

# Results Briefing for Fiscal Year Ended January 31, 2023

**March 10, 2023**

**Ryoyo Electro Corporation**

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

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

# Overview of Fiscal Year Ended January 31, 2023

# Intentions for the annual business plan at beginning of year and changes through the year

## Intentions at the beginning of the year

### Main factors

## Changes through the year

The impact of the component supply shortage was severe at the beginning of the fiscal year and was expected to continue until the latter half of the fiscal year.

Semiconductor  
Market Conditions

While the temporary increase in demand exceeded our initial expectations, a gradual balancing of supply and demand is beginning to be seen in some fields.

Although sales for TVs were expected to remain relatively high, overheating was expected to subside following the rapid expansion up through last fiscal year.

Semiconductor  
Business for TVs

Along with the absence of any big decline, new projects contributed to the results, and the year ended with a YoY increase in sales.

The contribution was expected to peak in this fiscal year, with some projects sliding from the previous fiscal year.

Online  
Eligibility  
Verification  
Business

This business expanded as initially expected, and an extension of government subsidies is also expected to have a positive impact for the next fiscal year.

Change in forms of transaction for some large-lot business was expected to have an impact from the second half of the fiscal year.

Software  
Business

Since large-lot business did not come to an end, the impact of this factor on the current fiscal year is expected to be minor.

(Not factored in at the beginning of the period)

Exchange Rate  
Trends

A rapid depreciation of the yen drove up profitability.



Although sales are expected to decline mainly due to changes in the business environment for large-lot business, estimated operating profit increased slightly YoY due to improved profit margins resulting from changes in sales composition.



The earnings forecast was revised upward twice during the period, so sales and profits are expected to significantly exceed the initial plan. (Operating profit reached a record level for the first time in 21 years)

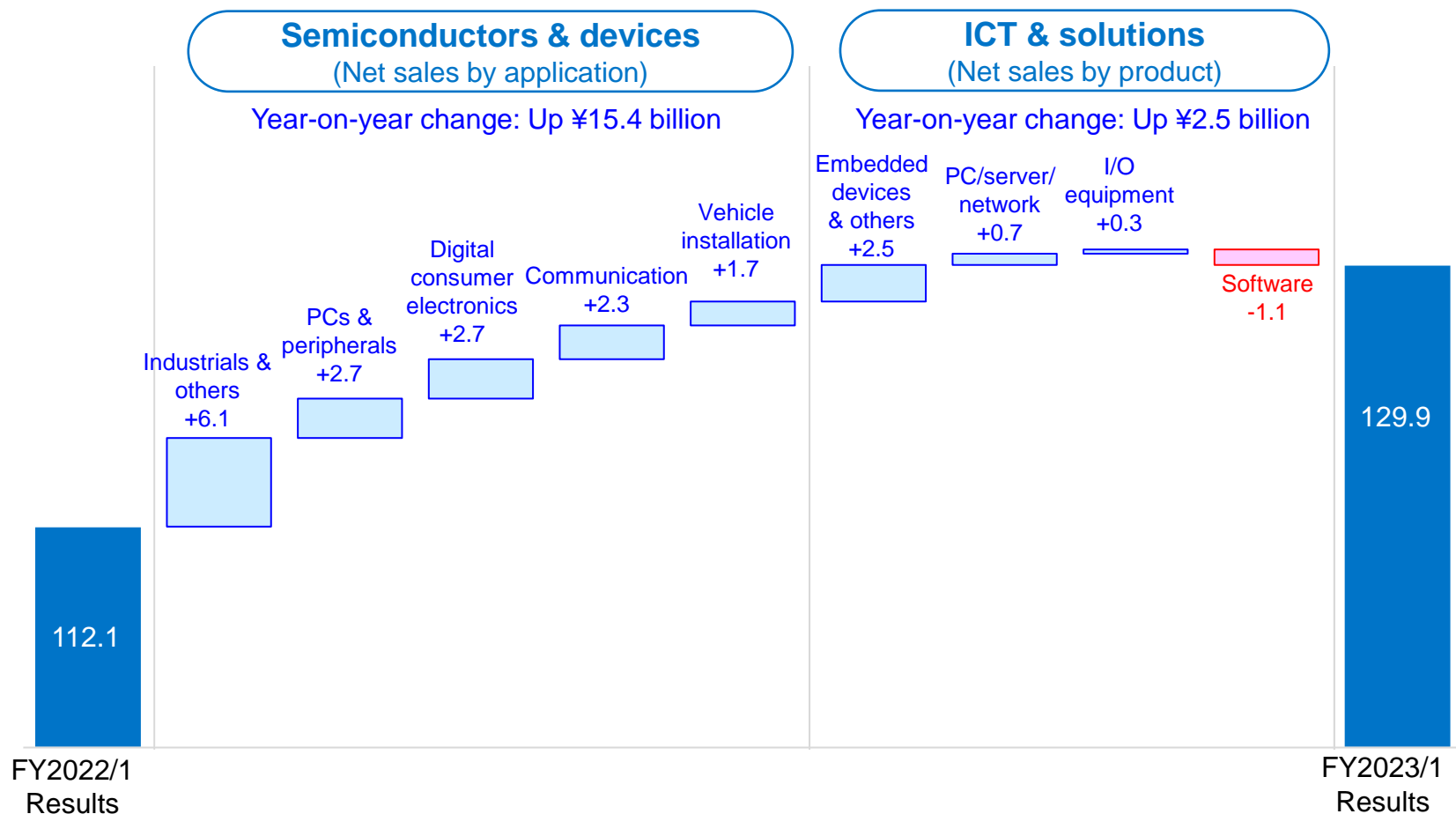
- While net sales were initially expected to decline at the beginning of the fiscal year, they continued to increase due to strong demand amid component shortages.  
→ Net sales of semiconductors & devices and ICT & solutions both grew year on year.
- Operating profit doubled YoY, and the operating margin greatly surpassed 3%. Operating profit exceeded ¥4 billion for the first time since the fiscal year ended January 31, 2002 (21 years ago).
- With the rise in the profit level, ROE improved significantly to 7.0%, marking the first time it has exceeded 5% since the year ended January 2001.

(Billion yen)	FY2022/1*	FY2023/1*			YoY Change		
	Result	Initial Target	Aug. Revised Target	Nov. Revised Target	Result	%	
Net sales	112.1	100.0	113.0	123.0	129.9	+17.8	+15.9%
Gross profit	10.73	10.80	12.35	13.10	13.58	+2.85	+26.6%
(%)	9.6%	10.8%	10.9%	10.7%	10.5%		
Selling, general and administrative expenses	8.47	8.50	8.75	8.90	8.89	+0.42	+4.9%
Operating profit	2.26	2.30	3.60	4.20	4.69	+2.44	+107.9%
(%)	2.0%	2.3%	3.2%	3.4%	3.6%		
Ordinary profit	2.40	2.20	3.40	4.00	4.48	+2.08	+86.5%
Profit attributable to owners of parent	1.87	1.53	2.35	2.80	3.06	+1.18	+63.1%
ROE	4.7%	3.6%	5.4%	6.4%	7.0%		

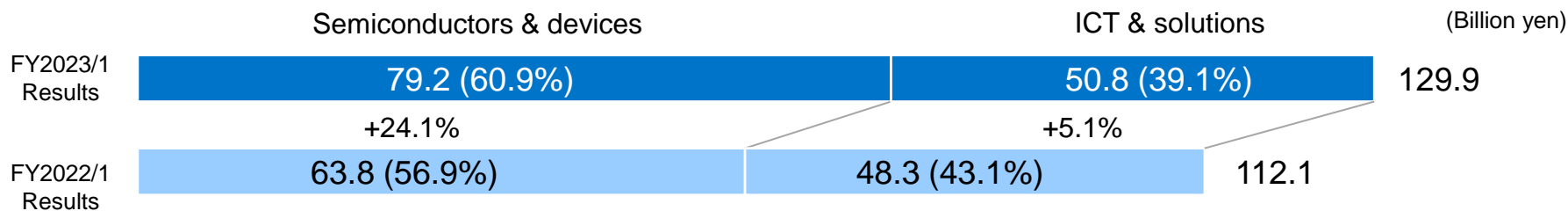
FY2022/1: Fiscal year ended January 2022, FY2023/1: Fiscal year ended January 2023

- Semiconductors & devices: Amid component shortages and stronger-than-expected demand, sales increased YoY for all applications, including industrials and PCs & peripherals.
- ICT & solutions: Sales of embedded products increased significantly, including AI and Deep Learning products, and sales of each item remained at a high level.

(Billion yen)



# Supplement: Net sales by product



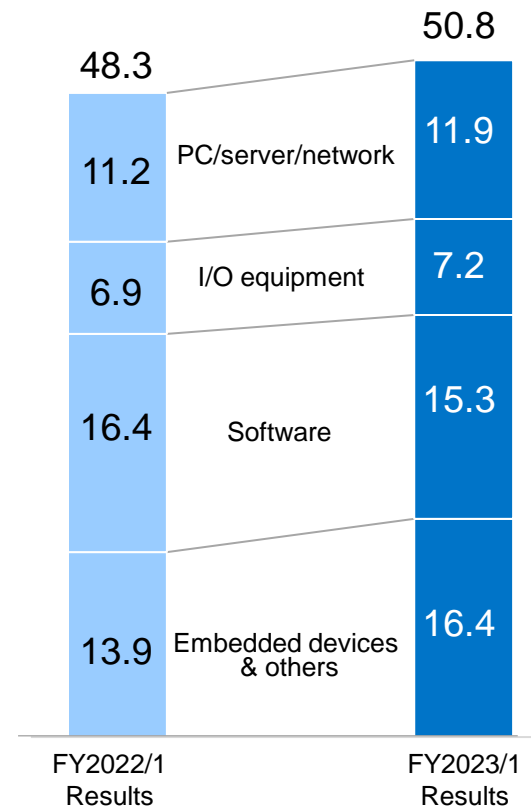
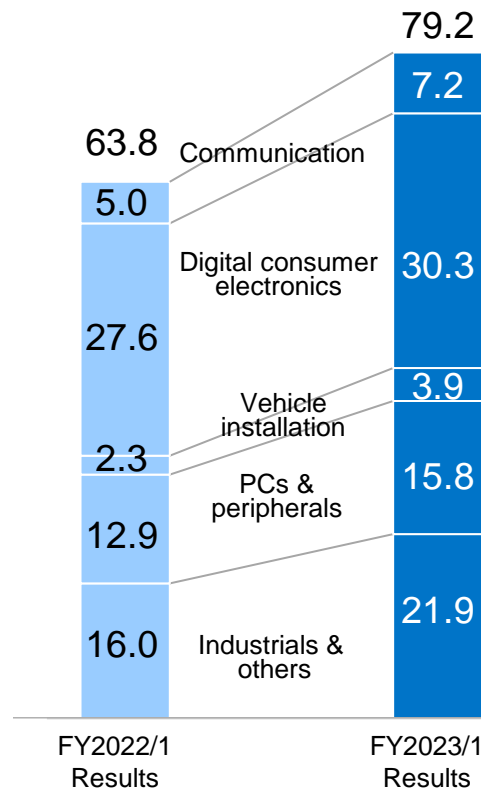
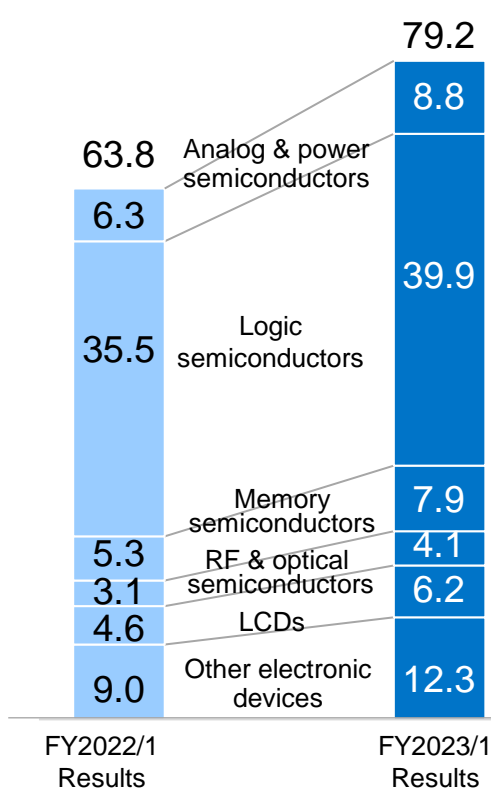
## Semiconductors & devices

### Net sales by product

### Net sales by application

## ICT & solutions

### Net sales by product



## **Our Medium-Term Initiatives and Alliance with Ryosan**

## 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

### Main risk factors in recent years

Stagnant market in Japan

Geopolitical risk

COVID-19 impact

Semiconductor supply shortages

Exchange rate trends

**Low-profitability structure, and susceptibility to changes in the business environment**

**Electronics trading companies**

**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



## Ryoyo's Vision

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

**Building a strong business foundation that is resilient to changes in the business environment**

To create winning models that organically combine each strategy

Alliance with Ryosan Company, Limited

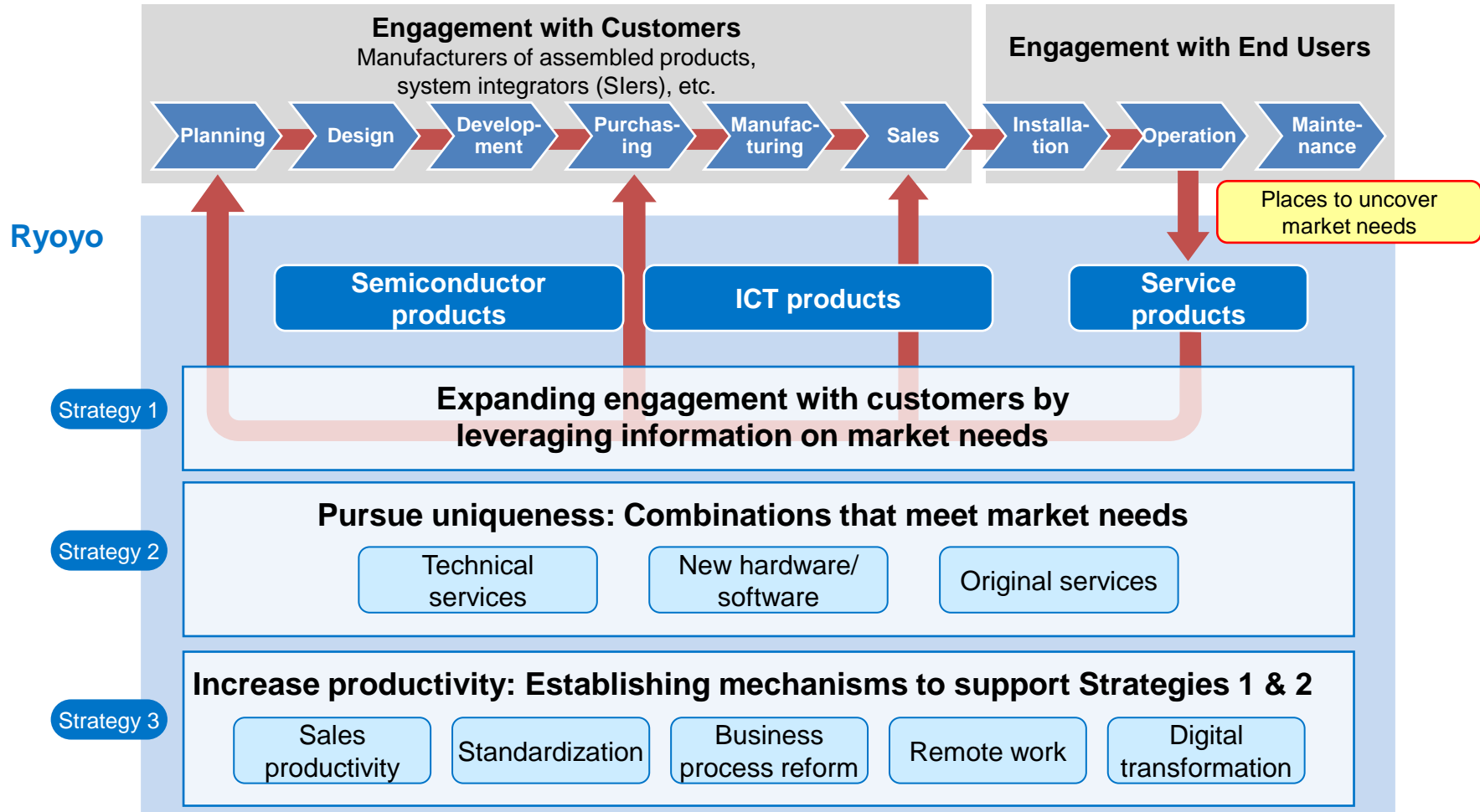
### Strategic framework of the three-year business plan

1. Expand and deepen customer engagement
2. Pursue uniqueness
3. Increase productivity



Explore new growth opportunities, including alliances with other companies

By utilizing the information on market needs obtained by engaging with end users, Ryoyo will become a key player in creating a business model leveraging the circulation of information and value throughout the supply chain, thereby providing the best solutions for our customers' issues and problems.



Strengthening and expanding the alliance in stages to deliver new growth opportunities for both companies

Spring 2022

Started discussions on potential business synergies

Announcement on February 7, 2023

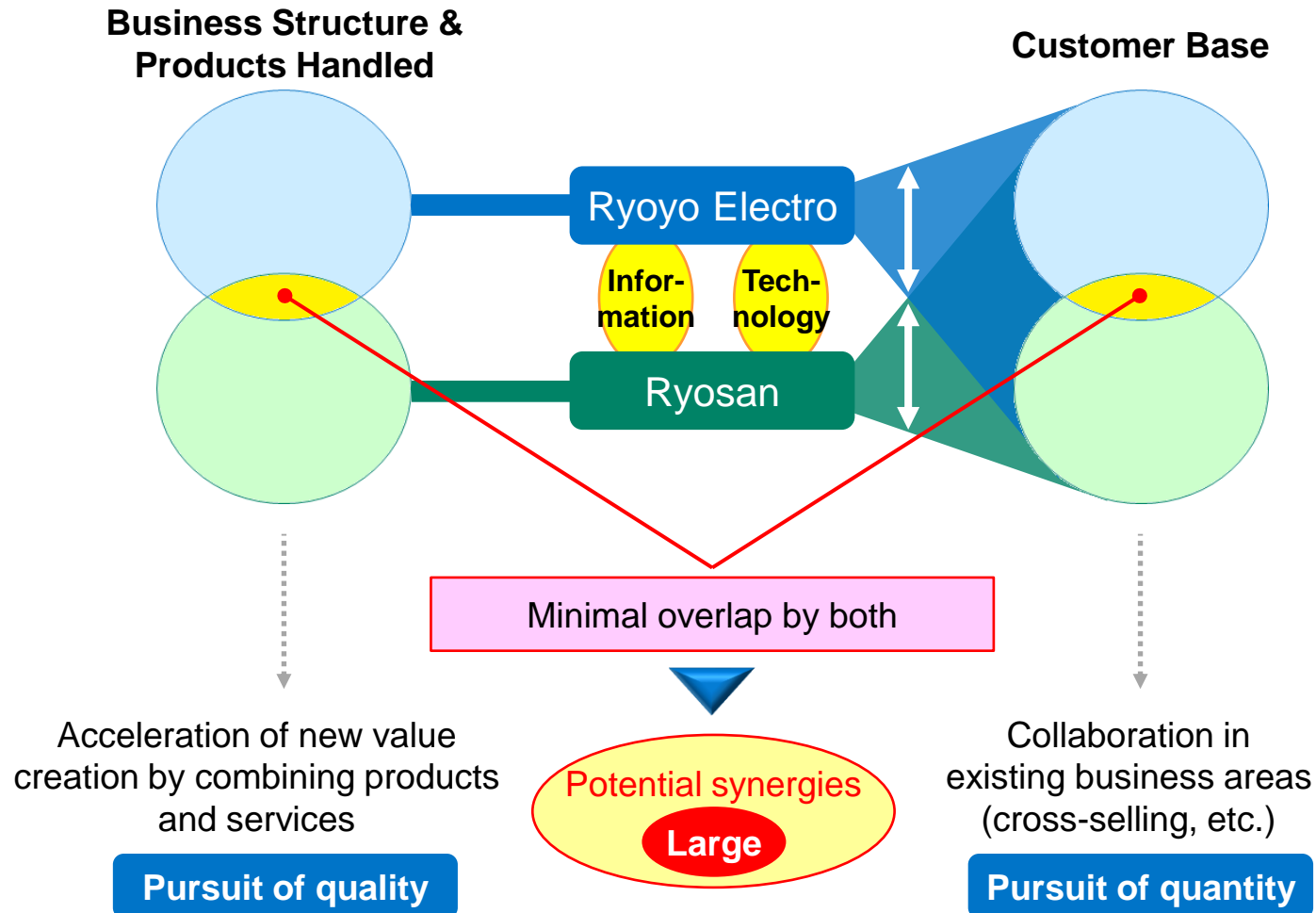
Acquired 18.71% of Ryosan shares (percentage of voting rights)

Announcement on March 9, 2023

Acquiring additional shares of Ryosan, to make it an equity-method affiliate (planned)

Continuing to accelerate discussions and initiatives to realize synergies

Working to make the most of both companies' various management resources:  
Outstanding relationships with customers, products and solutions



**Business Plan for Fiscal Year  
Ending January 31, 2024**

## Outlook for the fiscal year ending January 2024

Adjustment from semiconductor market boom

Reduction of marginal gains due to exchange rate fluctuations

Ending of large-lot business

A severe business environment is assumed due to changes in external factors and factors unique to Ryoyo

This fiscal year will show the results of past reforms and various measures.

### Semiconductors & devices

- Contribution by new products and new commercial rights  
Communications equipment, power and display devices, and sensors, etc.
- Active cultivation of business outside Japan

### ICT & solutions

- Further enhancement of service business
- Focus on the medical field  
Support for everything from manufacturing to kitting and equipment installation

Promotion of a circular business model for semiconductors, ICT devices, and services

Creation of unique solutions for last-mile delivery  
(Voice recognition, IoT platforms, etc.)

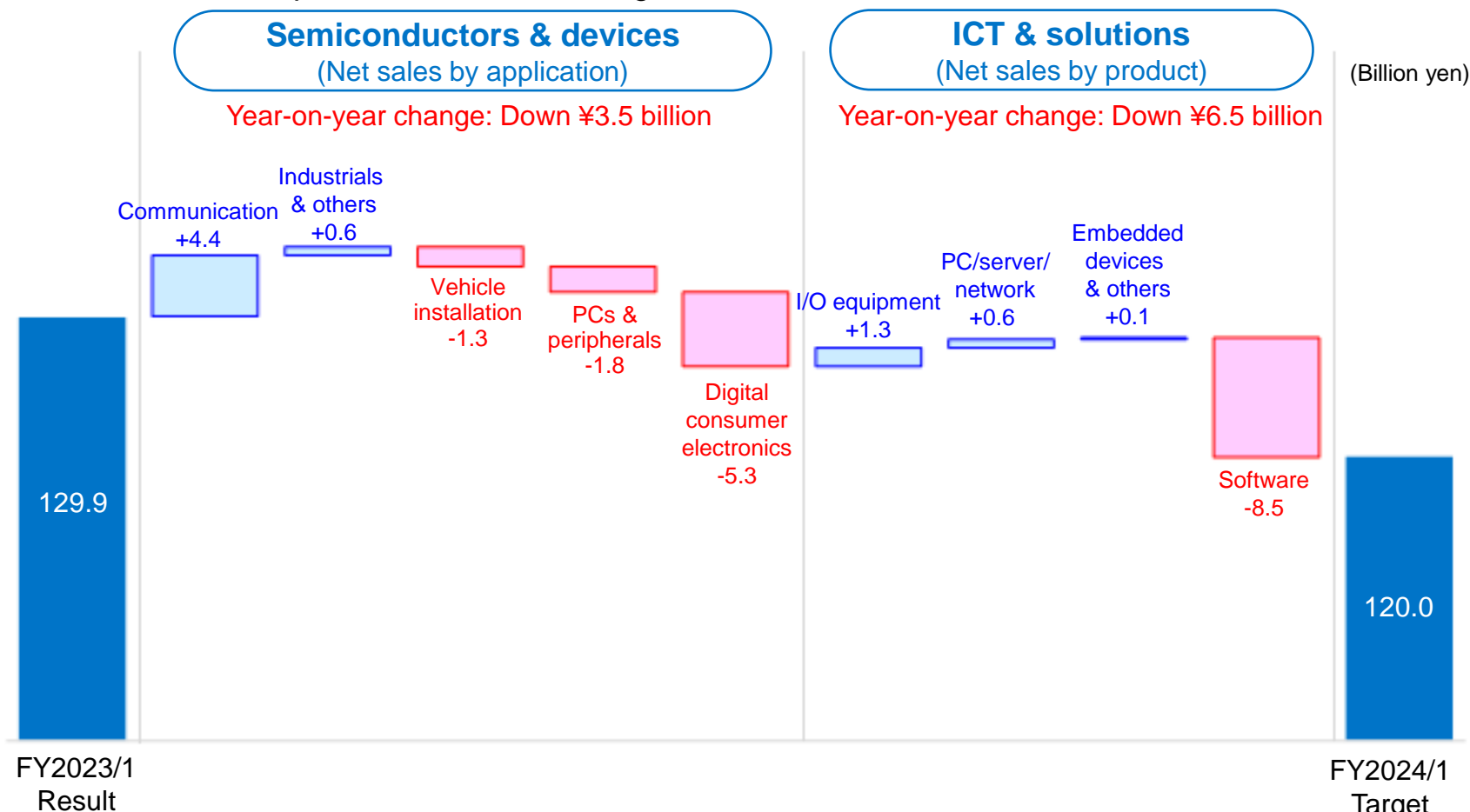
Pursuing business synergies with Ryosan

- Net sales are expected to decrease in both semiconductors & devices and ICT & solutions.
  - Gross profit margin is expected to improve mainly thanks to changes in sales composition, while operating profit margin is expected to remain at the 3% level.
  - Gain on bargain purchase: ¥3.1 billion (provisional figure) is included in non-operating profit, and ordinary profit and net profit attributable to owners of parent are expected to increase significantly.
- \* Share of profit/loss of entities accounted for using equity method was not factored into the plan at the beginning of the fiscal year

(Billion yen)	FY2023/1*	FY2024/1*	YoY Change	
	Result	Target		%
Net sales	129.9	120.0	-9.9	-7.6%
Gross profit	13.58	12.80	-0.78	-5.8%
(%)	10.5%	10.7%		
Selling, general and administrative expenses	8.89	9.20	+0.31	+3.5%
Operating profit	4.69	3.60	-1.09	-23.3%
(%)	3.6%	3.0%		
Ordinary profit	4.48	6.50	+2.02	+45.2%
Profit attributable to owners of parent	3.06	5.50	+2.44	+79.9%
ROE	7.0%	12.1%		

\* FY2023/1: Fiscal year ended January 2023, FY2024/1: Fiscal year ending January 2024

- Semiconductor & devices: Will likely benefit from the startup of mobile device projects, but will be impacted by an adjustment from the market boom in the previous fiscal year, and a decline in TV sales.
- ICT & solutions: Software is expected to decline due to the ending of large-lot business, but sales of other items are expected to remain at a high level.

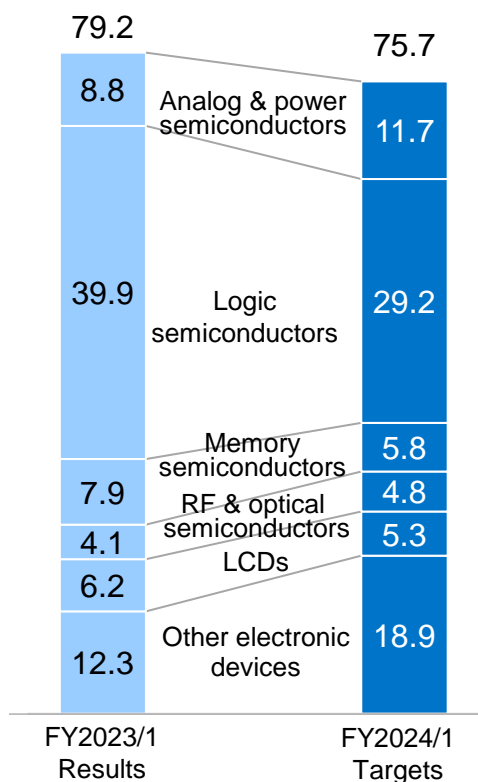




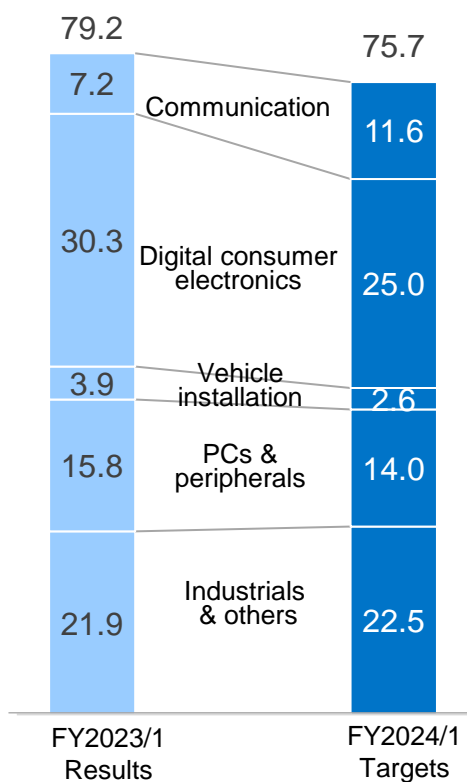


## Semiconductors & devices

### Net sales by product

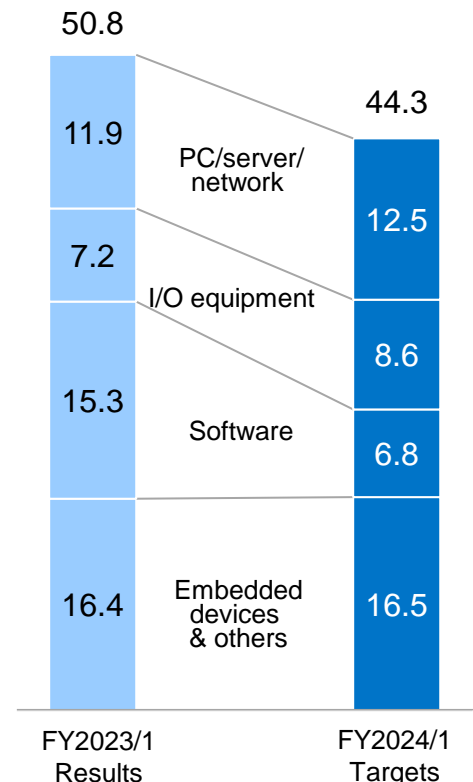


### Net sales by application



## ICT & solutions

### Net sales by product



- Dividend policy: Aim for a dividend on equity (DOE) of 5%.

		Dividend per Share (Yen)		
		Interim	Year-End	Full Year
FY2024/*	(Plan)	60	60	120
FY2023/1*	(Plan)	50	60	110
FY2022/1*	Result	60	60	120

**Increase dividend by ¥10**

\* FY2024/1: Fiscal year ending January 2024    FY2023/1: Fiscal year ended January 2023  
 FY2022/1: Fiscal year ended January 2022

## Expected indicators based on performance forecast and dividend forecast

	ROE	Dividend Payout Ratio	DOE
(FY2023/1 Results)	7.0%	72.6%	5.1%
	▼	▼	▼
(FY2024/1 Targets)	<u>12.1%</u>	<u>44.1%</u>	<u>5.2%</u>



## Overview of Fiscal Year Ended January 31, 2023

- Results for sales and profits significantly exceeded the initial plan, and operating profit reached a 21-year record high. ROE also improved substantially to 7.0%.
- In addition to significant growth in semiconductors & devices thanks to favorable market conditions and component shortages, ICT & solutions also maintained strong performance.

## Medium-term initiatives

- Electronics traing companies have a low-profitability structure and are susceptible to changes in the business environment.
- Ryoyo aims to pursue quality and quantity by creating a winning model and an alliance with Ryosan.

## Target for Fiscal Year Ending January 31, 2024

- With a challenging business environment in the forecast, we expect sales and operating profit to decrease YoY. However, Ryoyo will pursue various initiatives during the year that will demonstrate the results of its reforms and various other measures.
- Ordinary profit and net profit attributable to owners of parent are expected to increase YoY. This is due to a gain on negative goodwill associated with making Ryosan an equity-method affiliate.
- The annual dividend forecast for the fiscal year ending January 2024 is ¥120 per share, an increase of ¥10 from the previous year.

### 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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