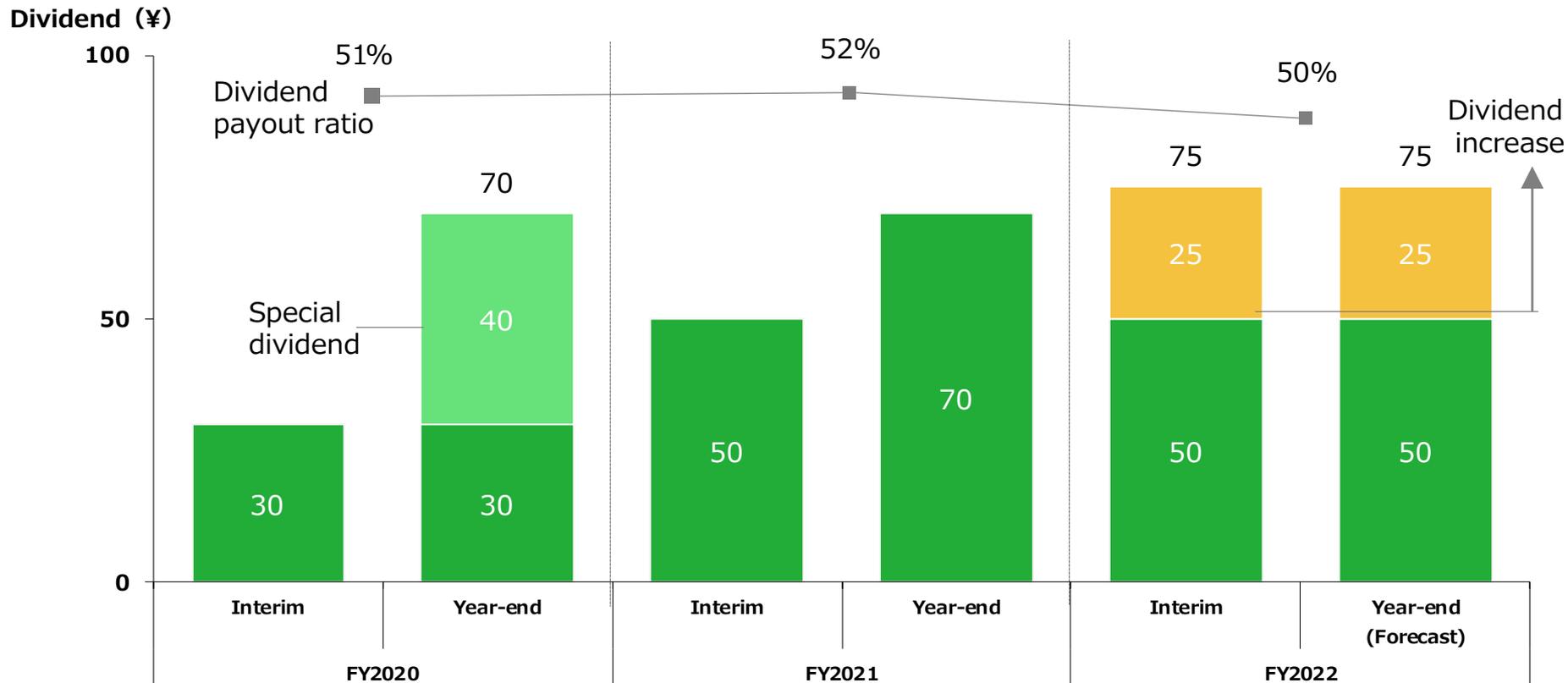
- Personnel education and training
 - Mindful that employees’ growth leads to growth for the Company, Ryosan is enhancing its personnel education and training systems.
- Strengthening of governance
 - Ryosan is strengthening its management systems to respond rapidly to changes in the business environment.
- Diversification of funding
 - In addition to registering quotas for flotation of debentures, Ryosan is reviewing the use of securitization of receivables.

	Item	Action
Personnel training	New personnel system	<ul style="list-style-type: none"> • A new personnel system was launched in April 2022. Training and guidance emphasize two-way communication between supervisors and subordinates.
	Personnel education and training	<ul style="list-style-type: none"> • Training programs are enhanced. Employees are encouraged to pursue personal growth through self-teaching.
	Securing diversity	<ul style="list-style-type: none"> • These efforts form part of initiatives following the corporate-governance code. Ryosan advances the active use of employees with a wide range of backgrounds.
Strengthening of governance	Budgetary processes	<ul style="list-style-type: none"> • With the next fiscal year in its sights, Ryosan is reorganizing its approaches to resource allocation methods to pursue Company-wide optimization.
	Advancement of management information	<ul style="list-style-type: none"> • Ryosan is enhancing management information and strengthening its framework for monitoring of the status of management.
	Management of meetings	<ul style="list-style-type: none"> • Review process of the effects of measures is being implemented and established.
Diversification of funding	Registration of quotas for flotation of debentures	<ul style="list-style-type: none"> • In October 2022, Ryosan registered a quota for flotation of debentures. New options for fundraising have been added.
	Examination of securitization of receivables	<ul style="list-style-type: none"> • Ryosan is improving its asset efficiency using a pooled-receivables securitization program.



- Dividend payout ratio is set at around 50%.
- The interim dividend and forecast for the year-end dividend in FY2022 are increased from the previously published figures by ¥25 each, to ¥75 each.

Dividend per Share



Financial Results for H1 FY2022 and FY2022 Forecast of Business Results

Status of the 11th Medium-Term Business Plan

Appendix



Measures Against Climate Change

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- By creating confidence and the best fit for society in the electronics domain, Ryosan aims to achieve sustainable growth in collaboration with a wide range of stakeholders, including business partners, employees, shareholders and the Earth itself.
- In measures against climate change in FY2022, Ryosan endorsed the TCFD Declaration and is conducting a wide range of evaluations.

Risks and opportunities

	Risks	Opportunities
Transition to a carbon-free society	<ul style="list-style-type: none"> • Decrease in opportunities to win orders due to delays in becoming carbon-free • Increased product development costs • Increase in manufacturing and procurement costs due to introduction of a system for trading emissions of greenhouse gases • Introduction of a carbon tax 	<ul style="list-style-type: none"> • Increase in demand for automated robots to reduce energy consumption • Increase in demand for carbon-free, energy-saving and other new products • Increase in opportunities to sell and receive orders for EV-related products
Rising intensity of abnormal weather and natural disasters	<ul style="list-style-type: none"> • Destruction of operating assets by natural disasters • Increase in cost of procuring substitute products due to disasters at supplier facilities • Increase in warehousing and storage costs from response to BCP 	<ul style="list-style-type: none"> • Increase in opportunities to sell and receive orders due to environmental measurement needs • Increase in opportunities to receive orders due to multiplication of supply chains against a background of responding to BCP

Impact evaluation

Risks	Added cost (2030) + 1.5 to 4.0°C
Introduction of a carbon tax	Approx. ¥0.2 mil to ¥21 mil
Inundation of bases from flooding and high tides	Approx. ¥105 mil

Global greenhouse-gas emissions (CO₂)

Scopes 1 + 2 (Unit: t)	Domestic	Overseas
Based on location	1,251	241
Based on market	1,206	245

Factors in Appropriation of Foreign Exchange Losses

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- To address currency-exchange risk from foreign-currency-denominated sales, Ryosan uses foreign-currency-denominated loans payable to balance its foreign-currency-denominated assets and liabilities, thereby minimizing currency-exchange effects.
- If non-operating foreign-exchange losses occur from foreign-currency-denominated loans payable, foreign-exchange gains are generated in gross profit.

Balance Sheet

Foreign-currency-denominated assets		Foreign-currency-denominated liabilities	
Change in valuation using rate at end of month	Cash and deposits	Accounts payable-trade	Change in valuation using rate at end of month
	Accounts receivable-trade	Foreign-currency-denominated loans payable	
No change in valuation using rate at time of purchase	Inventory	Foreign-exchange losses from revaluation	

Profit and Loss

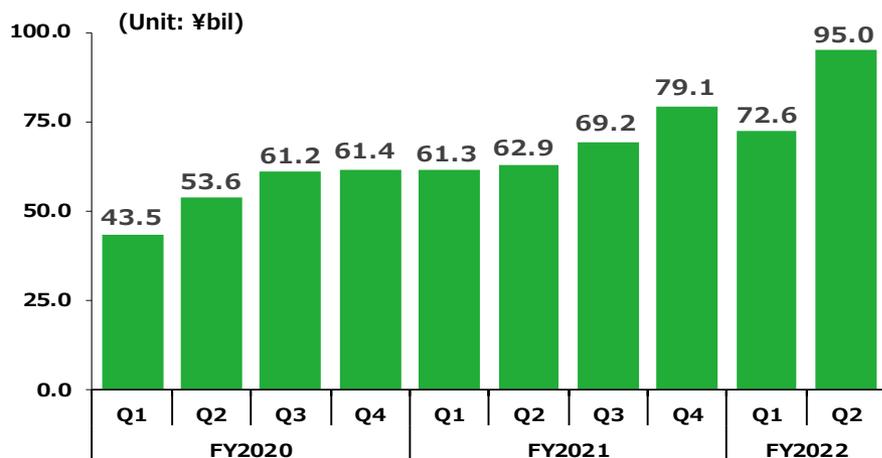
Net sales	Rate at time of sale
Cost of sales	No change in valuation using rate at time of purchase
Gross profit	Foreign-exchange gains from divergence between rate at time of sale and rate at time of purchase
Non-operating	Foreign-exchange losses from change in valuation of foreign-currency-denominated loans payable equivalent to inventory at end of month

Currency-exchange hedges

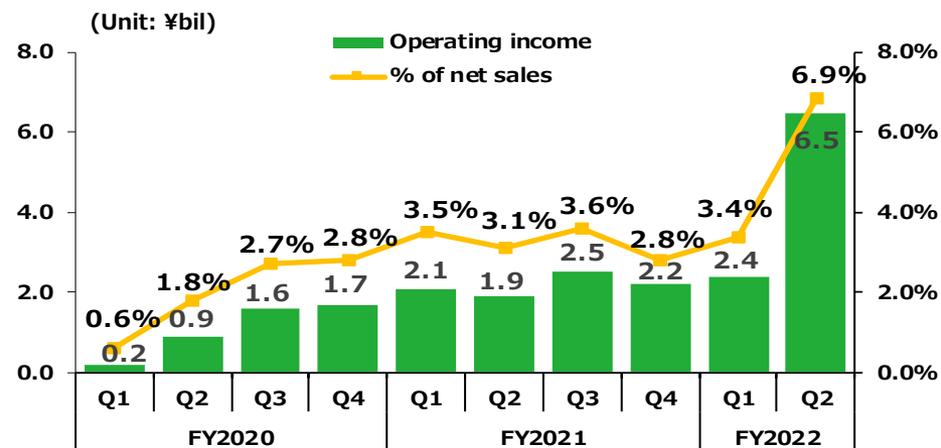
Consolidated Business Results by Quarter



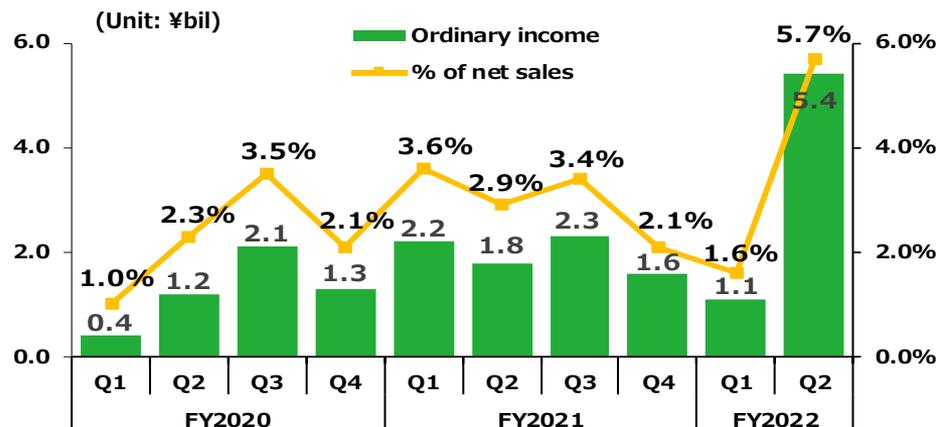
Net sales



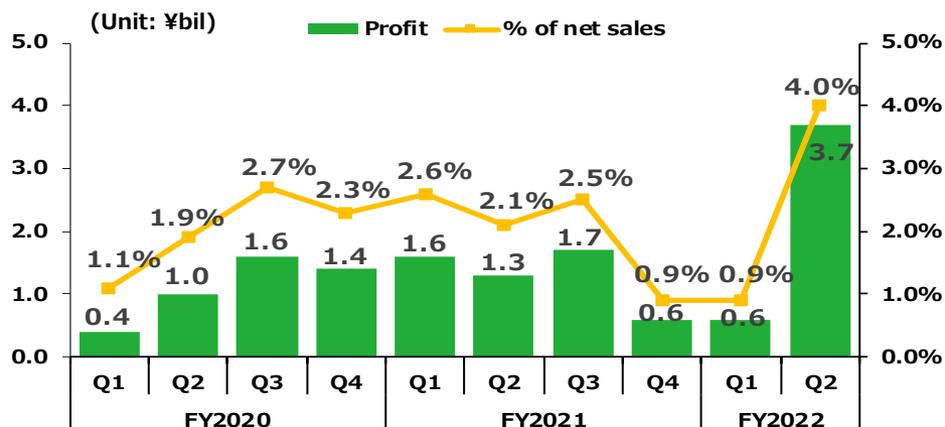
Operating income



Ordinary income



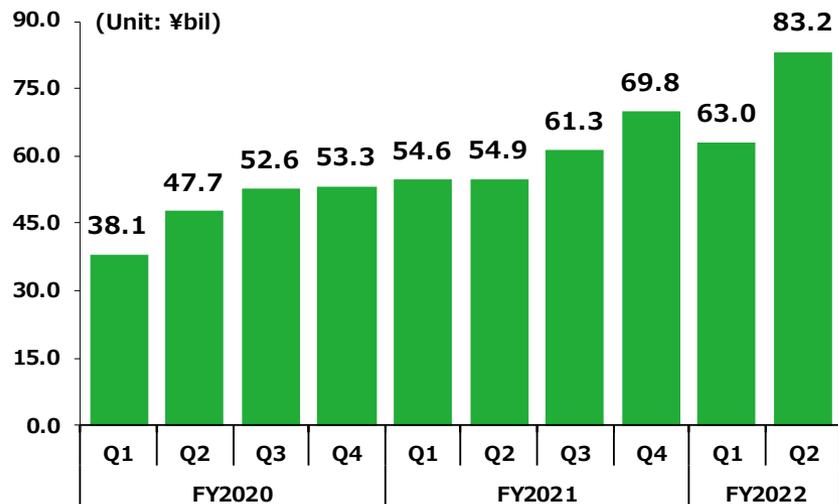
Profit



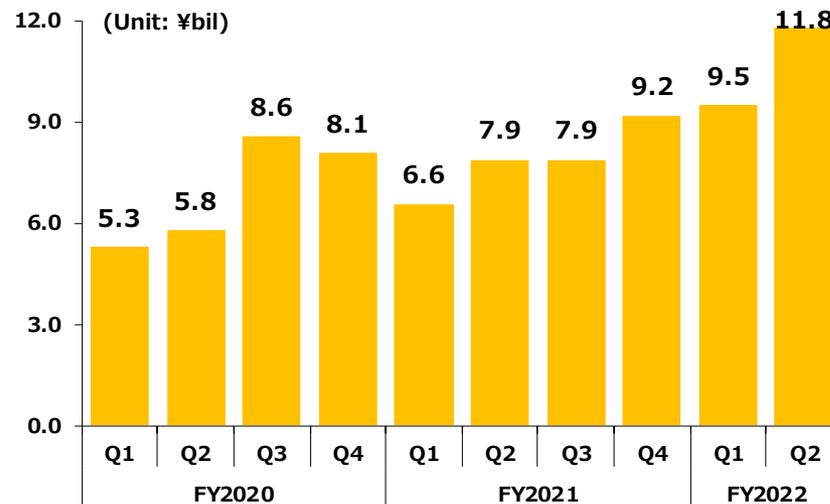
Segment Information by Quarter



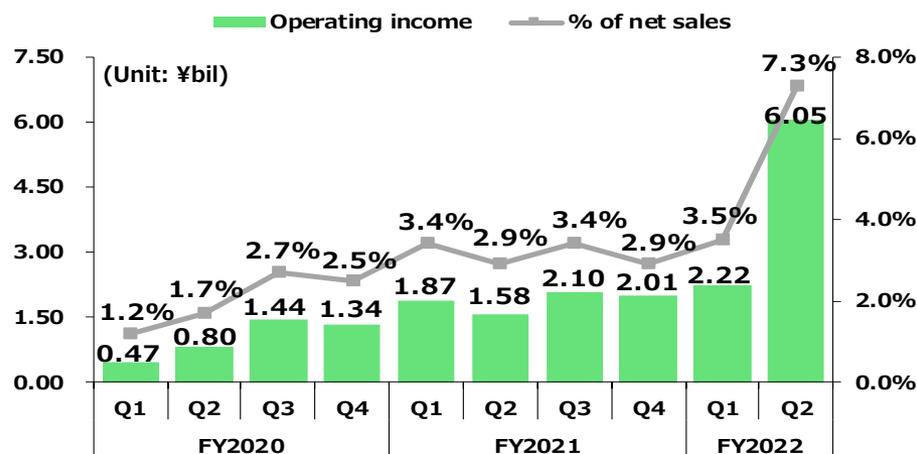
Net sales in the Device Business



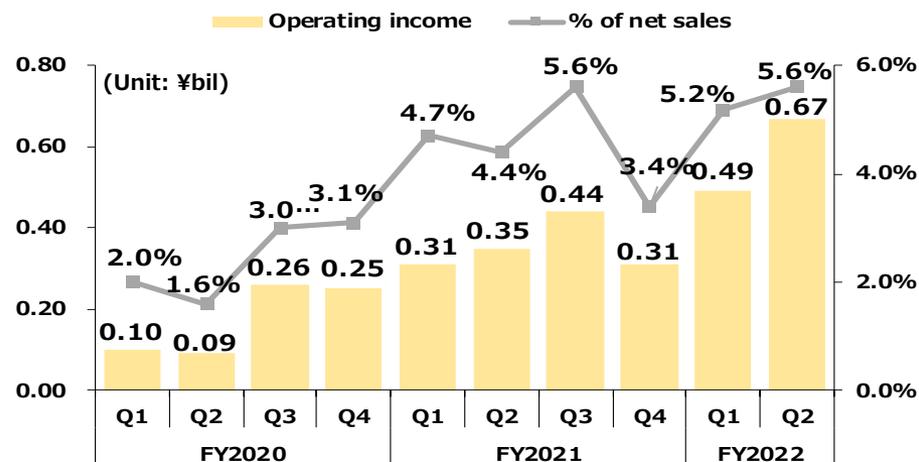
Net sales in the Solution Business



Operating income in the Device Business



Operating income in the Solution Business



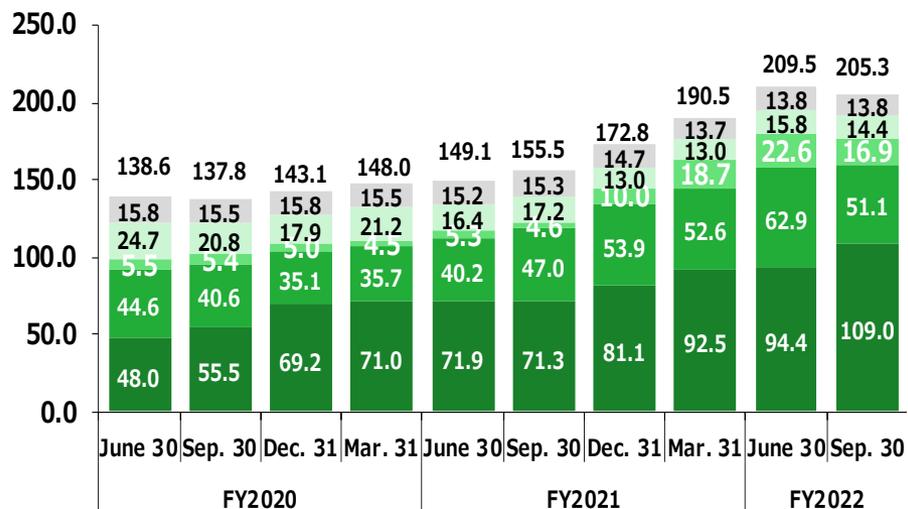
Consolidated Balance Sheet by Quarter



Assets

- Accounts receivable–trade
- Accounts receivable–other
- Non-current assets
- Inventories
- Other current assets

(Unit: ¥bil)



Liabilities and Net Assets

- Other liabilities
- Short-term loans payable and commercial papers
- Accounts payable–trade
- Net assets

(Unit: ¥bil)

