

# Results Briefing for the First Half (Feb.–Jul.) of the Fiscal Year Ending January 31, 2023

**September 1, 2022**

**Ryoyo Electro Corporation**

**Prime Market, Tokyo Stock Exchange (Ticker Code: 8068)**

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

# Overview of the First Half of the Fiscal Year Ending January 2023

## <Semiconductors & devices>

- The impact of the semiconductor supply shortage was severe at the beginning of the fiscal year and is expected to continue until the latter half of the fiscal year.
- Sales for TVs, the company's mainstay products, remained 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.
- Changes in forms of transaction for some large projects were 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, was expected to be insignificant.



Although sales were expected to be relatively strong through the first half, both sales and profits were expected to slow down in the second half, mainly due to changes in the environment for large projects.

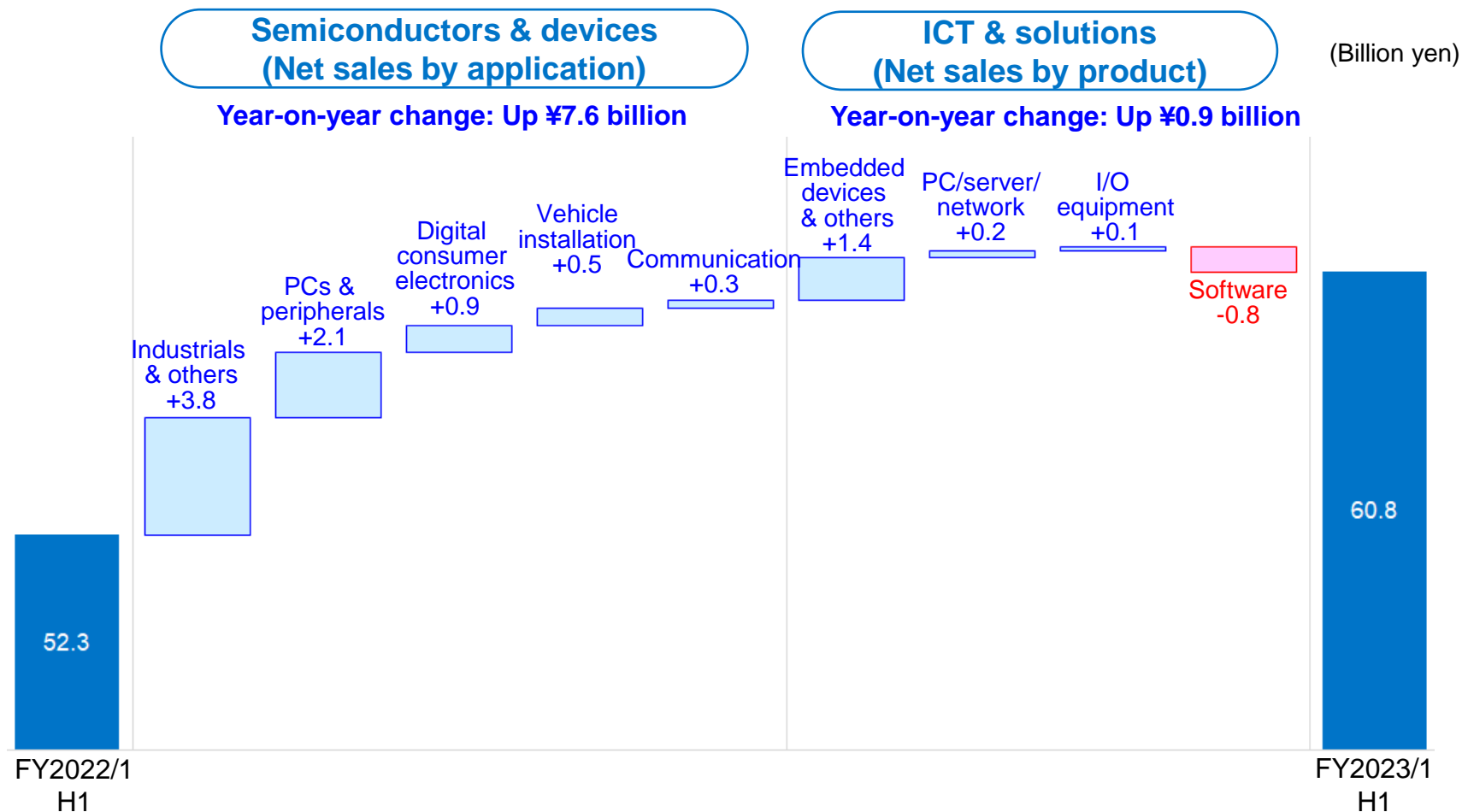
Both sales and profits increased, significantly exceeding the initial forecasts, supported by continued favorable demand, especially in the semiconductor-related business.

- Gross profit margin exceeded 11% due to changes in sales composition and the benefit of yen depreciation.
- Operating profit, ordinary profit and profit attributable to owners of parent more than doubled year on year.

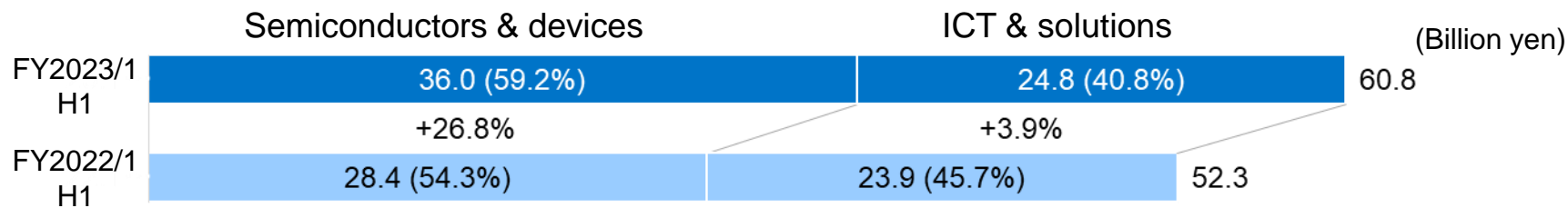
(Billion yen)	FY2022/1*	FY2023/1*	YoY Change	
	H1 Result	H1 Result		%
Net sales	52.3	60.8	+8.5	+16.4%
Gross profit	4.98	6.74	+1.75	+35.2%
(%)	9.5%	11.1%		
Selling, general and administrative expenses	4.03	4.22	+0.19	+4.7%
Operating profit	0.95	2.51	+1.56	+164.7%
(%)	1.8%	4.1%		
Ordinary profit	1.13	2.48	+1.35	+120.2%
Profit attributable to owners of parent	0.83	1.78	+0.95	+114.5%

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

- Semiconductors & devices sales increased year on year in all applications, with particularly strong sales in industrials & others and PCs & peripherals.
- In ICT and solutions, sales of all products remained at high levels, except for software, which was impacted by the change in the Accounting Standard for Revenue Recognition.

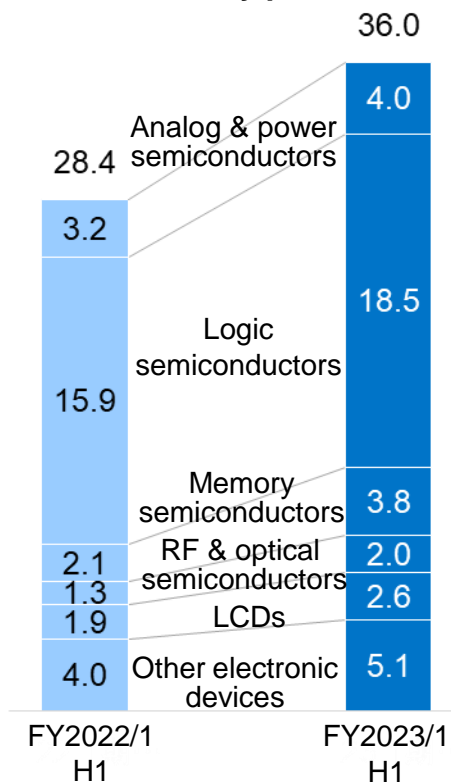


# Supplement: Net sales by product

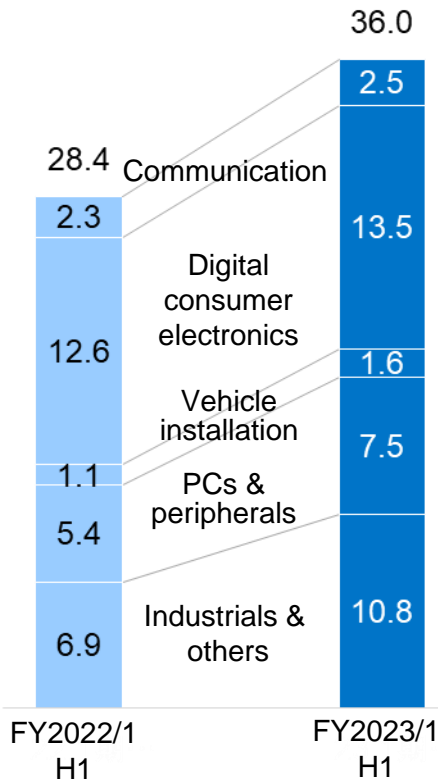


## Semiconductors & devices

### Net sales by product

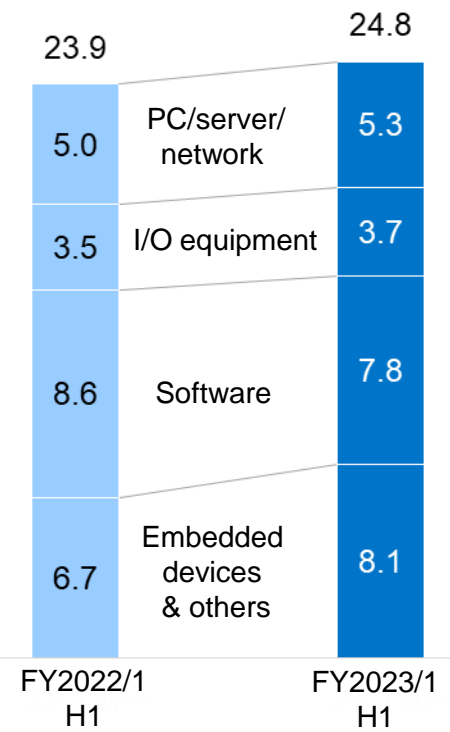


### Net sales by application



## ICT & solutions

### Net sales by product












# First Half Performance Analysis and Forecast for Second Half

## Main factors driving good performance in first half

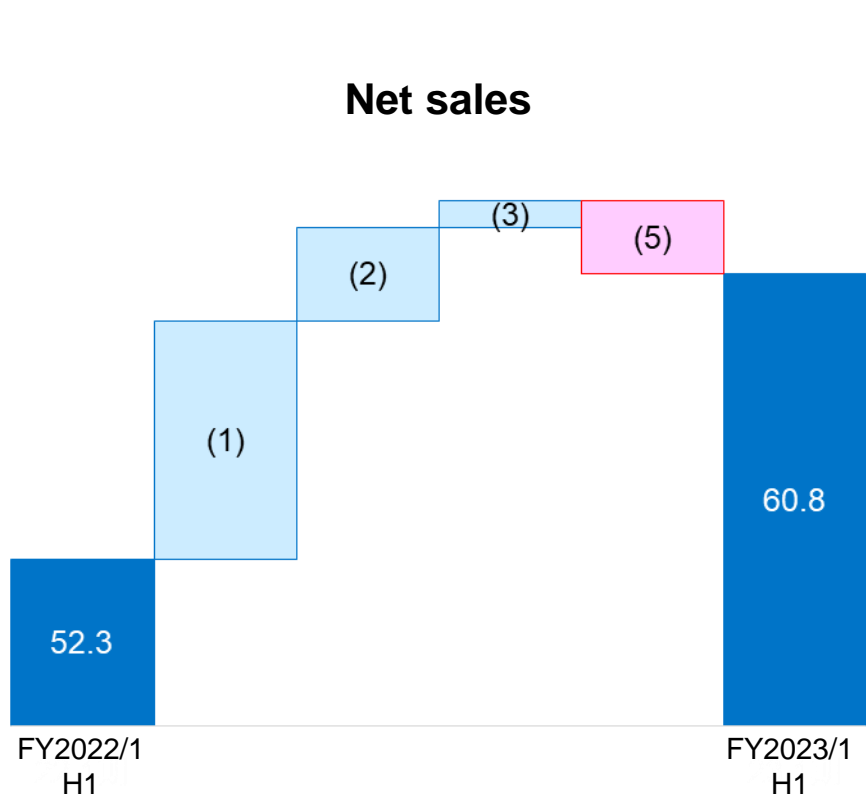
Strong demand for semiconductors

Profits boosted by rapid yen depreciation

Increase in projects due to strengthened sales

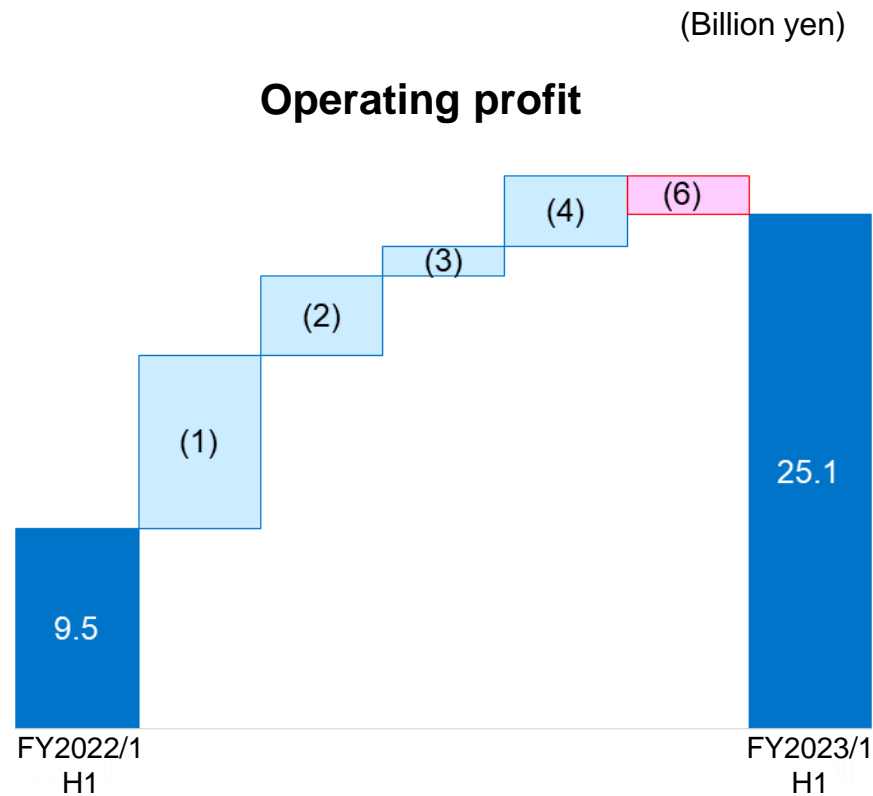
Main factors	Degree of impact	
	Net sales	Operating profit
Year-on-year change	+¥8.5 billion	+¥1.56 billion
(1) Base business (including demand increase amid semiconductor supply shortage)		
(2) Spot projects amid semiconductor supply shortage		
(3) One-off business transactions due to specific factors		
(4) Impact of exchange rate shift	—	
(5) Impact of adoption of the new Accounting Standard for Revenue Recognition		—
(6) Increased selling, general and administrative expenses	—	





Factors for change

- (1) Base business including favorable demand
- (2) Spot projects amid semiconductor supply shortage
- (3) One-off business transactions due to specific factors
- (5) Impact of adoption of the new Accounting Standard for Revenue Recognition



Factors for change

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## Main factors driving good performance in first half

Strong demand for semiconductors

Profits boosted by rapid yen depreciation

Increase in projects due to strengthened sales

Anticipated changes in the environment may affect our businesses not only in the second half of this fiscal year but also in the next fiscal year and beyond

## Positioning for the second half of the year

**Measures and preparations for the next fiscal year ending January 2024 and the final year of the Three-Year Business Plan (the fiscal year ending January 2025)**

(Steady implementation of the three-year business plan and acceleration of alliance discussions)

### Strategic framework of the three-year business plan

- Expand and deepen customer engagement
- Pursue uniqueness
- Increase productivity



Explore growth opportunities, including alliances

## Anticipated changes in the second half of the year

- Changes in the business environment for large projects
  - Diminished reaction in semiconductor business for TVs
    - Although there is no change in the outlook for a slowdown from the momentum of rapid expansion in the past two years, Ryoyo has updated the annual outlook based on the first half performance results and other factors.
  - Ending of some software-related businesses
    - Although it was factored in the initial plan, the timing of business ending was slightly pushed back from the initial plan.
- Receding demand due to improved supply-demand balance after the semiconductor supply shortage, and shrinking spot projects
  - While even now, the tide is turning in some fields/products, demand is expected to gradually recede toward the end of the fiscal year.
- Uncertain exchange rate trends
  - Even if exchange rates stay flat, they are expected to make a negative contribution compared to the first half.

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

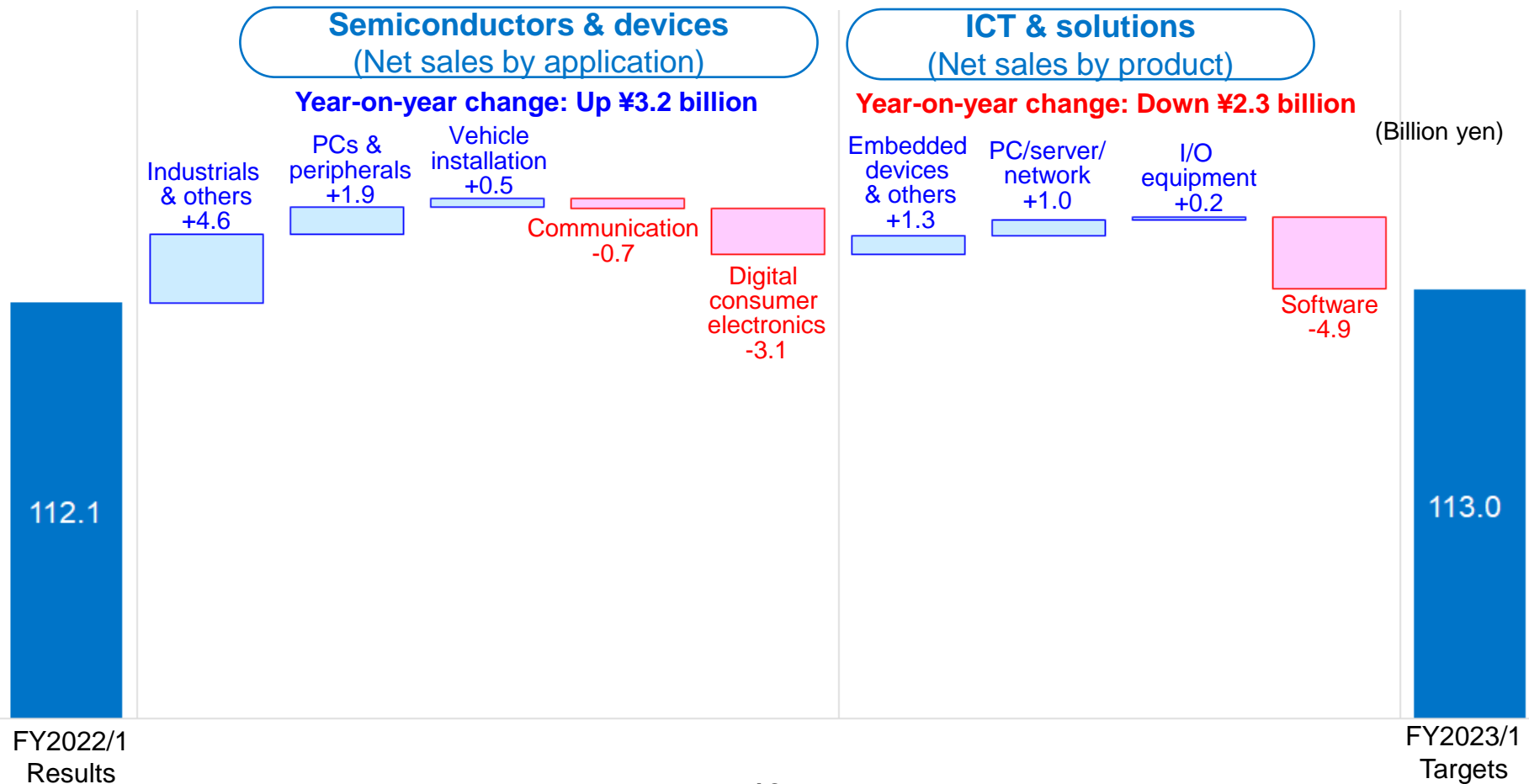
Revised upward from initial plan based on first half results and current business trends.  
Operating profit is expected to reach a 21-year record high.

- Net sales were revised upward from the initial reduced forecast to roughly the same level as the previous year (slight increase).
- Operating profit, ordinary profit, and profit attributable to owners of parent exceeded the initial plan as of the first half of the fiscal year, and have been raised in the plan.

(Billion yen)	FY2022/1*		FY2023/1*		YoY Change		Compared to Initial Target	
	Result	Initial Target	Revised Target		%		%	
Net sales	112.1	100.0	113.0	+0.9	+0.8%	+13.0	+13.0%	
Gross profit	10.73	10.80	12.35	+1.62	+15.1%	+1.55	+14.4%	
(%)	9.6%	10.8%	10.9%					
Selling, general and administrative expenses	8.47	8.50	8.75	+0.28	+3.2%	+0.25	+2.9%	
Operating profit	2.26	2.30	3.60	+1.34	+59.4%	+1.30	+56.5%	
(%)	2.0%	2.3%	3.2%					
Ordinary profit	2.40	2.20	3.40	+1.00	+41.6%	+1.20	+54.5%	
Profit attributable to owners of parent	1.87	1.53	2.35	+0.48	+25.4%	+0.82	+53.6%	
ROE	4.7%	3.6%	5.4%					

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

- Semiconductors & devices: Despite strong uncertainty in the outlook, sales are expected to increase mainly in the industrial sector and OA equipment and other PCs & peripherals due to favorable conditions in the first half.
- ICT & solutions: Although impact from ending of large projects is anticipated in software business, sales of other items are expected to remain robust.

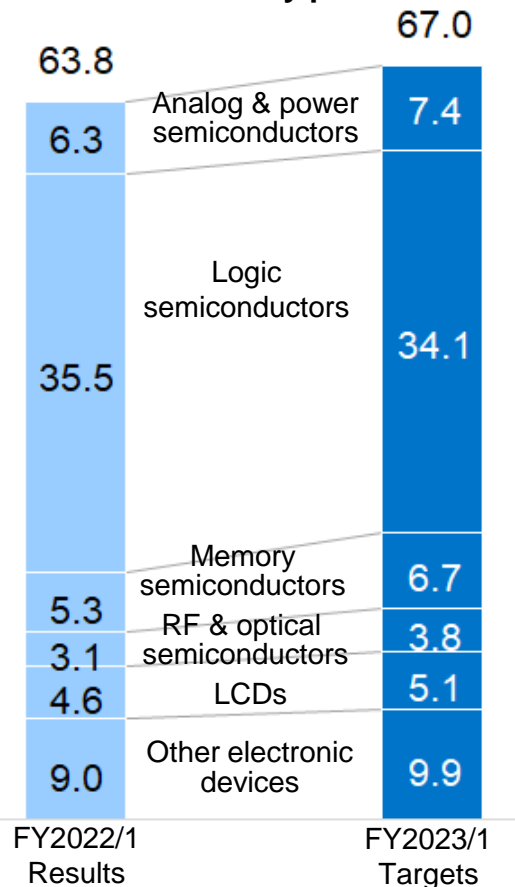


# Supplement : Net sales by product

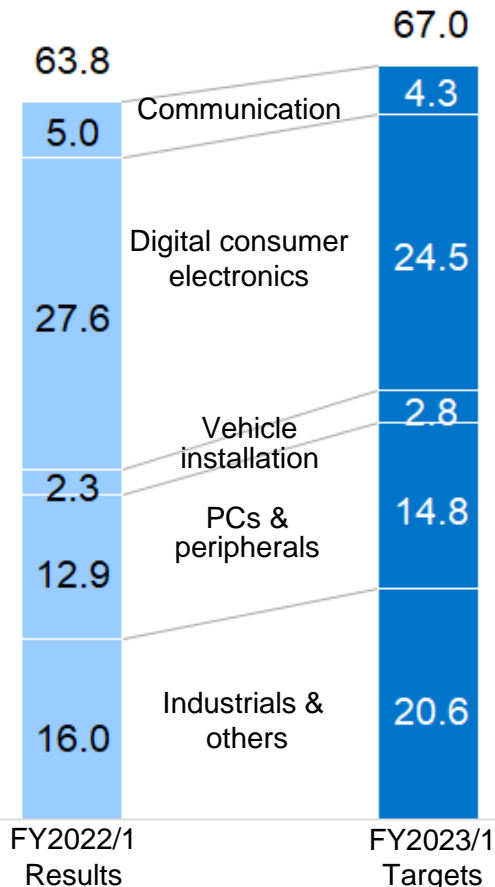
	Semiconductors & devices	ICT & solutions	(Billion yen)
FY2023/1 Targets	67.0 (59.3%)	46.0 (40.7%)	113.0
	+5.0%	-4.8%	
FY2022/1 Results	63.8 (56.9%)	48.3 (43.1%)	112.1

## Semiconductors & devices

### Net sales by product

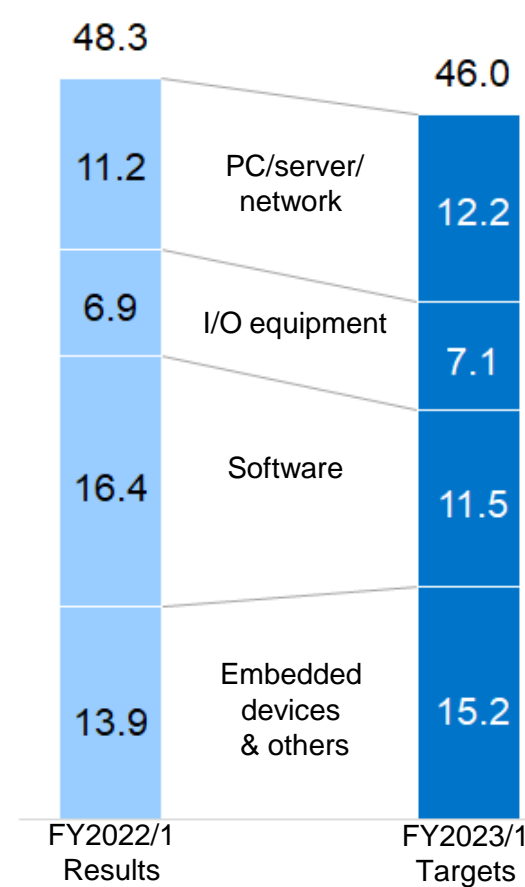


### Net sales by application



## ICT & solutions

### Net sales by product



- Dividend policy: Aim for a dividend on equity (DOE) of 5%.
  - In consideration of performance forecasts, **the year-end dividend forecast has been revised upward by 10 yen per share from the initial forecast.**

		Dividend per Share (Yen)			Dividend Payout Ratio	DOE
		Interim	Year-End	Full Year		
FY2023/1	<b>Revised forecast</b>	50	60	110	94.3%	5.0%
	Initial forecast	50	50	100	129.7%	4.8%
FY2022/1	Result	60	60	120	115.4%	5.6%

Expected indicators based on the revised performance forecast and dividend forecast

ROE	Dividend Payout Ratio	DOE
Over 5.0%	Less than 100%	5.0%

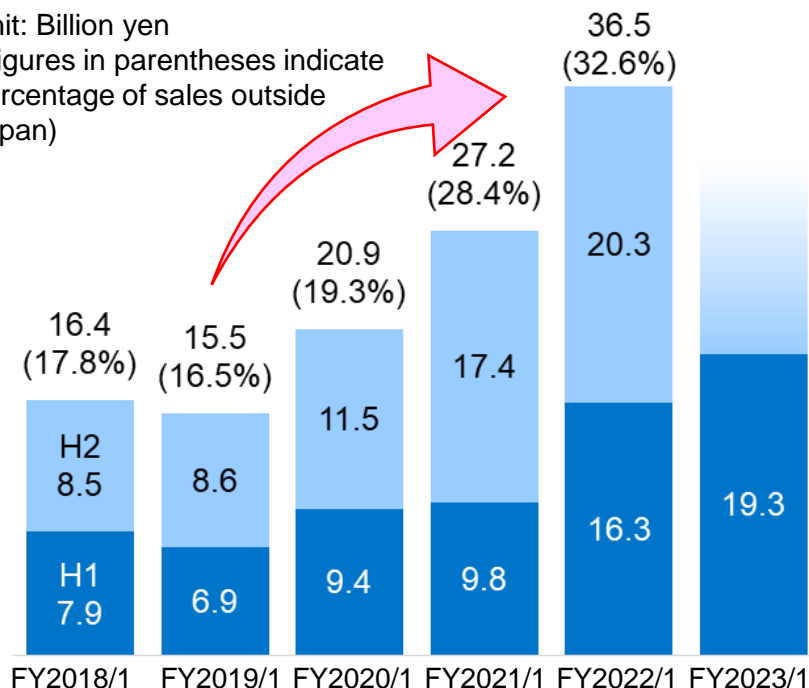


# Highlights

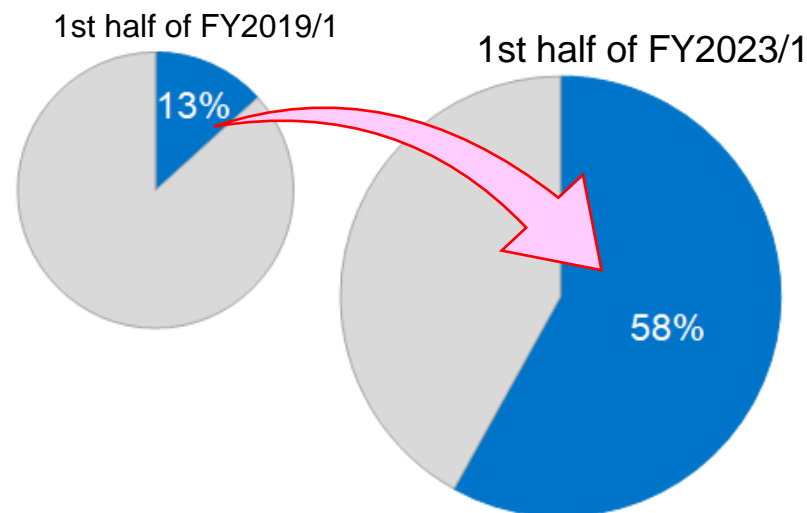
- Amid the maturity of the Japanese market and the shift of production overseas by Japanese manufacturers, semiconductor and device-related businesses have been expanding in recent years, driven by the development and expansion of unique local businesses for local customers in Greater China and other countries/regions.
  - Overseas sales in the fiscal year ended January 2022 more than doubled from the fiscal year ended January 2019, and the overseas sales ratio exceeded 30%.
  - First-half sales in the fiscal year ending January 2023 were much higher year on year.

## Trends in sales outside Japan

Unit: Billion yen  
(Figures in parentheses indicate percentage of sales outside Japan)



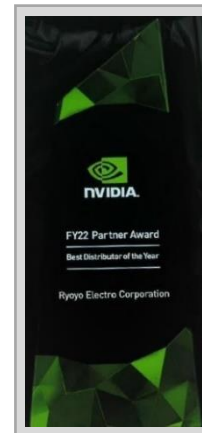
## Percentage of unique local businesses in businesses outside Japan



- The number of customers increased for TVs, the company's mainstay product area.
- In addition to TVs, more local customers are adopting for smartphones and other applications.

➤ Received Best Distributor of the Year award from NVIDIA (June 2022)

Ryoyo received the award in recognition of initiatives for medical (diagnostic imaging including X-ray, CT, and MRI) and manufacturing (visual inspection and process monitoring), which require high-precision image processing, as well as its dedicated support and customer relations.



➤ Expanded to the Largest Product Lineup of any Japanese Distributor

Having expanded the product lineup, Ryoyo is now the distributor that handles the largest number of NVIDIA products in Japan, and is promoting further market and needs development and business expansion.

**RTX / Quadro series**

(Graphics cards)



**Jetson series**

(Embedded platforms)



**DGX series**

(AI supercomputers)



**Data Center GPU**

(GPUs for DC/Servers)



**vGPU**

(Virtual GPU software)



**NVIDIA Networking**

(Former MELLANOX products)



**NVIDIA Omniverse Enterprise**

(Virtualization platforms)



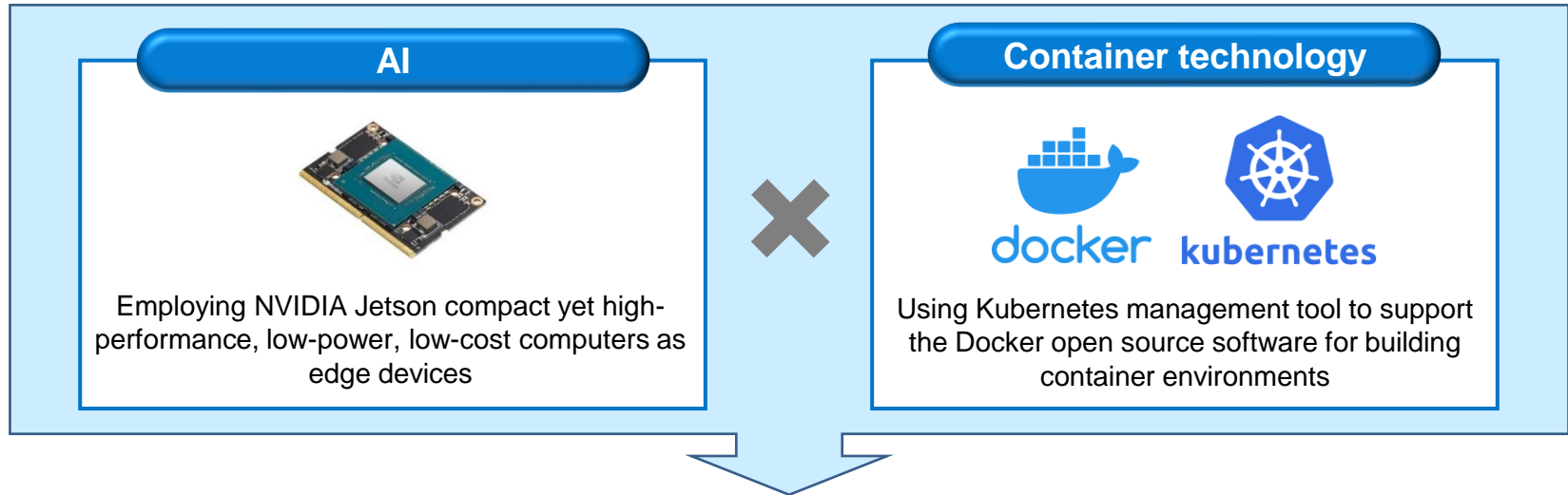
**NVIDIA AI Enterprise**

(Data analytics software)



Starting to handle these new areas

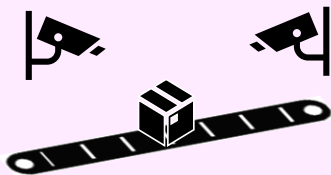
- Ryoyo is partnering with Aisin Corporation to build an IoT management environment that makes full use of “AI × container technology” on Aisin's manufacturing lines.



**Ryoyo promotes DX at manufacturing sites to resolve issues such as manpower shortages and technology transfers as part of efforts to realize smart factories**

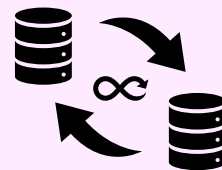
### Automation of visual inspections

Detection of installation errors, missing parts, and defective parts



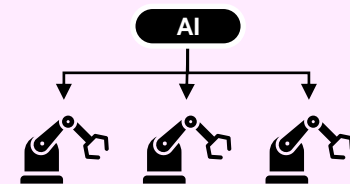
### Lines that don't stop

Avoiding line stoppages caused by software



### Central management of AI implementation

Creating environments where on-site personnel alone can perform implementation



- Ryoyo is committed to creating workplaces where employees can maintain a healthy lifestyle while enjoying a good work-life balance and continue their employment even during life changes such as childbirth, child-rearing, and nursing care.
- As part of these initiatives, Ryoyo has earned the Kurumin certification.



\* Kurumin:

Based on the Act on Advancement of Measures to Support Raising Next-Generation Children, companies that have formulated an action plan for employees' work and child-rearing, and have submitted notification to that effect, may apply to receive certification if they have achieved the goals set forth in the plan and meet certain standards.

The Ryoyo Group will continue to position the promotion of work-life balance as an important management issue and is committed to creating workplaces where employees can make the most of their abilities to play an active role.

## Overview of the First Half

- Both sales and profits increased significantly, supported by continued favorable demand, especially in the semiconductor-related business.
- Operating profit, ordinary profit and profit attributable to owners of parent more than doubled year on year. (As of the first half, the annual forecast announced at the beginning of the fiscal year has been achieved.)

## Annual Forecast

- Sales and profit performance forecasts for the full year have each been revised upward.
- The revised operating profit target anticipates a 21-year record high.
- However, the outlook remains uncertain, and a slowdown compared to the first half of the year is anticipated.

## Other

- In the second half, Ryoyo will focus on preparations and measures for the next fiscal year and beyond.
- As for shareholder returns, Ryoyo will increase the year-end dividend forecast by 10 yen/share based on the basic policy of aiming for DOE of 5%.

### 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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