

Results Briefing for the First Half (Feb.–Jul.) of the Fiscal Year Ending January 31, 2024

September 1, 2023

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 2024

The fiscal year's performance forecasts at the beginning of the year

Anticipated a challenging business environment (declines in both sales and profit) based on three main factors:

Adjustment from semiconductor market boom

Reduction of marginal gains due to exchange rate fluctuations

Ending of large-lot business

Q1 results

- Achieved YoY increases in both sales and profit (on an operating profit basis) due mainly to growth in the ICT business.
 - Recorded share of profit of entities accounted for using equity method following the adoption of the equity method for Ryosan.
- Significant YoY increases in ordinary profit and profit attributable to owners of parent

Performance forecasts for the full year have been revised upward.

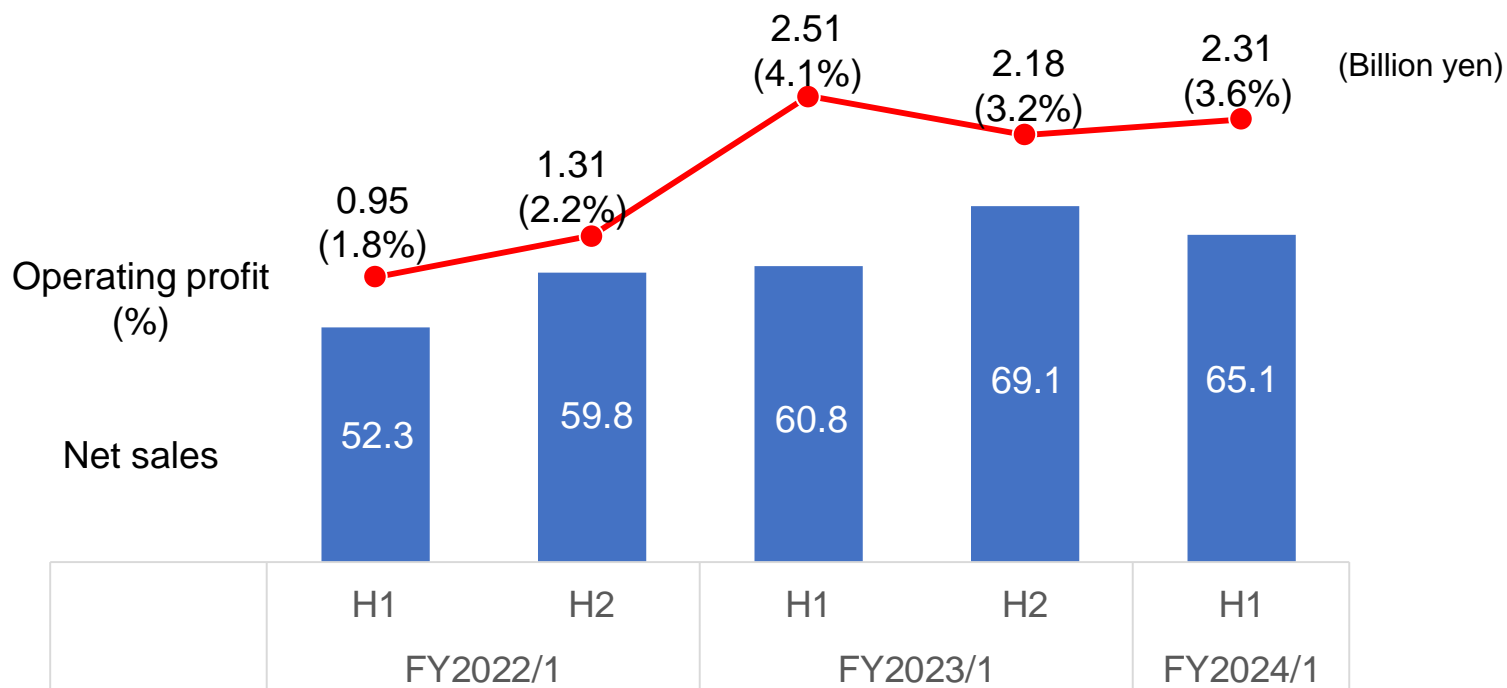
First half results

- Net sales increased in both semiconductors & devices and ICT & solutions.
- Gross profit rose despite a decline in profit margin mainly due to less boosting effect from semiconductor spot projects and foreign exchange fluctuations.
- Selling, general and administrative expenses increased due to rise in labor costs, as well as the recording of alliance-related expenses and allowance for doubtful accounts.
- The share of profit of entities accounted for using equity method was ¥4.46 billion, recorded as non-operating income.

(Billion yen)	FY2023/1	FY2024/1	YoY Change	
	H1 Result	H1 Result		%
Net sales	60.8	65.1	+4.3	+7.0%
Gross profit	6.74	6.88	+0.15	+2.2%
(%)	11.1%	10.6%		
Selling, general and administrative expenses	4.22	4.57	+0.35	+8.2%
Operating profit	2.51	2.31	-0.20	-7.9%
(%)	4.1%	3.6%		
Ordinary profit	2.48	6.49	+4.02	+162.0%
Profit attributable to owners of parent	1.78	5.75	+3.97	+223.0%

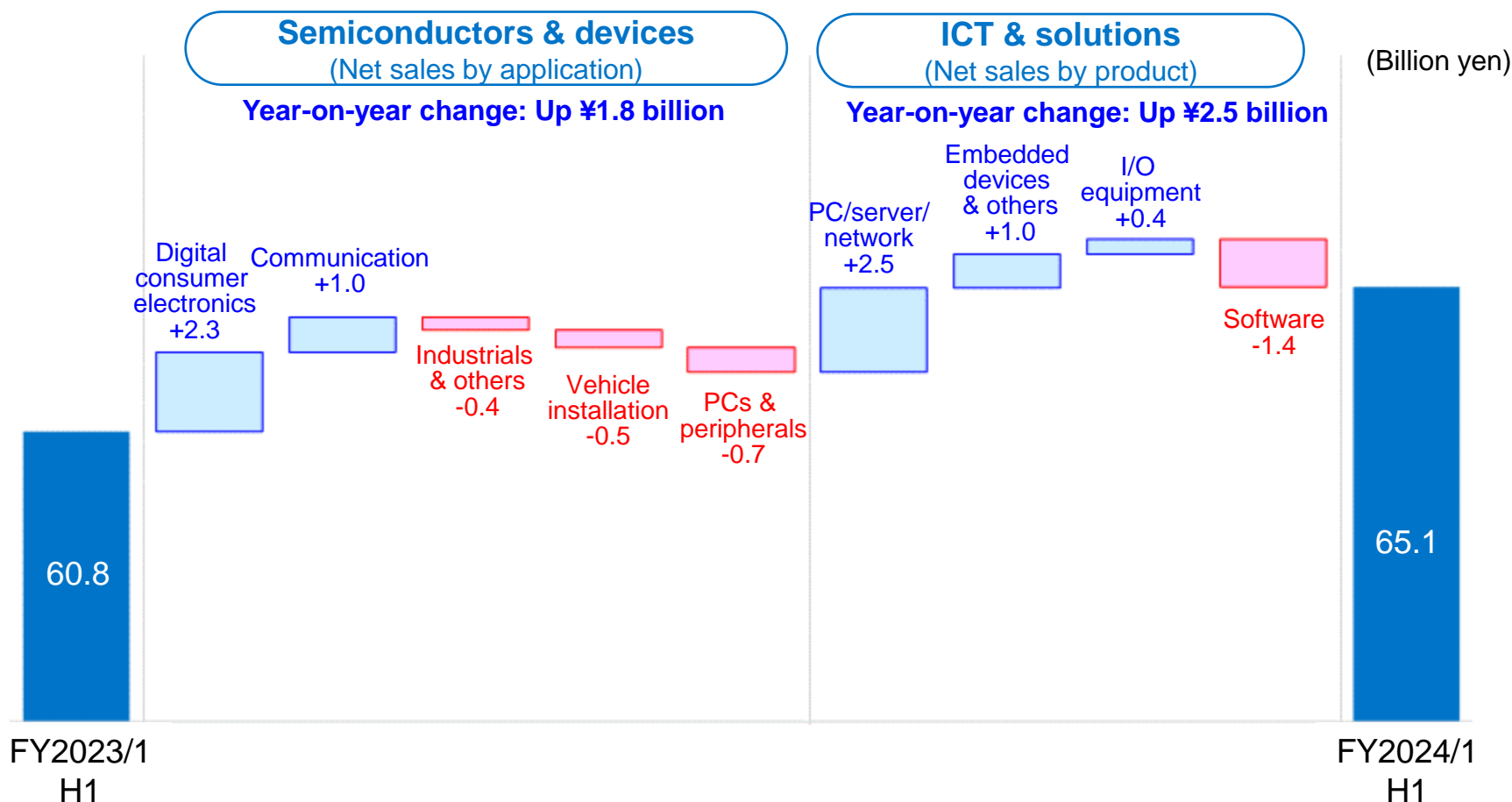
(Note) FY2023/1: Fiscal year ended January 2023 FY2024/1: Fiscal year ending January 2024

The operating margin has remained above 3% since the first half of fiscal year ended January 2023.



(Note) FY2022/1: Fiscal year ended January 2022
 FY2023/1: Fiscal year ended January 2023
 FY2024/1: Fiscal year ending January 2024

- Semiconductors & devices: Despite relative decline following the strong demand amid component shortages, business expansion outside Japan and startup of new projects drove sales growth.
- ICT & solutions: Remained robust overall, including capturing demand related to the online eligibility verification system, despite a decline in software sales due to ending of some projects.



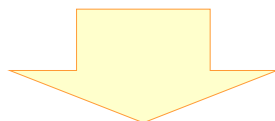
While our business outside Japan initially depended largely on receiving orders from Japan, in recent years the ratio of business originating outside Japan has been rising.

- In addition to existing sales for TVs, startup of mobile device projects is also contributing this fiscal year.



Chinese smartphone manufacturers have adopted our fingerprint authentication sensor.

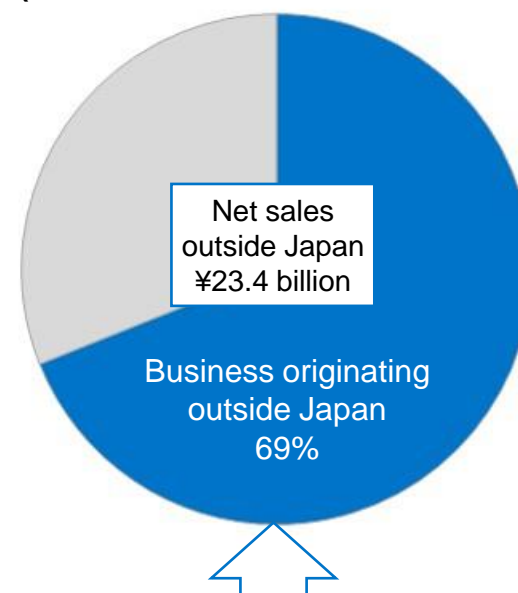
- “Out-out” business* for local customers in Greater China and other countries/regions expanded, with around 70% of sales outside Japan coming from trades between countries/regions other than Japan.



*Transactions where a local subsidiary outside Japan sells products procured either locally or from a country/region other than Japan to a local company.

Promoting further globalization of business outside Japan, including localization of bases abroad.

Composition of sales in business outside Japan
(Results for first half of FY2024/1)

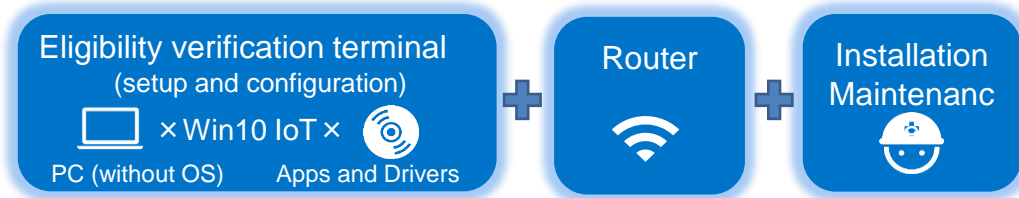


Net sales outside Japan have more than tripled in the past five years.
(First half of FY2019/1: ¥6.9 billion)

Promoting environmental preparation for IT adoption in the medical field, including the online eligibility verification business, which has been expanding since last fiscal year

- In the medical field, we are developing business by providing additional services and support such as equipment installation, network setup, and maintenance, in addition to selling equipment.

Reference: Overview of online eligibility verification business

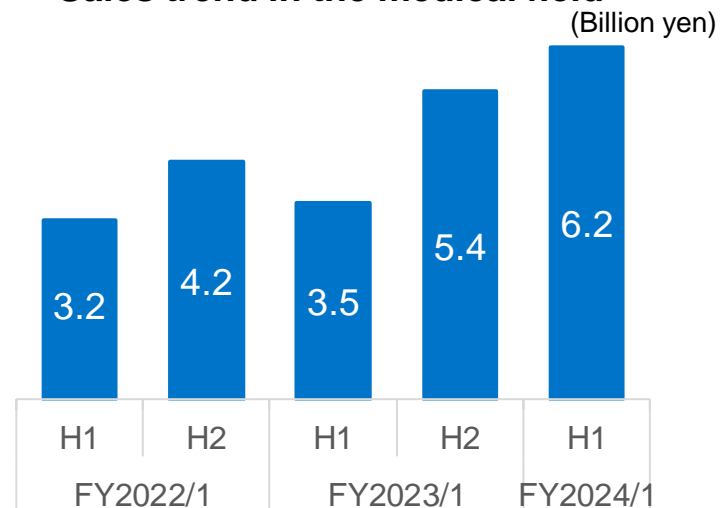


- Also, through the development of the online eligibility verification business, we are establishing relationships with new customers.



Leveraging the new customer base and expertise gained through the online eligibility verification business to accelerate initiatives targeting the medical/nursing care fields

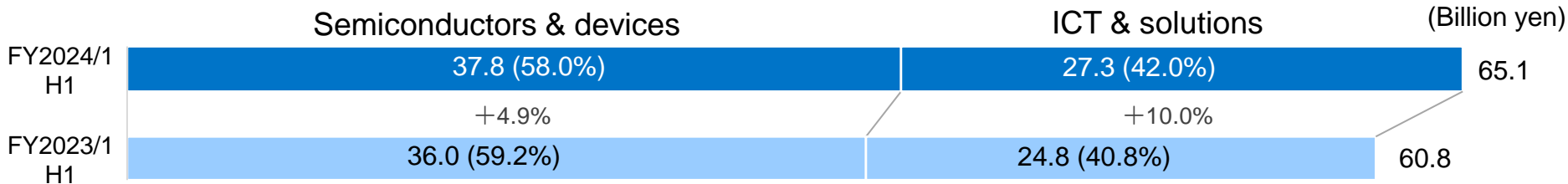
Sales trend in the medical field



Online eligibility verification

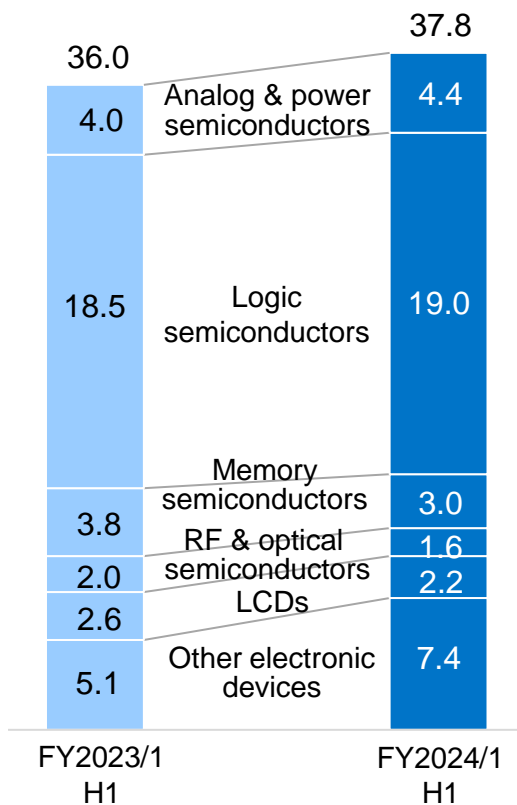
Verification of patients' insurance coverage for medical treatment (eligibility information) online using the IC chip in a My Number card or the code number of a health insurance card. As of April 2023, adoption is mandatory, in principle, for medical institutions and pharmacies.

Supplement: Net sales by product

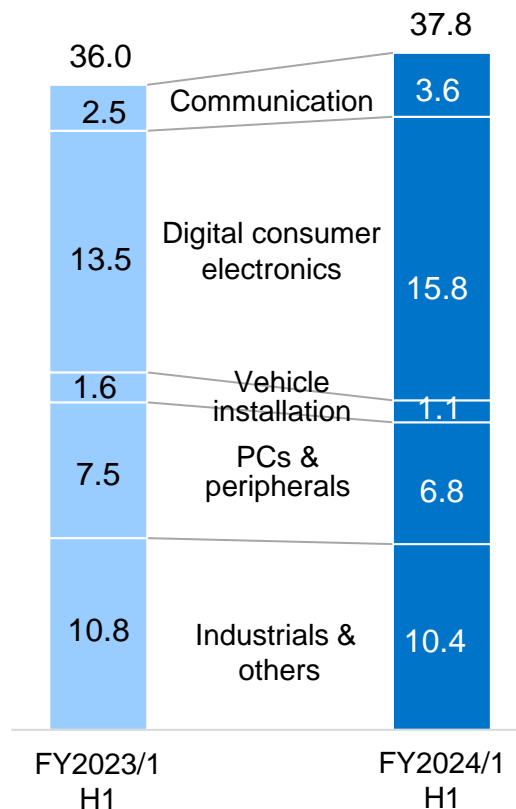


Semiconductors & devices

Net sales by product

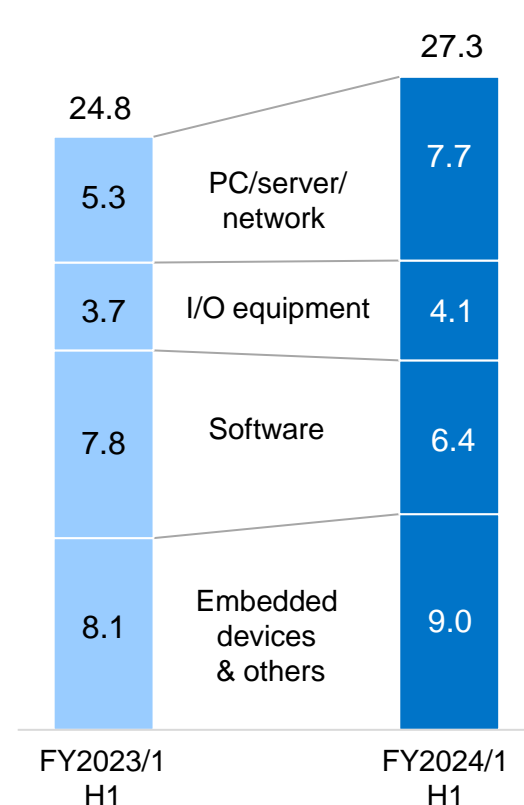


Net sales by application



ICT & solutions

Net sales by product



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

While uncertainty remains about semiconductor market conditions, foreign exchange rates, etc., there are no major changes from the initial second half forecast.

Semiconductors & devices

- Polarization between sectors performing well and performing poorly will continue, due in part to an adjustment from the market boom in the previous fiscal year.
- We have raised our forecast for business for TVs based on first half results.
- Business for mobile devices will be impacted by market cool-down.
 - While the full-year sales growth outlook remains unchanged, the margin of growth has been reduced from the initial plan.

ICT & solutions

- The impact of ending of some software projects will expand, and online eligibility verification business is expected to gradually shrink.
 - Both factors have already been incorporated into the initial plan.
- Other businesses will likely maintain high levels against a backdrop of steady IT investment by companies.
 - Due to the usual seasonality, we anticipate a greater contribution from Q4 than Q3.

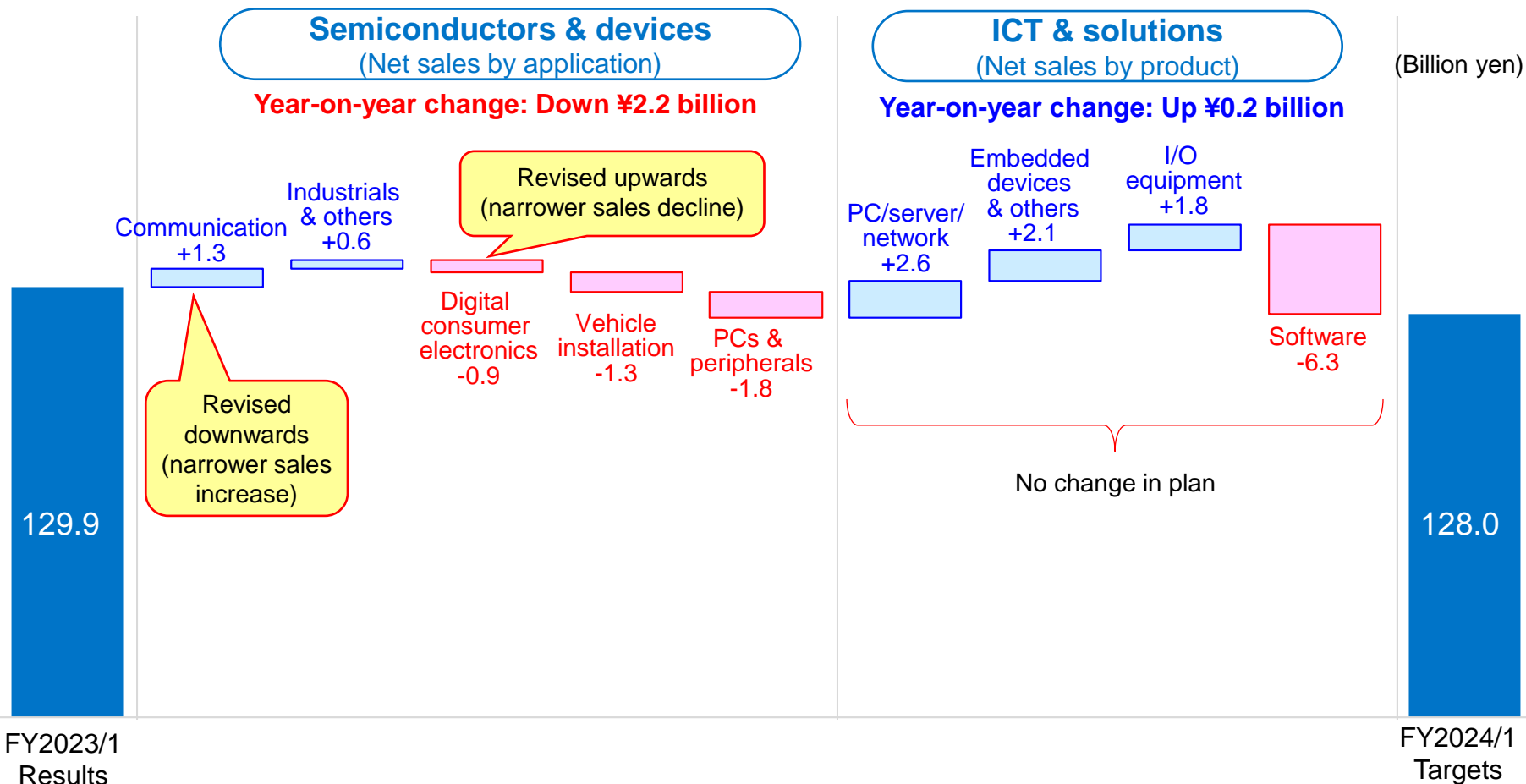
First half results showed over 50% progress against the upwardly revised annual target announced in May (Q1 earnings release), for both net sales and operating profit.



Annual target kept unchanged from the May revision

(Billion yen)	FY2023/1 Result	FY2024/1				YoY Change		Progress Against Annual Target
		H1 Result	H2 Target	Annual Target (Revised in May)	Initial Annual Target		%	
Net sales	129.9	6.51	6.29	128.0	120.0	-1.9	-1.5%	50.8%
Gross profit	13.58	6.88	6.77	13.65	12.80	+0.07	+0.5%	50.4%
(%)	10.5%	10.6%	10.7%	10.7%	10.7%			
Selling, general and administrative expenses	8.89	4.57	4.78	9.35	9.20	+0.46	+5.2%	48.9%
Operating profit	4.69	2.31	1.99	4.30	3.60	-0.39	-8.4%	53.8%
(%)	3.6%	3.6%	3.2%	3.4%	3.0%			
Ordinary profit	4.48	6.49	2.41	8.90	6.50	+4.42	+98.8%	73.0%
Profit attributable to owners of parent	3.06	5.75	1.75	7.50	5.50	+4.44	+145.4%	76.7%
ROE	7.0%			15.6%	12.1%			

- Semiconductors & devices: Sales in communications and industrials are expected to increase. The outlook for digital consumer electronics, centered on TVs, is raised upward compared to the initial plan.
- ICT & solutions: No change from initial outlook. Sales are expected to increase year on year, as the decrease in software will be offset by solid growth in other products.

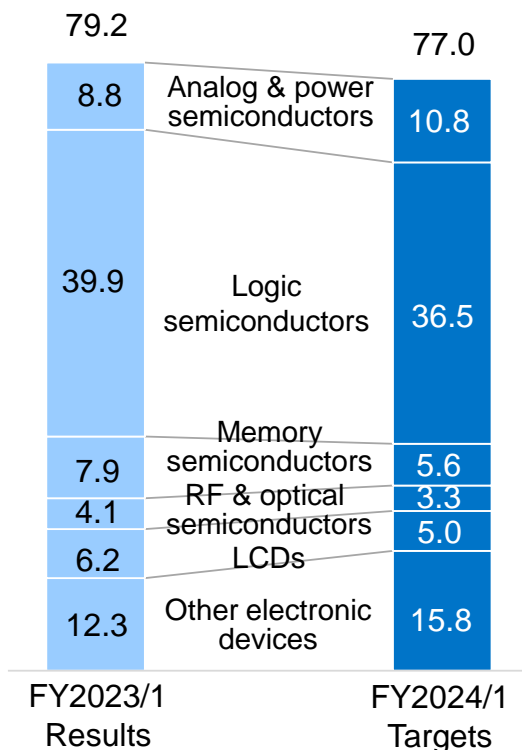


(Billion yen)

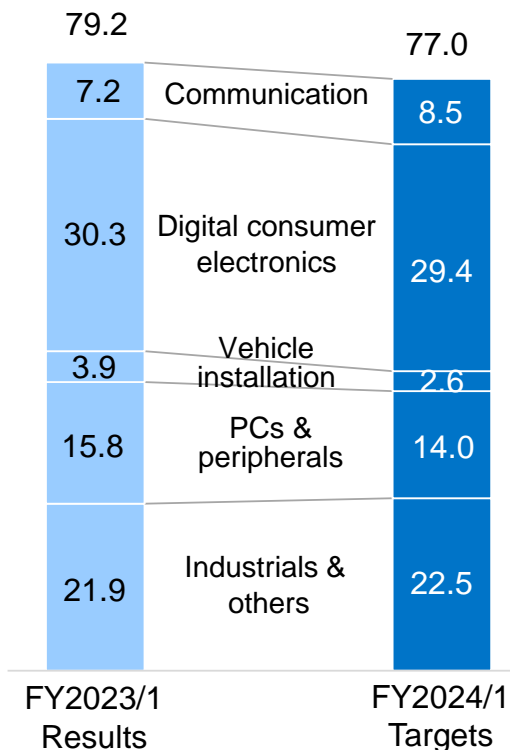
	Semiconductors & devices	ICT & solutions	
FY2024/1 Targets	77.0 (60.2%)	51.0 (39.8%)	128.0
	-2.7%	+0.5%	
FY2023/1 Results	79.2 (60.9%)	50.8 (39.1%)	129.9

Semiconductors & devices

Net sales by product

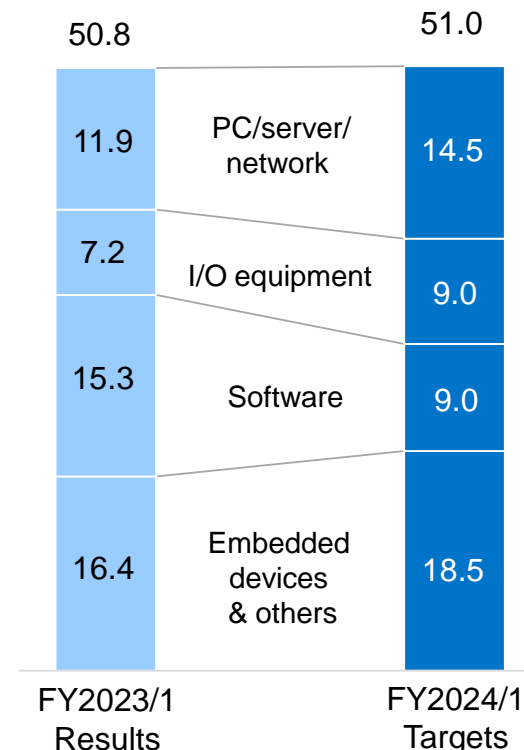


Net sales by application





ICT & solutions

Net sales by product



- Dividend policy: Aim for a dividend on equity (DOE) of 5%.
 - Based on the outlook for record-high profit attributable to owners of parent, the company raised its planned dividend in May (Q1 earnings release) by ¥50 year on year.

		Dividend per Share (Yen)		
		Interim (Q2)	Year-End	Full Year
FY2024/1	Revised plan in May	80	80	160
	Initial plan	60	60	120
FY2023/1	Result	50	60	110

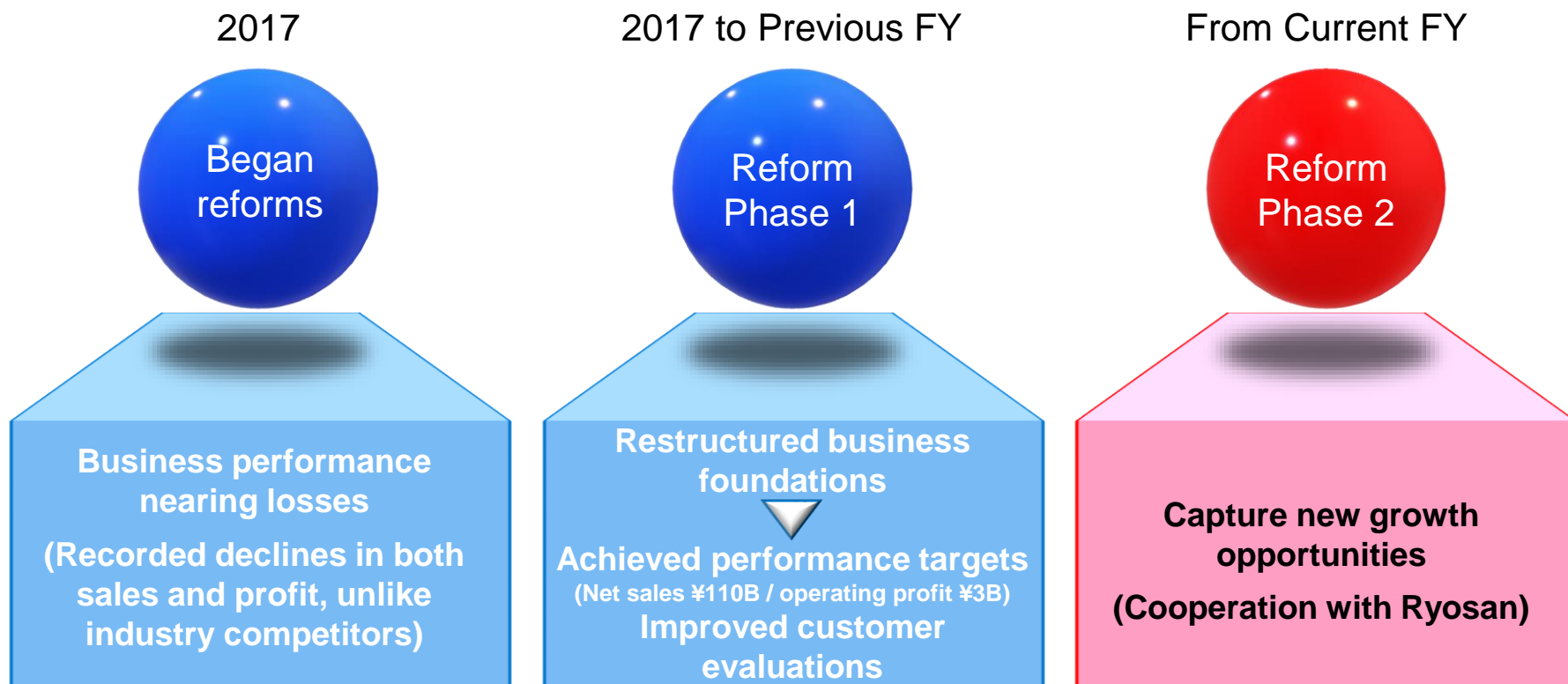
 Increase dividend by ¥40
 Increase dividend by ¥10

Expected indicators based on performance forecast and dividend forecast

		ROE	Dividend Payout Ratio	DOE
FY2024/1	Revised plan in May	15.6%	43.1%	6.3%
	Initial plan	12.1%	44.1%	5.2%
FY2023/1	Result	7.0%	72.6%	5.1%

**Our Medium-Term Initiatives
(Management Integration with Ryosan)**

The first phase of reforms, which aimed at strengthening ourselves, is complete; this fiscal year we have entered the second phase including an alliance with Ryosan.



Aiming for business integration in April 2024

Announcement on May 15, 2023

Concluded a basic agreement for management integration

Initiated detailed discussions for management integration

Announcement on March 9, 2023

Acquired additional shares of Ryosan and made it an equity-method affiliate

Strengthened collaboration to ensure the achievement of new growth opportunities

Announcement on February 7, 2023

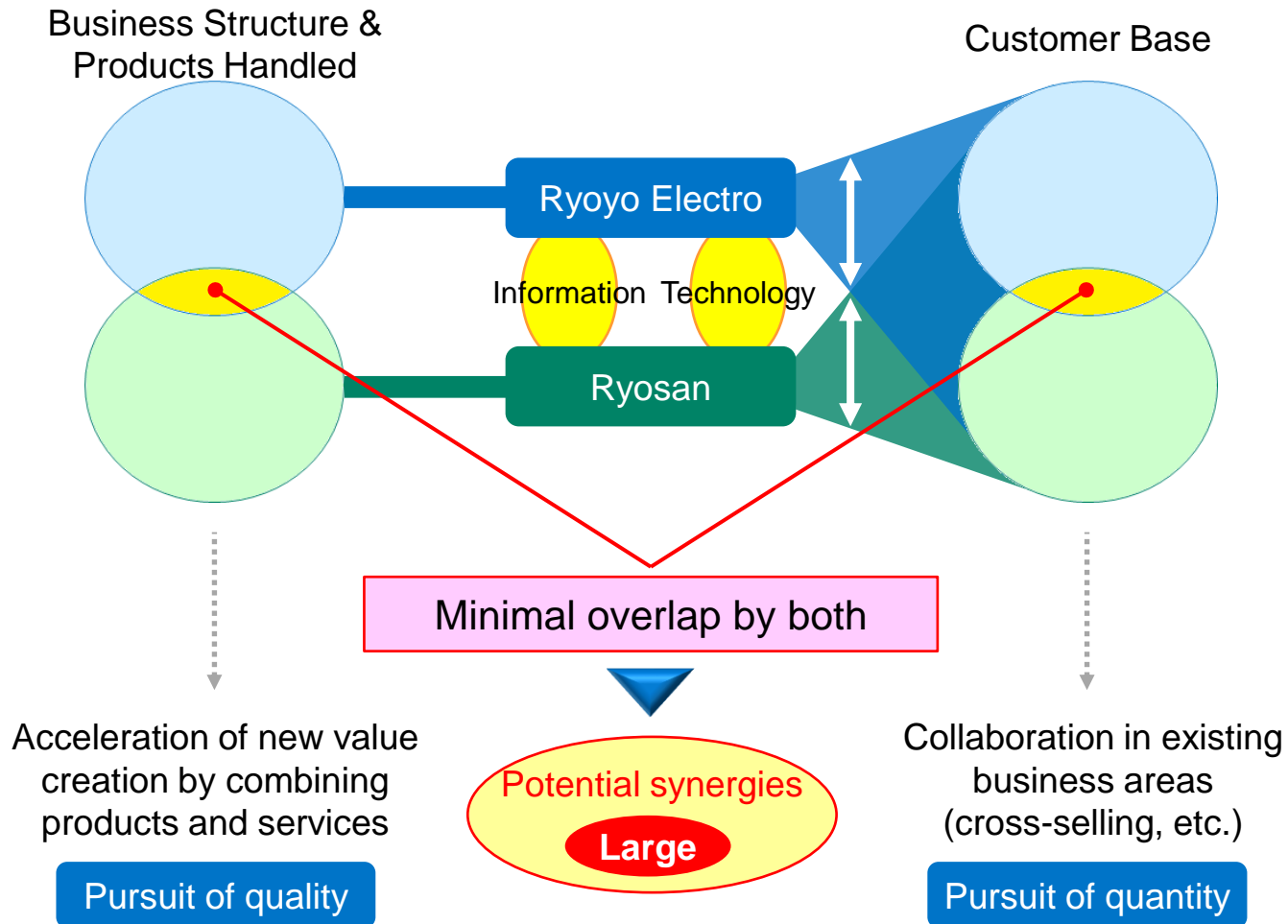
Acquired 18.71% of Ryosan shares (percentage of voting rights)

Accelerated investigation and discussions on the form of the alliance between the two companies

Spring 2022

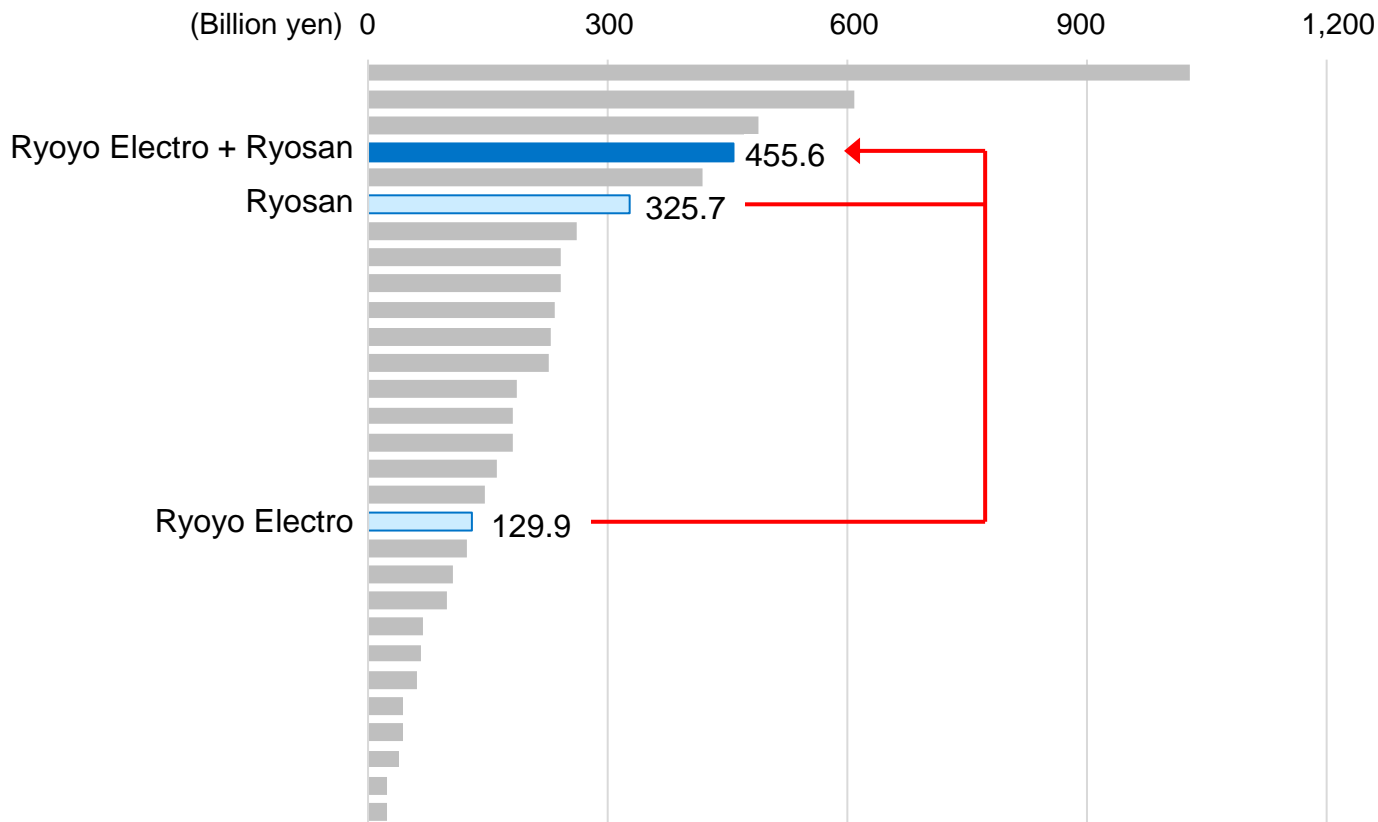
Started discussions on potential business synergies

Working to maximize each company's unique management resources:
Outstanding relationships with customers, products and solutions



Combined net sales of the two companies will exceed ¥450 billion (based on the previous fiscal year's results), forming the new core group among Japanese electronics trading companies.

Net sales of Japanese electronics trading companies



(Based on each company's FY2022 results; prepared by Ryoyo)

Pursuing quantity through this management integration



While a certain scale is important, **we aim to expand customer relationships that cannot be built overnight.**

**Expanding sales
scale**



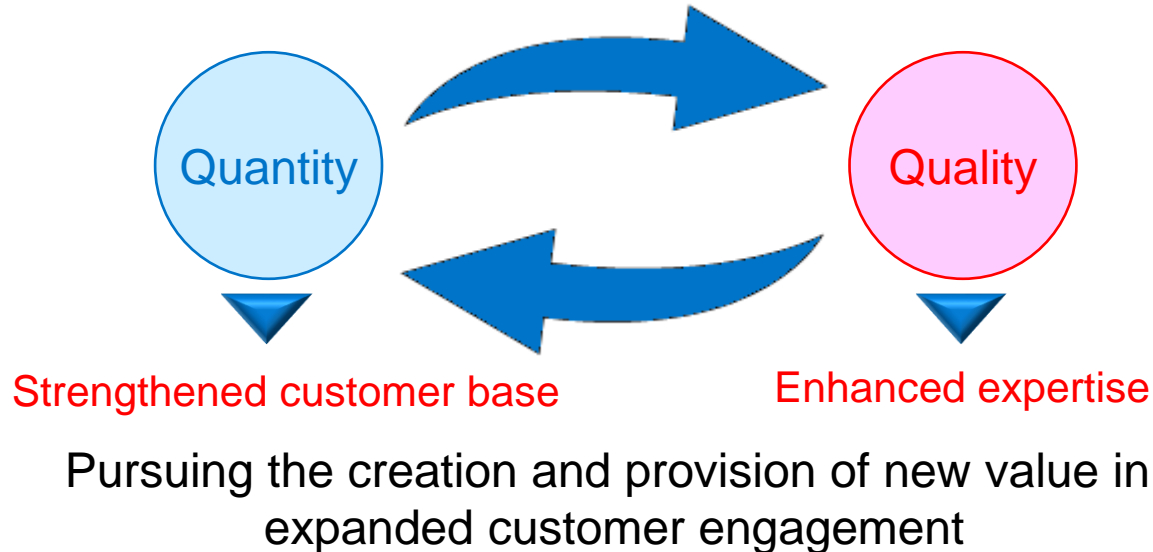
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**Expanding customer
engagement**



Pursuing synergies from the combination of Ryoyo's strengths in semiconductors and ICT with Ryosan's customer base.

Expand customer engagement and strengthen business models by mutual positive feedback of quantity and quality.



Becoming a trading company chosen and needed by customers

Improving value enhancement across the entire value chain with a view to resolving challenges faced by end-users (customers of Ryoyo's clients).

Current status

- The two companies have agreed to aim for management integration around April 2024.
- The method of integration and other necessary matters (company name, head office location, representative, etc.) are to be decided.

Provisional schedule

Conclusion of final agreement for the management integration: October 2023

Extraordinary shareholders' meetings (both companies)*: December 2023

Effective date or implementation of the management integration: April 2024

*Extraordinary shareholders' meetings will be held only if procedurally necessary

Overview of the First Half

- Both net sales and operating profit remained at high levels.
- Ordinary profit and profit attributable to owners of parent increased significantly year on year, partly owing to the recording of the share of profit of entities accounted for using equity method.

Annual Forecast

- First half results showed over 50% progress against the upwardly revised annual target announced with the Q1 earnings, for both net sales and operating profit.
- Although uncertainty remains, the annual target is unchanged.

Our Medium-Term Initiatives (Management Integration with Ryosan)

- Ryoyo's management reforms are entering the second phase aimed at capturing new growth opportunities.
- The basis for integration is the pursuit of value enhancement through a positive feedback loop of quality and quantity.

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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