

Results Briefing for Fiscal Year Ended January 31, 2022

March 11, 2022

Ryoyo Electro Corporation

First Section, Tokyo Stock Exchange (Ticker Code: 8068)

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

Overview of Fiscal Year Ended January 31, 2022

**Business Plan for Fiscal Year Ending
January 31, 2023**

**New Three-Year Business Plan
(February 2022 – January 2025)**

Shareholder Returns

Corporate Governance

Overview of Fiscal Year Ended January 31, 2022

Intentions at beginning the year

Actual changes

Overall market conditions

Overall market conditions are expected to recover compared to FY2021/1, although COVID-19 effects are expected to remain in some areas, among them corporate IT-related investment..



As initially expected, the recovery trend from the previous year is more apparent in a wide range of fields.

Impact of semiconductor supply shortages

No significant impact was seen at the beginning of the year, and with uncertainty regarding future prospects, impact was not factored into the plan.



Semiconductors & devices were supported by robust demand, with procurement of some ICT & solutions products impacted.

Semiconductors & devices

Despite an expected decrease in orders for TVs, which had been strong in the previous fiscal year, a slight YoY increase is forecasted for the fiscal year due to the normalization of production activities and contributions from new orders..



Orders for TVs, which were expected to decrease, increased due to the development of new customers, and favorable demand amid the aforementioned semiconductor supply shortage also contributed to the increase.

ICT & solutions

Ryoyo will capture demand related to the online eligibility verification system using IC chips for the Individual Number Cards which will start this fiscal year. In addition, the business environment is expected to gradually improve toward the end of the fiscal year.



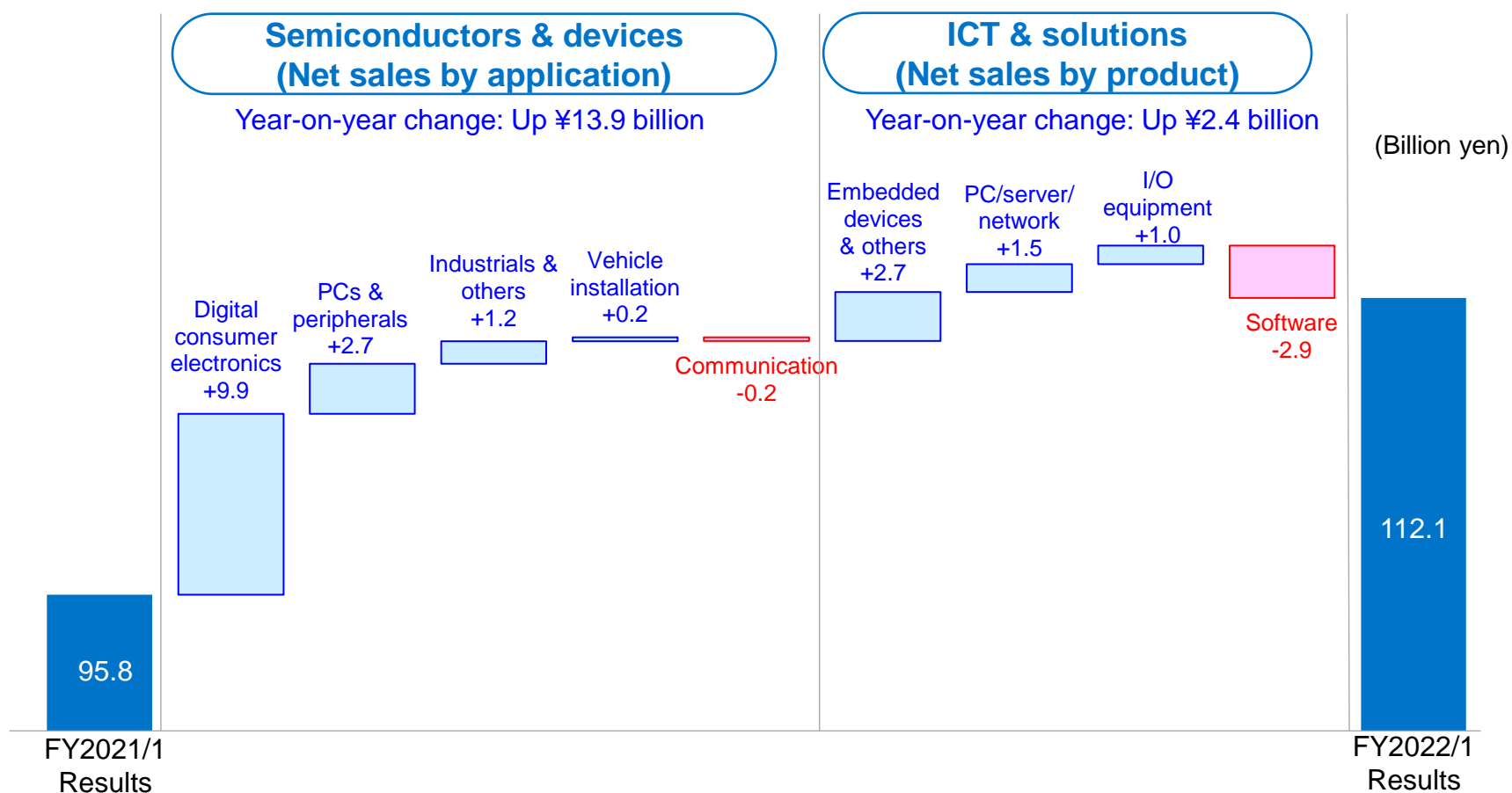
Introduction of the online eligibility verification system was postponed, and projects overall were postponed (some were carried over to the next fiscal year). Other projects, with the exception of software-related projects, were relatively steady.

- Sales and income were up both YOY and vs. initial plans.
- Increase in ordinary profit and profit attributable to owners of parent expanded, mainly due to the absence of non-operating expenses allocated in the previous year (expenses related to the buyback of treasury stock: ¥490 million).
- ROE improved significantly due to growth in profits and adjustment of capital structure. (→High levels reached for the first time in 20 years)

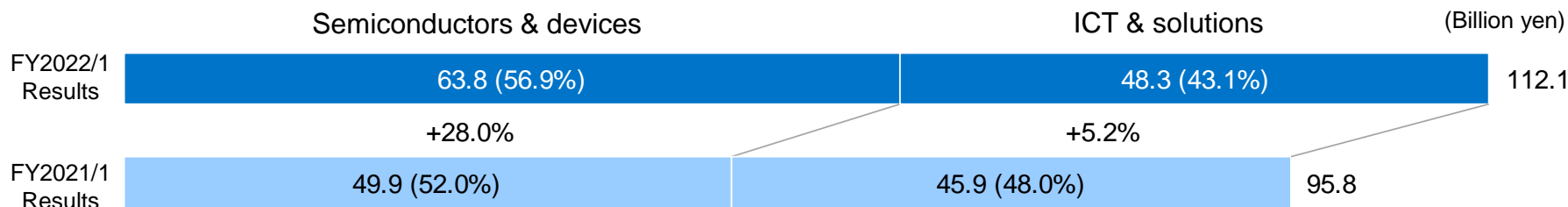
(Billion yen)	FY2021/1*	FY2022/1*		YoY Change		Compared to Initial Target	
	Result	Initial Target	Result		%		%
Net sales	95.8	100.0	112.1	+16.3	+17.0%	+12.1	+12.1%
Gross profit	9.19	10.10	10.73	+1.54	+16.7%	+0.63	+6.3%
(%)	9.6%	10.1%	9.6%				
Selling, general and administrative expenses	7.93	8.10	8.47	+0.55	+6.9%	+0.37	+4.6%
Operating profit	1.27	2.00	2.26	+0.99	+78.2%	+0.26	+12.9%
(%)	1.3%	2.0%	2.0%				
Ordinary profit	0.91	1.95	2.40	+1.50	+165.2%	+0.45	+23.1%
Profit attributable to owners of parent	0.81	1.35	1.87	+1.07	+132.4%	+0.52	+38.8%
ROE	1.6%		4.7%				

* FY2021/1: Fiscal year ended January 2021, FY2022/1: Fiscal year ended January 2022

- In semiconductors & devices, in addition to significant growth in products for TVs and other digital consumer electronics, overall sales were supported by robust demand amid semiconductor supply shortages.
- In ICT & solutions, sales of software for PCs declined (reaction to special demand up to the first half of the previous fiscal year), but sales of other items were generally firm.

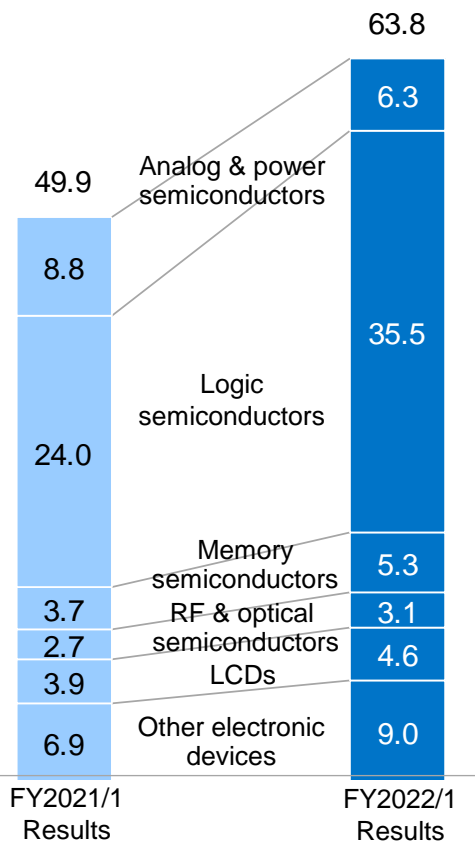


Supplement: Net sales by product

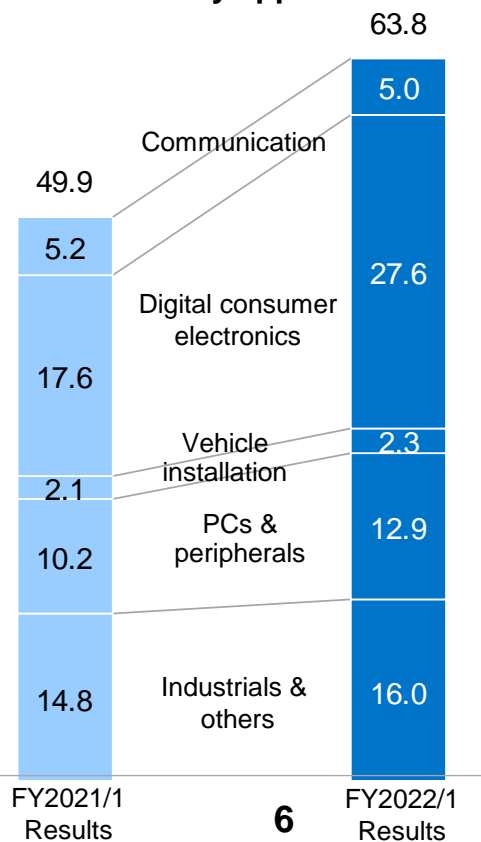


Semiconductors & devices

Net sales by product



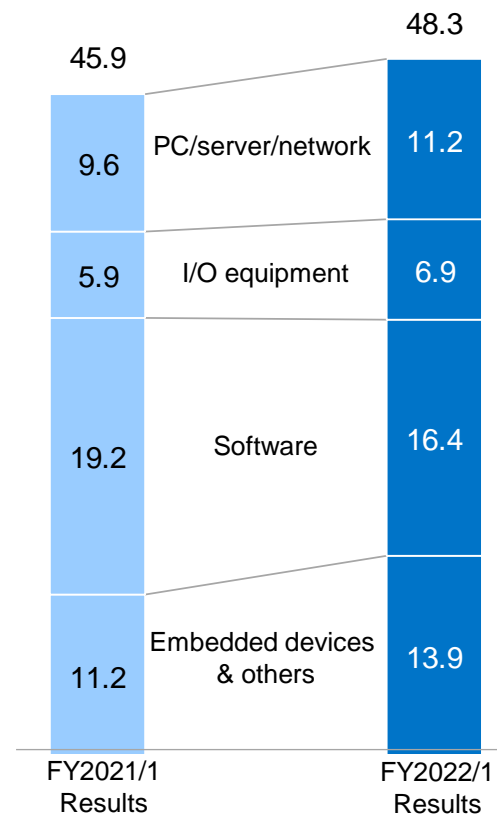
Net sales by application



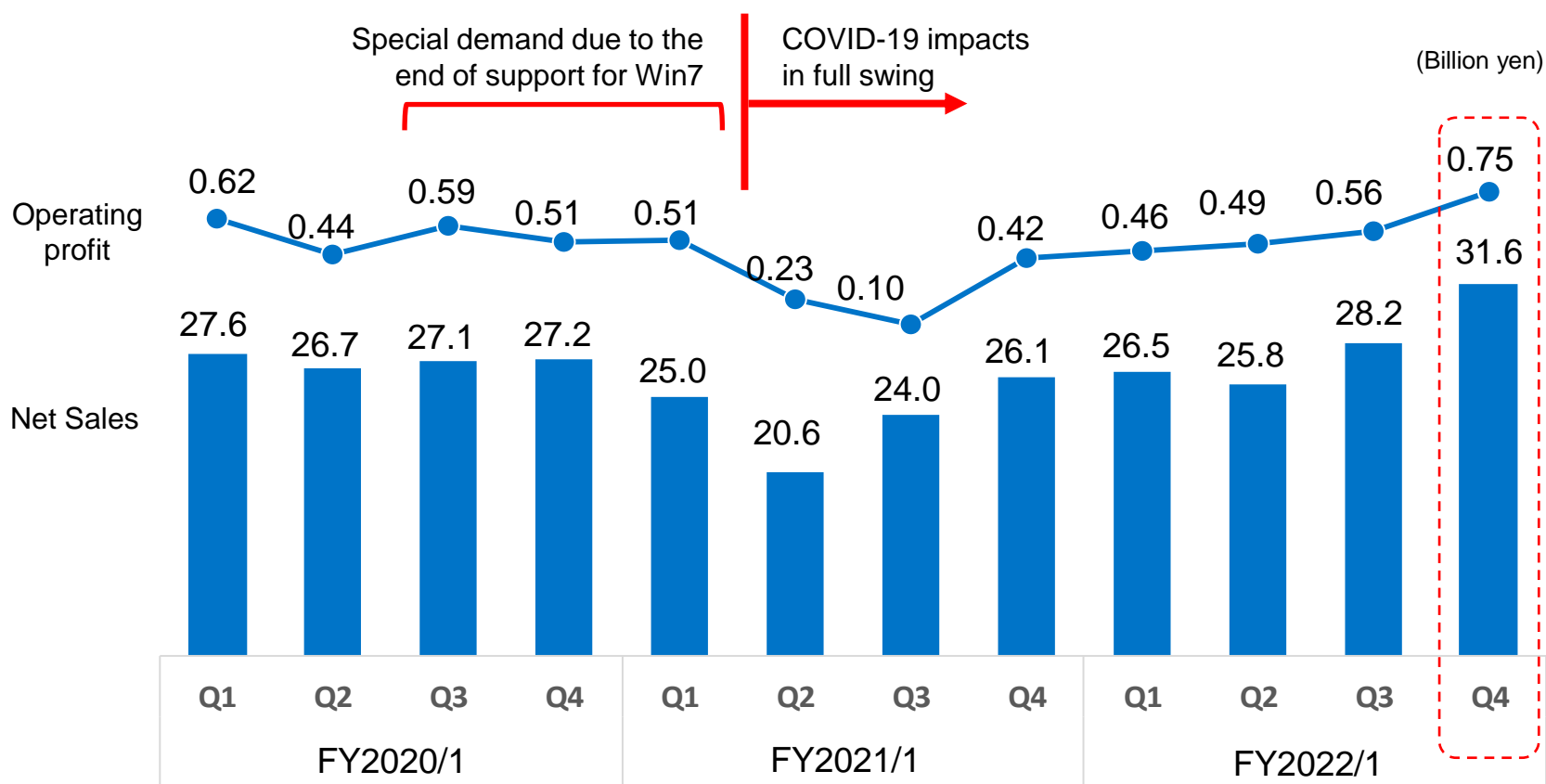
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ICT & solutions

Net sales by product

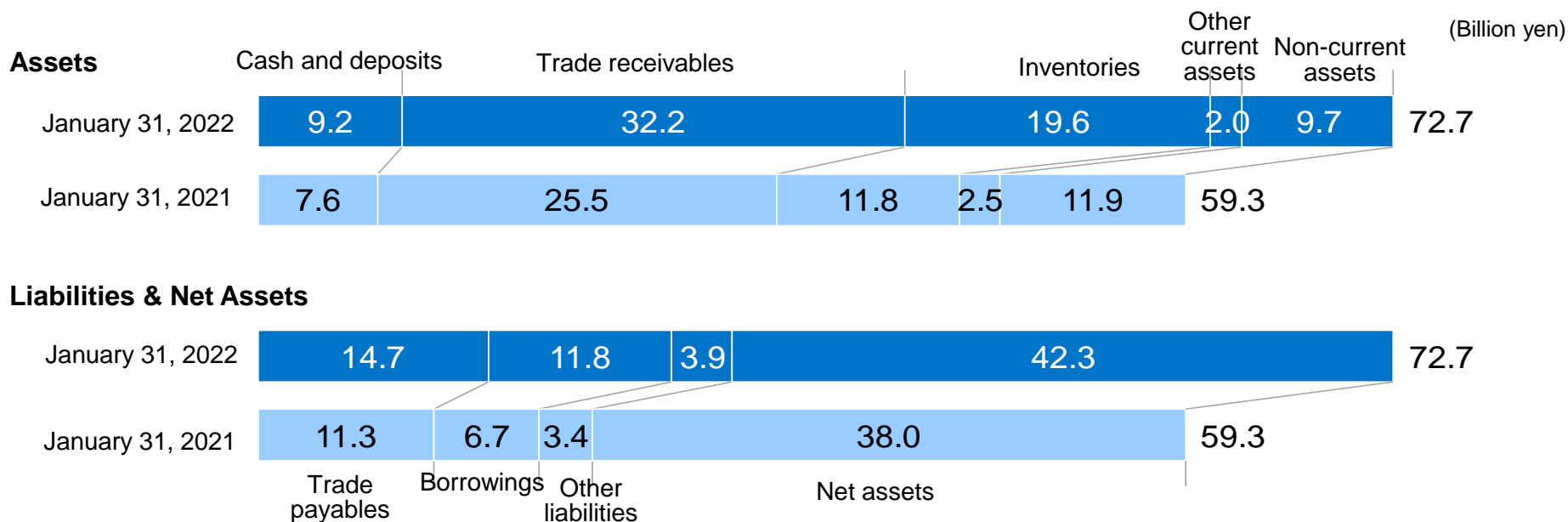


- Semiconductors & devices and ICT & solutions both grew in the fourth quarter of FY2022/1, with quarterly net sales exceeding ¥30 billion.
- Quarterly operating profit has been increasing compared to the previous quarter since Q4 of FY2021/1. In Q4, the operating margin rose to 2.4% as sales expanded and gross profit also improved.



- Trade receivables, inventories, and trade payables increased as sales increased, and borrowings were also increased in order to fund working capital requirements.
- Non-current assets decreased, mainly due to sale of investment securities.
- Net assets increased due to procurement of funds through warrant issues.

Note: Procurement of funds through warrant issues overlapped fiscal years and was completed at the end of February, with a total of ¥6 billion procured.



**Business Plan for Fiscal Year
Ending January 31, 2023**

Ryoyo had originally planned to postpone the achievement of the targets in the previous three-year business plan (net sales: ¥110 billion, operating profit: ¥3 billion) by one year, to the fiscal year ending January 31, 2023. However, the Company adjusted the targets downward, mainly due to changes in the business environment for large projects.

Semiconductors & devices

- The impact of semiconductor supply shortage remains severe and is expected to continue until the latter half of the fiscal year.
- Meanwhile, sales for TVs, the company's mainstay products, remains high, but the sense of overheating is expected to subside.

ICT & solutions

- Business related to online qualification verification is expected to peak in the fiscal year, with some projects sliding from the previous fiscal year.
- Change in forms of transaction for some large projects is expected to have an impact from the second half of the fiscal year.

Other

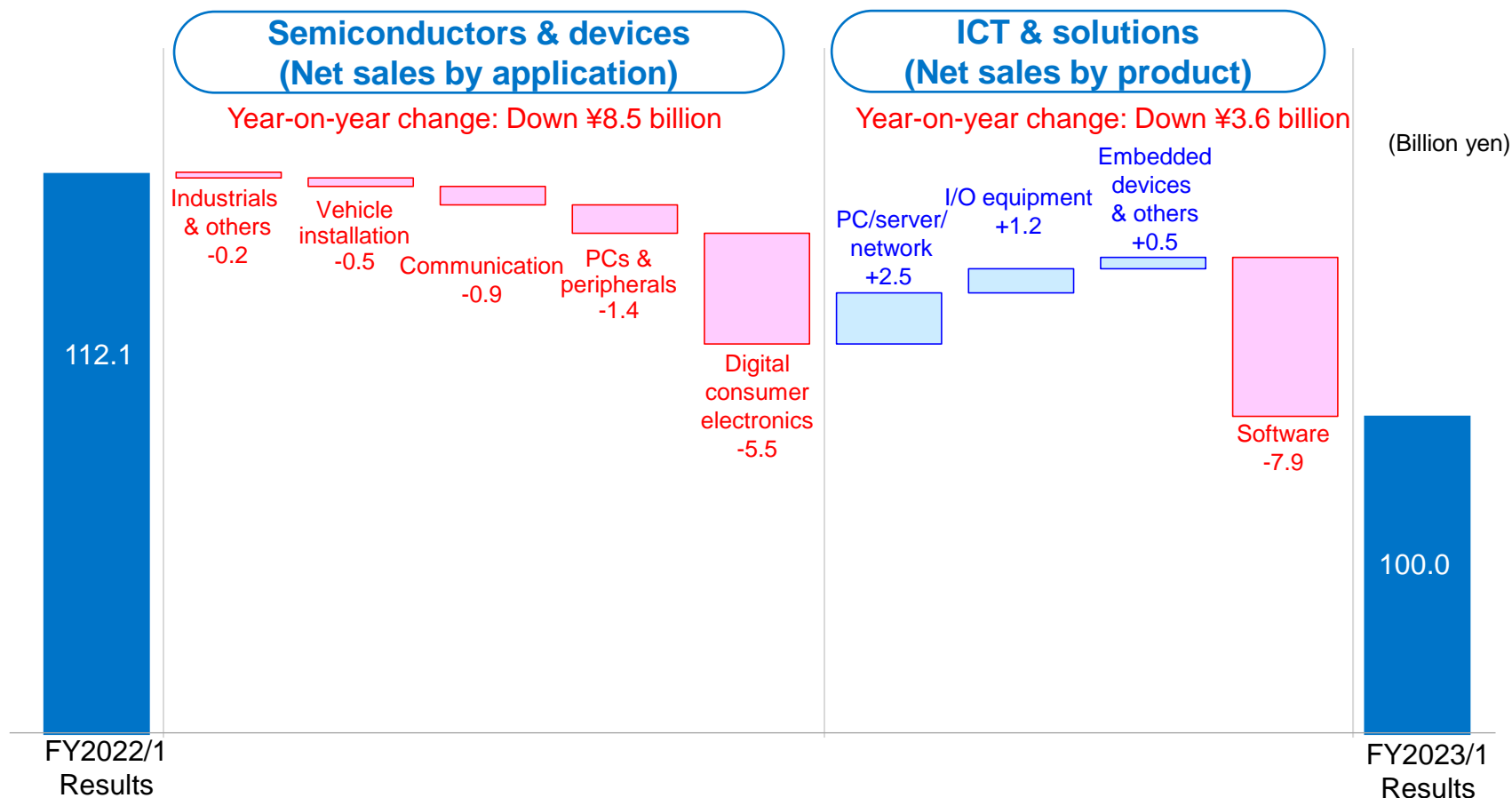
- The impact on net sales of the Accounting Standard for Revenue Recognition, which was adopted in the fiscal year ending January 2023, is insignificant.

- Net sales are expected to decrease in both semiconductors & devices and ICT & solutions.
- Operating profit is expected to increase slightly YoY due to improvement in profit margins from changes in sales composition and expansion of high-profitability products and services.
- Ordinary profit and profit attributable to owners of parent are expected to decline due to the absence of foreign exchange gains and gains on sale of investment securities that were recorded in FY2022/1.

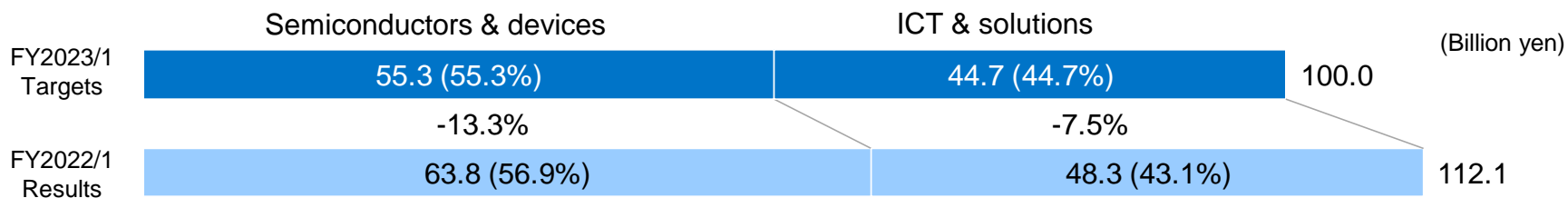
(Billion yen)	FY2022/1*	FY2023/1*	YoY Change	
	Result	Target		%
Net sales	112.1	100.0	-12.1	-10.8%
Gross profit	10.73	10.80	+0.07	+0.6%
(%)	9.6%	10.8%		
Selling, general and administrative expenses	8.47	8.50	+0.03	+0.3%
Operating profit	2.26	2.30	+0.04	+1.9%
(%)	2.0%	2.3%		
Ordinary profit	2.40	2.20	-0.20	-8.4%
Profit attributable to owners of parent	1.87	1.53	-0.34	-18.3%
ROE	4.7%	3.6%		

* FY2022/1: Fiscal year ended January 2022, FY2023/1: Fiscal year ending January 2023

- Semiconductors & devices sales are expected to decline mainly due to a lull in overheating of orders for TVs.
- In ICT & solutions, although some software-related orders are expected to be affected by a review of forms of transaction, sales of other items are expected to remain strong.

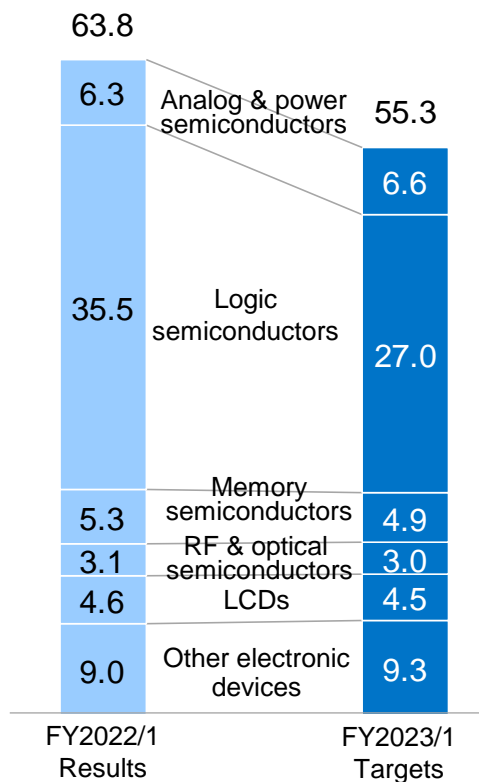


Supplement: Net sales by product

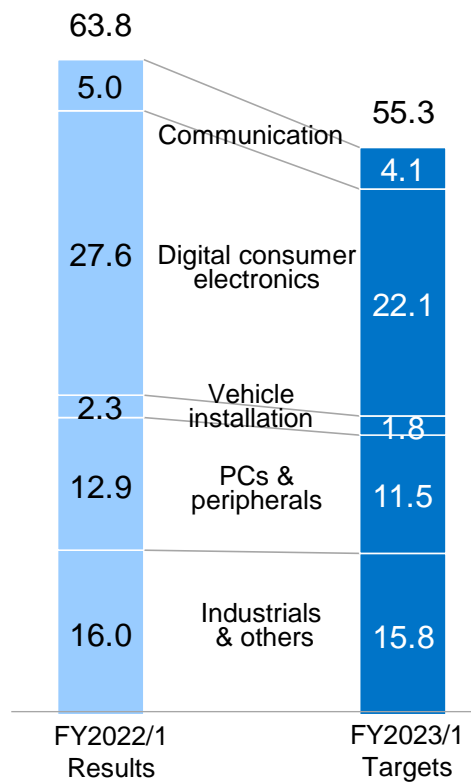


Semiconductors & devices

Net sales by product

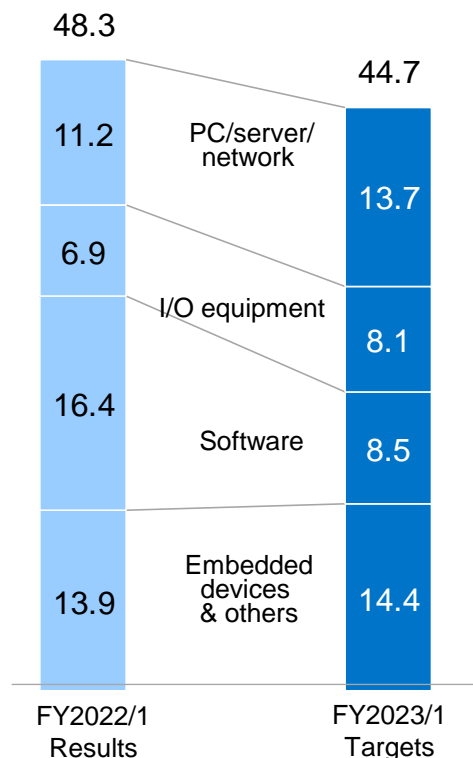


Net sales by application



ICT & solutions

Net sales by product



New Three-Year Business Plan **(February 2022 – January 2025)**

Suppliers

(Manufacturers of electronic components and/or IT equipment)

Expanding scale through mergers and acquisitions, focusing on specific fields



Further review of agency and commercial rights

Customers

(Manufacturers of assembled products & end users)

Digital transformation of society on the whole, fueled partly by COVID-19



Changing and diversifying customer needs

Current main risk factors

Stagnant market in Japan

Semiconductor supply shortages

Concerns over repeat of COVID-19 spread

Electronics trading company

Required functions and roles are changing

Dependence on product competitiveness

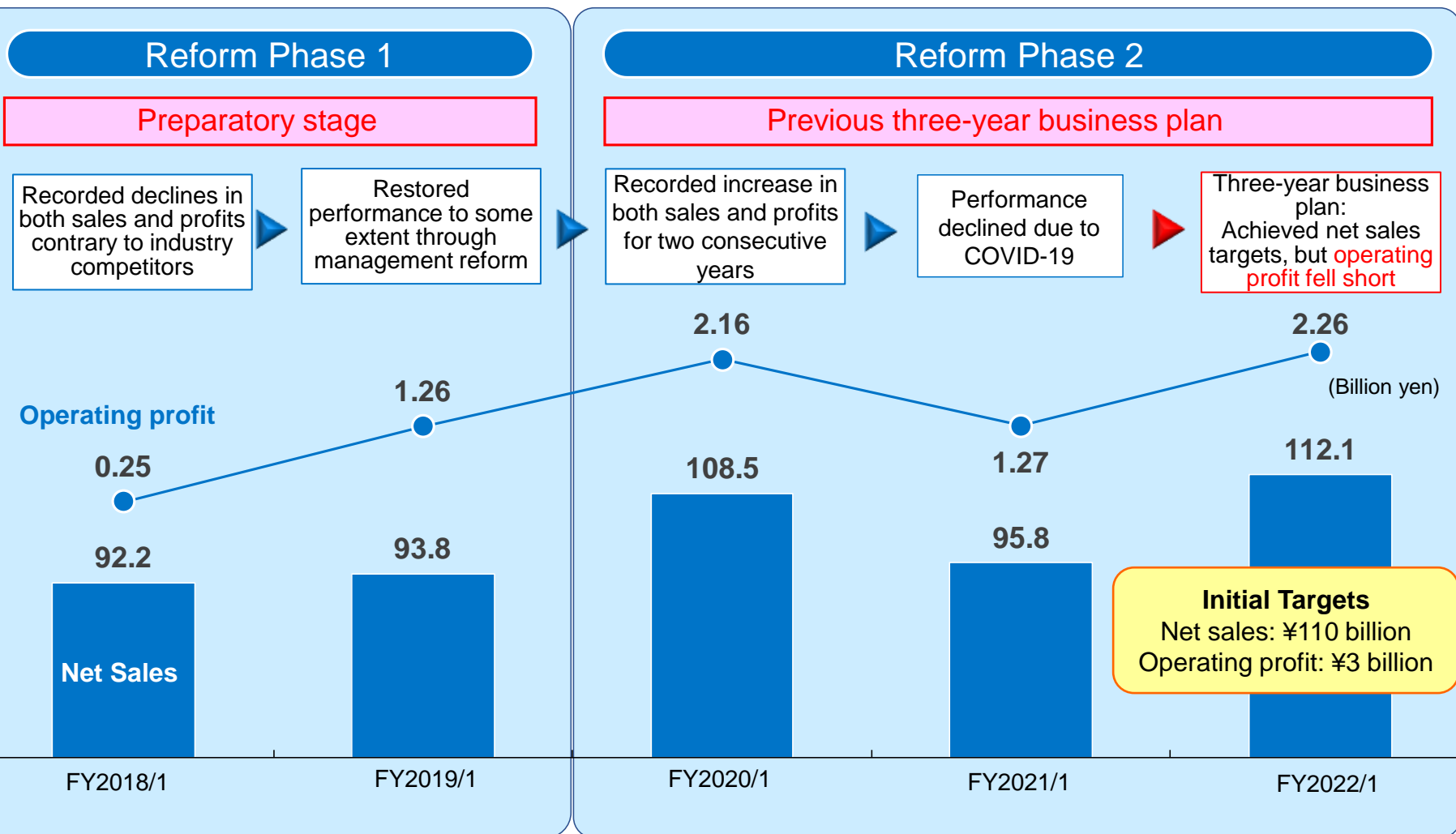
Business model centered on product sales



Deep consideration of client needs

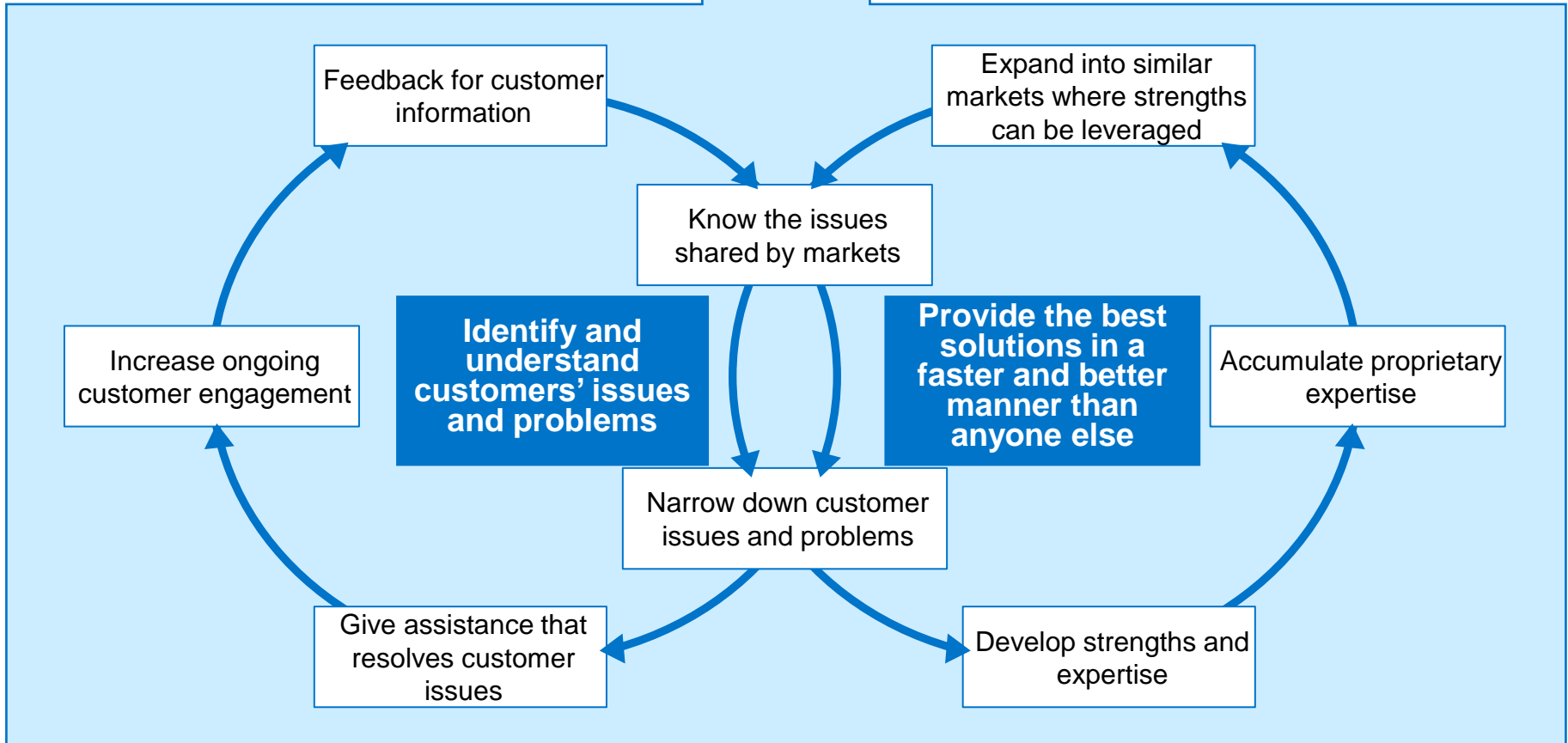
Creation of new value

- In the previous three-year business plan, the company was on the verge of an operating loss, and it proceeded to rebuild. The plan showed a certain degree of recovery in business performance. However, profits fell short of targets, leaving issues to be addressed for future growth.



Ryoyo's Core Promise

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



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New Three-Year Business Plan (February 2022 – January 2025)

1. Expand and deepen customer engagement

Maximize management resources to expand business base



2. Pursue uniqueness

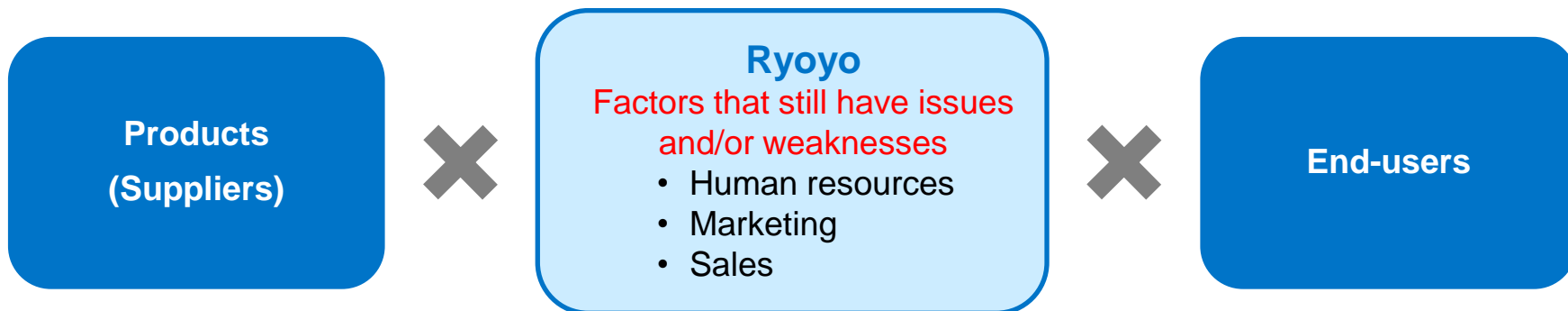
Combine products and services to provide unique solutions

3. Increase productivity

Promote the building of a framework to strengthen the business foundation, and increase operating profit per employee (1.4x)

Although it will depend on the situation going forward, given that certain reforms have been made, Ryoyo will also consider leveraging growth opportunities including alliances.

- Expand the business base by maximizing management resources (superior products and customer relations) cultivated over Ryoyo's long history.



- Further strengthen the mechanism to acquire, share, and utilize customer information to expand the range of each individual's business and proposals.



- Develop and establish strong fields by continuing product development and focusing on promising products and products for which Ryoyo can leverage its technical capabilities and expertise.

Semiconductors & devices

Power devices Communication devices Microcontroller unit (MCU), clock (CLK),



ICT & solutions

Video Printing AI, image processing, others



- Promote value-added business that provides unique solutions by combining products (conventional business of product sales) and services.

For the time being, Ryoyo will focus on the following three fields

Services business



In addition to the conventional hardware product sales, Ryoyo also handles, on behalf of its customers, installation, kitting, and maintenance of equipment -- troublesome processes that customers would rather leave to someone else.

IoT platform



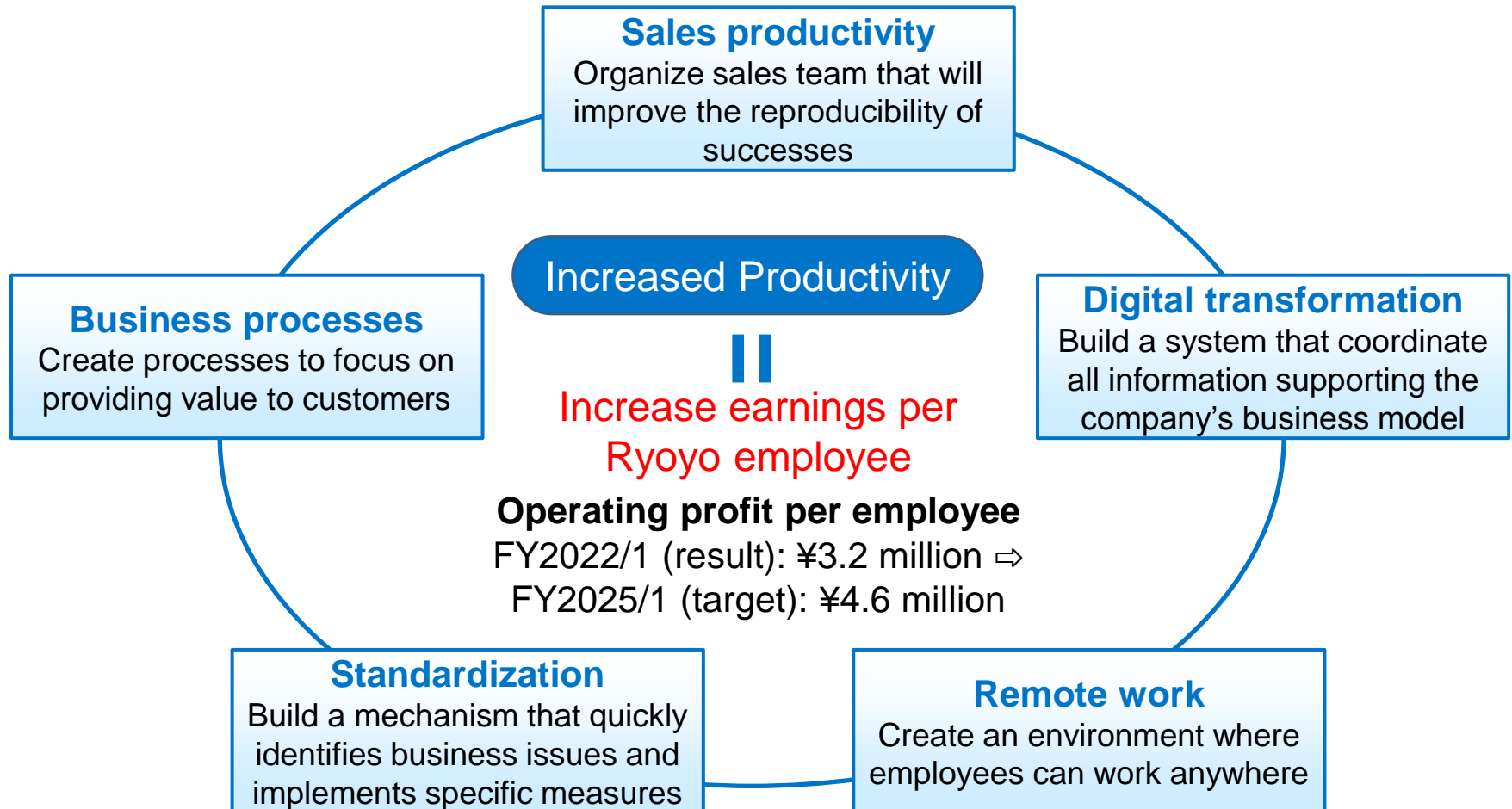
Ryoyo provides packages of sensors, platforms, and applications according to diverse IoT needs to support quick, inexpensive, and easy start-up in manufacturing and other businesses.

Technical services



Ryoyo provides the best solutions for its customers' issues, problems, and visions by using technologies including proprietary AI and resources in and outside Japan and taking on tasks from hardware and software design to manufacturing.

- In order to support preceding two strategies (i.e. “expand and deepen customer engagement” and “pursue uniqueness”), Ryoyo will work on productivity improvement in five themes to strengthen its business foundation.



	Net Sales	Operating profit (Operating Margin)	ROE
FY2025/1 Targets	¥110 billion	¥3.3 billion (3.0%)	5.5%
Reference: FY2022/1 Results	▲ ¥112.1 billion	▲ ¥2.26 billion (2.0%)	▲ 4.7%

Intentions of Numerical Targets

➤ Net Sales

Even factoring in the negative impact (about ¥18 billion) of anticipated changes in the business environment in future, Ryoyo will expand its business base through expanded customer engagement and new products and services.

➤ Operating profit

Ryoyo aims at transforming profit structure to achieve operating margin over 3% by promoting value-added business that combines products and services and productivity improvement initiatives.

➤ ROE

Ryoyo aims at achieving ROE that exceeds the cost of capital stock recognized by the Company (approx. 5%) by implementing various measures to improve profit levels.

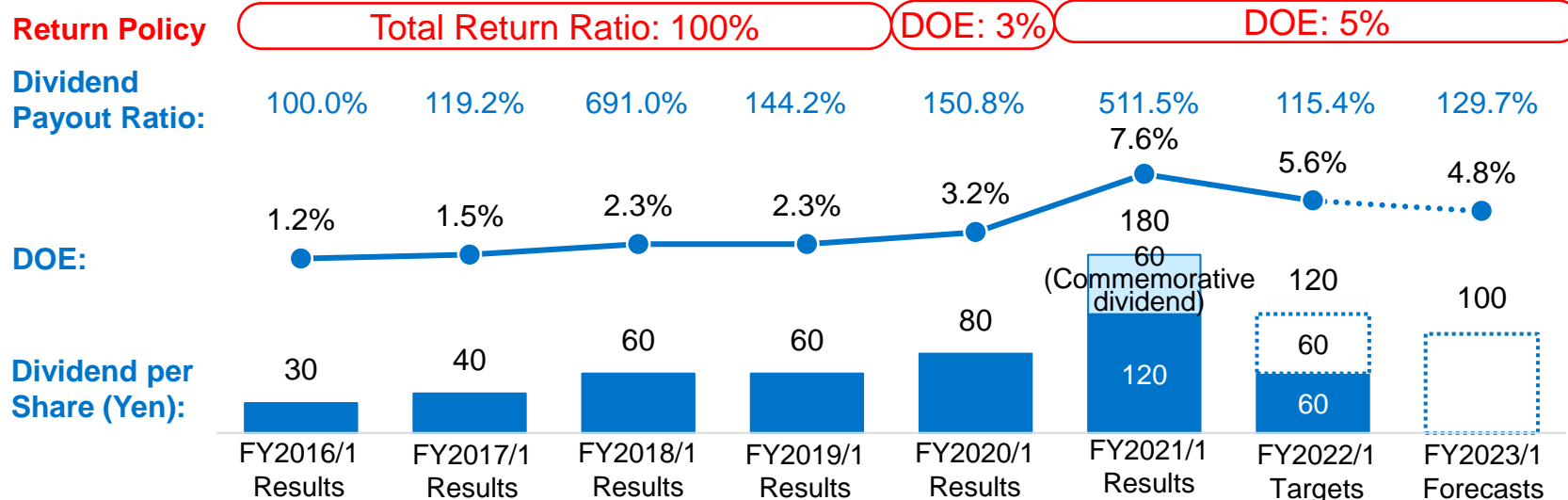
Shareholder Returns

- Ryoyo will maintain its dividend policy of 5.0% DOE under the new three-year business plan.
→ The Company plans to pay an annual dividend of ¥100 per share for FY2023/1 (a decrease of ¥20 yen per share from FY2022/1).

		Dividend per Share (Yen)			Dividend Payout Ratio	DOE
		Interim	Year-End	Full Year		
FY2023/1*	Forecast	50	50	100	129.7%	4.8%
FY2022/1*	Target	—	60	120	115.4%	5.6%
	Result	60	—	—	—	—

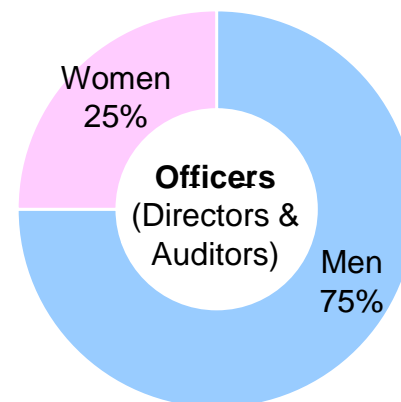
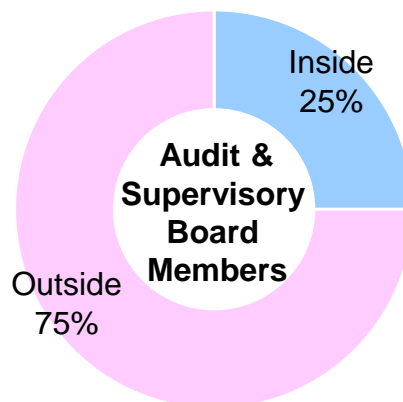
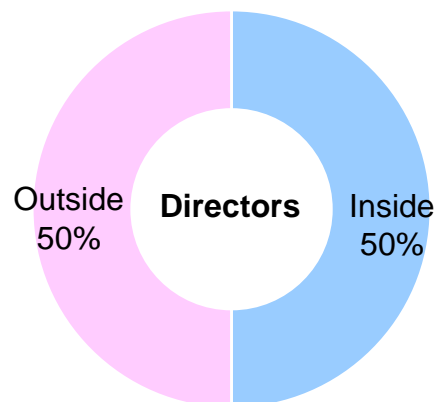
*FY2023/1: Fiscal year ending January 2023, FY2022/1: Fiscal year ended January 2022

Trends in Dividend per Share, Dividend on Equity Ratio (DOE), and Payout Ratio



Corporate Governance

- Ryoyo continues to enhance governance system with the purpose of improving management effectiveness and transparency.



Organizational Structure of the Company	Company with Audit & Supervisory Board
Chairperson of the Board of Directors*	Outside Director
Number of Directors*	8 (including 4 outside directors)
Number of Auditors	4 (including 3 outside Audit & Supervisory Board Members)
Number of Independent Officers*	4 outside Directors and 3 outside Audit & Supervisory Board Members
Voluntary Advisory Committee to the Board of Directors	Nominating and Compensation Committee
Structure of Compensation for Directors	Fixed compensation (basic compensation) Performance-linked compensation (monetary) Medium- to long-term performance-linked compensation (restricted stock compensation)

*Includes items to be formally decided upon approval of the agenda at the Annual General Meeting of Shareholders to be held on 4/26

Reference: Ryoyo's transition in corporate governance

Fiscal Year	Board of Directors	Officers	Nomination and Compensation	Others
2022/1	<ul style="list-style-type: none"> Ratio of independent outside directors increased to 50% (Ratio of outside officers: 58%) 		<ul style="list-style-type: none"> Executive Officer System revised (delegated executive officer system introduced) Director term of office shortened Number of directors reduced Performance-linked compensation (monetary) introduced 	
2021/1		<ul style="list-style-type: none"> Number of independent outside directors increased to 4 Number of women in the Board of Directors increased to 2 	<ul style="list-style-type: none"> Outside officers account for a majority of Nomination and Compensation Committee 	
2020/1	<ul style="list-style-type: none"> An outside Director assumes chairmanship of the Board of Directors 			
2019/1			<ul style="list-style-type: none"> Nomination and Compensation Committee established (chaired by an outside Director) 	
2018/1				
2017/1	<ul style="list-style-type: none"> Begins evaluating effectiveness of the Board of Directors 	<ul style="list-style-type: none"> Number of independent outside Audit & Supervisory Board Members increased to 3 		<ul style="list-style-type: none"> Legal counsel added as a reporting contact in the internal reporting system
2016/1		<ul style="list-style-type: none"> Number of independent outside Directors increased to 2 A woman appointed as a board member 		<ul style="list-style-type: none"> Electronic voting platform established Exercise of voting rights via the Internet enabled
2015/1				
2014/1		<ul style="list-style-type: none"> An independent outside Director appointed 	<ul style="list-style-type: none"> Standards of independence for outside officers established 	
2013/1				

Overview of Fiscal Year Ended January 31, 2022

- Sales and income were up both YOY and vs. initial plans.
- ROE improved significantly due to growth in profits and adjustment of capital structure. (High levels reached for the first time in 20 years)

Target for Fiscal Year Ending January 31, 2023

- Net sales is expected to decrease YoY mainly due to changes in the business environment for large projects.
- Operating profit is expected to increase slightly YoY due to improvement in profit margins from factors including changes in sales composition.

New Three-Year Business Plan

- Establish the strategic framework of “expand and deepen customer engagements,” “pursue uniqueness,” and “improve productivity,” to provide the best solutions for our customers’ issues and problems in a faster and better manner than anyone else.
- Net sales target in FY2025/1 remains the same level as in FY2022/1, factoring in the anticipated negative impact in future with an unchanged plan. However, Ryoyo aims at transforming profit structure to achieve operating margin over 3%.

Shareholder Returns

- Ryoyo pays dividends based on its conventional dividend policy of 5.0% DOE.

Note

The business results and forecasts for the future contained in this presentation are based on certain assumptions deemed reasonable at the time of release. Actual results may differ from the original forecasts due to economic conditions and various other factors.

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