



July 28, 2023

RYODEN CORPORATION

(Code No. 8084, TSE Prime Market)

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## Measures to Achieve Management Focused on Cost of Capital and Share Price

RYODEN CORPORATION hereby announces that, at its Board of Directors' meeting held on July 28, 2023, it resolved to adopt the following measures and policies to achieve management focused on cost of capital and its share price in order to pursue sustainable growth and improve its corporate value over the medium to long term.

### 1. Evaluation of Current Status

We have formulated a five-year medium-term management plan, ICHIGAN 2024, that ends in FYE2025. The plan outlines our vision of "continuously creating new value as a business-creating company that exceeds the traditional boundaries of dealerships and trading companies." In FYE2023, we achieved record-high net sales and profit at all levels. In FYE2024, we expect net sales to increase modestly but profit to decline at all levels as the semiconductor market enters a correction phase. However, we are working steadily to achieve the final-year targets set in our medium-term management plan under the theme of "succession and evolution."

Against this backdrop, our gross profit margin has improved by 1.1 percentage points over the past 10 years. As of end-FYE2023, our return on equity (ROE) stood at 7.0%, exceeding our cost of capital. However, our price-to-book ratio (P/B) has trended below 1x.

### 2. Policies and Objectives

We aim to achieve a P/B of above 1x through the steady achievement of our medium-term management plan ICHIGAN 2024.

#### (1) Strengthen earnings power

- We will steadily execute the growth strategy outlined in our medium-term management plan, and strengthen our earnings power by improving productivity in our core businesses of FA Systems, Cooling & Heating and Building Systems, and Electronics, while also expanding sales in new businesses such as X-Tech, which provide new value through a combination of our technology and knowledge.
- From the second half of FYE2024, we will allocate management resources to new business development and investments, with an annual budget of ¥400 million. We will make investments in areas such as the construction of an IoT platform that can serve as the foundation for data recurring businesses, and improvements in image recognition technology solutions, while also accelerating the establishment of business models for growth businesses and the creation of next-generation new businesses.
- In April 2023, we established the Strategic Technology Center that oversees technologies to support business creation across the entire company. We have consolidated technologies that have thus far been independently developed by each business under the leadership of a dedicated executive officer responsible for technology, and are working to laterally expand our existing technologies, and discover and streamline new technologies by concentrating our development resources.

- We have defined our purpose as “Giving shape to Waku-Waku (excitement) by connecting people and technology.” We define “Waku-waku (excitement)” as the creation of new businesses, which relies on human resources (human capital). We plan to actively make strategic investments in our human resources to strengthen our earnings power in the future.

(2) Strengthen shareholder returns

With regard to dividends from surplus, our dividend policy is to maintain and continue stable dividends in the medium and long term without linking them to financial results in the short term. While maintaining and continuing this policy, we will strengthen the return of profits to shareholders by targeting a dividend payout ratio of 40–60% in the future.

[Dividend policy]

The RYODEN Group’s basic policy is to expand its internal reserves in order to strengthen its management foundations and financial structure, and utilize investment capital for business expansion, while returning appropriate profits to shareholders.

With regard to dividends from surplus, the group will return profits by targeting a dividend payout ratio of 40–60% while taking into consideration factors such as consolidated earnings performance in each fiscal year and the medium- to long-term group strategy.

In addition, the group plans to repurchase treasury shares while taking into consideration share price trends and our financial condition.

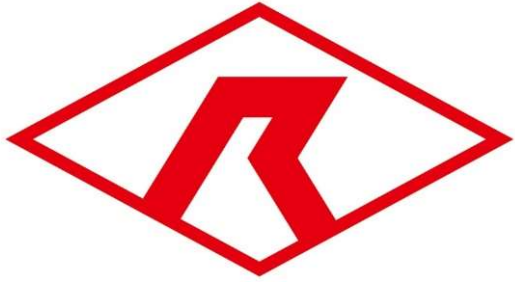
\* The underlined section was added.

(3) Strengthen IR activities

We have actively engaged in constructive dialogue with shareholders and investors through company briefings for individual investors, financial results briefings for institutional investors, IR meetings, and other events. Going forward, we will continue to actively pursue such activities, and utilize the opinions and feedback of shareholders and investors in the review of our management strategy and other areas.

In addition, we will establish a dedicated IR department to conduct and accelerate IR activities.

\* For more details, please refer to the attached materials.



# **Initiatives to Achieve Management Focused on Cost of Capital and Share Price**

**RYODEN CORPORATION**

July 28, 2023

TSE Prime Market

Securities code: 8084

# Medium- to Long-Term Vision



Purpose: Our guide as we move forward

**Giving shape to “Waku-Waku (Excitement)” by connecting people and technology**

Vision: Our target state in 2050

**As a 100-year company, contribute to the realization of an environmentally friendly, safe, secure, and sustainable society**

Target state: RYODEN in 2024

**Continuously create new value as a business-creating company that exceeds the traditional boundaries of dealerships and trading companies**



## Strategic themes

## Promotion of digital transformation (DX)

- Establish business models for growth businesses and create next-generation new businesses
- Improve productivity of mission-critical core businesses
- Strengthen platform for business advancement

## Focus areas

## Management targets

Environment,  
safety,  
security

Operating profit

¥10.0 billion or more

Sales from new businesses

¥22.0 billion or more

Gross profit margin for  
new businesses

18%

ROE

8.0%

# Progress with Medium-Term Management Plan



| Management indicator                   | Results for FYE2023 | Forecasts for FYE2024 | Targets for FYE2025 |
|--|---------------------|-----------------------|---------------------|
| Operating profit                       | ¥9.3 billion        | ¥7.0 billion          | ¥10.0 billion       |
| Operating profit margin                | 3.6%                | 2.7%                  | 3.8%                |
| Sales from new businesses              | ¥5.7 billion        | ¥7.55 billion         | ¥22.0 billion       |
| Gross profit margin for new businesses | 16.7%               | 18.1%                 | 18.0%               |
| ROE                                    | 7.0%                | 5.9%                  | 8.0%                |

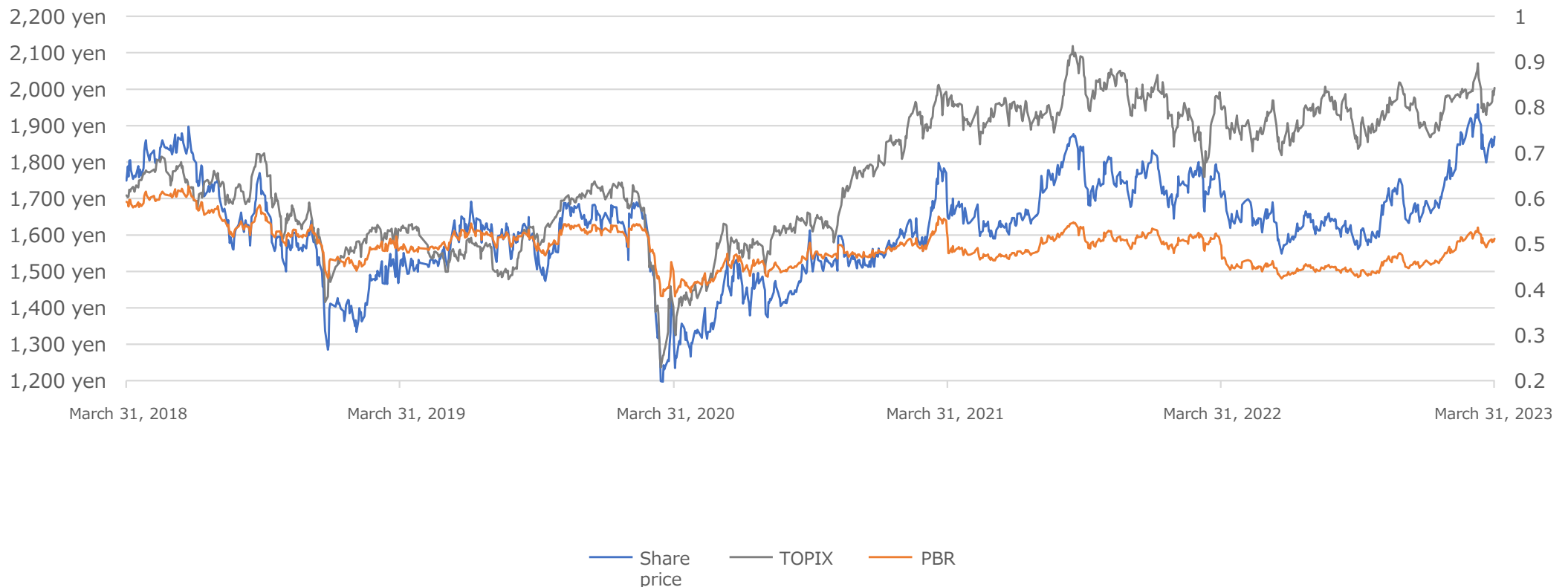
## [Issues to be addressed]

- ✓ In FYE2023, we achieved record-high profit at all levels, including operating profit, aided by substantial growth in the Electronics business and the effects of foreign exchange rates. In FYE2024, we forecast a decline in profit due to factors such as the electronics industry entering a correction phase.
- ✓ **Seeds for new businesses are steadily emerging, but profit generation from related operations has been slow.**

# Analysis of Current Market Valuation and Return on Capital



[Market valuation] Share price and P/B trend (last five years)



## [Issues to be addressed]

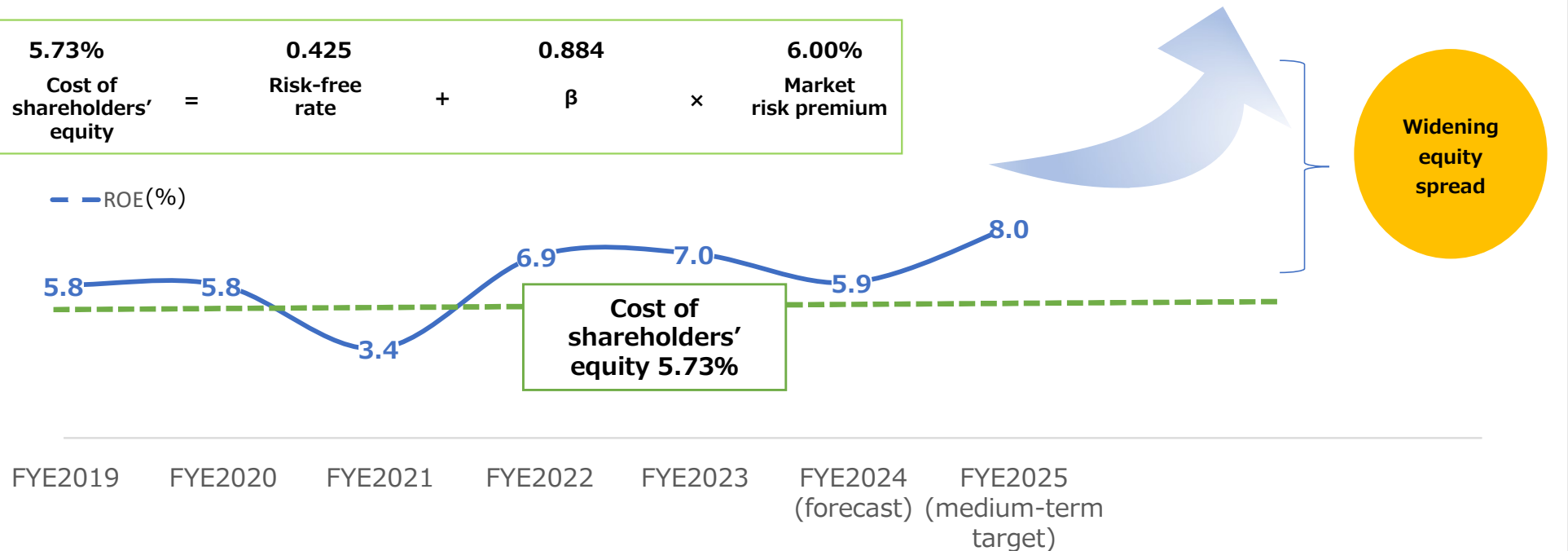
- ✓ **P/B is trending below 1x.**
- ✓ **RYODEN's future potential and growth prospects have not been sufficiently communicated to investors.**

# Analysis of Current Market Valuation and Return on Capital



[Target ROE and cost of capital]

$$\begin{matrix} 5.73\% \\ \text{Cost of} \\ \text{shareholders'} \\ \text{equity} \end{matrix} = \begin{matrix} 0.425 \\ \text{Risk-free} \\ \text{rate} \end{matrix} + \begin{matrix} 0.884 \\ \beta \end{matrix} \times \begin{matrix} 6.00\% \\ \text{Market} \\ \text{risk premium} \end{matrix}$$



[Issues to be addressed]

- ✓ ROE has remained below the target of 8% in recent years.





## Strengthen earnings power (1)

**Steadily implement growth strategy** outlined in medium-term management plan

### FA Systems

Use manufacturing digital transformation (DX) as an approach to **provide total solutions** that cover all aspects from processing and assembly to transport and inspection in an integrated manner. In addition, expand sales of integrated surveillance control system (Remces).

### Cooling & Heating and Building Systems

**Expand business domains** by growing the industrial cooling/heating business (including clean rooms and environmental testing equipment) and implementing heat control measures.

### X-Tech

- ✓ **Establish a unique recurring business** (smart agriculture) by providing consulting, engineering, and data services to companies that are considering entering the next-generation agriculture field.
- ✓ **Expand sales of Total Pack IT, a package of IT equipment and systems for small and medium-sized medical institutions, and integrated image delivery systems** (healthcare) to contribute to DX at such institutions and reduce their management burdens.

### Electronics

Strengthen relationships with new business partners such as Omnivision and Allegro. Expand sales of products such as power and analog semiconductors and sensors, **focusing particularly on the electric vehicle (EV) market** where demand is projected to grow.

# Measures to Improve Medium- to Long-Term Corporate Value

## Management targets by segment

(Millions of yen)

| <b>FA Systems</b>                                 | <b>FYE2023 results</b> | <b>FYE2024 forecasts</b> | <b>FYE2025 targets</b> |
|---|------------------------|--------------------------|------------------------|
| Net sales   | 46,294                 | 51,500                   | 60,130                 |
| Operating profit                                  | 1,704                  | 2,100                    | 2,760                  |
| <b>Cooling &amp; Heating and Building Systems</b> | <b>FYE2023 results</b> | <b>FYE2024 forecasts</b> | <b>FYE2025 targets</b> |
| Net sales   | 27,259                 | 33,110                   | 37,230                 |
| Operating profit                                  | 1,071                  | 1,930                    | 2,380                  |
| <b>X-Tech</b>                                     | <b>FYE2023 results</b> | <b>FYE2024 forecasts</b> | <b>FYE2025 targets</b> |
| Net sales   | 5,709                  | 7,550                    | 11,900                 |
| Operating profit                                  | (311)                  | 100                      | 1,140                  |
| <b>Electronics</b>                                | <b>FYE2023 results</b> | <b>FYE2024 forecasts</b> | <b>FYE2025 targets</b> |
| Net sales   | 181,130                | 170,900                  | 172,340                |
| Operating profit                                  | 7,335                  | 3,400                    | 4,870                  |

## Strengthen earnings power (2)

- Expand sales in high-margin new businesses

X-Tech

Sales of ¥11.9 billion

+

New businesses in the following mission-critical core businesses

FA Systems

Cooling & Heating and  
Building Systems

Electronics

Sales of ¥10.1 billion

- Expand system solutions business from narrow to broad solutions
- Increase sales of new commercial products for EV market
- Expand provision of air conditioning equipment to control heat, etc.

Target new business sales of ¥22.0 billion in FYE2025

- From the second half of FYE2024, develop new businesses and allocate annual investment of ¥400 million

Invest in areas such as the construction of an IoT platform that can serve as the foundation for data recurring businesses, and improvements in image recognition technology solutions. Accelerate the establishment of business models for growth businesses and the creation of next-generation new businesses.

# Measures to Improve Medium- to Long-Term Corporate Value



## Strengthen earnings power (3)

Established Strategic Technology Center that oversees technology to support business creation (April 2023). The new center **aims to laterally expand existing technologies, and discover and streamline new technologies by concentrating development resources.**

### Strategic Technology Center

Electronics FA Cooling & Heating and Building New businesses

Advanced development

### IoT platform technologies



Business applications

### Technologies to integrate and control devices and equipment (field application engineers [FAE])

Foundations

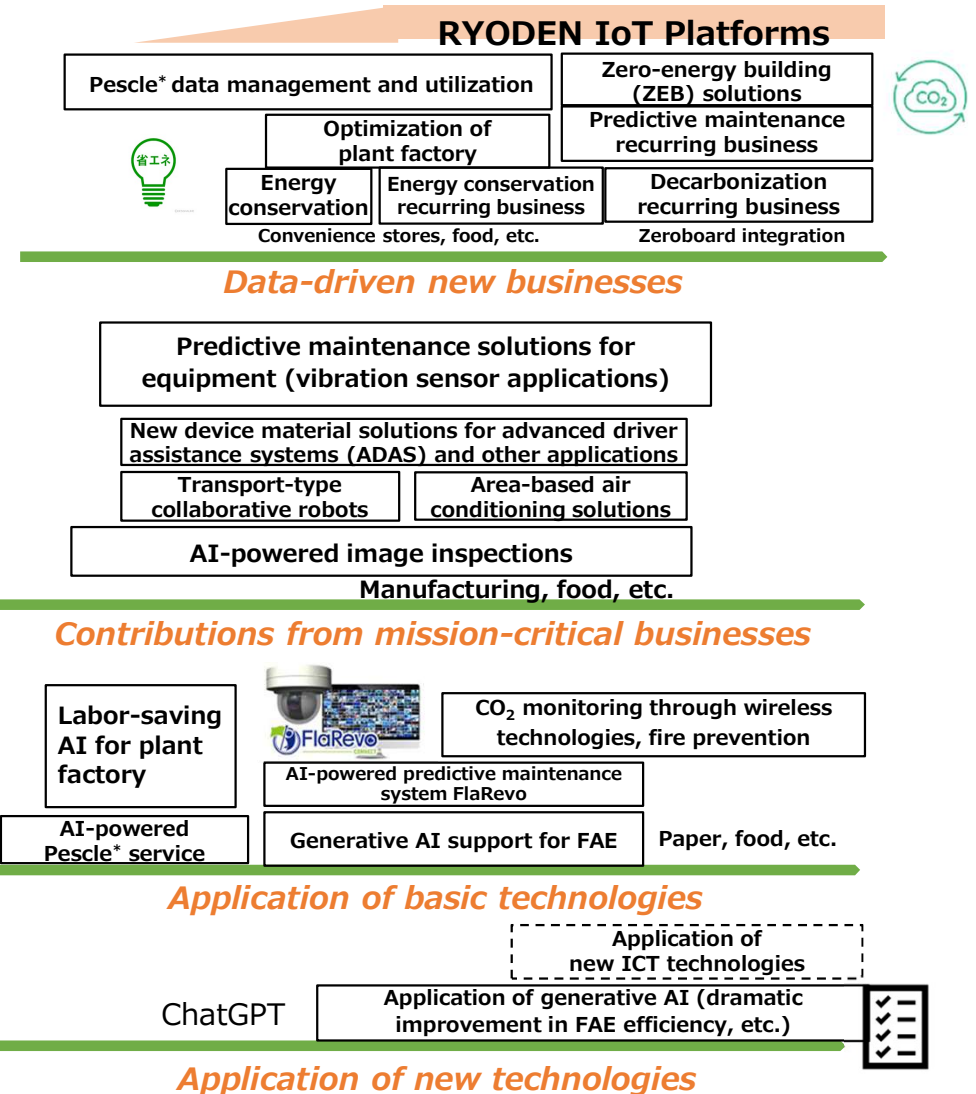
### AI, cloud, and communication technologies

Research

### New technologies

## Business exits

Short term 2024 Medium term 2026 Long term 2028



\* Harmful animal surveillance service for companies that engage in pest control.



## Strengthen shareholder returns

Review of shareholder return policy

**“Dividend payout ratio target of 40–60%” added to shareholder return policy**

\* Maintain and continue stable dividends in the medium and long term

## Strengthen IR activities

- ◆ We will continue to hold company briefings for individual investors and financial results briefings for institutional investors, led by our President and CEO and officers in charge of IR activities.
- ◆ We will continue to engage in constructive dialogue with shareholders and investors (through IR meetings and other events). In addition to pursuing active dialogue, we will report the opinions and feedback received through such dialogue to our Board of Directors as appropriate, and **utilize them in our management strategy review** and other areas.
- ◆ We will establish a dedicated IR department (August 2023). **We will strengthen our IR functions, and actively implement related activities.**

**As a 100-year company, contribute to the realization of an environmentally friendly, safe, secure, and sustainable society**

**Achieve P/B of above 1x**

**Achieve medium-term targets**

- **Strengthen earnings power**
- **Strengthen shareholder returns**
- **Strengthen IR activities**

# Direction RYODEN Will Take in the Future

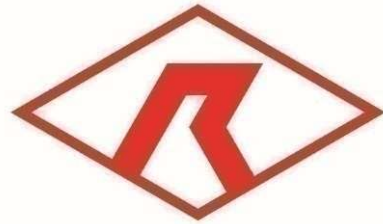


Aiming to go beyond the framework of a trading firm and becoming a business creation company

Pursuing profitability rather than business scale

Aiming to change the quality of the company rather than to seek differentiation

**As a company that contributes to the realization of an environmentally friendly, safe, secure, and sustainable society and continued green development that supports such a society, RYODEN will share the same values with all its stakeholders and fulfill its corporate responsibilities.**



# RYODEN

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## Note

The earnings forecasts and other forward-looking statements included in this presentation are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual financial results, etc., may differ significantly from these statements due to various factors. Key such factors include:

- Rapid changes in economic conditions in major markets (such as Japan and other countries in Asia), consumption trends, and the supply of and demand for products
- Significant fluctuations in the exchange rate of the yen against the U.S. dollar and other currencies
- Sharp volatility in the capital markets, etc.