

ANNUAL REVIEW 2023

Fiscal year ended January 31, 2023



*Connect Everything.
With Technology. With Ideas.*

About the RYOYO Group

Vision

To provide the best solutions for our customers' issues and problems in a faster and better manner than anyone else.

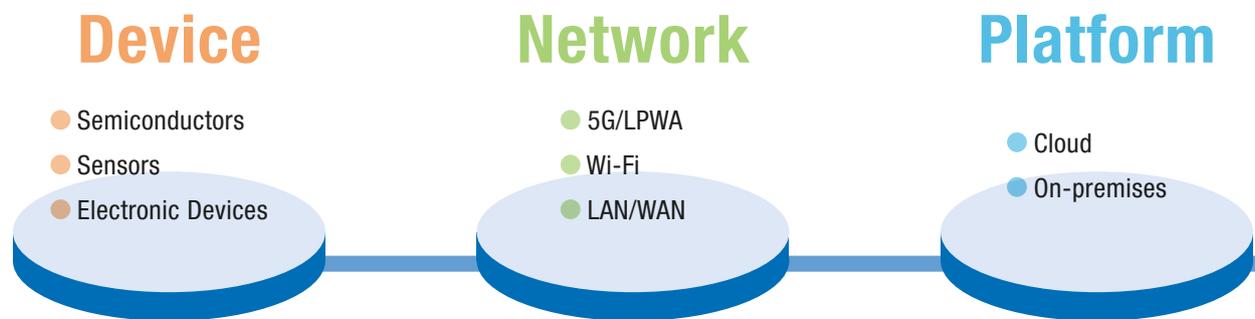
Corporate Slogan

*Connect Everything.
With Technology. With Ideas.*

Action guideline

VALUE and PRIDE

End-to-end business domain covering the entire supply chain, from upstream to downstream



Only RYOYO

“Only RYOYO” indicates a high-value-added business, a business in which we offer unique solutions by adding to our wealth of products the value that only we can identify, drawing on the solid relationships we have with our customers. We provide new value by clarifying the issues our customers face and supporting them all the way through to a swift solution by means of our unique technologies and services.

Semiconductors & Devices

In the constantly changing semiconductor market, we have evolved into a trusted business partner with a long track-record of achievements. Drawing on solid relationships with the world's leading suppliers, we offer optimal proposals to customers.

▼ Strength

#1
We propose solutions that leverage the latest information we gain by working closely with the world's leading vendors.

#2
Beyond just selling individual products, we propose optimal solutions for customer and market needs by combining multiple products and developing original solutions.

#3
We actively seek out and supply cutting-edge, high-added-value products from in and outside of Japan.

Ryoyo Electro Corporation was founded as a semiconductor distributor of Mitsubishi Electric Corporation in 1961, at the dawn of the semiconductor industry. Since our establishment, we have expanded our business lines in tandem with the growth of the electronics industry, guided by a management philosophy of “Creating value in tune with the times.” Today, as an electronics trading company engaged in both the Semiconductors & Devices and ICT & Solutions businesses, the Ryoyo Group will engage not only in the traditional business centered on the sale of goods, but also promote business that helps to solve issues by extending our focus to include our customers’ customers (end-users). In doing so, our goal is to transform and realize our new image of a trading company that can become the No. 1 in customer satisfaction. We will continue to refine our unique added value and provide it to even more customers.

Solution

- IoT
- AI
- Business Management Tools

Helping to Solve the Social Issues Faced by Customers

We identify various problems and issues that affect our customers and their end-users, and then combine the products we offer as an electronics trading company with our own original technologies to provide ideal solutions faster and in a superior way than other companies.

ICT & Solutions

We are drawing on knowledge cultivated in the Semiconductors & Devices and ICT & Solutions businesses not only to bring various ICT products to market, but also to expand the business by integrating consulting, deployment, maintenance, and operation functions. We support the creation of business solutions and innovative business models that reflect the needs not only of our customers but also their end-users.

▼ Strength

#1
Our sector and domain-specific specialists can provide broad product and technology solutions, from edge to cloud.

#2
We propose optimal solutions by combining the world’s leading products and services to solve the customer’s issues.

#3
We bring proven experience and expertise to support our customers’ IT life cycle (planning, development, operation).

To Our Shareholders

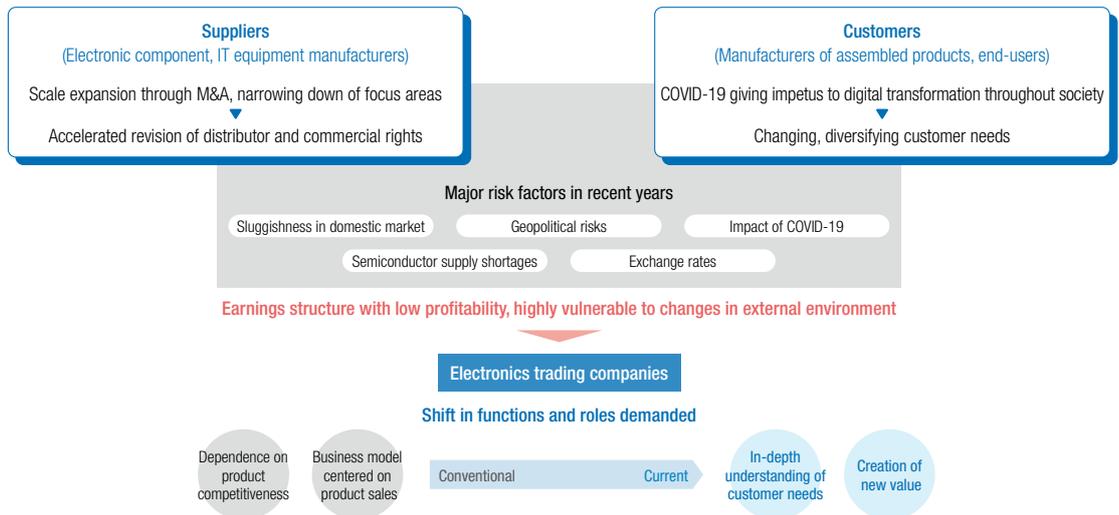
RYOYO



Vision for Ryoyo Electro

Ryoyo Electro has a vision “To provide the best solutions for our customers’ issues and problems in a faster and better manner than anyone else.” Electronics trading companies operate at a low level of profitability, and their performance is highly vulnerable to changes in the external environment. Factors such as market stagnation, semiconductor supply shortages, cataclysmic events like the pandemic, heightened geopolitical risk, and trends in foreign exchange rates all have a major impact. In this context, the functions and roles demanded of electronics trading companies are changing. We see it as critical to move away from a conventional business centered on product dependent on product competitiveness and toward an approach involving an in-depth understanding of customer needs and the creation of new value to meet those needs. By fully leveraging the relationships we have cultivated with customers over many years of history and on our products, solutions, and other management resources, we are striving to realize our vision for the Company by focusing on initiatives that help address fundamental issues, with a view not only to our customers but to their end-users as well.

Environment for Electronics Trading Companies

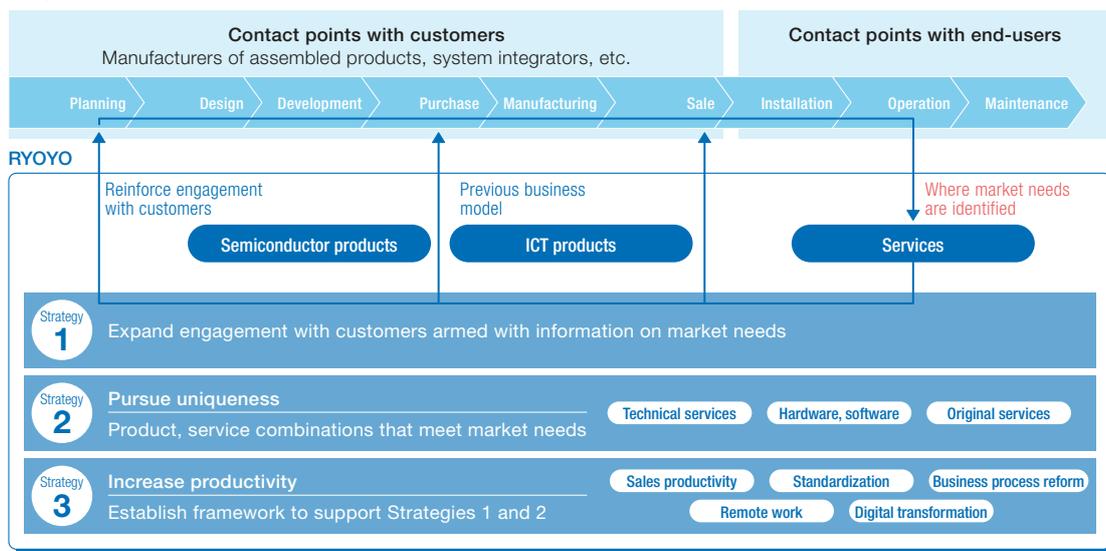


Creating a Winning Pattern

To guide us in achieving this vision, the Ryoyo Group has set out three core strategies in our current three-year business plan: to expand and deepen customer engagement, to pursue uniqueness, and to increase productivity. Since we engage in the Semiconductors & Devices and ICT & Solutions business, our company has a broad network of contacts both upstream and downstream in the

supply chain for electronic devices. Armed with insights into market needs gained from end-users (downstream), we will seek to expand engagement with electronic device manufacturers (upstream), combining products, technologies, and services to offer unique solutions. We aim to build a new business model that is resilient to changes in the environment by pursuing these three strategies organically in concert, tapping into the distinctive features of our businesses. By doing so, we seek to become a key player in creating a business (information and value) cycle across the entire supply chain.

A Cyclical Model for Business

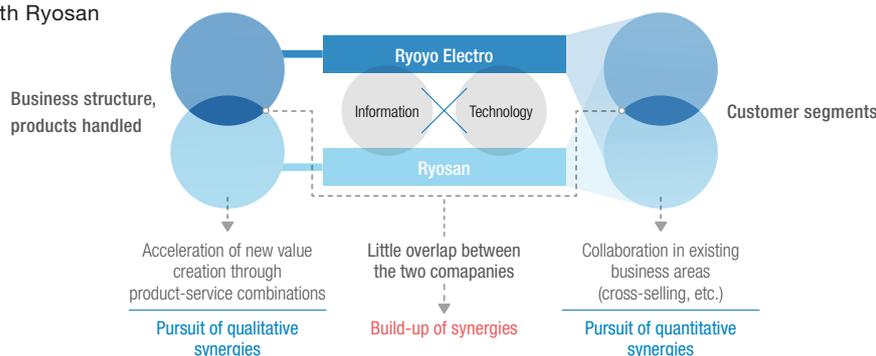


Alliance with Ryosan

We have been exploring investments and acquisitions for the purpose of acquiring the elemental technologies that will lead to the formation of unique added value and for augmenting the functions of the Group. We are also exploring alliances with a view to establishing a robust management base and capturing further growth opportunities.

In this vein, we recently entered into an alliance with Ryosan Co., Ltd. to further expand the scope of our business. There is very little overlap between Ryoyo Electro and Ryosan in terms of customer relationships, products, and solutions, which are key management resources for an electronics trading company. As such, we expect collaboration between our two companies to generate significant qualitative and quantitative synergies. Through close collaboration, we aim to realize a new image of an electronics trading company that helps resolve the issues and problems facing customers and the market as a whole.

Alliance with Ryosan



To Our Shareholders

Human Resources Development

Pursuing the above strategies and forming alliances like the one with Ryosan alone are not enough to turn our vision into a reality and achieve sustainable corporate growth: Developing human resources is also an indispensable element. In particular, we need personnel with the ability to think matters through on their own, identify the essential issues involved, and come up with logical solutions. Naturally, this ability is essential in providing customers with high added value, but it is also useful in a wide range of situations. To cultivate this ability in our employees, it is extremely important to enhance the content of training while also determining the best allocation of human resources and fostering an environment in which each individual can play an active role.

In addition to human resources development, we are focusing on increasing productivity. By automating office work and paring down unnecessary meetings and preparation of materials, we are encouraging employees to adopt the mindset that their time should be devoted to customers.

*For more on human resources development, see the Special Interview on page 13.

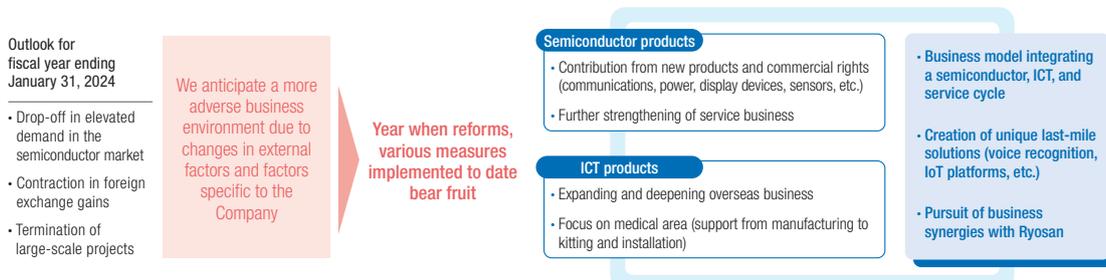
Review of Fiscal Year Ended January 31, 2023 and Outlook

The electronics industry, in which the Ryoyo Group operates, saw ongoing brisk IT-related investment by companies in digital transformation for the purpose of automation and labor saving as well as investment aimed at transforming their business models. Nevertheless, the year was marked by constant uncertainty about the outlook, fueled by soaring energy and raw materials costs stemming from heightened geopolitical risks, mounting monetary tightening in various countries and rising prices due to the yen's depreciation, and disruptions to the supply chain due to shortages of semiconductors and other components.

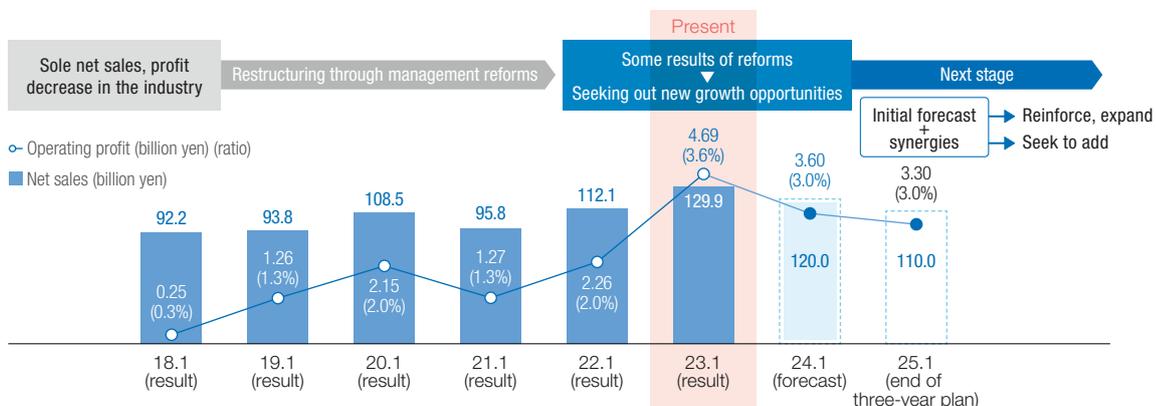
In this context, the Ryoyo Group at the beginning of the fiscal year under review anticipated a drop in net sales, mainly due to changes in the environment for large-scale projects. Ultimately, however, favorable market conditions related to semiconductors and the yen's depreciation served to boost earnings. Meanwhile, reforms we have implemented to date bore fruit, including growth in project volume in line with our efforts to reinforce sales capabilities. Consequently, we revised the forecast upwards twice during the year.

Performance in the fiscal year under review was up year on year across the board: Net sales were ¥129.9 billion, operating profit was ¥4.69 billion, ordinary profit was ¥4.47 billion, and profit attributable to owners of parent was ¥3.06 billion. We were also able to achieve the targets for the three-year plan starting from the fiscal year ended January 31, 2023 well ahead of schedule. The operating margin was 3.6% and ROE was 7.0%, both the highest levels in 21 years. However, given that the uptrend in performance was chiefly the result of factors in the external environment, we anticipate a more adverse business environment for the fiscal year ending January 31, 2024. Although we expect to launch new projects for mobile devices and expand our business in industrial applications, the outlook sees changes in the external environment, including a drop-off in elevated demand in the semiconductor market, as well as factors specific to the Company, such as the completion of large-scale projects in the ICT area. As a Group, we expect reforms and various measures we have implemented to date to bear fruit in the coming year, and will pursue both qualitative and quantitative synergies through the alliance with Ryosan. As we do so, we will consider revising the targets of the three-year plan as needed while capturing new growth opportunities.

Assumptions of Fiscal Year Ending January 31, 2024 Forecast



Three-Year Business Plan (Fiscal Year Ended January 2023-Fiscal Year Ending January 2025)



Sustainability-Related Initiatives

Ryoyo Electro is also focusing on sustainability initiatives, believing that efforts to achieve sustainable economic growth and address various social issues, including environmental issues, are essential to the sustained growth of the Company. Guided by this conviction, we have identified key issues (materiality) facing the Company. By addressing these key issues, we will create sustained value over the longer term. In each ESG area, we extracted high-priority issues from the perspectives of both stakeholders and management. We also added H—human resources—reflecting our belief that the value of a trading company lies in its employees. Going forward, we will pursue sustainable management centered on the key issues we have identified. See page 11 for details.

I ask for your continued support as we continue striving to provide value to all of our stakeholders.



Representative Director, President & Chief Executive Officer

M. Nakamura

Topics

Strategy 1

Expand and Deepen Customer Engagement

Supporting digital transformation (DX) at an auto parts plant with a framework and method unique to the Ryoyo Group

In automating visual inspection for production at Aisin, a major auto parts manufacturer, Ryoyo Electro collaborated with Group company StyleZ to roll out the system without halting the production line.

Many companies in the manufacturing sector are pursuing DX at their plants and production facilities, seeking to create smart factories. As part of its efforts to overcome issues such as labor shortages and the passing on of skills, Aisin sought to use AI to automate the visual inspection process checking for installation errors and missing components on the production line at its plant.

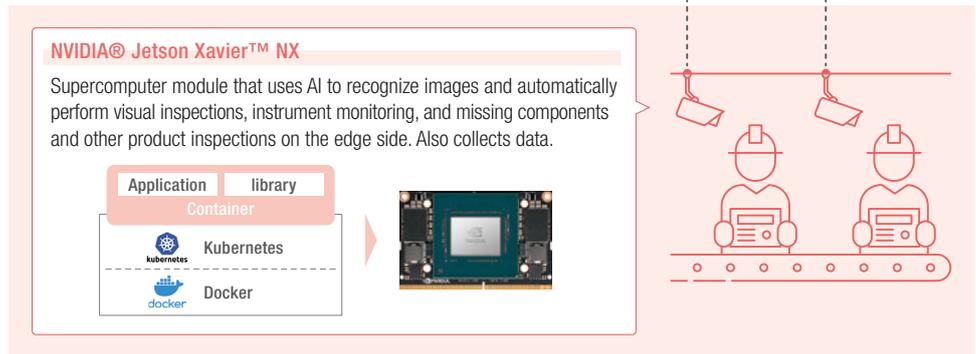
In installing automation systems, it typically took two to three years to roll out inspection equipment while ensuring safety and avoiding interruptions to the production line. Performing this on multiple production lines is not cost-effective. To shorten the time needed for installation, we prepared shared hardware and applications that even the person in charge at the manufacturing site could roll out, and used an agile application development framework, which starts by developing what is practicable and deploying components on site as soon as they are ready for use. This also required the coordinated management of applications on the devices. However, this was outside Aisin’s area of expertise—which is where StyleZ’s knowledge and technical capabilities were put to great use. By teaching Aisin its system development expertise, StyleZ supported construction of the system, which in the manufacturing sector demands a high degree of stability. In this way, we were able to roll out the system in a shorter period of time and at a lower cost without interrupting production. Ryoyo Electro not only delivered products, but was also able to play a key role in Aisin’s DX efforts going forward by envisioning an ideal solution that conformed with Aisin’s needs.

Going forward, we will continue in this way to combine products and services as we work alongside customers to address issues in the areas of AI and IoT.

Development Team



At the Manufacturing Site



🔹 Ryoyo Electro's support framework to accelerate DX

Remote medical care, AI-based diagnosis, electronic medical records, and other aspects of DX in the field of healthcare are moving forward, and dental care is no exception. The ADMENIC DVP2 video recording and presentation system created by Carina System, a developer of video-related systems, boasts a high share of the dental care market in Japan. In developing ADMENIC DVP for Cloud, a new cloud-based service that allows users to view and edit video recorded by the system in treatment, Ryoyo Electro provided multifaceted support for the roll-out of the Microsoft Azure cloud-based service that is the platform for the service.

Cloud-based services often involve inflexible payment methods, such as having a fixed billing cycle or only supporting payment by credit card. However, going through Ryoyo Electro as an intermediary enabled payments for the service to be bundled together with other transactions, resulting in easier internal processing. Moreover, Ryoyo Electro is well-versed in a broad range of information, from security updates to industry trends and comparisons with competing products. Our ongoing support, which is sensitive even to such customer concerns, enabled the customer to concentrate on product development.

Users (dentists and dental hygienists) can now use ADMENIC DVP for Cloud to easily view video data on a PC or tablet from other clinics, their homes, or other remote locations. The system can be used to explain treatments to patients, for presentations at academic conferences, and in research, thus contributing to the provision of safe dental care and improving the technical capabilities of dentists.

With this project, Ryoyo Electro did more than simply supporting the customer's business by identifying issues and providing optimal solutions that took into account operations after the service was launched—we are also helping to build an easy-to-use IT environment for end-users.



A dentist explains treatment to a patient using ADMENIC DVP2. The projected image is saved on a cloud platform via the ADMENIC DVP for Cloud service. (Photo taken at an actual dental clinic in Japan [Natural Dental Office Hashimoto])

Topics

🔹 Ryoyo Electro wins Best Distributor of the Year Award in partner program with NVIDIA

Ryoyo Electro was given the Best Distributor of the Year award at the online NVIDIA AI DAYS 2022 event hosted by NVIDIA. This award is given to the best primary distributors among companies that are part of the NVIDIA Partner Network (NPN), a partner program established by NVIDIA in Japan.

The award recognized Ryoyo Electro's efforts to expand and deepen customer engagement, in particular our highly personal approach to both the healthcare business, centered on the field of medical imaging, and the manufacturing sector, as well as the robust support provided by the many NVIDIA-dedicated engineers and sales representatives on our staff.

As a member of NPN, Ryoyo Electro will step up its collaboration with other partner companies going forward. Meanwhile, we will leverage our own experience and expertise to propose the optimal NVIDIA products for various customers, offering support from a wide range of angles.



The trophy for Best Distributor of the Year.

Strategy 2

Pursue Uniqueness

🔹 Ryoyo Electro's unique voice recognition system

The Ryoyo Group is focusing on creating and developing high-value-added businesses that combine products and services. One of our focuses is on voice recognition. With this initiative, our pursuit of uniqueness includes the acquisition of patents, and we are already seeing examples that have led to commercialization.

(1) Voice recognition system that can be used without a network even in noisy environments

In recent years, voice recognition is finding increasing use at work sites such as in the construction and infrastructure development sectors, to make it more convenient for workers to file work reports and control equipment. However, work sites that generate a high volume of noise make conversation difficult. Moreover, since most voice recognition systems are cloud-based, they are unusable at work sites that lack an internet environment. Ryoyo Electro drew on voice recognition technology cultivated over the years to address these issues, developing a voice recognition system that can sharply distinguish and enhance spoken sound, enabling clear voice communication even in noisy locations—all by simply plugging the system into a smartphone.



The noise reduction device (80 x 130 x 30 mm) commercialized using the voice recognition system. It is used together with a headset.

(2) Voice recognition remote control that can operate multiple home appliances without a network connection

We developed a voice recognition remote control that can operate up to four home appliances—lighting, TV, air conditioners, and fans—via a single unit, and brought it to market in collaboration with a lighting equipment manufacturer. This product also harnesses expertise that we have cultivated over the years. Equipped with our unique voice recognition technology, the remote control achieves high responsiveness by means of offline operation.

At Ryoyo Electro, in approaching the real issues and problems of customers, we create products that bring together our unique technological capabilities, informed by feedback on the ground and with a view to how the product will be used.



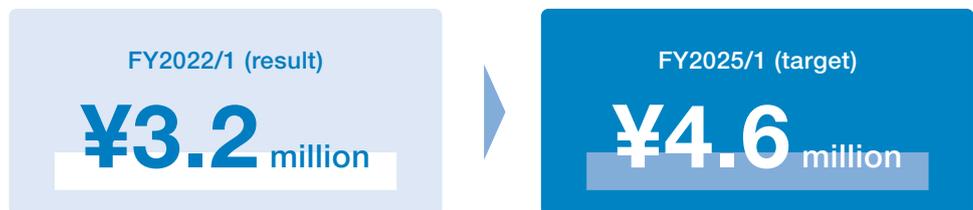
The voice recognition remote control (27 x 10 x 80 mm) is easy to use; a network connection is not required.

Strategy 3
Increase Productivity

Ryoyo Electro Workstyle Reforms

Ryoyo Electro is striving to increase productivity to support our strategies of seeking to expand and deepen customer engagement and pursue uniqueness. Low labor productivity has become an issue in Japan in recent years. With a view to making reforms to workstyles, we are focusing on increasing productivity centered around five themes: sales productivity, business process reform, standardization, remote work, and DX that supports all of these. In particular, to expand the time spent on sales activities, planning and proposals, and other operations that directly tie in with our primary purpose—which is to provide value to customers—we have set specific key performance indicators and are promoting the standardization and automation of the sales flow. In the short term, we are automating office work using robotic process automation (RPA) and other tools. We are also promoting the visualization of internal data as we prepare to step up the pace of our digital transformation efforts. Going forward, by harnessing such visualized data, we plan to take a more strategic approach to customers and improve work efficiency as we strive to further increase productivity.

Operating profit per employee



Identifying Key Issues (Materiality)

Ryoyo Electro is pursuing initiatives to ensure sustainable management by identifying, addressing, and resolving the key issues facing the company. We have accordingly identified key issues for the Ryoyo Group as shown on the right. Going forward, we will extract areas that are a priority for achieving sustainable growth.

Process of Identifying Key Issues

Policy and Vision for the Company

We aim to be a company that addresses environmental and social issues and problems faster and in a superior way than other companies through collaboration with our customers and other stakeholders.

We formulated the above statement in relation to our vision of
 "To provide the best solutions for our customers' issues and problems in a faster and better manner than anyone else."

Identifying key issues based on the policy and Vision

Step 1

A thorough-going review of disclosed information to extract issues affecting financial and non-financial aspects of the Company

Step 2

Determination of stakeholders and confirming awareness of issues

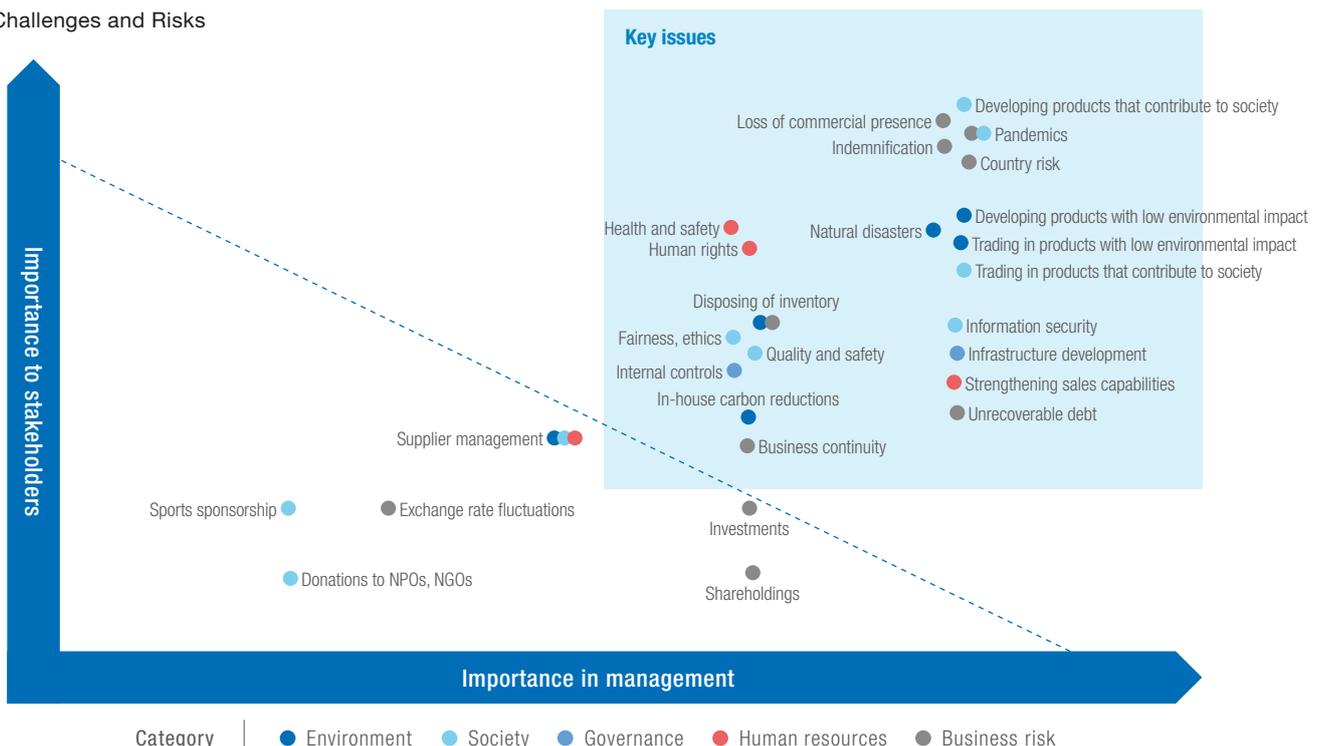
- Designating stakeholders as customers, employees, and shareholders
- Evaluating the relative importance of extracted issues from the perspective of various stakeholders and management

Step 3

Identification of key issues

- Scoring evaluation results based on impact, identifying high-scoring issues as key issues

Challenges and Risks



	Key Issues	Major Initiatives	Relevant SDGs
Environment 	Addressing environmental issues (new technologies and concepts for the next generation) <ul style="list-style-type: none"> Helping to reduce environmental impact caused by various activities of companies and individuals by providing unique semiconductors and IT services Responding to climate change and maintaining, strengthening the business continuity framework to deal with natural disasters 	<ul style="list-style-type: none"> Developing and trading in products with low environmental impact Addressing climate change issues 	   
Society 	Helping to solve social issues (addressing problems and fostering expectations and anticipation for the future) <ul style="list-style-type: none"> Helping to solve customer problems related to social issues by providing proprietary products Offering security, safety, and fairness to customers and stakeholders through our business 	<ul style="list-style-type: none"> Developing and trading in products that contribute to society Strengthening information security Strengthening quality and safety 	  
Governance 	Strengthening management and sales foundations (building organizational strength to achieve sustainable growth) <ul style="list-style-type: none"> Reinforcing needed governance that will enable us to help resolve environmental and social issues. 	<ul style="list-style-type: none"> Developing infrastructure Strengthening management personnel 	 
Human Resources 	Ensuring diversity of human resources and reforming working styles (investing in human capital to foster three aspects of our corporate culture*1) <ul style="list-style-type: none"> Achieving sustainable growth by cultivating motivation and a sense of reward (contributing, collaborating, and congratulating) for every employee 	<ul style="list-style-type: none"> Strengthening sales capabilities Empowering women in the workplace Ensuring employee rights 	

*1 Three aspects of our corporate culture: A culture that is uninhibited and open-minded, that produces results as a team, and (as a result) abounds with a sense of contributing, collaborating, and congratulating.

Initiatives Based on Key Issues



Environment: measures based on TCFD recommendations

The Ryoyo Group recognizes that responding to climate change and other issues related to sustainability will not only mitigate risks but also tie in to earnings opportunities. Consequently, we are moving ahead with measures based on the TCFD recommendations. The Sustainability Committee (convened twice a year) formulates basic policies and strategy for the Group's initiatives and promotes specific action plans, monitoring progress and reporting regularly to the Board of Directors. The committee also carries out scenario analysis to gauge the risks and opportunities climate change poses to our business and, based on the results, explores measures to make our business activities more resilient.



Use of human resources: obtaining Kurumin certification and promoting work-life balance

On May 18, 2022, the Company acquired Kurumin certification, which is granted by the Ministry of Health, Labour and Welfare in recognition of "childcare supportive companies" based on the Act on Advancement of Measures to Support Raising Next-Generation Children. We have added our own human resources component to the Company's key issues and are taking initiatives to enable employees to work in a healthy way while balancing work and their personal lives. We are also taking steps to create workplaces where employees can continue working even during major life events such as childbirth, child rearing, and the long-term care of adults. Positioning work-life balance as a key management issue, we will continue to reform the HR system and make other efforts to enhance the organizational infrastructure, seeking to foster workplaces where employees reach their full potential and make active contributions.



How to increase the value of individuals and create a robust organization



Ryoyo Electro regards human capital as the foundation of corporate growth and seeks to foster an appealing organization by means of training and reforms to the corporate culture. President Nakamura spoke recently with Yoshihito Miyazaki, assistant chief director of Japan's T. League table tennis league, of which our company is an official partner. After competing in the Olympics, Mr. Miyazaki went on to become coach of the Japan national team. The topic of the conversation was team-building and developing leaders.

Nakamura: Mr. Miyazaki, you've been involved for many years in changing the face of Japanese table tennis. Is there anything you have kept in mind when putting together the national team?

Miyazaki: Something I have always valued is encouraging personal growth. First of all, I teach athletes not only skills but also social norms like greetings and good manners. This helps to foster an environment where players can concentrate on their practice, builds a sense of unity in the team, and eventually leads to results. To become a world-class athlete, it is critical to have a first-rate mindset.

Nakamura: The same holds true for corporate management. When I joined Ryoyo Electro, employees hardly ever greeted one another, there were no clear goals, and there was a defensive environment that hampered people's freedom. The whole organization was worn out. So the first thing we set out to do to change the environment was to establish three things: a vision of "To provide the best solutions for our customers' issues and problems in a faster and better manner than anyone else," an action guideline of "VALUE and PRIDE," and three behaviors that foster a sense of reward—contributing, collaborating, and congratulating. This served to unify the outlook of our employees. We also worked to ensure that these values took root across the organization and to encourage individual employees to change their behavior.



Miyazaki: To change behavior and get results, I feel the ability to think for oneself is also important. If a coach gives players too many minute instructions during practice, they will forget to think for themselves and just practice like they are told, and so won't be able to perceive their own strengths and shortcomings. The role of the coach is to trust the players and just stand back and observe, although this can be pretty hard at times. Occasionally, I go through videos of past matches with the players and analyze the issues together, but I don't give specific coaching advice at those times. The reason is that I strongly believe it is the role of a leader to foster an environment and lay the groundwork for the individual to gain awareness. In building a strong team, it is vital to develop leaders. Mr. Nakamura, what are your thoughts on raising up candidates for the next generation of management leaders?

Nakamura: That's something I wrestle with every day. One of my main missions at the moment is to groom the next generation of leaders in the company. In doing so, what I look for most is, as you suggested, the ability to think logically. Without this, it is impossible to create proposals that capture the heart of an issue or to resolve problems. Moreover, that kind of logical mindset will be an enormous advantage when a person is leading a team of members with diverse backgrounds and ideas in dealing with adversity. A person who can't harness the diversity of members won't be able to put together an optimal team, and will end up viewing human resources only in terms of head count. That does nothing to boost team productivity or motivation.

Another key quality of a leader is the mental toughness to carry out these tasks while contending with various pressures. The only way to acquire that quality is to build up experience in taking risks and taking responsibility for making decisions. The problem we face at the moment is that our employees still lack adequate experience.

Miyazaki: I saw the importance of being mentally tough when I was asked to revamp table tennis in Japan and set up a national team for elementary school students. Table tennis is a simple but severe sport where you either win or lose a match. I found that, to compete on equal footing with the world's top players down the road, it was essential for players from a young age to experience going head-to-head with high-level opponents and putting themselves in demanding competitive environments. Because mental toughness is a strength that can be augmented by experience, I want players to gain a lot of experience in overcoming hardship. Putting together a team that makes the most of the strengths of individuals who have grown through such experiences makes the whole team stronger.

If the company makes a space where employees can develop mental toughness and the ability to think logically in objectively perceiving themselves and the context in which they are placed, they will be able to gain this kind of valuable experience.

Nakamura: That's exactly right. I think it is also crucial for corporate management to foster an environment in which employees can take on high-level challenges. To that end, as a manager, I am building a system that presents members with issues that cannot easily be resolved, and then fairly evaluates and rewards those who achieve results. By doing this, we can hone both thinking skills and mental toughness in our employees, which I am confident will lead to the sustainable growth of our company. Sports and management really have a lot in common. Mr. Miyazaki, thank you very much for your time today.



Corporate Governance

The Ryoyo Group has been working to enhance corporate governance in order to achieve its sustainable growth and create medium- to long-term corporate value.

We recognize enhancing corporate governance as an important task for management. Therefore, in order to continue to guarantee the soundness, transparency, and effectiveness of management, as well as increase corporate value and fulfill our responsibilities to society, we are striving to develop internal systems that ensure the functionality of corporate governance.

Corporate Governance Highlights



Organizational structure of the Company	Company with Audit & Supervisory Board
Chairman of the Board of Directors	Outside Director
Directors	7 (including 3 outside Directors)
Audit & Supervisory Board Members	4 (including 3 outside Audit & Supervisory Board Members)
Independent officers	3 outside Directors and 3 outside Audit & Supervisory Board Members
Voluntarily established advisory committees for the Board of Directors	Nomination and Compensation Committee
Structure of compensation for Directors	Fixed compensation (basic compensation) Performance-based compensation (monetary) Medium- to long-term performance-based compensation (restricted stock)

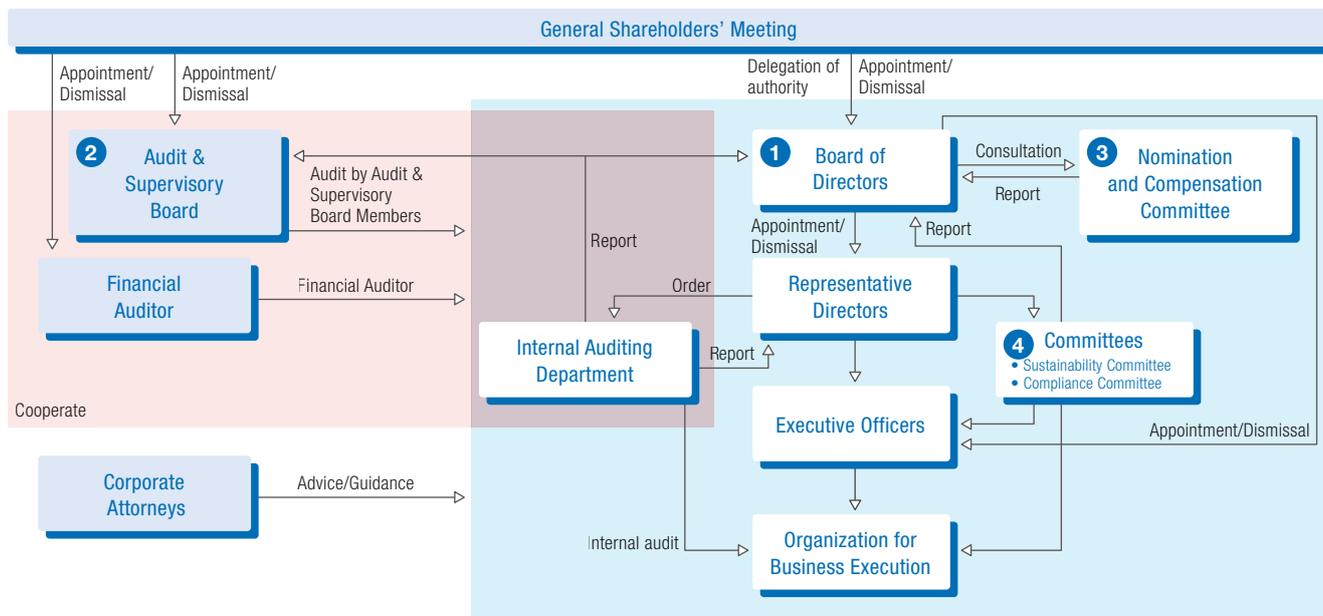
Skill Matrix

Area of expertise the Company expects of Directors in particular

	Corporate management	Finance/accounting/capital policy	Legal affairs/risk management	Human resources development/personnel management	Sales/marketing	Technology	Overseas business	DX
Moritaka Nakamura	✓	✓		✓	✓			✓
Kiyoshi Waki	✓	✓	✓	✓	✓		✓	
Osamu Sano	✓				✓	✓		✓
Atuyuki Ohashi	✓				✓			
Shinya Takada	✓	✓	✓	✓	✓		✓	✓
Masumi Shiraishi			✓	✓				
Masashi Oba	✓	✓	✓	✓			✓	✓

* The above indicates the skills and expertise that are particularly expected of each Director and is not an indication of all of their skills and expert knowledge.

Corporate Governance System



1 Board of Directors

The Board of Directors, which consists of seven Directors, of whom three are outside Directors, is responsible for making decisions as stipulated in laws, regulations, and the articles of incorporation; making important decisions; and the Directors mutually oversee their execution of operations.

In principle, the Board of Directors meets once a month and met a total of 12 times during the fiscal year under review.

2 Audit & Supervisory Board

The Company is a Company with an Audit & Supervisory Board as defined by the Companies Act of Japan, whereby Audit & Supervisory Board Members act independently of Directors and oversee Directors' execution of operations.

The Audit & Supervisory Board consists of four Audit & Supervisory Board Members, of whom three are outside Audit & Supervisory Board Members.

In principle, the Audit & Supervisory Board meets once a month and met a total of 12 times during the fiscal year under review.

3 Nomination and Compensation Committee

Aiming to further enhance our corporate governance by strengthening the independence, objectivity, and accountability of the Board of Directors with regard to the nomination of Directors and executive officers and related matters such as compensation, we established the Nomination and Compensation Committee as an advisory body to the Board of Directors.

The Nomination and Compensation Committee must

include three or more Directors, the majority of whom must be independent outside Directors; it currently consists of five members, including three outside Directors (one of whom serves as Chair), and two inside Directors, including the Representative Director

The Committee met three times during the fiscal year under review, deliberating and reporting to the Board on matters related to: (1) the appointment, dismissal, and transfer of Directors and executive officers, and (2) individual compensation for Directors and executive officers (fixed compensation, performance-based compensation (monetary), and restricted stock compensation).

4 Other Voluntary Committees

The Company has set up two voluntary committees chaired by the President.

Sustainability Committee

The committee pursues initiatives related to sustainability (environment, society, governance, etc.), including measures based on the TCFD Recommendations, and periodically reports on the status of activities to the Board of Directors.

Compliance Committee

The committee manages and oversees compliance with the Ryoyo Group Code of Conduct and other internal rules in a timely manner, and reports quarterly to the Board of Directors on the status of business execution.

Corporate Governance

List of Officers (As of April 26, 2023)

Board of Directors

Directors



Representative Director,
President & Chief Executive Officer

Moritaka Nakamura

Time in office: 5 years *12/12

- In charge of Corporate Planning Division
- Nomination and Compensation Committee Member



Director & Managing Executive Officer

Kiyoshi Waki

Time in office: 7 years *12/12

- In charge of Internal Auditing Department
- In charge of Corporate Administration Division
- Nomination and Compensation Committee Member



Director & Managing Executive Officer

Osamu Sano

Time in office: 1 year *10/10

- In charge of Strategic Technology Development Division



Director & Managing Executive Officer

Atuyuki Ohashi

Time in office: –

- In charge of Semiconductor & Device Division
- In charge of Solution Division

Outside Directors



Outside Director (Independent Officer)

Shinya Takada

Time in office: 3 years *12/12

- Chairman of the Board of Directors
- Chairman of the Nomination and Compensation Committee



Outside Director (Independent Officer)

Masumi Shiraishi

Time in office: 4 years *12/12

- Nomination and Compensation Committee Member



Outside Director (Independent Officer)

Masashi Oba

Time in office: 3 years *12/12

- Nomination and Compensation Committee Member

Audit & Supervisory Board

Audit & Supervisory Board Member



Full-time Audit & Supervisory Board Member

Hiroyuki Kanno

Time in office: 3 years *12/12 **12/12

Outside Audit & Supervisory Board Members



Outside Audit & Supervisory Board Member (Independent Officer)

Ryoji Kimura

Time in office: 11 years *12/12 **12/12



Outside Audit & Supervisory Board Member (Independent Officer)

Kazumi Akiyama

Time in office: 7 years *12/12 **12/12



Outside Audit & Supervisory Board Member (Independent Officer)

Motomi Oi

Time in office: 3 years *12/12 **12/12

* Attendance at meetings of the Board of Directors

** Attendance at meetings of the Board of Audit & Supervisory Board Members

Criteria for the Selection of Outside Officers

In order to ensure the independence of the candidates it recommends for outside officer (outside Director and outside Audit & Supervisory Board Member), the Company has formulated criteria for the selection of outside officers.



Please see the following website for more details

<https://www.ryoyo.co.jp/en/csr>

Compensation for Directors and Audit & Supervisory Board Members

② Compensation for Directors and Audit & Supervisory Board Members and Policy Regarding Decision on Calculation Method

(i) Organization to Deliberate and Determine Compensation for Directors

The Board of Directors consults the Nomination and Compensation Committee regarding the policy on determining compensation, etc., for individual Directors, and then makes a resolution on the policy after receiving the report from the committee.

With regard to the compensation, etc., for individual Directors for the fiscal year under review, the Board of Directors has confirmed that the policy on determining compensation, etc., and the details of compensation, etc., determined conforms with the abovementioned policy resolved by the Board of Directors and that the report from the Nomination and Compensation Committee has been given due weight, and judges that the compensation, etc., for individual Directors are in accordance with the determination policy.

(ii) Structure and Determining Method of Compensation for Directors

(1) Compensation Policy

Our aim with Director compensation is to set compensation at a level suitable for attracting highly qualified people who can help realize Ryoyo Electro's Management Philosophy and improve our business performance in line with our Management Policy, as well as giving Directors an incentive to play an active role in enhancing our corporate value over the longer term. Compensation for Directors who serve concurrently as executive officers includes basic compensation, performance-based compensation (monetary), and stock compensation (restricted stock). Compensation for Directors who do not serve concurrently as executive officers comprises only basic compensation. Furthermore, individual compensation depends on each Director's respective job description and responsibilities based on the compensation system.

(2) Policy for Determining the Amount, Award Period, and Terms of Basic Compensation for Individuals

Basic compensation is fixed monthly compensation paid in cash while the Director is in office. For Directors who also serve as executive officers, the basic compensation amount is determined annually at a certain period, based on the Compensation Table for each rank, and reflecting the previous year performance of the Company, the degree of contribution of each Director to the Company, and other factors. Compensation plans for outside Directors not also serving as executive officers are determined annually at a certain period, taking into account a range of factors, including Company performance, compensation levels at other companies, and the current social context.

Corporate Governance

(3) Policy for Determining the Content of Performance Indicators, Amount, Calculation Method, Award Period, and Terms of Performance-Based Compensation (Monetary)

Directors who serve concurrently as executive officers are paid performance-based compensation (monetary) in an amount determined according to the degree of achievement of target values allocated and set according to duties for each of the following indicators: consolidated operating profit, operating profit of each business division, and consolidated net profit for the applicable fiscal year. The compensation is paid at a certain time each year after the end of the applicable fiscal year.

(4) Policy for Determining the Content, Amount, Calculation Method, Award Period, and Terms of Non-Monetary Compensation, Etc.

The non-monetary compensation, etc., paid by the Company consists of restricted stock compensation. Directors who serve concurrently as executive officers are granted restricted stock at a certain time each year during their incumbency (restricted stock is common stock of the Company allocated to Directors who serve concurrently as executive officers based on a restricted stock allocation agreement concluded with them, in which transfer restrictions stipulated in the agreement are applied for a period from the date of issuance of the stock until the date of retirement of the Director as a Director of the Company or other position stipulated by the Board of Directors). The number of shares of stock granted is determined based on the Compensation Table for each position.

(5) Policy on Compensation Table

The Nomination and Compensation Committee determines the Compensation Table. Using compensation amounts of companies listed on the Japanese stock market taken from the objective compensation survey data of an outside specialist organization as a reference, after comprehensively taking into consideration the Company's performance and corporate scale, social context, and other factors, the Committee makes relative comparisons and revises the Table appropriately based on the Compensation Policy.

(6) Policy for Determining the Ratio of Basic Compensation, Performance-Based Compensation (Monetary), and Stock Compensation (Restricted Stock) to Individual Director Compensation

Compensation for Directors who serve concurrently as executive officers includes basic compensation, performance-based compensation (monetary), and stock compensation (restricted stock), and the ratio of each type of compensation is set based on rank, duties, and trends among other companies and so forth. As an approximate guide to the ratio of compensation by type, basic compensation comprises 70%, performance-based compensation (monetary) 10%, and stock compensation (restricted stock) 20%.

(7) Method of Determining Individual Director Compensation

All Director compensation plans are determined by a resolution of the Board of Directors, reflecting deliberation and reporting from the Nomination and Compensation Committee, the majority of whose members are independent outside Directors.

(iii) Total Compensation by Class of Directors and Audit & Supervisory Board Members, Total Compensation by Type, and the Number of Applicable Individuals

Class of Directors and Audit & Supervisory Board Members	Total compensation (millions of yen)	Compensation by type (millions of yen)			Number of applicable individuals
		Fixed compensation	Restricted stock compensation	Non-monetary compensation, etc.	
Directors	230	161	33	35	10
Of which, outside Directors	38	38	-	-	4
Audit & Supervisory Board Members	36	36	-	-	4
Of which, outside Audit & Supervisory Board Members	21	21	-	-	3
Total	266	197	33	35	14
Of which, outside Directors and outside Audit & Supervisory Board Members	60	60	-	-	7

Analysis of Board of Directors' Effectiveness and Results of Evaluation

We conduct an annual self-evaluation to gauge the effectiveness of our Board of Directors. Issues extracted from the most recent survey included the raising up of successors, and the exchange of opinions between outside officers and executives. Having confirmed the composition and administration of Board meetings, corporate ethics and risk management, performance monitoring and the evaluation and compensation of management, and dialogue with shareholders, among other factors, we confirmed that the effectiveness of the Company's Board of Directors is generally evaluated as being safeguarded.

The Board of Directors will continue to discuss these suggestions as we strive to improve the Board's effectiveness to help build an optimal corporate governance structure.

Internal Control Systems

The following are our basic principles for establishing internal control systems. These principles help us maintain systems for sound internal control.

Content of Policy

- (1) System for ensuring that the execution of duties by Group Directors and employees is in compliance with all laws, regulations, and the articles of incorporation
- (2) System for the storage and management of information related to the execution of duties by Directors
- (3) Rules and other systems for containing the risk of damages to the Group
- (4) System for ensuring the efficient execution of duties by Group Directors
- (5) System for ensuring the appropriateness of operations undertaken by the corporate group consisting of Ryoyo Electro and its subsidiaries and for facilitating reporting to the Company with regard to the execution of duties by directors and other individuals at subsidiaries
- (6) Items concerning employees requested by the Audit & Supervisory Board Members to serve as assistants, the independence of these employees from Directors, and ensuring the effectiveness of the orders issued to such employees by Audit & Supervisory Board Members
- (7) System concerning reports submitted by Directors and employees of the Company and by

Corporate Governance

Directors, Audit & Supervisory Board Members, and employees of subsidiaries to the Audit & Supervisory Board Members of the Company; other systems concerning reports submitted to the Audit & Supervisory Board Members; and systems for ensuring that individuals issuing such reports do not suffer disadvantageous treatment due to reporting

- (8) Items related to policies concerning the procedures through which Audit & Supervisory Board Members may receive reimbursement, prior to or after the fact, for expenses incurred during the execution of their duties as well as the treatment of other expenses and liabilities incurred as part of the execution of duties
- (9) Other systems for ensuring effective auditing by the Audit & Supervisory Board Members



Details about our internal control system are posted on the company website.
<https://www.ryoyo.co.jp/en/csr/>

Policy for Proactive Communication with Shareholders

The Company endeavors to ensure that disclosure of management information is conducted accurately, impartially, and promptly. In addition, we recognize that facilitating mutual understanding through proactive communication with shareholders and incorporating feedback from shareholders into management decision-making are crucial to the Company's ongoing growth and to the medium- to long-term improvement of corporate value. Accordingly, the following provisions have been put in place to support proactive communications activities.

- (1) The Director in charge of the Corporate Planning Division oversees shareholder communications.
- (2) The Public Relations Department of the Corporate Planning Division functions as a venue for shareholder communications, while preparations for such communications are carried out jointly by the Corporate Planning, General Affairs, and Accounting departments.
- (3) Explanatory forums are held for institutional investors and analysts at which we report on and explain current business conditions and the future direction of the Company.
- (4) Systems are in place to ensure that feedback received through shareholder communications activities is shared with management in a timely manner.
- (5) In-house workshops regarding insider information are held and other steps are taken to ensure the appropriate management of insider information.



Note: The Company strives to ensure timely and appropriate disclosure of management information through its corporate website and other venues.
<https://www.ryoyo.co.jp/en>

Risk Management Systems

Risks that may affect our operations include those related to compliance, the environment, disasters, information security, product quality, foreign exchange rates, and financial reporting. Each department maintains effective risk management systems managed by employees who are responsible for risk management. In the event that any risk occurs, these employees will guide their department in responding quickly and effectively to those risks in order to minimize damages.

	Description of risk	Risk mitigation measures
Loss of commercial rights	In principle, the term of distributor and principal distributor contracts signed with suppliers is one year. There is a risk that commercial rights will be lost if such contracts are either not renewed or are cancelled mid-term in the event the supplier's business performance worsens, its policies change, or a corporate reorganization occurs, etc., or there are revisions to distribution channels.	The Ryoyo Group strives not only to maintain and expand its existing business, but also to develop new business models and develop new business drivers. The Ryoyo Group aims to be a trading company that offers added value with unique strengths as a solution provider by offering support ranging from edge to cloud computing.
Investment risk	The Ryoyo Group may invest in its business partners with the aim of future growth. However, there is a risk it will be necessary to record an impairment loss on such investments as the business performance of a company invested in may differ significantly from its performance at the time of the investment.	When making an investment, the Ryoyo Group carefully considers the financial position of the company to be invested in, the feasibility of its business plan, investment returns, and other factors, and the Board of Directors deliberates on the investment. In addition, the financial position and progress of the business of the company invested in is monitored regularly after investment.
Disposal of inventories	The Ryoyo Group maintains a certain level of inventory to ensure stable supply of products to customers, which is the key function of a trading company. However, there is a risk of disposal of inventories because of customer demand falling below our initial expectations due to market fluctuations or other circumstances.	The Ryoyo Group works to maintain appropriate inventory levels and prevent slow moving inventories by collecting information regarding demand forecasts for customers and supply conditions at suppliers. We have also introduced a valuation loss system to assess the future salability of inventories, and we work to mitigate losses in the event of disposal of inventories.
Indemnification risk	There is a risk that the Ryoyo Group will be subject to claims, etc., from entities with which contracts have been concluded or other third parties in the event that the Group is found liable for defects with products it handles or is involved in litigation related to intellectual property rights.	The Ryoyo Group has established the Quality Assurance Department and the Legal Affairs Department and constantly makes efforts to improve the quality and reliability of the products it handles and to avoid infringing intellectual property rights. When suppliers or contractors are involved, the Group strives to reduce indemnification risk using written contracts.
Foreign exchange risk	The Ryoyo Group undertakes foreign currency denominated transactions, including importing and exporting. There is a risk that sales and cost of sales will fluctuate due to the impact of foreign exchange rates, and that non-operating income and expenses will be incurred at the time of settlement of receivables and payables or as of the closing date.	The Ryoyo Group works to reduce the impact of foreign exchange rate fluctuations utilizing forward exchange contracts and other means.
Collection of accounts receivable	The Ryoyo Group provides credit in its transactions with customers in Japan and overseas. There is a risk that difficulties may arise with respect to the collection of accounts receivable due to a rapid deterioration in management or bankruptcy of a customer.	The Ryoyo Group sets credit limits for each customer according to their public credibility and financial condition and undertakes transactions within those limits. Depending on the degree of risk, the Group also works to minimize risk for collection of accounts receivable through factoring and other means.
Shareholding risk	The Ryoyo Group owns the shares of specific business partners to further strengthen business alliances and maintain and strengthen stable business relations. There is a risk that valuation loss may be recorded in the future due to a decline of the stock market or poor business performance of the companies in which the Ryoyo Group has purchased stocks.	With regard to listed stockholdings, the Ryoyo Group verifies the appropriateness of continuing to hold stocks based on qualitative judgements including non-financial information, in addition to quantitative judgements based on the short-term business performance and stock price, and reports the results to the Board of Directors.
Natural disasters and infectious diseases	There is a risk that the Group's business activities will be impacted in the event of a halting of business operations or the disruption of supply chains due to a natural disaster, such as an earthquake, windstorm, flood, fire, or eruption, or an outbreak of an infectious disease such as COVID-19 in the countries or regions in which the Ryoyo Group conducts business operations.	The Ryoyo Group has established a disaster prevention taskforce headed by the President & CEO with systems for mitigating the impact of various disasters and infectious diseases which are expected to have a major impact. With the spread of COVID-19, the Group implemented infection control measures including promotion of telecommuting, the wearing of masks, and thorough handwashing.
Country-based risks	There is a risk that the Group's business activities could be affected in the event of changes in the political, economic, or social environment, revisions to laws and taxation systems, or the outbreak of social disorder due to such events as terrorism or war in the countries or regions where the Ryoyo Group is engaged in business.	The Ryoyo Group regularly obtains information on overseas business risk from local experts and has established systems for responding appropriately when risks arise.

Consolidated Financial Highlights

Ryoyo Electro Corporation and Consolidated Subsidiaries
For the years ended January 31, 2023, 2022, 2021, 2020, and 2019

	Millions of yen					Thousands of U.S. dollars*
	2023.1	2022.1	2021.1	2020.1	2019.1	2023.1
For the Year						
Net sales	¥ 129,912	¥ 112,099	¥ 95,792	¥ 108,538	¥ 93,799	\$ 995,723
Gross profit	13,583	10,732	9,194	10,361	8,925	104,114
Selling, general and administrative expenses	8,889	8,474	7,927	8,206	7,667	68,137
Operating profit	4,693	2,258	1,266	2,154	1,257	35,977
Profit attributable to owners of parent	3,056	1,873	806	1,303	1,020	23,426
Free cash flows	(2,403)	(5,535)	13,434	697	1,132	(18,420)
At Year-End						
Total assets	¥ 88,409	¥ 72,652	¥ 59,336	¥ 78,117	¥ 75,538	\$ 677,620
Total net assets	44,725	42,309	37,992	62,135	62,208	342,804
Per Share of Common Stock (Yen/U.S. dollars)						
Net income	¥ 151.46	¥ 103.94	¥ 35.19	¥ 53.06	¥ 41.62	\$ 1.16
Total net assets	2,213.66	2,130.47	2,188.90	2,524.47	2,531.90	16.97
Cash dividends	110.00	120.00	180.00	80.00	60.00	0.84
Ratios (%)						
Gross profit margin	10.5	9.6	9.6	9.5	9.5	
Operating margin	3.6	2.0	1.3	2.0	1.3	
Net income margin	2.4	1.7	0.8	1.2	1.1	
Equity ratio	50.6	58.2	64.0	79.4	82.2	
Return on equity	7.0	4.7	1.6	2.1	1.6	
Other Information						
Number of shares issued**	20,191,464	19,844,823	17,336,633	24,572,801	24,521,409	
Number of employees	714	715	711	561	526	

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥130.47 = U.S.\$1.00, the exchange rate prevailing on January 31, 2023.

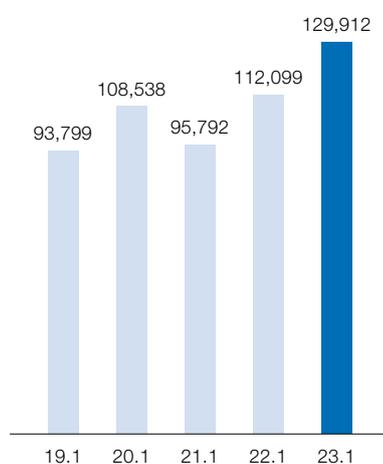
** Number of shares issued does not include treasury stock.

Notes: 1. The consolidated financial highlights are a translation of the Japanese financial statements. The Japanese version will be used for matters of a legal nature.

2. Unless otherwise noted, figures are rounded down to the nearest million.

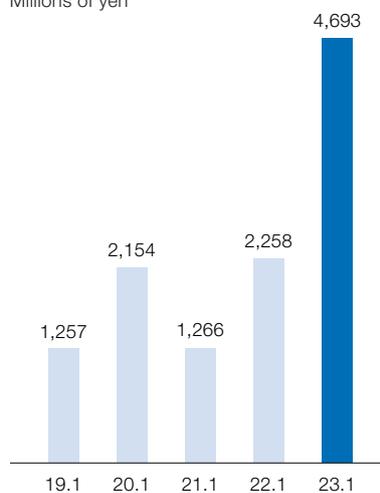
Net Sales

Millions of yen



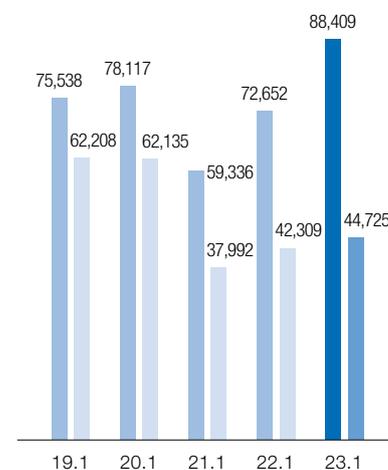
Operating Profit

Millions of yen



Total Assets/Total Net Assets

Millions of yen



Consolidated Financial Review

Operating Environment

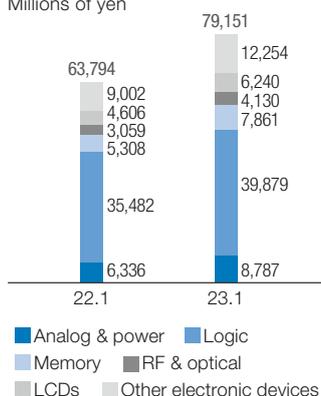
During the fiscal year under review (ended January 31, 2023), social and economic activities in Japan moved toward a return to normality. However, soaring energy and raw materials prices arising from heightened geopolitical risks, monetary tightening in various countries, and higher prices due to the yen's depreciation conjoined to undermine the strength of economic recovery, while the outlook remains uncertain.

The electronics industry, in which the Group operates, saw disruptions to the supply chain stemming from shortages of semiconductors and other components, although there was improvement in the supply balance in some areas and product categories, pointing ahead to a recovery of stability. Meanwhile, the ICT area continued to see brisk IT-related investment by companies in digital transformation to support automation and labor saving and to reform their business models, resulting in ongoing solid performance.

Results for the Fiscal Year Ended January 31, 2023

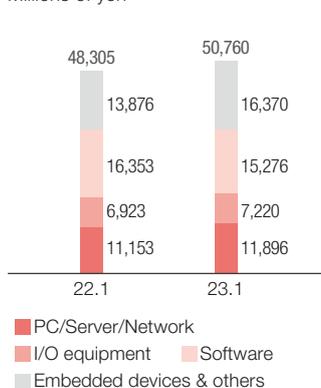
Semiconductors & Devices

Millions of yen



ICT & Solutions

Millions of yen



In this environment, the Group positioned “To provide the best solutions for our customers’ issues and problems in a faster and better manner than anyone else.” as our vision for the first year of the current three-year plan. Our core strategies to this end are to expand and deepen customer engagement, pursue uniqueness, and increase productivity. These strategies guided our pursuit of various measures during the year, which yielded year-on-year growth in both the Semiconductors & Devices and ICT & Solutions businesses.

As a result, consolidated financial results for the fiscal year under review showed significant year-on-year improvement at all levels: Net sales were up 15.9% year on year to ¥129,912 million; operating profit was up 107.9% to ¥4,693 million; ordinary profit increased 86.5% to ¥4,477 million, and profit attributable to owners of parent increased 63.1% to ¥3,056 million.

Sales by Products

The overview of sales by products is as follows.

Semiconductors & Devices

Net sales were ¥79,151 million, an increase of ¥15,357 million, or 24.1%, year on year. This was mainly due to solid performance in a wide range of areas, particularly for industrial applications and applications for office equipment.

ICT & Solutions

Net sales were ¥50,760 million, an increase of ¥2,455 million, or 5.1%, year on year. This was mainly due to growth in sales of personal computers, network equipment, and other products and related services associated with the introduction of an online eligibility verification system in Japan.

Sales by Region

The overview of results by region is as follows. The figure for operating profit presented in the consolidated statements of income includes operating profit from each segment as well as from intersegment transactions.

Japan

Demand for semiconductors and devices remained strong across a broad range of areas, fueling a ¥9,374 million, or 12.4%, year-on-year increase in sales to external customers to ¥84,944 million. Operating profit in this regional segment increased by ¥1,783 million, or 99.3%, to ¥3,581 million.

Consolidated Financial Review

Asia

Sales to external customers were up ¥8,437 million, or 23.1%, year on year to ¥44,967 million, due mainly to improved performance of devices for office automation and communication equipment and semiconductors for digital home appliances. Operating profit in this regional segment was up ¥675 million, or 114.8%, to ¥1,264 million.

Financial Position

Total assets at the end of the fiscal year under review amounted to ¥88,409 million, an increase of ¥15,756 million from the previous fiscal year-end. This was mainly due to an increase in cash and deposits.

Total liabilities were up ¥13,340 million from the previous fiscal year-end to ¥43,683 million. This was mainly due to an increase in short-term borrowings.

Total net assets were up ¥2,416 million to ¥44,725 million. This was mainly attributable to a decrease in treasury stock due to the exercise of stock acquisition rights.

Cash Flows

Overview of Cash Flows

Cash and cash equivalents totaled ¥19,031 million at fiscal year-end, a year-on-year increase of ¥9,827 million, mainly reflecting proceeds from short-term borrowings.

Cash flows from operating activities

Net cash used in operating activities was ¥2,553 million, a year-on-year increase of ¥5,536 million. This reflects several factors: Although the Company recorded profit before income taxes of ¥4,372 million, trade receivables were up by ¥1,193 million and inventories were up by ¥3,505 million, while trade payables were down by ¥2,070 million.

Cash flows from investing activities

Net cash provided by investing activities was ¥150 million, a year-on-year decrease of ¥2,404 million. The main inflow was attributable to proceeds from redemption of securities of ¥500 million.

Cash flows from financing activities

Net cash provided by financing activities was ¥11,549 million, an increase of ¥4,677 million from the previous fiscal year, due mainly to proceeds from short-term borrowings.

Basic Policy Regarding the Distribution of Profit

Our basic policy regarding dividend payments is to return profits to shareholders while considering the Company's financial position and the operating environment, as we seek to maintain a stable operating foundation and pursue future business expansion. We have set "a dividend on equity ratio (DOE) of 5%" as our target for shareholder returns.

Based on this policy, we set the annual dividend for the fiscal year under review at ¥110 per share (interim dividend of ¥50, year-end dividend of ¥60). We also plan to pay an annual dividend of ¥120 for the fiscal year ending January 31, 2024, a ¥10 increase.

		Dividend per share (Yen)			Payout Ratio	DOE
		Interim	Year-End	Full Year		
2024.1	Forecast	60	60	120	44.1%	5.2%
2023.1	Result	50	60	110	72.6%	5.1%
2022.1	Result	60	60	120	115.4%	5.6%

Consolidated Balance Sheets

Ryoyo Electro Corporation and Consolidated Subsidiaries at January 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2022	As of January 31, 2023	As of January 31, 2023
Assets			
Current assets			
Cash and deposits	¥ 9,204	¥ 19,031	\$ 145,872
Notes and accounts receivable - trade	28,663	-	-
Notes and accounts receivable - trade, and contract assets	-	30,966	237,343
Electronically recorded monetary claims - operating	3,494	3,886	29,791
Securities	500	-	-
Merchandise and finished goods	19,466	23,623	181,063
Work in process	122	174	1,341
Other	1,505	1,502	11,518
Allowance for doubtful accounts	(5)	(1)	(15)
Total current assets	62,952	79,183	606,913
Non-current assets			
Property, plant and equipment			
Tools, furniture and fixtures, net	74	73	563
Land	5	5	44
Construction in progress	6	7	57
Other, net	132	139	1,073
Total property, plant and equipment	219	226	1,736
Intangible assets			
Goodwill	535	471	3,612
Other	297	361	2,767
Total Intangible assets	832	832	6,380
Investments and other assets			
Investment securities	5,721	5,406	41,438
Deferred tax assets	53	110	848
Retirement benefit asset	1,621	1,589	12,184
Other	1,737	1,642	12,586
Allowance for doubtful accounts	(485)	(582)	(4,464)
Total Investments and other assets	8,648	8,166	62,592
Total noncurrent assets	9,700	9,225	70,708
Total Assets	¥ 72,652	¥ 88,409	\$ 677,620

	Millions of yen		Thousands of U.S. dollars
	As of January 31, 2022	As of January 31, 2023	As of January 31, 2023
Liabilities			
Current liabilities			
Notes and accounts payable - trade	¥ 14,726	¥ 13,366	\$ 102,449
Short-term borrowings	11,763	25,817	197,884
Income taxes payable	427	1,423	10,912
Accrued consumption taxes	35	143	1,099
Provision for bonuses	560	857	6,571
Other	1,370	1,048	8,038
Total current liabilities	28,884	42,657	326,952
Non-current liabilities			
Deferred tax liabilities	865	603	4,624
Retirement benefit liability	321	316	2,426
Other	271	106	814
Total noncurrent liabilities	1,458	1,026	7,864
Total liabilities	30,342	43,683	334,816
Net assets			
Shareholders' equity			
Share capital	13,672	13,672	104,790
Capital surplus	13,336	13,336	102,219
Retained earnings	31,164	32,000	245,271
Treasury shares	(17,978)	(17,068)	(130,826)
Total shareholders' equity	40,194	41,940	321,455
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	1,794	1,805	13,837
Deferred gains or losses on hedges	(0)	0	0
Foreign currency translation adjustment	412	1,124	8,622
Remeasurements of defined benefit plans	(122)	(173)	(1,330)
Total accumulated other comprehensive income	2,083	2,756	21,130
Share acquisition rights	30	28	219
Total Net assets	42,309	44,725	342,804
Total Liabilities and net assets	¥ 72,652	¥ 88,409	\$ 677,620

Consolidated Statements of Income and Consolidated Comprehensive Statements of Income

Ryoyo Electro Corporation and Consolidated Subsidiaries for the Years Ended January 31, 2023 and 2022

Consolidated Statement of Income	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2022	Year ended January 31, 2023	Year ended January 31, 2023
Net sales	¥ 112,099	¥ 129,912	\$ 995,723
Cost of sales	101,366	116,328	891,609
Gross profit	10,732	13,583	104,114
Selling, general and administrative expenses			
Provision of allowance for doubtful accounts	(0)	(3)	(28)
Salaries and bonuses	3,447	3,400	26,066
Provision for bonuses	504	746	5,718
Retirement benefit expenses	200	174	1,335
Rent expenses	399	414	3,178
Depreciation	149	145	1,118
Other	3,773	4,011	30,749
Total selling, general and administrative expenses	8,474	8,889	68,137
Operating profit	2,258	4,693	35,977
Non-operating income			
Interest income	18	43	333
Dividend income	105	113	872
Gain on investments in investment partnerships	134	6	50
Other	28	21	166
Total non-operating income	286	185	1,421
Non-operating expenses			
Interest expenses	90	185	1,420
Sales discounts	4	-	-
Foreign exchange losses	9	151	1,162
Loss on abandonment of non-current assets	3	2	23
Provision of allowance for doubtful accounts	-	54	421
Other	36	6	51
Total non-operating expenses	144	401	3,077
Ordinary profit	2,400	4,477	34,322
Extraordinary income			
Gain on sales of investment securities	291	-	-
Total extraordinary income	291	-	-
Extraordinary losses			
Loss on sales of investment securities	23	-	-
Loss on valuation of investment securities	-	105	805
Loss on valuation of shares of subsidiaries and associates	70	-	-
Provision of allowance for doubtful accounts	52	-	-
Settlement package	18	-	-
Total extraordinary losses	164	105	805
Profit before income taxes	2,526	4,372	33,517
Income taxes - current	545	1,595	12,230
Income taxes - deferred	107	(279)	(2,139)
Total income taxes	653	1,316	10,091
Profit	1,873	3,056	23,426
Profit attributable to owners of parent	¥ 1,873	¥ 3,056	\$ 23,426
Consolidated Comprehensive Statement of Income			
Profit attributable to owners of parent	1,873	3,056	23,426
Other comprehensive income			
Valuation difference on available-for-sale securities	(324)	10	84
Deferred gains or losses on hedges	(0)	0	4
Foreign currency translation adjustment	538	712	5,460
Remeasurements of defined benefit plans, net of tax	(71)	(51)	(391)
Total other comprehensive income	142	672	5,158
Comprehensive income	2,015	3,729	28,584
(Details)			
Comprehensive income attributable to owners of parent	2,015	3,729	28,584
Comprehensive income attributable to non-controlling interests	-	-	-

Consolidated Statements of Changes in Net Assets

Ryoyo Electro Corporation and Consolidated Subsidiaries for the Years Ended January 31, 2023 and 2022

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Share acquisition rights	
From February 1, 2021 to January 31, 2022											
Balance at the beginning of current period	¥13,672	¥13,336	¥33,460	¥(24,461)	¥36,006	¥2,119	¥(0)	¥(126)	¥(50)	¥43	¥37,992
Changes during period											
Dividends of surplus			(3,142)		(3,142)						(3,142)
Profit attributable to owners of parent			1,873		1,873						1,873
Purchase of treasury shares				(1)	(1)						(1)
Disposal of treasury shares		(0)		0	0						0
Exercise of share acquisition rights		(1,028)		6,430	5,401						5,401
Restricted stock payment		2		54	57						57
Transfer from retained earnings to capital surplus		1,025	(1,025)								
Net changes in items other than shareholders' equity						(324)	(0)	538	(71)	(13)	129
Total changes during period			(2,295)	6,483	4,188	(324)	(0)	538	(71)	(13)	4,317
Balance at end of period	¥13,672	¥13,336	¥31,164	¥(17,978)	¥40,194	¥1,794	¥(0)	412	¥(122)	¥30	¥42,309

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Share acquisition rights	
From February 1, 2022 to January 31, 2023											
Balance at the beginning of current period	¥13,672	¥13,336	¥31,164	¥(17,978)	¥40,194	¥1,794	¥(0)	¥412	¥(122)	¥30	¥42,309
Changes during period											
Dividends of surplus			(2,200)		(2,200)						(2,200)
Profit attributable to owners of parent			3,056		3,056						3,056
Purchase of treasury shares				(1)	(1)						(1)
Disposal of treasury shares		(0)		0	0						0
Exercise of share acquisition rights		(210)		848	638						638
Restricted stock payment		(13)		62	48						48
Change in scope of consolidation			204		204						204
Transfer from retained earnings to capital surplus		224	(224)								
Net changes in items other than shareholders' equity						10	0	712	(51)	(2)	670
Total changes during period			835	909	1,745	10	0	712	(51)	(2)	2,416
Balance at end of period	¥13,672	¥13,336	¥32,000	¥(17,068)	¥41,940	¥1,805	¥0	¥1,124	¥(173)	¥28	¥44,725

Thousands of U.S. Dollars

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Share acquisition rights	
From February 1, 2022 to January 31, 2023											
Balance at the beginning of current period	\$104,790	\$102,219	\$238,866	\$(137,798)	\$308,078	\$13,753	\$(4)	\$3,162	\$(939)	\$237	\$324,286
Changes during period											
Dividends of surplus			(16,866)		(16,866)						(16,866)
Profit attributable to owners of parent			23,426		23,426						23,426
Purchase of treasury shares				(10)	(10)						(10)
Disposal of treasury shares		(0)		1	1						1
Exercise of share acquisition rights		(1,614)		6,506	4,892						4,892
Restricted stock payment		(105)		475	370						370
Change in scope of consolidation			1,565		1,565						1,565
Transfer from retained earnings to capital surplus		1,720	(1,720)								
Net changes of items other than shareholders' equity						84	4	5,460	(391)	(17)	5,141
Total changes during period			6,405	6,972	13,378	84	4	5,460	(391)	(17)	18,518
Balance at end of period	\$104,790	\$102,219	\$245,272	\$(130,826)	\$321,455	\$13,837	\$0	\$8,622	\$(1,330)	\$219	\$342,804

Consolidated Statements of Cash Flows

Ryoyo Electro Corporation and Consolidated Subsidiaries for the Years Ended January 31, 2023 and 2022

Consolidated Statement of Income	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended January 31, 2022	Year ended January 31, 2023	Year ended January 31, 2023
Cash flows from operating activities			
Profit before income taxes	¥ 2,526	¥ 4,372	\$ 33,517
Depreciation	178	179	1,376
Amortization of goodwill	64	64	493
Loss (gain) on sales and retirement of non-current assets	3	2	21
Share-based remuneration expenses	57	40	307
Loss (gain) on investments in investment partnerships	(134)	(6)	(50)
Foreign exchange losses (gains)	57	(112)	(866)
Increase (decrease) in provisions	120	346	2,653
Increase (decrease) in retirement benefit liability	15	11	85
Interest and dividend income	(123)	(157)	(1,205)
Interest expenses	90	185	1,420
Loss (gain) on sales of investment securities	(267)	-	-
Loss (gain) on valuation of investment securities	-	105	805
Loss on valuation of shares of subsidiaries and associates	70	-	-
Settlement package	18	-	-
Decrease (increase) in trade receivables	(5,832)	(1,193)	(9,145)
Decrease (increase) in inventories	(7,527)	(3,505)	(26,865)
Increase (decrease) in trade payables	3,054	(2,070)	(15,869)
Increase (decrease) in accrued consumption taxes	(197)	105	812
Other, net	(359)	(261)	(2,008)
Subtotal	(8,184)	(1,894)	(14,520)
Interest and dividends received	127	148	1,137
Interest paid	(88)	(179)	(1,377)
Settlement package paid	(9)	-	-
Income taxes (paid) refund	64	(628)	(4,815)
Net cash provided by (used in) operating activities	(8,090)	(2,553)	(19,575)
Cash flows from investing activities			
Payments into time deposits	-	(1,460)	(11,192)
Proceeds from withdrawal of time deposits	-	1,460	11,192
Proceeds from redemption of securities	500	500	3,832
Purchase of property, plant and equipment and intangible assets	(152)	(260)	(1,998)
Proceeds from sales of property, plant and equipment and intangible assets	1	1	9
Purchase of investment securities	(112)	(7)	(60)
Proceeds from sales of investment securities	2,267	-	-
Proceeds from sale of shares of subsidiaries and associates	-	0	4
Loan advances to subsidiaries and associates	-	(60)	(467)
Proceeds from distributions from investment partnerships	127	19	147
Purchase of insurance funds	(165)	(140)	(1,074)
Proceeds from cancellation of insurance funds	187	101	781
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(99)	-	-
Other, net	2	(2)	(18)
Net cash provided by (used in) investing activities	2,554	150	1,155
Cash flows from financing activities			
Proceeds from short-term borrowings	96,452	193,365	1,482,066
Repayments of short-term borrowings	(91,799)	(180,224)	(1,381,347)
Dividends paid	(3,133)	(2,195)	(16,828)
Purchase of treasury shares	(1)	(1)	(10)
Proceeds from sales of treasury shares	0	0	1
Proceeds from issuance of share acquisition rights	19	-	-
Proceeds from disposal of treasury shares from exercise of subscription rights to shares	5,369	636	4,875
Repayments of lease obligations	(34)	(30)	(233)
Net cash provided by (used in) financing activities	6,872	11,549	88,523
Effect of exchange rate change on cash and cash equivalents	223	348	2,670
Net increase (decrease) in cash and cash equivalents	1,559	9,494	72,773
Cash and cash equivalents at beginning of period	7,644	9,204	70,548
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	332	2,551
Cash and cash equivalents at end of period	¥ 9,204	¥ 19,031	\$ 145,872

Corporate Data/Investor Information

As of January 31, 2023

Company Name

Ryoyo Electro Corporation

Head Office

1-12-22 Tsukiji, Chuo-ku,
Tokyo 104-8408, Japan

Telephone

+81-3-3543-7711

FAX

+81-3-3545-3507

Website

<https://www.ryoyo.co.jp/en>

Establishment

February 27, 1961

Capital

¥13,672 million

Authorized Shares

119,628,800

Shares Issued

26,800,000

Shareholders

23,750

Stock Trading Unit

100 shares

Stock Listing

Tokyo Stock Exchange,
Prime Market

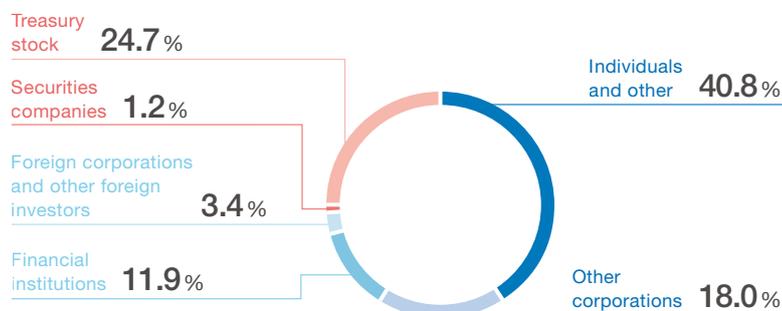
Ticker Code

8068

Transfer Agent

Mitsubishi UFJ Trust and
Banking Corporation

Composition of Shareholders

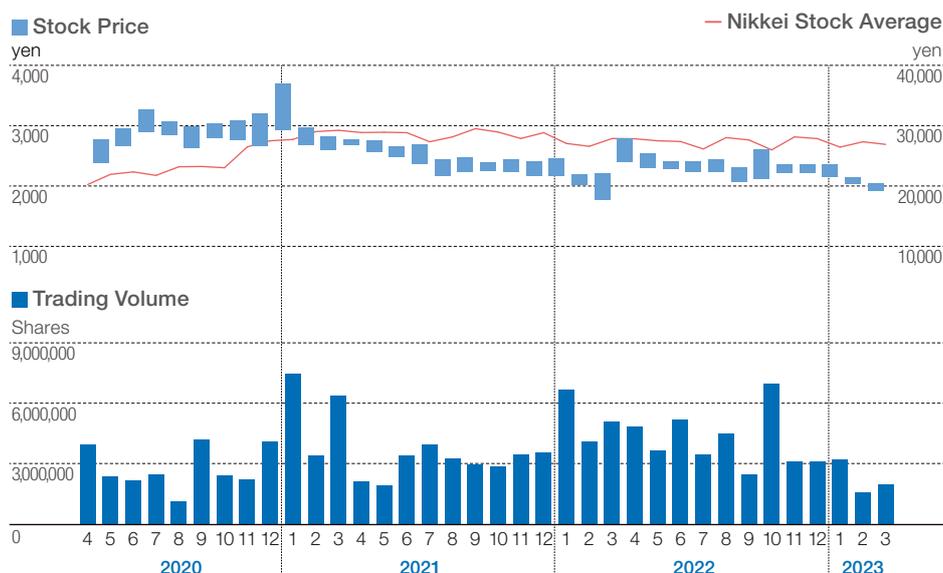


Major Shareholders

	Thousands of shares	%
SHC Corporation	2,118	10.49
The Master Trust Bank of Japan (Trust account)	2,073	10.27
Mitsubishi Electric Corporation	1,576	7.81
Sheep Shokai Co.	523	2.59
Nippon Life Insurance Company	409	2.03
Ryoyo Electro Employee Stockholder Association	309	1.53
Yoshihisa Shimada	211	1.05
Yoichiro Ohashi	206	1.02
Ken System Co., Ltd.	200	0.99
Mars Group Holdings Corporation	200	0.99

Note: Calculations for the ownership percentages above do not account for the 6,608,536 shares of treasury stock.

Stock Price Chart



Caution on Forward-Looking Statements

The contents of this annual review that are not historical fact represent projections based on expectations and plans for the future. These projections contain elements of risk and uncertainty. As a result, forward-looking statements made in this annual review may differ from actual results and performance.

Notes on Performance Figures in This Annual Review

The performance figures used in this annual review, including those from previous fiscal years, are based on Ryoyo Electro Corporation's audited Japanese financial reviews.



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