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To All Shareholders

Securities Code: 8140

December 4, 2023

(Start of measures for electronic provision: November 27, 2023)

Ryosan Company, Limited  
2-3-5 Higashi-Kanda, Chiyoda-ku, Tokyo  
Kazuhiko Inaba  
Representative Director, President

## NOTICE OF CONVOCAATION OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

We appreciate your continuous support as always.

Ryosan Company, Limited ("Ryosan" or the "Company") hereby notifies that the Company's Extraordinary General Meeting of Shareholders will be held as set forth below.

In tandem with this convocation of the Extraordinary General Meeting of Shareholders, the Company is taking measures to provide some items electronically. The details of these measures are posted on the website listed below.

【Ryosan official website】

<https://www.ryosan.co.jp/>



To view the measures, please access the above website, then click "Investor Relations," "Information on Shareholders and Shares" and then "General Meetings of Shareholders."

The information is also posted on the following website:

【Tokyo Stock Exchange website】

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>



To view the information, please access the above website, enter and search "Ryosan" in the "Security Name (Company Name)" field, or "8140" in the "Code" field, then select "Basic information", and then "Documents for Public inspection/PR Information."

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If you are not going to attend the meeting, you may exercise your voting rights via the Internet or by mail in accordance with the reference material for the Extraordinary General Meeting of Shareholders (pages 6 through 71) and exercise your voting rights by no later than 5:30 p.m. on Monday, December 18, 2023.

**1. Date and Time** Tuesday, December 19, 2023, 10:00 a.m.

(Doors are scheduled to open at 9:00 a.m.)

**2. Place** Hall on the 8th floor of Ryosan's Head Office Building, 2-3-5 Higashi-Kanda, Chiyoda-ku, Tokyo

(Please refer to the "Venue Map" attached at the end of this document.)

**3. Meeting Agenda:**

**Matters to be Resolved: Proposal 1.** Approval of the Share Transfer Plan

**Proposal 2.** Partial Amendment to Articles of Incorporation

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- When you attend the meeting, you are kindly asked to submit the enclosed Voting Rights Exercise Form at the reception desk of the venue on the day of the meeting.
  - Pursuant to laws and ordinances, as well as Article 17, Paragraph 2 of the Articles of Incorporation of Ryosan, documents provided in response to requests for documents do not include the following information:
    - Details of Financial Statements and Other Documents for the Most Recent Business Year of Ryoyo Electro Corporation
  - Should any of the items in the measures for electronic provision require correction, such corrections will be listed on each website.
  - Please understand that the notice of resolutions in the Extraordinary General Meeting of Shareholders will be posted on the Company's website (<https://www.ryosan.co.jp/>) in place of sending written notifications to shareholders.

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## Information on Exercising Voting Rights

You may exercise your voting rights in the following three ways.

### Document (Mail)



Please post the enclosed voting form without a stamp after expressing your approval or disapproval of the proposal.

If you do not express your approval or disapproval, we will assume that you expressed your intent to approve the proposal.

Exercise  
Deadline  
Date

Your vote shall reach the Company no later than 5:30 p.m. on Monday, December 18, 2023.

### Internet



Please access the website designated by us for exercising voting rights (<https://www.web54.net>), and enter your approval or disapproval in accordance with the on-screen instructions.

(Please see page 5 for details.)

Exercise  
Deadline  
Date

You shall complete exercising your voting rights no later than 5:30 p.m. on Monday, December 18, 2023.

- (i) To prevent unauthorized access by non-shareholder impersonators and the manipulation of the voting content, we provide a new "voting code" and "password" each time meetings of shareholders are convened.
- (ii) If you are voting via the Internet, please note that you will be asked to change the "password" provided in advance on the website for exercising voting rights.
- (iii) Shareholders should bear the costs of accessing the website for exercising voting rights (e.g. Internet access fees).

### Attendance of Meeting of Shareholders



Please submit the enclosed Voting Rights Exercise Form at the reception desk of the venue.

Date and  
Time

Tuesday, December 19, 2023, 10:00 a.m.  
(Doors are scheduled to open at 9:00 a.m.)

Place

Hall on the 8th floor of Ryosan's Head Office Building, 2-3-5 Higashi-Kanda, Chiyoda-ku, Tokyo  
(Please refer to the "Venue Map" attached at the end of this document.)

### Methods for Exercising Voting Rights via the Internet, Etc.

If you are voting via the Internet, etc., please acknowledge the following matters in advance.

#### 1. Website for Exercising Voting Rights

Exercise of your voting rights via the Internet is only available by accessing the following website for exercising voting rights.

(Address of Website for Exercising Voting Rights) **Online voting**  
<https://www.web54.net>

#### 2. Handing of Exercised Voting Rights

- (1) If you use a PC to exercise your voting rights, please access the address above and express approval or disapproval in accordance with the instructions on the screen using the "voting code" and "password" provided in the enclosed voting form.
- (2) If you use a smartphone to exercise your voting rights, by scanning the "smartphone use voting right exercise website login" provided in the enclosed voting form, you can exercise your voting rights from the website for exercising voting rights via smartphone without entering "voting code" and "password." If you make a correction to the content of your vote, you are required to scan the QR code again and enter your "voting code" and "password" provided in the voting form.
- (3) If you exercise your voting rights twice, once in writing and once via the Internet, the vote cast via the Internet will be considered a valid exercise of your voting rights. If you exercised your voting rights more than once via the Internet, the final vote will be considered a valid

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exercise of your voting rights.

### **3. Handling of "Password"**

- (1) The "password" is important information for verifying the identity of voters as shareholders. Please handle it with the same care as you would handle a seal, etc.
- (2) If you enter incorrect passwords more than a certain number of times, you will no longer be able to use your password. If you wish to have your "password" reissued, please follow the instructions on the screen.
- (3) The "password" provided in the voting form is effective only for this meeting of shareholders.

### **4. Inquiries about the Operation of Devices such as PC**

- (1) If you have questions about the use of your PC or other devices in connection with the exercise of voting rights on this Website, please contact:

Sumitomo Mitsui Trust Bank, Limited, Securities Agent Web Support Hotline  
[TEL] 0120-652-031 (9:00 a.m. to 9:00 p.m.)

- (2) For inquiries other than (1) (address, number of shares, etc.), please contact either of the following as appropriate:

A. If you have an account with a securities company, please contact:

Your securities company

B. If you do not have an account with a securities company (you hold a special account (Tokubetsu Koza)), please contact:

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Dept.  
[TEL] 0120-782-031 (9:00 a.m. to 9:00 p.m. Mon.-Fri.)

### **5. Use of Electronic Voting Platform (To institutional investors)**

If you have applied in advance for the use of the electronic voting platform for institutional investors operated by ICJ, Inc., you may use this platform to exercise your voting rights.

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## Reference Documents for the General Meeting of Shareholders

### Proposal and Reference Matters

#### Proposal 1: Approval of the Share Transfer Plan with Ryoyo Electro Corporation

Ryosan and Ryoyo Electro Corporation (“Ryoyo Electro”; Ryosan and Ryoyo Electro are collectively referred to as the “Companies”) have been in discussions regarding the management integration of the Companies (the “Management Integration”), as disclosed in the “Notice of Execution of a Memorandum of Understanding for Management Integration between Ryoyo Electro Corporation and Ryosan Company, Limited”, dated May 15, 2023, and hereby announce that they have reached an agreement concerning the establishment of Ryoyo Ryosan Holdings, Inc. (the “Joint Holding Company”), which will become the wholly-owning parent company of the Companies, on April 1, 2024 (scheduled) by way of a joint share transfer (*kyoudou kabushiki iten*) (the “Share Transfer”), and the terms and conditions of the Management Integration, and in accordance with the resolutions of their respective boards of directors held on October 16, 2023, they have entered into a management integration agreement in the spirit of equality (the “Management Integration Agreement”) and have jointly prepared a share transfer plan (the “Share Transfer Plan”).

The implementation of the Management Integration and the Share Transfer is subject to, among other things, the Companies obtaining the approval of their general meetings of shareholders and the permission and authorization of the relevant authorities required for the Management Integration and the Share Transfer.

Accordingly, Ryosan proposes that you approve the Share Transfer Plan. The reasons for the Share Transfer, a summary of the details of the Share Transfer Plan, and other matters relating to this proposal are as follows.

#### 1. Reason for the Share Transfer

##### (1) Background of the Management Integration

Ryosan is a trading company specializing in the sale of semiconductor and electronic components in its device business and IT equipment in its solutions business. It sells products, such as electronic equipment, to manufacturers in Japan and overseas. Ryosan aims to become a “company that creates confidence and the best fit for society in the electronics domain.” It positioned the innovation of its business model, supplier networks and sales channels as pillars of growth. Ryosan is proceeding with the “promotion of the diversification of its portfolio” through extensive commercial rights acquisitions and channel reform, “deepening its local businesses in the Greater China” through collaboration with local investees, “benefiting from advanced investment products and new investment,” “investing in business transformation”, such as entry into new businesses, including manufacturing based on customer needs, “streamlining existing businesses” by utilizing various digital technologies and “developing business infrastructure”, such as management information development, education, risk management and governance.

Ryoyo Electro is an electronics trading company selling “semiconductors and devices” and offering “ICT and solutions” in its business domain. Ryoyo Electro sells products and provides associated services to electronic equipment manufacturers and users in Japan and overseas. It endeavors to realize its vision of becoming “a company that provides the best solutions for our customers’ issues and problems in a faster and better manner than anyone else.” By leveraging its wide range of upstream and downstream contacts in the supply chain and taking advantage of the market needs, as obtained from end users, Ryoyo Electro expands its relationships with upstream electronics manufacturers; also, by creating unique solutions that combine product, technology and services, it is developing a business model that circulates information and value throughout the supply chain.

As described above, the Companies operate as trading companies in the electronics domain. The environment surrounding the electronics trading industry is undergoing significant changes due to rapid increase in the use of new technologies, with the acceleration of IoT and digital transformation (DX) across society. In line with these changes in the industry environment, the function and role of electronics trading companies is also changing. In addition, while competition among trading companies is intensifying due to the alliances of electronic component manufacturers, such as semiconductor and IT equipment manufacturers, external factors, such as changes in the supply-demand balance in the semiconductor market, trends in the financial markets, rising resource and material prices, and geopolitical risks, are having a significant impact on the business environment and performance. As such, electronics trading companies, while having low profitability, are vulnerable to changes in the external environment.

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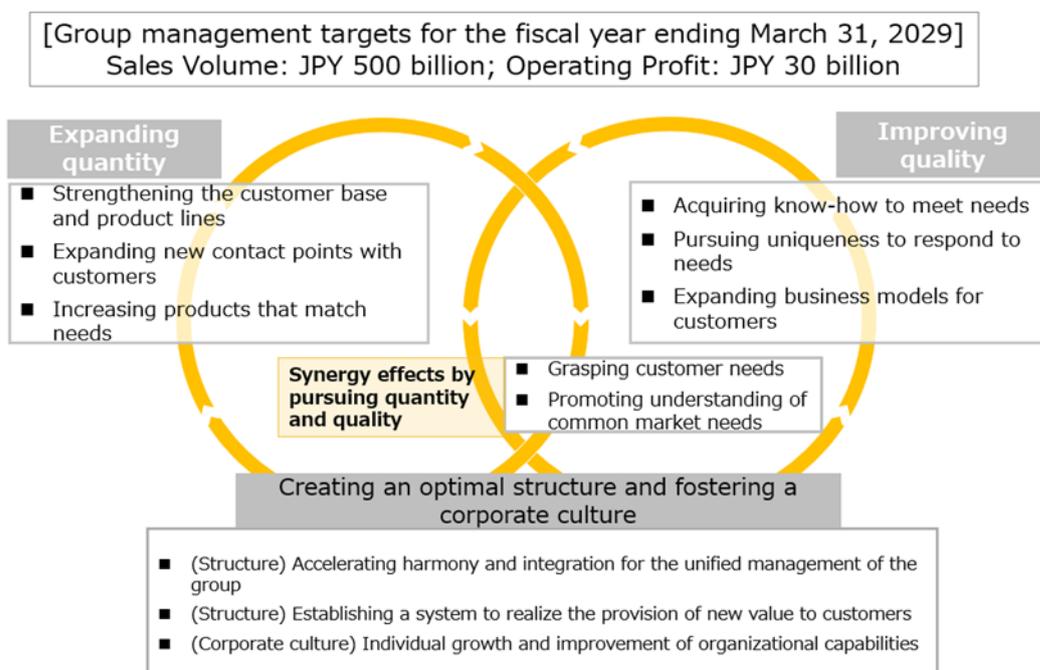
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Based on this recognition, the Companies have aligned their understanding that, in order to achieve a sustainable increase in corporate value and further contribute to all stakeholders, it is necessary not only to establish a solid management base, but also to break through the growth limit of each company and pursue value enhancement across the entire value chain by integrating their respective strengths. The Companies have therefore reached a final agreement regarding the Management Integration through the establishment of the Joint Holding Company.

(2) Purpose of and initiatives for the Management Integration

Through the Share Transfer, the Companies, as a new core group of domestic electronics trading companies, will promote the following initiatives that make maximum use of the management resources, such as good customer relationships and excellent products and solutions, that each of the Companies has built up over the years, within a new framework, and strive to further enhance their corporate value.



(i) Expanding “quantity” by multiplying the management assets of the Companies

Given the limited overlap in customers and product lines, the Companies will rapidly expand their business base by offering new products to their existing customers and by offering existing products to new customers. By expanding and enhancing new contact points with customers through these initiatives, the Companies will gain an accurate and deep understanding of their customers’ needs. In addition, the Companies will further expand the scale of their business by leveraging the needs identified as a result of these initiatives to offer new products and services.

(ii) Improving “quality” by creating new value

The Companies will further acquire know-how to provide solutions by making the most of their accumulated knowledge to meet the diverse needs of customers identified through the initiatives described in (i) above. The Companies will not only sell products, but also promote the provision of added value that no other company can provide, in order to solve problems and issues faced by customers and the market as a whole. By broadening the scope of the solution domain through these initiatives, the Companies will seek to develop diverse business models and create a new image of electronics trading companies unlike any before.

(iii) Creating an optimal structure and fostering a corporate culture to support the initiatives in (i) and (ii)

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As an optimal structure to support the initiatives in (i) and (ii) above, the Companies will develop an infrastructure for the unified management of the group and establish a system to realize the provision of new value to customers.

In addition, the Companies will further improve their organizational ability to meet customer needs by fostering a corporate culture in which each and every employee can enhance their “individual” skills and experience both the joy of contributing to customers and personal growth through the active exchange of knowledge and technology among employees of the Companies.

By combining the strengths of Ryosan, which has key semiconductor products and a solid customer base, with those of Ryoyo Electro, which has extensive experience in ICT fields such as DX and AI, through the initiatives in (i) to (iii) above, the Companies will aim to become a company that customers continue to choose, creating a virtuous cycle by pursuing “quantity” and “quality,” helping solve not only the issues and problems of individual customers but also the common problems and issues of the market as a whole, and seeking to provide new value.

The Companies will promote the above initiatives to realize synergies from the Management Integration as early as possible and aim to achieve a sales volume of JPY 500 billion and an operating profit of JPY 30 billion as the group management's targets for the fiscal year ending March 31, 2029. In addition, the Companies will continue to consider measures with a view to realize further growth opportunities beyond the scope of electronics trading companies in order to pursue value enhancement throughout the entire value chain, with the ultimate goal of solving the problems of end-users who are “customers of the Companies' customers.”

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## 2. Outline of the details of the share transfer plan

The details of the Share Transfer Plan are as described in the “Share Transfer Plan (Copy)” below.

### Share Transfer Plan (copy)

Having reached agreement on a share transfer through the joint transfer of shares, Ryoyo Electro Corporation (“Ryoyo Electro”) and Ryosan Company, Limited (“Ryosan”) jointly formulated the following Share Transfer Plan (the “Plan”):

#### Article 1 (Share Transfer)

As set forth in the Plan, Ryoyo Electro and Ryosan will execute a joint share transfer to establish a new wholly-owning parent company (the “New Company”), and on the Establishment Date (as defined in Article 7) will execute a share transfer in which the New Company will acquire all issued and outstanding shares of Ryoyo Electro and Ryosan (the “Share Transfer”).

Article 2 (New Company’s Purpose, Trade Name, Location of Head Office, Total Number of Authorized Shares, and Other Matters to be Set Forth in Articles of Incorporation)

1. The purpose, trade name, location of head office and total number of authorized shares of the New Company shall be as follows:

(1) Purpose

The purpose of the New Company shall be as described in Article 2 of the Articles of Incorporation in Exhibit 1.

(2) Trade Name

The trade name of the New Company shall be “リョーサン菱洋ホールディングス株式会社” (Ryosan Ryoyo Horudingusu Kabushiki Kaisha) and shall be indicated in English as Ryoyo Ryosan Holdings, Inc.

(3) Location of Head Office

The New Company will be headquartered at 3-5, Higashi-Kanda 2-chome, Chiyoda-ku, Tokyo.

(4) Total Number of Authorized Shares

The total number of shares in the New Company will be 150,000,000 shares.

2. In addition to the provisions of the preceding paragraph, matters stipulated in the Articles of Incorporation of the New Company shall be as set forth in the Articles of Incorporation attached as Exhibit 1.

Article 3 (Names of Directors and Accounting Auditor at Time of Establishment of New Company)

1. The names of the Directors at the time of establishment of the New Company (excluding Directors at the time of establishment who are Audit and Supervisory Committee members at the time of establishment) shall be as follows:

Director: Moritaka Nakamura

Director: Kazuhiko Inaba

Director: Shunya Endo

Director: Atuyuki Ohashi

Director: Norihiko Takahashi

Outside Director: Shinya Takada

Outside Director: Haruyoshi Kawabe

Outside Director: Masumi Shiraishi

2. The names of the Directors at the time of establishment of the New Company who are also Audit and Supervisory Committee members at the time of establishment shall be as follows:

Director: Kiyoshi Waki

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Outside Director: Mahito Ogawa

Outside Director: Motomi Ooi

Outside Director: Sachiko Fukuda

3. The name of the Accounting Auditor at the time of establishment of the New Company shall be as follows.

Deloitte Touche Tohmatsu LLC

#### Article 4 (Shares to be Delivered at the Time of the Share Transfer; and Allotment Thereof)

1. In conjunction with the Share Transfer, the New Company will deliver to the shareholders of Ryoyo Electro's and Ryosan's common stock that they respectively hold in Ryoyo Electro and Ryosan common stock immediately prior to the acquisition of all of the issued and outstanding shares of Ryoyo Electro and Ryosan (the "Base Time"), in exchange for such common stock held by the shareholders, the total number of shares in the New Company calculated as the aggregate of: (i) the total number of shares of common stock issued at the Base Time by Ryoyo Electro multiplied by 1; and (ii) the total number of shares of common stock issued at the Base Time by Ryosan multiplied by 1.32.
2. The New Company will allocate the common stock of the New Company that is delivered pursuant to the preceding paragraph to Ryoyo Electro's and Ryosan's common shareholders at the Base Time according to their individual ratio as indicated below:
  - (1) To Ryoyo Electro's shareholders, 1 share of common stock in the New Company per 1 share of common stock held in Ryoyo Electro
  - (2) To Ryosan's shareholders, 1.32 shares of common stock in the New Company per 1 share of common stock held in Ryosan
3. Any fractions of less than one (1) share resulting from the calculations in the preceding two paragraphs will be treated in accordance with Article 234 of the Companies Act (Law No. 86 of July 26, 2005, as amended), and the provisions of other relevant laws and regulations.

#### Article 5 (Share Options to be Delivered at the Time of the Share Transfer; and Allotment Thereof)

1. In conjunction with the Share Transfer, the New Company will deliver to the holders of the third series of share options in Ryoyo Electro (the details of which are as described in Exhibit 2, "Third Series of Share Options (Ryoyo Electro)") that they respectively hold in Ryoyo Electro as at the Base Time, in exchange for such Third Series of Share Options (Ryoyo Electro) held by the holders, the same number of the first series of share options in the New Company (the details of which are as described in Exhibit 3, "First Series of Share Options (New Company)") as the total number of share options as at the Base Time.
2. The New Company will allocate the First Series of Share Options (New Company) that are delivered pursuant to the preceding paragraph to the holders of the Third Series of Share Options (Ryoyo Electro) at the Base Time according to their individual ratio as indicated below.
  - (1) One (1) unit of the First Series of Share Options (New Company) per one (1) unit of Third Series of Share Options (Ryoyo Electro)

#### Article 6 (New Company's Capital and Reserves)

The amount of capital, reserves, etc. at the time of establishment of the New Company shall be as follows:

- (1) Amount of capital  
15 billion yen
- (2) Amount of capital reserve

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5 billion yen

(3) Amount of retained earnings reserve

0 yen

(4) Amount of capital surplus

Remainder after deduction of the total of (1) and (2) above from the change in shareholders' equity set forth in Article 52.1 of the Regulations on Company Accounting

#### Article 7 (Incorporation Date of New Company)

The date on which the establishment of the New Company is to be registered (referred to as "Establishment Date" in the Plan) is April 1, 2024. However, this date can be changed by agreement after consultation between Ryoyo Electro and Ryosan when necessitated by procedures for the Share Transfer or other reasons.

#### Article 8 (General Meeting of Shareholders to Approve the Plan)

Ryoyo Electro and Ryosan shall each hold an extraordinary General Meeting of Shareholders on the date set forth below to seek approval of the Plan and matters necessary for the Share Transfer. However, when necessitated by the procedures for the Share Transfer or other reasons, Ryoyo Electro and Ryosan may, by agreement after consultation, change the dates of the general meetings of shareholders to seek approval of the Plan and resolutions on matters necessary for the Share Transfer.

Ryoyo Electro : December 19, 2023

Ryosan : December 19, 2023

#### Article 9 (Listing of Shares, Shareholder Registry Administrator)

1. Ryoyo Electro and Ryosan will perform the procedures required for listing the common stock issued by the New Company on the Prime Market of the Tokyo Stock Exchange, Inc. on the Establishment Date, in consultation with and through the mutual cooperation of Ryoyo Electro and Ryosan.
2. The administrator of the shareholder registry for the New Company at the time of establishment will be Mitsubishi UFJ Trust and Banking Corporation.

#### Article 10 (Distribution of Surplus)

1. Ryoyo Electro may distribute surplus dividends in a maximum of 100 yen per share to Ryoyo Electro's shareholders and registered stock pledge holders noted or recorded in the final shareholder registry as of March 31, 2024.
2. Ryosan may distribute surplus dividends respectively as follows: (1) a maximum of 60 yen per share to Ryosan's shareholders and registered stock pledge holders noted or recorded in the final shareholder registry as of September 30, 2023; and (2) a maximum of 90 yen per share to Ryosan's shareholders and registered stock pledge holders noted or recorded in the final shareholder registry as of March 31, 2024.
3. Ryoyo Electro and Ryosan shall not resolve to distribute surplus dividends with a record date prior to the Establishment Date of the New Company during the period after formulation of the Plan until the establishment of the New Company, except as set forth in the preceding two paragraphs.

#### Article 11 (Management, etc. of Company Assets)

After formulation of the Plan and until the Establishment Date of the New Company, unless stipulated to the contrary in the Plan, Ryoyo Electro and Ryosan shall individually execute their operations and manage and administer their assets with the due care of a

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prudent manager, shall cause their subsidiaries to execute their operations and manage and administer their assets with the due care of a prudent manager and, unless stipulated to the contrary in the Plan, shall only take actions with potential material impacts on their assets, rights and duties, and cause such actions to be taken after advance consultation and agreement between Ryoyo Electro and Ryosan.

#### Article 12 (Effect of the Plan)

The Plan shall cease to have effect in the event that: (i) the Plan fails to obtain approval from, or a resolution on matters necessary for the Share Transfer fails to pass, a General Meeting of Shareholders or general meeting of class shareholders of either Ryoyo Electro or Ryosan as set forth in Article 8; (ii) any of the Licenses and Permits etc. from the relevant authorities that are required for execution of the Share Transfer are not obtained by the Establishment Date of the New Company; or (iii) the Share Transfer is cancelled pursuant to the following Article 13.

#### Article 13 (Amendment of Share Transfer Terms and Cancellation of Share Transfer)

After the formulation of the Plan and until the Establishment Date of the New Company, Ryoyo Electro and Ryosan may amend the terms of the Share Transfer and other content of the Plan and may cancel the Share Transfer by agreement after consultation in the event of: (i) any material change in the assets or business circumstances of Ryoyo Electro or Ryosan; (ii) the identification of events having a material impact on the assets or business circumstances of Ryoyo Electro or Ryosan; (iii) the occurrence or identification of circumstances constituting material impediments to the execution of the Share Transfer; or (iv) other circumstances in which it would be extremely difficult to achieve the purposes of the Plan.

#### Article 14 (Matters for Consultation)

Any matters not set forth in the Plan and any other matters necessary for the Share Transfer shall be determined upon separate consultation and agreement between Ryoyo Electro and Ryosan in accordance with the intentions of the Plan.

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[Translation]

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IN WITNESS of the formulation of the Plan, this Document has been prepared in duplicate, and signed and sealed by Ryoyo Electro and Ryosan, with each party to retain one copy.

October 16, 2023

Ryoyo Electro : 12-22 Tsukiji 1-chome, Chuo-ku, Tokyo, Japan  
Ryoyo Electro Corporation  
Moritaka Nakamura, President and Chief Executive Officer [seal]

Ryosan : 3-5, Higashi-Kanda 2-chome, Chiyoda-ku, Tokyo, Japan  
Ryosan Company, Limited  
Kazuhiko Inaba, President and Chief Executive Officer [seal]

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[Exhibit 1]

## Articles of Incorporation

### Chapter 1 - General Provisions

#### Article 1 (Business Name)

The name of the Company shall be “リョーサン菱洋ホールディングス株式会社” (Ryosan Ryoyo Horudingusu Kabushiki Kaisha). The name in English shall be Ryoyo Ryosan Holdings, Inc.

#### Article 2 (Purpose)

The purposes of the Company shall be, by means of holding shares or interests, to manage and control companies (including foreign companies), partnerships (including those equivalent to partnerships in foreign countries), or other entities engaged in the following businesses, and to conduct the following businesses:

- (1) Sales, leasing, manufacturing, processing and intermediary of semiconductor devices, integrated circuits, microcomputers and other electronic components, electronic application equipment, electrical machinery and appliances and other machinery and appliances, medical equipment and related materials, and components thereof;
- (2) Sales, leasing, production and construction of software and information systems, and intermediary services thereof;
- (3) Information processing services and information provision services;
- (4) Telecommunications construction business;
- (5) Telecommunications business based on the Telecommunications Business Law;
- (6) Freight forwarding business;
- (7) Warehousing and warehouse management services;
- (8) Secondhand goods dealing under the Secondhand Goods Business Act;
- (9) Non-life insurance agency and insurance brokerage business;
- (10) Installation and maintenance of equipment related to items (1) through (5) above;
- (11) Planning, investigation, research, development and design related to items (1) through (5) above;
- (12) Acquisition, management, licensing and transfer of patents, trademarks, design rights, copyrights, know-how and other intellectual property rights related to items (1) through (5) above;
- (13) Import/export operations related to items (1) and (2) above;
- (14) Consultancy services related to each of the preceding items;
- (15) Temporary staffing business related to each of the preceding items;
- (16) Buying, selling, leasing, managing and brokering real estate; and
- (17) All businesses incidental to the preceding items

#### Article 3 (Location of Head Office)

The Company's head office shall be located in Chiyoda-ku, Tokyo.

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#### Article 4 (Company Organs)

The Company shall have the following bodies in addition to the General Meeting of Shareholders and the Directors:

- (1) Board of Directors;
- (2) Audit and Supervisory Committee; and
- (3) Financial Auditor

#### Article 5 (Method of Public Notice)

The Company's method of making public notices shall be by electronic public notice; provided, however, that if the Company is unable to give an electronic public notice because of an accident or any other unavoidable reason, the Company's public notices will be published in the Nihon Keizai Shimbun.

### Chapter 2 - Shares

#### Article 6 (Total Number of Authorized Shares)

The total number of shares authorized to be issued by the Company shall be 150,000,000 shares.

#### Article 7 (Share Units)

For all classes of shares in the Company, the number of shares per share unit of the Company shall be 100.

#### Article 8 (Rights of Shareholders Holding Shares of the Company Less Than One Unit)

Shareholders who hold shares of the Company that are less than one unit may not exercise rights other than those listed below with regard to those shares of less than one unit:

- (1) The rights listed in the subparagraphs to Article 189, Paragraph (2) of the Companies Act;
- (2) The right to make a demand pursuant to the provisions of Article 166, Paragraph (1) of the Companies Act;
- (3) The right to receive an allotment of offered shares and offered share acquisition rights in proportion to the number of shares held by the shareholder; and
- (4) The right to make a demand as set forth in the following Article 9.

#### Article 9 (Additional Purchase of Shares Less than One Unit)

A shareholder of the Company who holds shares less than one unit may, as provided for in the Company's Share Handling Regulations, request the Company to sell to such shareholder a number of shares which will, when combined with the number of shares already held by such shareholder, constitute one share unit.

#### Article 10 (Shareholder Registry Administrator)

1. The Company shall have a shareholder registry administrator.
2. The shareholder registry administrator and the place at which it handles its business will be determined by a resolution of the Board of Directors or by a Director delegated by a resolution of the Board of Directors and stated in a public notice.
3. The preparation and keeping of the Company's shareholder registry and registry of share options and other administrative work concerning the shareholder registry and registry of share options will be delegated to the shareholder registry administrator and will

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not be handled at the Company.

#### Article 11 (Record Date)

1. The record date for voting rights at the Company's ordinary General Meeting of Shareholders is March 31 of each year.
2. Notwithstanding the preceding paragraph, when necessary, the Company may, by a resolution of the Board of Directors and the provision of a prior public notice, deem the shareholders or registered pledgees of shares entered or recorded in the final shareholder register as of a certain date as the shareholders or registered pledgees of shares eligible to exercise their rights.

#### Article 12 (Share Handling Regulations)

Recording or entering matters in the shareholder register and the register of share options, the acquisition or additional purchase of shares of less than one full unit, any other handling and fees with respect to shares or share options, and procedures, etc. upon the exercise of shareholder rights, shall all be in accordance with the laws and regulations or these Articles of Incorporation, as well as the share handling regulations established by the Board of Directors.

### Chapter 3 - General Meeting of Shareholders

#### Article 13 (Convocation)

An ordinary General Meeting of Shareholders shall be convened in June of each year, and extraordinary general meetings of shareholders shall be convened as necessary.

#### Article 14 (Convener and Chair)

1. Unless otherwise provided in the laws and regulations, general meetings of shareholders shall be convened by the Director previously appointed by the Board of Directors. If such Director is not available, the General Meeting of Shareholders shall be convened by another Director, in accordance with the order set forth in advance by the Board of Directors.
2. Unless otherwise provided in the laws and regulations, a Director previously appointed by the Board of Directors shall serve as chair at general meetings of shareholders. If such Director is not available, another Director shall serve as chair, in accordance with the order set forth in advance by the Board of Directors.

#### Article 15 (Electronic Provision Measures)

1. When convening a General Meeting of Shareholders, the Company shall provide reference documents for the General Meeting of Shareholders and other relevant information by electronic means.
2. The Company may elect not to include all or part of the matters subject to electronic provision stipulated by the Ministry of Justice ordinance in the documents delivered to shareholders requesting delivery of written documents by the voting rights record date.

#### Article 16 (Method of Resolution)

1. Except where otherwise provided by the laws and regulations or these Articles of Incorporation, a resolution of a General Meeting of Shareholders shall be made by a majority of the voting rights of the shareholders present at the meeting who are entitled to vote.
2. Resolutions set forth in Article 309, Paragraph (2) of the Companies Act shall be made by at least two-thirds of the voting rights of the shareholders present where shareholders holding at least one-third of the voting rights that may be exercised are present.

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#### Article 17 (Exercising Voting Rights by Proxy)

A shareholder may act as proxy and exercise voting rights for one other shareholder who has voting rights in the Company. In such case, the shareholder or proxy shall submit to the Company a document certifying the proxy rights to the Company for each General Meeting of Shareholders.

### Chapter 4 - Directors, Board of Directors and Executive Officers

#### Article 18 (Number of Directors)

1. The number of Directors of the Company (excluding those who are Audit and Supervisory Committee members) shall be no more than twelve (12).
2. The Company shall have no more than six (6) Directors who are Audit and Supervisory Committee members.

#### Article 19 (Election of Directors)

1. Directors of the Company shall be appointed at a General Meeting of Shareholders by distinguishing between Audit and Supervisory Committee members and other Directors.
2. Resolutions on the election of a Director shall be made by a majority of the votes of the shareholders present at a meeting where shareholders holding one-third of the voting rights of the shareholders entitled to exercise their votes at such meetings are present.
3. Resolutions for the election of Directors shall not be conducted by cumulative voting.

#### Article 20 (Directors' Term of Office)

1. The term of office of a Director (excluding Audit and Supervisory Committee members) shall expire at the close of the ordinary General Meeting of Shareholders held with respect to the final business year ending within one year of their appointment.
2. The term of office of a Director who is an Audit and Supervisory Committee member shall expire at the close of the ordinary General Meeting of Shareholders held with respect to the final business year ending within two years of the Audit and Supervisory Committee member's appointment.
3. The term of office of a Director who is an Audit and Supervisory Committee member elected as a substitute for a Director who is an Audit and Supervisory Committee member resigning before the expiration of their term of office shall be until the time of expiration of the term of office of the relevant resigned Director who is an Audit and Supervisory Committee member.

#### Article 21 (Representative Director)

The Board of Directors shall elect a Representative Director from among the Directors (excluding Audit and Supervisory Committee members) by a resolution of the Board of Directors.

#### Article 22 (Convocation of Board of Directors Meetings)

Notice to convene a Board of Directors meeting will be sent to each Director no later than three days before the day of the meeting. However, this period can be shortened when urgently necessary.

#### Article 23 (Omission of Resolution at Board of Directors Meeting)

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The Company will deem a resolution of the Board of Directors to have been passed when the conditions set forth in Article 370 of the Companies Act have been met.

#### Article 24 (Executive Officers)

The Board of Directors may resolve to appoint Executive Officers. Matters concerning Executive Officers shall be in accordance with the Executive Officer Regulations established by the Board of Directors.

#### Article 25 (Board of Directors Regulations)

Matters concerning the Board of Directors shall be governed by the Board of Directors Regulations established by the Board of Directors, in addition to applicable laws and regulations and these Articles of Incorporation.

#### Article 26 (Exemption of Directors From Liability)

1. The Company may, pursuant to Article 426, Paragraph (1) of the Companies Act, and to the extent permitted by laws and regulations, exempt Directors (including former Directors) from liability for damages due to negligence of their duties by way of passing a resolution of the Board of Directors.
2. Pursuant to the provisions of Article 427, Paragraph (1) of the Companies Act, the Company may enter into agreements with Directors (excluding Executive Directors, etc.) to limit their liability to provide compensatory damages due to negligence of their duties; provided, however, that the maximum amount of compensation liability pursuant to such agreements shall be the minimum liability amount stipulated by the laws and regulations.

#### Article 27 (Delegation of Decisions on Important Execution of Operations)

Pursuant to Article 399–13, Paragraph (6) of the Companies Act, the Company may delegate all or part of its important business execution decisions (excluding the matters listed in the subparagraphs to Article 399–13, Paragraph (5) of the Companies Act) to the Directors by a resolution of the Board of Directors.

#### Article 28 (Director Remuneration)

Directors' remuneration, bonuses, and other economic benefits received from the Company as consideration for the performance of their duties shall be determined by a resolution of a General Meeting of Shareholders, distinguishing between Audit and Supervisory Committee members and other Directors.

### Chapter 5 - Audit and Supervisory Committee

#### Article 29 (Convocation of the Audit and Supervisory Committee)

Notice to convene the Audit and Supervisory Committee will be sent to each Auditor no later than three days before the day of the meeting. However, this period can be shortened when urgently necessary.

#### Article 30 (Regulations of the Audit and Supervisory Committee)

Matters concerning the Audit and Supervisory Committee shall be governed by the Regulations of the Audit and Supervisory Committee established by the Audit and Supervisory Committee, in addition to applicable laws and regulations and these Articles of

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## Incorporation.

### Chapter 6 – Accounts

#### Article 31 (Fiscal Year)

The fiscal year of the Company is from April 1 of each year until March 31 of the following year.

#### Article 32 (Decision-Making Body for Dividends from Surplus)

The Company may, except as otherwise provided by the laws and regulations, determine the matters set forth in each item of Article 459, Paragraph (1) of the Companies Act by a resolution of the Board of Directors.

#### Article 33 (Record Date for Dividends of Surplus)

1. The record date for the year-end dividends of the Company shall be March 31 of each year.
2. The record date for interim dividends of the Company shall be September 30 of each year.
3. In addition to the preceding two paragraphs, the Company may declare dividends of surplus by specifying a record date, by way of a resolution of the Board of Directors.

#### Article 34 (Dividend Exclusion Period)

1. If the assets for distribution are monetary in nature (“Unpaid Dividends”), the Company is released from its obligation to make payment of dividends that have not been received after the elapse of three (3) full years from the payment commencement date.
2. Unpaid Dividends do not attract interest.

### Chapter 7 - Supplementary Provisions

#### Article 35 (Compensation of the Initial Directors)

Notwithstanding the provisions of Article 28, the amount of remuneration, etc. of the Company's Directors for the period from the date of incorporation of the Company to the conclusion of the first Ordinary General Meeting of Shareholders shall be as follows:

##### (1) Monetary Compensation to Directors Who are Not Members of the Audit and Supervisory Committee

The total amount of the remuneration, etc. (excluding (3) Monetary Compensation Claims Paid for the Grant of Restricted Stock) shall be no more than 900 million yen per year (not including the portion of employee salary for Directors who concurrently serve as employees, and no more than 100 million yen per year for the total amount of remuneration of Outside Directors).

##### (2) Compensation to Directors Who are Members of the Audit and Supervisory Committee

The total amount of remuneration, etc. shall not exceed 200 million yen per year.

##### (3) Monetary Compensation Claims to be Paid for the Grant of Restricted Stock

- (a) The total amount of monetary compensation claims to be paid to Directors who are not members of the Audit Committee (excluding Outside Directors, the “Subject Directors”) for the grant of shares with transfer restrictions shall be no more than 200 million yen per year.

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- (b) The Subject Directors shall, in accordance with a resolution of the Board of Directors, deliver to the Company all of the monetary compensation claims to be paid as assets contributed in-kind, and shall be issued or disposed of with respect to the common stock of the Company. The total number of shares of common stock to be issued or disposed of to the eligible Subject Directors shall not exceed 200,000 shares per year (provided, however, that in the event of a stock split (including an allotment of the Company's common stock without compensation) or a reverse stock split of the Company's common stock or other events necessitating adjustment of the total number of shares of the Company's common stock to be issued or disposed of as Restricted Shares, such total number shall be adjusted to a reasonable extent).
- (c) The amount to be paid-in per share of common stock of the Company shall be determined by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange, Inc. on the business day immediately preceding the date of resolution of each Board of Directors meeting to determine the subscription for such common stock (or, if no trading is effected on such date, the closing price of the immediately preceding trading day) to the extent that is not particularly favorable to the Subject Directors. The issuance or disposal of the Company's common stock in this manner shall be subject to the execution of a Restricted Share Allotment Agreement (the "Allotment Agreement") between the Company and each Subject Director, which shall include, in summary, the following terms and conditions (the shares of common stock to be allotted pursuant to the Allotment Agreement shall hereinafter be referred to as the "Allotted Shares").
- (i) The Subject Directors may not transfer, grant security interests in, or otherwise dispose of the Allotted Shares (the "Transfer Restriction") during the period from the date of delivery of the Allotted Shares to the date on which the relevant Subject Director retires or resigns from his/her position as a Director of the Company or other position determined by the Company's Board of Directors (the "Transfer Restriction Period").
- (ii) If a Subject Director loses the status described in (i) above before the expiration of the period determined by the Company's Board of Directors (the "Service Period"), the Company shall automatically acquire all of the Allotted Shares without consideration, unless there is a reason that the Board of Directors deems justifiable.
- (iii) Notwithstanding the provision of (i) above, the Company shall cancel the Transfer Restriction for all of the Allotted Shares upon the expiration of the Transfer Restriction Period; provided, however, that if the Subject Director loses the position specified in (i) above before the expiration of the Service Period for reasons deemed justifiable by the Company's Board of Directors as specified in (ii) above, as of the time immediately following such loss, the Company shall cancel the Transfer Restriction for all of the Allotted Shares held by the relevant Subject Director.
- (iv) If, at the time the Transfer Restriction Period expires, there are any Allotted Shares for which the Transfer Restriction has not been lifted pursuant to (iii) above, the Company shall automatically acquire all of such Allotted Shares without consideration; provided, however, that, in the event that, during the Transfer Restriction Period, a merger agreement under which the Company shall become a defunct company, a share exchange agreement, a share transfer plan or any other matters relating to organizational restructuring, etc. under which the Company shall become a wholly-owned subsidiary are approved at a General Meeting of Shareholders of the Company (or by the Board of Directors of the Company if such approval is not required), if, in such reorganization, etc., a corporation related to such reorganization, etc. other than the Company delivers shares of such corporation (limited to those that become shares with transfer restrictions) to the Subject Director, then the provisions set forth in (iv) above shall not apply.

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(v) Notwithstanding the provision of (i) above, in the event that a merger agreement under which the Company shall become a defunct company, a share exchange agreement, a share exchange agreement or a share transfer plan or other matters relating to organizational restructuring, etc., are approved by a General Meeting of Shareholders of the Company (or by the Board of Directors of the Company if such approval is not required), the Company shall, by a resolution of the Board of Directors, cancel the Transfer Restriction for a reasonably determined number of the Allotted Shares prior to the effective date of such organizational restructuring, etc. based on the period from the Allocation Date to the approval date of such organizational restructuring, etc. In such case, the Company shall automatically acquire the Allotted Shares for which the Transfer Restriction has not yet been lifted without compensation as of the time immediately after the cancellation of the Transfer Restriction; provided, however, that, if, in such reorganization, etc., a corporation related to such reorganization, etc. other than the Company delivers shares of such corporation (limited to those that become shares with transfer restrictions) to the Subject Director, then the provisions set forth in (v) above shall not apply.

(vi) Other matters relating to the Allotment Agreement shall be determined by the Board of Directors.

#### Article 36 (Succession to Restrictions on Transfer)

As of April 1, 2024, the Company shall succeed to the position, rights and obligations of Ryoyo Electro under each allotment agreement relating to the restricted stock delivered under the restricted stock compensation plan approved at the 59th Annual General Meeting of Shareholders of Ryoyo Electro held on April 25, 2019.

#### Article 37 (Deletion of Supplementary Provisions)

These Supplementary Provisions shall be deleted at the conclusion of the Company's first Ordinary General Meeting of Shareholders.

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[Exhibit 2]

Details of the Third Series of Share Options (Ryoyo Electro)

(1) Name of Share Options Third Series of Share Options (Ryoyo Electro)

(2) Class and number of shares to be issued upon exercise of Share Options

The type of shares to be issued upon exercise of the Share Options shall be common stock of the Company, and the number of shares to be issued upon exercise of each stock acquisition right (the "Number of Granted Shares") shall be 100 shares. In the event that the Company conducts a stock split (including a gratis allotment of shares of common stock of the Company; the same shall apply hereinafter to the description of a stock split) or reverse stock split of its common stock after the date of resolution (the "Resolution Date") on the proposal for subscription for the Share Options, the Number of Granted Shares shall be adjusted in accordance with the following formula.

Number of Granted Shares After Adjustment = Number of Granted Shares Before Adjustment × Ratio of Stock Split or Reverse Stock Split

Any fraction of less than one (1) share resulting from the above adjustment shall be rounded down.

In addition to the above, in the event that the Company conducts a merger, corporate split or share exchange after the Resolution Date, or in other cases where adjustment of the Number of Granted Shares is required pursuant to such cases, the Company may adjust the Number of Granted Shares as deemed necessary by the Company's Board of Directors.

123,000 shares of the Company's common stock shall be the maximum number of shares that can be delivered by exercising the Share Options to be issued within one (1) year from the date of the Company's annual General Meeting of Shareholders for each fiscal year, and if the Number of Granted Shares is adjusted, the maximum number shall be the Number of Granted Shares after adjustment multiplied by the total number of Share Options below.

(3) Amount of assets to be contributed upon exercise of Share Options

The value of assets to be contributed upon the exercise of each stock acquisition right shall be the amount obtained by multiplying the exercise price of one (1) yen per share that can be delivered by exercising each such stock acquisition right by the Number of Granted Shares.

(4) Period during which Share Options may be exercised

The period shall be from February 1, 2019 to January 31, 2059.

(5) Conditions for exercise of Share Options

- ① Holders of Share Options may exercise their Share Options within ten (10) days from the day following the day on which they lose their position as a Director of the Company (if the 10th day falls on a holiday, the next business day).
- ② Notwithstanding ① above, in the event that a proposal for approval of a merger agreement in which the Company becomes a dissolving company, a proposal for approval of a split agreement or split plan in which the Company becomes a splitting company, or a proposal for approval of a share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary is approved at a shareholder's meetings (or resolved by the Board of Directors if no resolution is required at the shareholder's meetings), the Share Options may be exercised within thirty (30) days from the day following

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the date of such approval. However, this excludes the case where Share Options of the Reorganized Company are delivered to the holders of Share Options in accordance with the matters concerning the delivery of Share Options in connection with the Reorganization set forth in (9) below.

- ③ Other conditions shall be as set forth in the “Share Options Allotment Agreement” to be entered into between the Company and the holders of Share Options.

(6) Matters concerning increase of capital stock and capital reserves in the event of the issuance of shares upon the exercise of Share Options

- ① The amount of increase in capital stock in the event of the issuance of shares upon the exercise of the Share Options shall be half of the maximum amount of increase in capital stock, etc., as calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Regulations, with any fraction less than one (1) yen resulting from the calculation being rounded up to the nearest yen.
- ② The amount of increase in the capital reserves in the event of the issuance of shares upon the exercise of the Share Options shall be the amount obtained by subtracting the amount of the increase in capital as set forth in ① above from the maximum amount of the increase in capital stock, etc. as set forth in ① above.

(7) Acquisition of Share Options

The Company may acquire Share Options without consideration on a date separately determined by the Company's Board of Directors in the event that the following proposals ①, ②, ③, ④ or ⑤ below are approved at the Company's General Meeting of Shareholders (in the event that a resolution of a General Meeting of Shareholders is not required, when a decision by the Company's Board of Directors is made).

- ① Proposal for approval of a merger agreement under which the Company will be the disappearing company;
- ② Proposal for approval of a split agreement or split plan under which the Company will become the splitting company;
- ③ Proposal for approval of a share exchange agreement or share transfer plan under which the Company will become a wholly owned subsidiary;
- ④ Proposal for approval of an amendment to the Articles of Incorporation to provide that the acquisition of all shares issued by the Company by way of transfer shall require the approval of the Company; or
- ⑤ Proposal for approval of an amendment to the Articles of Incorporation to provide that the acquisition of the class of shares to be issued upon exercise of the Share Options by transfer requires the approval of the Company or that the Company may acquire all the shares of the class by a resolution of the General Meeting of Shareholders

(8) Restriction on acquisition of Share Options by transfer

Acquisition of Share Options by transfer shall require approval by a resolution of the Company's Board of Directors.

(9) Matters concerning issuance of subscription rights to shares in connection with reorganization

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In the event of a merger (limited to cases where the Company is dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to cases in which the Company is the demerged company, respectively), share exchange or share transfer (limited to cases where the Company becomes a wholly owned subsidiary of another company) (collectively, the "Reorganization"), the Share Options of a company as listed in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be issued to the holders of Share Options remaining (the "Remaining Share Options") immediately prior to the effective date of the Reorganization (in the event of an absorption-type merger, the date on which the absorption-type merger becomes effective; in the event of an incorporation-type merger, the date on which the incorporation-type merger corporation is established; in the event of an absorption-type split, the date on which the absorption-type split becomes effective; in the event of an incorporation-type split, the date on which the incorporation-type split corporation is established; in the event of a share exchange, the date on which the share exchange becomes effective; and in the event of a share transfer, the date on which the wholly-owning parent company in the share transfer is established; the same shall apply hereinafter.). However, the share subscription rights of the Reorganized Company shall be delivered in accordance with the following items, as long as such delivery is provided for in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan:

① Number of Share Options of the Reorganized Company to be granted

The same number of Share Options as the number of Remaining Share Options held by the holders of Share Options shall be delivered to each such holder.

② Class of shares of the Reorganized Company to be issued upon exercise of Share Options

The shares shall be common stock of the Reorganized Company.

③ Number of shares of the Reorganized Company to be issued upon exercise of Share Options

To be determined in accordance with (2) above, taking the conditions, etc. of the restructuring transaction into consideration.

④ Amount of assets to be contributed upon exercise of Share Options

The value of assets to be contributed upon the exercise of each stock acquisition right to be delivered shall be the amount obtained by multiplying the post-reorganization exercise price set forth below by the number of shares of the Reorganized Company to be issued for each such stock acquisition right determined in accordance with ③ above. The post-reorganization exercise price shall be one (1) yen per share of the Reorganized Company to be delivered upon the exercise of each stock acquisition right to be granted.

⑤ Period during which Share Options may be exercised

From the later of the commencement date of the period during which Share Options may be exercised as set forth in (4) above or the effective date of the Reorganization, until the expiration date of the period during which Share Options may be exercised as set forth in (4) above.

⑥ Matters concerning increase of capital stock and capital reserves in the event of the issuance of shares upon the exercise of Share Options

To be determined in accordance with (6) above.

⑦ Restriction on acquisition of Share Options by transfer

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Acquisition of Share Options by transfer shall require approval by a resolution of the Reorganized Company's Board of Directors.

⑧ Conditions for exercise of Share Options

To be determined in accordance with (5) above.

⑨ Acquisition of Share Options

To be determined in accordance with (7) above.

(10) Handling of fractions of less than one (1) share resulting from the exercise of Share Options

Any fraction of less than one (1) share in the number of shares to be issued to the holders of Share Options who exercised their Share Options shall be rounded down.

(11) Date of allotment of Share Options

January 31, 2019

(12) Method of requesting the exercise of Share Options and making payment

① When exercising Share Options, the shareholder shall fill in the necessary items in a "Share Options Exercise Request Form" in the form prescribed by the Company, affix his/her name thereto and seal or sign the form, and submit it to the place for receiving requests to exercise Share Options as set forth in (13) below.

② Along with the submission of the "Share Options Exercise Request Form" mentioned in (i) above, the full amount calculated by multiplying the value of the property to be contributed upon the exercise of each stock acquisition right by the number of Share Options to be exercised shall be transferred in cash to the account designated by the Company at the payment handling location set forth in (14) by the date and time specified by the Company in accordance with Article 281, Paragraph 1 of the Companies Act.

(13) Place to receive requests to exercise Share Options

The General Affairs Department of the Company (or the department in charge of the relevant business from time to time)

(14) Payment handling place for money to be contributed upon exercise of Share Options

The Bank of Tokyo-Mitsubishi UFJ, Marunouchi Branch

(or the successor bank of such bank or the successor branch of such branch as may apply from time to time)

(15) Handling of Share Options after exercise

Promptly after the completion of the exercise procedures, the Company shall take the necessary procedures to enter or record the shares to be acquired by the holder of the Share Options upon the exercise of the Share Options in an account in the name of the holder of the Share Options opened in advance with a financial instruments business operator, etc. designated by the Company.

(16) Handling of the revision of terms and conditions and other measures

If it becomes necessary to revise any provision of these terms and conditions or take any other measures, these terms and conditions

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may be amended in a manner the Company deems appropriate to handle related matters in accordance with the provisions of the Companies Act and the purpose of the Share Options, and such amendment shall become an integral part of these terms and conditions.

(17) Public notice of issuance requirements

The Company shall keep a certified copy of the terms and conditions for the issuance of the Share Options at its head office and make it available for inspection by the holders of the Share Options during its business hours.

(18) Others

The Company's Chairman and Representative Director shall be entrusted with determining the details concerning the issuance and allotment of Share Options, the performance of various procedures necessary for the issuance of Share Options, and other affairs necessary for the issuance of Share Options.

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[Exhibit 3]

Details of First Series of Share Options (New Company)

(1) Name of Share Options First series of Share Options (Ryoyo Ryosan Holdings, Inc.)

(2) Class and number of shares to be issued upon exercise of Share Options

The type of shares to be issued upon exercise of Share Options shall be common stock of the Company, and the number of shares to be issued upon exercise of each stock acquisition right (the "Number of Granted Shares") shall be 100 shares. In the event that the Company conducts a stock split (including a gratis allotment of shares of common stock of the Company. The same shall apply hereinafter to the description of a stock split) or reverse stock split of its common stock after the date of allotment of the Share Options, the Number of Granted Shares shall be adjusted in accordance with the following formula:

Number of Granted Shares After Adjustment = Number of Granted Shares Before Adjustment × Ratio of Stock Split or Reverse Stock Split

Any fraction of less than one (1) share resulting from the above adjustment shall be rounded down.

In addition to the above, in the event that the Company conducts a merger, corporate split or share exchange after the allotment, or in other cases where adjustment of the Number of Granted Shares is required pursuant to such cases, the Company may adjust the Number of Granted Shares as deemed necessary by the Company's Board of Directors.

(3) Amount of assets to be contributed upon the exercise of Share Options

The value of assets to be contributed upon the exercise of each stock acquisition right shall be the amount obtained by multiplying the exercise price of one (1) yen per share that can be delivered by exercising each such stock acquisition right by the Number of Granted Shares.

(4) Period during which Share Options may be exercised

The period shall be from April 1, 2024 to January 31, 2059.

(5) Conditions for exercise of Share Options

- ① Holders of Share Options may exercise their Share Options within ten (10) days from the day following the day on which they lose their position as a Director of the Company (if the 10th day falls on a holiday, the next business day).
- ② Notwithstanding ① above, in the event that a proposal for approval of a merger agreement in which the Company becomes a dissolving company, a proposal for approval of a split agreement or split plan in which the Company becomes a splitting company, or a proposal for approval of a share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary is approved at a general meeting of shareholders (or resolved by the Board of Directors if no resolution is required at the general meeting of shareholders), the Share Options may be exercised within thirty (30) days from the day following the date of such approval. However, this excludes the case where Share Options of the Reorganized Company are delivered to the holders of Share Options in accordance with the matters concerning the delivery of Share Options in connection with the Reorganization set forth in (9) below.
- ③ Other conditions shall be as set forth in the "Share Options Allotment Agreement" to be entered into between the Company

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and the holders of the Share Options.

(6) Matters concerning increase of capital stock and capital reserves in the event of the issuance of shares upon the exercise of the Share Options

- ① The amount of the increase in capital stock in the event of the issuance of shares upon the exercise of the Share Options shall be half of the maximum amount of the increase in capital stock, etc., as calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Regulations, with any fraction less than one (1) yen resulting from the calculation being rounded up to the nearest yen.
- ② The amount of increase in the capital reserves in the event of the issuance of shares upon the exercise of the Share Options shall be the amount obtained by subtracting the amount of the increase in capital as set forth in ① above from the maximum amount of the increase in capital stock, etc. as set forth in ① above.

(7) Acquisition of Share Options

The Company may acquire Share Options without consideration on a date separately determined by the Company's Board of Directors in the event that the following proposals ①, ②, ③, ④ or ⑤ below are approved at the Company's General Meeting of Shareholders (in the event that a resolution of a General Meeting of Shareholders is not required, when a decision is made by the Company's Board of Directors of the Company):

- ① Proposal for approval of a merger agreement under which the Company will become a disappearing company;
- ② Proposal for approval of a split agreement or split plan under which the Company will become the splitting company;
- ③ Proposal for approval of a share exchange agreement or share transfer plan under which the Company will become a wholly-owned subsidiary;
- ④ Proposal for approval of an amendment to the Articles of Incorporation to provide that the acquisition of all shares issued by the Company by way of transfer shall require the approval of the Company; or
- ⑤ Proposal for approval of an amendment to the Articles of Incorporation to provide that the acquisition of the class of shares to be issued upon exercise of the Share Options by transfer requires the approval of the Company or that the Company may acquire all the shares of the class by a resolution of the General Meeting of Shareholders

(8) Restriction on acquisition of Share Options by transfer

Acquisition of Share Options by transfer shall require approval by a resolution of the Company's Board of Directors.

(9) Matters concerning issuance of subscription rights to shares in connection with reorganization

In the event of a merger (limited to cases where the Company is dissolved as a result of a merger), absorption-type company split or incorporation-type company split (limited to cases in which the Company is the demerged company, respectively), share exchange or share transfer (limited to cases where the Company becomes a wholly owned subsidiary of another company) (collectively, the "Reorganization"), Share Options of a stock company listed in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be issued to the holders of Share Options remaining (the "Remaining Share Options") immediately prior to the effective date of the Reorganization (in the event of an absorption-type merger, the date on

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which the absorption-type merger becomes effective; in the event of an incorporation-type merger, the date on which the incorporation-type merger corporation is established; in the event of an absorption-type split, the date on which the absorption-type split becomes effective; in the event of an incorporation-type split, the date on which the incorporation-type split corporation is established; in the event of a share exchange, the date on which the share exchange becomes effective; and in the event of a share transfer, the date on which the wholly-owning parent company in the share transfer is established; and the same shall apply hereinafter.). However, the share subscription rights of the Reorganized Company shall be delivered in accordance with the following items, as long as such delivery is provided for in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan.

① Number of Share Options of the Reorganized Company to be granted

The same number of Share Options as the number of Remaining Share Options held by the holders of the Share Options shall be delivered to each such holder.

② Class of shares of the Reorganized Company to be issued upon exercise of Share Options

The shares shall be common stock of the Reorganized Company.

③ Number of shares of the Reorganized Company to be issued upon exercise of Share Options

To be determined in accordance with (2) above, taking the conditions, etc. of the restructuring transaction into consideration.

④ Amount of assets to be contributed upon exercise of Share Options

The value of assets to be contributed upon the exercise of each stock acquisition right to be delivered shall be the amount obtained by multiplying the post-reorganization exercise price set forth below by the number of shares of the Reorganized Company to be issued for each such stock acquisition right determined in accordance with ③ above. The post-reorganization exercise price shall be one (1) yen per share of the Reorganized Company to be delivered upon the exercise of each stock acquisition right to be granted.

⑤ Period during which Share Options may be exercised

From the later of the commencement date of the period during which Share Options may be exercised as set forth in (4) above or the effective date of the Reorganization, until the expiration date of the period during which the Share Options may be exercised as set forth in (4) above.

⑥ Matters concerning increase of capital stock and capital reserves in the event of the issuance of shares upon the exercise of the Share Options

To be determined in accordance with (6) above.

⑦ Restriction on acquisition of Share Options by transfer

Acquisition of Share Options by transfer shall require approval by a resolution of the Reorganized Company's Board of Directors.

⑧ Conditions for exercise of Share Options

To be determined in accordance with (5) above.

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⑨ Acquisition of Share Options

To be determined in accordance with (7) above.

(10) Handling of fractions of less than one (1) share resulting from the exercise of Share Options

Any fraction of less than one (1) share in the number of shares to be issued to the holders of Share Options who exercised their Share Options shall be rounded down.

(11) Date of allotment of Share Options

April 1, 2024

(12) Method for requesting the exercise of Share Options and making payment

- ① When exercising Share Options, the shareholder shall fill in the necessary items in a "Share Options Exercise Request Form" in the form prescribed by the Company, affix his/her name thereto and seal or sign such form, and submit it to the place designated by the Company for receiving requests to exercise Share Options.
- ② Along with the submission of the "Share Options Exercise Request Form" mentioned in ① above, the full amount calculated by multiplying the value of the property to be contributed upon the exercise of each stock acquisition right by the number of Share Options to be exercised shall be transferred in cash to the account designated by the Company by the date and time specified by the Company in accordance with Article 281, Paragraph 1 of the Companies Act.

(13) Handling of Share Options after exercise

Promptly after completion of the exercise procedures, the Company shall take the necessary procedures to enter or record the shares to be acquired by the holder of the Share Options upon the exercise of the Share Options in an account in the name of the holder of the Share Options opened in advance with a financial instruments business operator, etc. designated by the Company.

(14) Handling of the revision of terms and conditions and other measures

If it becomes necessary to revise any provision of these terms and conditions or take any other measures, these terms and conditions may be amended in a manner the Company deems appropriate in order to handle the related matters in accordance with the provisions of the Companies Act and the purpose of the Share Options, and such amendment shall become an integral part of these terms and conditions.

(15) Public Notice of Issuance Requirements

The Company shall keep a certified copy of the terms and conditions for the issuance of Share Options at its head office and make it available for inspection by the holders of Share Options during its business hours.

(16) Others

The Company's Representative Director shall be entrusted with determining the details concerning the issuance and allotment of Share Options, the performance of various procedures necessary for the issuance of Share Options, and other affairs necessary for the issuance of Share Options.

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### 3. Matters concerning the reasonableness of the provisions regarding the matters set forth in Article 773, Paragraph 1, Items 5 and 6 of the Companies Act

#### (1) Matters concerning the shares of the Joint Holding Company to be delivered by the Joint Holding Company to the shareholders of the Companies upon the Share Transfer and the allotment of shares of the Joint Holding Company

##### ① Details of Allotment pertaining to the Share Transfer (Share Transfer Ratio)

Upon the establishment of the Joint Holding Company through the Share Transfer, the Companies have determined the allotment ratio of common stock of the Joint Holding Company to be allotted and delivered to the respective shareholders of the Companies (the "Share Transfer Ratio") as follows.

	Ryosan	Ryoyo Electro
Share transfer ratio	1.32	1

##### (Note 1) Share allotment ratio

1.32 common shares of the Joint Holding Company will be allotted to one common share of Ryosan, and one common share of the Joint Holding Company will be allotted to one common share of Ryoyo Electro. However, the above share transfer ratio may be changed through consultation between the Companies in the event of any material change in the terms and conditions which form the basis of the calculation. If there is a fraction of less than one share in the number of common shares of the Joint Holding Company to be delivered to shareholders of the Companies as a result of the Share Transfer, the amount corresponding to the fraction of less than one share will be paid to such shareholders in accordance with Article 234 of the Companies Act and other related laws and regulations.

##### (Note 2) Share unit (*tangen kabushiki sū*) of the Joint Holding Company and treatment of fractional shares (*tangen miman kabushiki*)

The share unit of the Joint Holding Company is 100 shares.

Shareholders of the Companies who will receive an allotment of the Joint Holding Company's shares of less than one share unit (100 shares) as a result of the Share Transfer may not sell such shares on the Tokyo Stock Exchange and other financial instruments exchanges (*kin'yū shouhin torihikijo*). However, shareholders who will hold such fractional shares may request the Joint Holding Company to purchase their fractional shares pursuant to Article 192, Paragraph 1 of the Companies Act. In addition, those shareholders may also request the Joint Holding Company to sell them the number of shares that, together with the number of their fractional shares, will constitute one share unit pursuant to Article 194, Paragraph 1 of the Companies Act and the articles of incorporation of the Joint Holding Company.

##### (Note 3) Number of new shares to be delivered by the Joint Holding Company upon the Share Transfer (planned)

59,800,000 common shares

The above number is calculated based on the total number of issued shares of Ryosan (25,000,000 shares as of the end of September 2023) and the total number of issued shares of Ryoyo Electro (26,800,000 shares as of the end of July 2023).

##### ② Grounds and reasons for Details of Allotment pertaining to the Share Transfer

In order to ensure the fairness of the determination of the share transfer ratio as described in 3.(1)① "Details of Allotment pertaining to the Share Transfer (Share Transfer Ratio)" above, Ryosan has appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("Mitsubishi UFJ Morgan Stanley Securities") and Ryoyo Electro has appointed Daiwa Securities Co. Ltd. ("Daiwa Securities") respectively, as financial advisors and third-party calculation agents independent of the Companies, and the Companies have received a report on the calculation of the share transfer ratio as of October 13, 2023.

By reference to the advice and results of the calculations by the financial advisors and third-party calculation agents, as well as the legal advice from the legal advisors of the respective Companies as described in 3.(1)④b. and d. "Advice from an independent law firm" below, based on the results of the due diligence conducted by each of the Companies on the other party, and after comprehensive consideration of factors such as the financial conditions, status of assets, future prospects and stock price

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fluctuations of the Companies, the Companies have, after a series of careful negotiations and deliberations between the Companies in respect of the share transfer ratio, finally determined that the share transfer ratio stated in 3.(1)① "Details of Allotment pertaining to the Share Transfer (Share Transfer Ratio)" above is reasonable, and the share transfer ratio for the Share Transfer has been determined and agreed upon at the meetings of the boards of directors of both Companies held on October 16, 2023.

### ③ Matters relating to calculation

#### a. Name of calculation agents and relationship with the Companies

Neither Mitsubishi UFJ Morgan Stanley Securities, the third-party calculation agent of Ryosan, nor Daiwa Securities, the third-party calculation agent of Ryoyo Electro, is a related party of the Companies, and neither of them has a material interest in the Share Transfer that should be stated herein.

#### b. Outline of calculation

In respect of Ryosan and Ryoyo Electro, Mitsubishi UFJ Morgan Stanley Securities has adopted and made calculations using: (a) the market stock price analysis on the grounds that the shares of the Companies are listed on a financial instruments exchange and their market stock prices are available; (b) the comparable peer company multiple analysis on the grounds that there exist multiple comparable listed peer companies with respect to both Companies and that the stock price is available for comparable peer company multiple analysis; and (c) the discounted cash flow analysis ("DCF Analysis") in order to reflect the status of future business activities to the assessment.

For the market stock price analysis, the closing price of the share price on the calculation base date on the Tokyo Stock Exchange and the simple average of the closing prices on the respective transaction dates for the respective periods of one (1) month prior to the calculation base date, three (3) months prior to the calculation base date and six (6) months prior to the calculation base date on the Tokyo Stock Exchange have been adopted with the calculation base date of October 13, 2023.

The calculation of prices using the DCF Analysis is based on various factors, such as the profits in the financial prospects and investment plans provided by the management of Ryosan and Ryoyo Electro, all of which have been acknowledged by both Companies to be used for the purpose of the calculation, results of the due diligence conducted on Ryosan and Ryoyo Electro and other information generally made available to the public. For the avoidance of doubt, the financial prospects of the Companies on which the calculations are based do not include those for fiscal years in which significant increases or decreases in profits are expected.

The results of the calculations under each of the above methods are as follows. The results of the calculations of the share transfer ratio below represent the results of the calculations of the number of common shares of the Joint Holding Company to be allotted for one common share of Ryosan where one common share of the Joint Holding Company is allotted for one common share of Ryoyo Electro.

Adopted method	Calculation results of share transfer ratio
Market stock price analysis	1.27 to 1.40
Comparable peer company multiple analysis	0.80 to 1.88
DCF Analysis	1.20 to 2.23

(Note) The analysis by Mitsubishi UFJ Morgan Stanley Securities and the analysis of the underlying share transfer ratio are provided to the board of directors of Ryosan for its reference only. Such analysis does not constitute a financial opinion or recommendation of Mitsubishi UFJ Morgan Stanley Securities or its affiliates, nor does it provide its approval of the Share Transfer, or an opinion or recommendation to the shareholders of Ryosan or Ryoyo Electro regarding the transfer and acquisition of shares and the exercise of the shareholder rights, including the exercise of voting rights, or their consent to the Share Transfer or any other related matters. Mitsubishi UFJ Morgan Stanley Securities relies on the information that is already publicly available or any information provided by Ryosan or Ryoyo Electro or otherwise obtained for the analysis and

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calculation of the share transfer ratio, assuming that such information is accurate and complete, and has not independently verified the accuracy and completeness thereof. Also, Mitsubishi UFJ Morgan Stanley Securities assume that the financial prospects reflect the best prospects and judgement currently available with respect to the future financial condition of Ryosan and Ryoyo Electro and has been reasonably prepared and provided by the management of Ryosan and Ryoyo Electro. Mitsubishi UFJ Morgan Stanley Securities has not made or obtained any independent assessment or appraisal of the assets and liabilities (including off-balance sheet assets and liabilities and other contingent liabilities) of Ryosan, Ryoyo Electro or their affiliates, nor has it requested any third-party institution to value or appraise them. Mitsubishi UFJ Morgan Stanley Securities' analysis is based on economic, financial, market, and other conditions as of the calculation base date of the share transfer ratio calculation report and on information available to Mitsubishi UFJ Morgan Stanley Securities as of such date. Although there is a possibility that an event occurring on or after the date may affect the basis on which the Mitsubishi UFJ Morgan Stanley Securities' analysis and the share transfer ratio calculation report have been prepared, Mitsubishi UFJ Morgan Stanley Securities is not obligated to update, revise or reconfirm the share transfer ratio calculation report or its analysis. In addition, the preparation of the share transfer ratio calculation report and the underlying analysis therefor was a complex process and is not necessarily suitable for partial analysis or summary description. The valuation ranges based on the specific analysis described herein may not be considered as Mitsubishi UFJ Morgan Stanley Securities' assessment of the actual value of Ryosan or Ryoyo Electro.

On the other hand, Daiwa Securities has adopted and made calculations using: (a) the market stock price method on the grounds that the shares of the Companies are listed on a financial instruments exchange and their market stock prices are available; and (b) the discounted cash flow method ("DCF Method") in order to reflect the status of future business activities to the assessment.

For the market stock price method, the closing price of the share price on the calculation base date on the Tokyo Stock Exchange and the simple average of the closing prices for the respective periods of one (1) month prior to the calculation base date, three (3) months prior to the calculation base date and six (6) months prior to the calculation base date on the Tokyo Stock Exchange have been adopted with the calculation base date of October 13, 2023.

Under the DCF Method, the corporate value is evaluated by discounting future cash flows, etc. based on financial prospects prepared by the Companies to the present value using a certain discount rate. For the avoidance of doubt, the financial prospects of the Companies on which the calculations are based do not include those for fiscal years in which significant increases or decreases in profits are expected.

The results of the calculations under each of the above methods are as follows. The results of the calculations of the share transfer ratio below represent the results of the calculations of the number of common shares of the Joint Holding Company to be allotted for one common share of Ryosan where one common share of the Joint Holding Company is allotted for one common share of Ryoyo Electro.

Adopted method	Calculation results of share transfer ratio
Market stock price method	1.27 to 1.40
DCF Method	0.99 to 1.43

#### ④ Measures for securing fairness

Ryosan has taken the following measures to ensure the fairness of the Share Transfer.

##### a. Obtaining a share transfer ratio calculation report from an independent third-party calculation agent

As stated in 3.(1)②"Grounds and reasons for Details of Allotment pertaining to the Share Transfer" and ③"Matters relating to calculation" above, in order to ensure the fairness and reasonableness of the Share Transfer, Ryosan has appointed Mitsubishi UFJ Morgan Stanley Securities as an independent third-party calculation agent and obtained a share transfer ratio calculation report as a basis for agreeing on the share transfer ratio for the Share Transfer. Ryosan has also negotiated and discussed with Ryoyo Electro by reference to the analysis and advice of Mitsubishi UFJ Morgan Stanley Securities, its financial advisor and

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third-party calculation agent, and resolved at a meeting of its board of directors held on October 16, 2023, to implement the Share Transfer based on the share transfer ratio described in 3.(1)① "Details of Allotment pertaining to the Share Transfer (Share Transfer Ratio)" above.

b. Advice from an independent law firm

In order to ensure the fairness and appropriateness of the decision-making by its board of directors, Ryosan has received legal advice from Anderson Mori & Tomotsune, a legal advisor independent of the Companies, regarding the procedures for the Share Transfer and the method and process of decision-making by Ryosan. Anderson Mori & Tomotsune is not a related party to the Companies and does not have a material interest in the Management Integration that should be stated herein.

On the other hand, Ryoyo Electro has taken the following measures to ensure the fairness of the Share Transfer.

c. Obtaining a share transfer ratio calculation report from an independent third-party calculation agent

As stated in "3.(1)② Grounds and reasons for Details of Allotment pertaining to the Share Transfer" and ③ "Matters relating to calculation" above, in order to ensure the fairness and reasonableness of the Share Transfer, Ryoyo Electro has appointed Daiwa Securities as an independent third-party calculation agent and obtained a share transfer ratio calculation report as a basis for agreeing on the share transfer ratio for the Share Transfer. Ryoyo Electro also negotiated and discussed with Ryosan by reference to the analysis and advice of Daiwa Securities, its financial advisor and third-party calculation agent, and resolved at a meeting of its board of directors held today, to implement the Share Transfer based on the share transfer ratio described in 3.(1)① "Details of Allotment pertaining to the Share Transfer (Share Transfer Ratio)" above.

d. Advice from an independent law firm

In order to ensure the fairness and appropriateness of the decision-making by its board of directors, Ryoyo Electro has obtained legal advice from TMI Associates, a legal advisor independent of the Companies, regarding the procedures for the Share Transfer and the method and process of decision-making by Ryoyo Electro. TMI Associates is not a related party to the Companies and does not have a material interest in the Management Integration that should be stated herein.

⑤ Matters related to application for listing, etc. of the Joint Holding Company

The Companies plan to apply for an initial listing (technical listing) of the shares of the newly established Joint Holding Company on the Prime Market of the Tokyo Stock Exchange. The listing date is expected to be April 1, 2024, the date of registration of the establishment of the Joint Holding Company. The Companies will be delisted from the Tokyo Stock Exchange on March 28, 2024, prior to the listing of the Joint Holding Company, as the Companies will become wholly-owned subsidiaries of the Joint Holding Company through the Share Transfer.

The listing date of the shares of the Joint Holding Company and the delisting date of the Companies will be determined in accordance with the respective rules of the Tokyo Stock Exchange.

⑥ Measures to avoid conflict of interest

No special measures have been taken because no particular conflict of interest arises between Ryosan and Ryoyo Electro with respect to the Share Transfer.

(2) Matters concerning the amount of capital and reserves, etc. of the Joint Holding Company.

Upon the establishment of the Joint Holding Company through the Share Transfer, Ryosan and Ryoyo Electro have determined the amounts of capital and reserves, etc. of the Joint Holding Company as follows:

- |                   |   |
|-------------------|---|
| ① Capital stock   | 15 billion yen  |
| ② Capital reserve | 5 billion yen   |
| ③ Legal reserve   | 0 yen   |
| ④ Capital surplus | The amount obtained by subtracting the amounts listed in ① and ② from the amount of changes |

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in shareholders' equity (as defined in Article 52, Paragraph 1 of Regulation on Corporate Accounting).

These amounts of capital stock and reserve were determined within the scope of the provisions of Article 52 of Regulation on Corporate Accounting upon consultation between Ryosan and Ryoyo Electro, taking into consideration and considering the size of the joint holding company and other various circumstances.

#### 4. Matters concerning the reasonableness of the provisions of Article 773, Paragraph 1, Items 9 and 10 of the Companies Act

With respect to the Third Series of Share Options (Ryoyo Electro) already issued by Ryoyo Electro, the Joint Holding Company will allot one (1) First Series of Share Options (New Company) for every one (1) such share option.

The above is provided so that the content of the Share Option issued by Ryoyo Electro and the content of the First Series of Share Options (New Company) will be substantially the same in order to ensure that the holders of the Third Series of Share Options (Ryoyo Electro) will maintain the same rights as before as much as possible after the Share Transfer, and Ryosan has determined that this is appropriate. The Companies have not issued any bonds with share options.

#### 5. Matters relating to Ryoyo Electro

(1) Details of financial statements for Most Recent Business Year (ended January 31, 2023) Ryoyo Electro's financial statements for the fiscal year ended January 31, 2023 have been omitted in accordance with laws and regulations and Article 17, Paragraph 2 of Ryosan's Articles of Incorporation, and are available on Ryosan's website on the Internet (<https://www.ryosan.co.jp/>) and on the website of the Tokyo Stock Exchange.

(2) Details of events occurring after the end of Most Recent Business Year that have a material impact on the status of Ryoyo Electro's assets.

N/A.

#### 6. Details of events that materially affect the financial position of Ryosan that occurred after the end of Most Recent Business Year of Ryosan's business

N/A.

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7. Matters stipulated in Article 74 of the Ordinance for Enforcement of the Companies Act related to Persons who will become directors of the Joint Holding Company (excluding persons who will become directors who are members of the Audit and Supervisory Committee)

The persons who will become directors of the Joint Holding Company (excluding persons who will become directors who are members of the Audit and Supervisory Committee) are as follows.

Name (Date of birth)	Biography, Positions, Responsibilities and Important Concurrent Positions	(1) Number of shares of Ryosan held (2) Number of shares of Ryoyo Electro held (3) Number of shares of the Joint Holding Company to be allocated
Moritaka Nakamura (September 7, 1959)	Apr. 1984    Joined Isetan Co., Ltd. (Currently Isetan Mitsukoshi Ltd.) Apr. 2011    Director, Executive Officer, General Manager, of Corporate Planning Division, Isetan Mitsukoshi Ltd. Apr. 2012    Executive Officer, General Manager, Personnel Division, Isetan Mitsukoshi Holdings Ltd. Apr. 2016    Managing Executive Officer, General Manager, IT & Group Marketing Strategy Headquarters, Isetan Mitsukoshi Holdings Ltd. May 2017    Joined Ryoyo Electro as Special Advisor Aug. 2017    Senior Managing Executive Officer in charge of Business Renovation Dec. 2017    Senior Managing Executive Officer in charge of Sales, Technology, Overseas Marketing and Business Renovation Mar.2018    Senior Managing Executive Officer in charge of Sales, Technology and Overseas Marketing, General Manager, Sales and Business Development Div., in charge of Business Renovation Apr. 2018    Representative Director & President Feb. 2021    Representative Director & Chief Executive Officer (present position)	(1) 0 shares (2) 48,900 shares (3) 48,900 shares

**Reasons for nominating the candidate for Director (excluding persons who will become directors who are members of the Audit and Supervisory Committee).**

Mr. Moritaka Nakamura has been engaged in corporate planning, marketing strategy, personnel, and information strategy throughout his career, and he has a wealth of experience, knowledge, and connections cultivated while participate in management as a director. After assuming the position of Representative Director & President of Ryoyo Electro, he continues to utilize these experiences to lead management reform with strong leadership. Therefore, election of Mr. Moritaka Nakamura as a director of the newly established Joint Holding Company is proposed as he is deemed suitable to achieve enhancement of corporate value of the whole group.

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Name (Date of birth)	Biography, Positions, Responsibilities and Important Concurrent Positions	(1) Number of shares of Ryosan held (2) Number of shares of Ryoyo Electro held (3) Number of shares of the Joint Holding Company to be allocated
Kazuhiko Inaba (June 14, 1967)	<p>Apr. 1990    Joined Ryosan</p> <p>Jul . 2013    General Manager, 2nd Sales Department</p> <p>Jun. 2017    Executive Officer, General Manager, Electronic Components Business Headquarters</p> <p>Jun. 2019    Director, Senior Executive Officer, General Manager, Electronic Components Business Headquarters</p> <p>Feb. 2020    Representative Director, President, General Manager, Corporate Planning Headquarters, and General Manager, Electronic Components Business Headquarters</p> <p>Jun. 2020    Representative Director, President, and General Manager, Electronic Components Business Headquarters</p> <p>Jun. 2021    Representative Director, President (present position)</p>	<p>(1) 9,660 shares</p> <p>(2) 0 shares</p> <p>(3) 12,751 shares</p>
<p><b><u>Reasons for nominating the candidate for Director (excluding persons who will become directors who are members of the Audit and Supervisory Committee).</u></b></p> <p>Mr. Kazuhiko Inaba has been served as a General Manager, 2nd Sales Department responsible for sales to large size corporations and as an Executive Officer, General Manager, Electronic Components Business Headquarters since joining Ryosan, and currently as a Representative Director, President, Executive Officer, he is demonstrating leadership and he possess a wealth of experience and extensive knowledge cultivated through sales operations and development and promotion of business strategies. Therefore, election of Mr. Kazuhiko Inaba as a director of the newly established Joint Holding Company is proposed as he is deemed suitable to achieve enhancement of corporate value of the whole group.</p>		
Shunya Endo (February 7, 1967)	<p>Mar. 1988    Joined Ryosan</p> <p>May 2007    General Manager, 1st Nagoya Sales Branch</p> <p>Nov.2013    Managing Director, Ryosan (Thailand) Co., Ltd.</p> <p>Jun. 2016    Executive Officer, General Manager, Central Japan/Tokai Marketing and Sales Headquarters</p> <p>Jun. 2020    Executive Officer, General Manager, 1st Domestic Marketing and Sales Headquarters</p> <p>Jun. 2021    Director, Executive Officer, General Manager, Sales Planning and Control Headquarters, and General Manager, 1st Domestic Marketing and Sales Headquarters, and General Manager, Engineering Headquarters (present position)</p>	<p>(1) 3,100 shares</p> <p>(2) 0 shares</p> <p>(3) 4,092 shares</p>

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Name (Date of birth)	Biography, Positions, Responsibilities and Important Concurrent Positions	(1) Number of shares of Ryosan held (2) Number of shares of Ryoyo Electro held (3) Number of shares of the Joint Holding Company to be allocated
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**Reasons for nominating the candidate for Director (excluding persons who will become directors who are members of the Audit and Supervisory Committee).**

Mr. Shunya Endo has been served as a General Manager, 1st Nagoya Sales Branch, Managing Director, Ryosan (Thailand) Co., Ltd., Executive Officer, General Manager, Central Japan/Tokai Marketing and Sales Headquarters and Executive Officer, General Manager, 1st Domestic Marketing and Sales Headquarters since joining Ryosan, and currently as a Director, Executive Officer, General Manager, Sales Planning and Control Headquarters, and General Manager, 1st Domestic Marketing and Sales Headquarters, and General Manager, Engineering Headquarters, he is demonstrating leadership and he possess a wealth of experience and extensive knowledge of Ryosan's business in general, including overseas business. Therefore, election of Mr. Shunya Endo as a director of the newly established Joint Holding Company is proposed as he is deemed suitable to achieve enhancement of corporate value of the whole group.

Atuyuki Ohashi (September 27, 1962)	Apr. 1985	Joined Ryoyo Electro	(1) 0 shares (2) 2,400 shares (3) 2,400 shares
	Feb. 2006	Assistant General Manager, Sales Dept. 1, Osaka Branch Office	
	Aug.2007	General Manager, Sales Dept. 1, Osaka Branch Office, Western Region	
	Aug.2013	Deputy General Manager, Intelligent System Sales Div.	
	Feb. 2015	General Manager, Intelligent System Sales Div.	
	Feb. 2018	Executive Officer, Western Region	
	Feb. 2022	Managing Executive Officer in charge of Eastern Region and Western Region	
	April.2022	Managing Executive Officer in charge of Solution Div. and Eastern Region and Western Region	
	Feb. 2023	Managing Executive Officer in charge of Semiconductor & Device Div. and Solution Div.	
Apr. 2023	Director and Managing Executive Officer in charge of Semiconductor & Device Div. and Solution Div. (present position)		

**Reasons for nominating the candidate for Director (excluding persons who will become directors who are members of the Audit and Supervisory Committee).**

Mr. Atuyuki Ohashi has a wide range of experience in both business fields of Ryoyo Electro which are semiconductor and device, and ICT solution. He also has various experiences in various positions at the head office and branches and is currently taking leadership by being in charge of both Divisions, which has given him extensive experience and a broad knowledge of Ryoyo Electro's business. Therefore, election of Mr. Atuyuki Ohashi as a director of the newly established Joint Holding Company is proposed as he is deemed suitable to achieve enhancement of corporate value of the whole group.

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Norihiro Takahashi (September 20, 1962)	<p>Apr. 1987    Joined Mitsubishi Bank, Limited (currently MUFG Bank, Ltd.)</p> <p>Oct. 2015    Seconded to Ryosan, General Manager, IR and Public Relations Office</p> <p>Jun. 2016    Appointed as the Head of the Business Strategy Office at the same company.</p> <p>Jul.2016    Joined Ryosan</p> <p>Jun. 2020    Executive Officer, General Manager, Corporate Planning Headquarters, General Manager, Corporate Planning Office</p> <p>Jun. 2021    Executive Officer, General Manager, Corporate Planning Headquarters, General Manager, Corporate Planning Office</p> <p>Apr. 2023    Executive Officer, General Manager, Corporate Planning Headquarters (present position)</p>	<p>(1) 520 shares</p> <p>(2) 0 shares</p> <p>(3) 686 shares</p>
<p><b><u>Reasons for nominating the candidate for Director (excluding persons who will become directors who are members of the Audit and Supervisory Committee).</u></b></p> <p>Mr. Norihiko Takahashi has domestic and international experience and achievements during his career at financial institutions. In addition, he also experienced management in corporate planning and strategy department since he joined Ryosan, and he possess a high level of expertise and broad knowledge in areas related to finance, accounting, and business strategy. Therefore, election of Mr. Norihiko Takahashi as a director of the newly established Joint Holding Company is proposed as he is deemed suitable to achieve an enhancement of corporate value of the whole group.</p>		
<p><u>Outside</u> Shinya Takada (January 8, 1952)</p>	<p>Apr. 1975    Joined Isetan Co., Ltd. (currently Isetan Mitsukoshi Ltd.)</p> <p>Feb. 1995    General Manager, Sales Policy Department, Sales Division, Isetan Co., Ltd.</p> <p>June 2002    Executive Officer, Manager, General Planning Section, Management Planning Department, Isetan Co., Ltd.</p> <p>Apr. 2008    Director, Senior Managing Executive Officer, General Manager, Corporate Strategy Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Jan. 2010    Representative Director, Senior Managing Executive Officer, General Manager, Corporate Strategy Headquarters, Isetan Mitsukoshi Holdings Ltd.</p>	<p>(1) 0 shares</p> <p>(2) 0 shares</p> <p>(3) 0 shares</p>

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Name (Date of birth)	Biography, Positions, Responsibilities and Important Concurrent Positions	(1) Number of shares of Ryosan held (2) Number of shares of Ryoyo Electro held (3) Number of shares of the Joint Holding Company to be allocated
	<p>Jun. 2012 Full-time Corporate Auditor, Isetan Mitsukoshi Holdings Ltd.</p> <p>Jun. 2017 Outside Director (Member of the Audit and Supervisory Committee), SHOWA CORPORATION (currently Hitachi Astemo, Ltd.)</p> <p>Apr. 2020 Outside Director, Ryoyo Electro</p> <p>Apr. 2022 Outside Director &amp; Chairman of the Board of Directors, Ryoyo Electro (present position)</p> <p>〈Status of important concurrent occupations or positions at other organizations〉</p> <p>N/A</p>	

**Reasons for nominating the candidate for Outside Director (excluding persons who will become directors who are members of the Audit and Supervisory Committee) and outline of expected role**

Mr. Shinya Takada has experience primarily in the field of corporate planning and strategy in his previous position while being involved in management. After assuming the position of an outside director at Ryoyo Electro, he continues to leverage his experience to provide impartial and objective advice. Therefore, election of Mr. Shinya Takada as an outside director of the newly established Joint Holding Company is proposed in expectation of his role in strengthening the corporate governance and enhancing corporate value of the whole group.

<p style="text-align: center;">Outside</p> <p>Haruyoshi Kawabe (February 13, 1956)</p>	<p>Oct. 1977 Joined Management Work Co., Ltd</p> <p>Dec. 1988 Joined TSD Co., Ltd</p> <p>Apr. 1993 Senior Managing Director, Neutral Co., Ltd.</p> <p>Apr. 1996 President and Representative Director, Neutral Co., Ltd.</p> <p>Oct. 2010 Representative Director, Intermind Co., Ltd.</p> <p>Oct. 2011 Director, CloudLand Co., Ltd.</p> <p>Sep. 2015 Executive Officer, Cyberlinks Co., Ltd.</p> <p>Jan. 2022 Advisor, Cyberlinks Co., Ltd. (present position)</p> <p>Jun. 2022 Outside Director of Ryosan (present position)</p> <p>〈Status of important concurrent occupations or positions at other organizations〉</p> <p>Advisor, Cyberlinks Co., Ltd.</p>	<p>(1) 0 shares</p> <p>(2) 0 shares</p> <p>(3) 0 shares</p>
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**Reasons for nominating the candidate for Outside Director (excluding persons who will become directors who are members of the Audit and Supervisory Committee) and outline of expected role**

Mr. Haruyoshi Kawabe has been involved in management in IT services industry for many years. After assuming the position of an outside director at Ryosan, he continues to utilize his extensive experience and broad knowledge as an entrepreneur and business leader to provide effective advice for enhancing transparency and impartiality of management and supervision. Therefore, election of Mr. Haruyoshi Kawabe as an outside director of the newly established Joint Holding Company is proposed in expectation of his role in strengthening the corporate

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governance and enhancing corporate value of the whole group.		
<p style="text-align: center;">Outside Masumi Shiraishi (November 6, 1958)</p>	<p>May 1989    Joined NLI Research Institute</p> <p>Apr. 2001    Senior Researcher, NLI Research Institute</p> <p>Apr. 2006    Professor, Department of Social Economic Systems, Faculty of Economics, Toyo University</p> <p>Apr. 2007    Professor, Faculty of Policy Studies, Kansai University (present position)</p> <p>Jun. 2013    Outside Director, Asahi Kasei Corp.</p> <p>Jun. 2014    Outside Audit &amp; Supervisory Board Member, Central Nippon Expressway Company Limited</p> <p>Jun. 2015    Outside Audit and Supervisory Board Member, NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD.</p> <p>Apr. 2019    Outside Director, Ryoyo Electro (present position)</p> <p>Feb. 2021    Outside Audit and Supervisory Board Member, E-SUPPORTLINK, Ltd. (present position)</p> <p>Jun. 2022    Outside Director, MIKUNI CORPORATION (present position)</p> <p>〈Status of important concurrent occupations or positions at other organizations〉</p> <p>Professor, Faculty of Policy Studies, Kansai University</p> <p>Outside Audit and Supervisory Board Member, E-SUPPORTLINK, Ltd.</p> <p>Outside Director, MIKUNI CORPORATION</p>	<p>(1) 0 shares</p> <p>(2) 0 shares</p> <p>(3) 0 shares</p>
<p><b><u>Reasons for nominating the candidate for Outside Director (excluding persons who will become directors who are members of the Audit and Supervisory Committee) and outline of expected role</u></b></p> <p>Although Ms. Masumi Shiraishi has no experience of participating in corporate management other than being an outside officer, she has a wide range of insight based on her extensive experience in private sector, teaching profession and official position, and she has also provided advice from a multifaceted perspective based on her insight, etc. after she assumed office as an outside director of Ryoyo Electro. Therefore, election of Ms. Masumi Shiraishi as an outside director of the newly established Joint Holding Company is proposed in expectation of her role in strengthening the corporate governance and enhancing corporate value of the whole group.</p>		

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1. The number of shares of Ryosan and Ryoyo Electro held by each candidate is based on ownership status as of October 31, 2023, and the number of shares of the Joint Holding Company to be allocated is based on such ownership status, taking into account the share transfer ratio. The actual number of shares of the Joint Holding Company to be allocated may vary depending on the change in number of shares held by each candidate until right before the date of incorporation of the Joint Holding Company.
2. Neither candidate has any special interest in Ryosan or Ryoyo Electro, nor do they plan to have any special interest in the Joint Holding Company.
3. Mr. Shinya Takada, Mr. Haruyoshi Kawabe and Ms. Masumi Shiraishi are candidates for outside director.
4. Mr. Shinya Takada, Mr. Haruyoshi Kawabe and Ms. Masumi Shiraishi meet the requirements for independent directors/auditors as stipulated by the Tokyo Stock Exchange. If each of them is elected and assumes the office as an outside director, such person is planned to be reported to Tokyo Stock Exchange as an independent directors/auditors.
5. If Mr. Shinya Takada, Mr. Haruyoshi Kawabe and Ms. Masumi Shiraishi are elected and assume the office as directors, the Joint Holding Company plans, in accordance with Article 427, Paragraph 1 of the Companies Act, to enter into an agreement to limit his/her liability for damages; the maximum amount of liability for damages under such agreement will be the amount stipulated by laws and regulations.
6. The Joint Holding Company plans to enter into a directors and officers liability insurance contract, as stipulated in Article 430-3, paragraph 1 of the Companies Act, with insurance company. In the event that each candidate is elected and assumed his/her position, such person is planned to become insured under this contract. An overview of the contents of the directors and officers liability insurance contract is as follows:
  - The insurance premium will be fully covered by the Joint Holding Company

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8. Matters stipulated in Article 74-3 of the Ordinance for Enforcement of the Companies Act related to Persons who will become directors who are members of the Audit and Supervisory Committee of the Joint Holding Company

The persons who will be directors who are members of the Audit and Supervisory Committee of the Joint Holding Company are as follows.

Name (Date of birth)	Biography, Positions, Responsibilities and Important Concurrent Positions	(1) Number of shares of Ryosan held (2) Number of shares of Ryoyo Electro held (3) Number of shares of the Joint Holding Company to be allocated
Kiyoshi Waki (October 22, 1959)	<p>Apr. 1983    Joined Mitsubishi Bank, Limited (currently MUFG Bank, Ltd.)</p> <p>Nov. 2011    Seconded to Ryoyo Electro as General Manager, Corporate Strategy Div.</p> <p>Feb. 2012    Executive Officer &amp; General Manager, Corporate Strategy Div. and Deputy General Manager, Overseas Marketing Div.</p> <p>Apr. 2012    Joined Ryoyo Electro</p> <p>Nov.2012    Executive Officer &amp; General Manager, Overseas Marketing Div.</p> <p>Feb. 2014    Senior Executive Officer &amp; General Manager, Overseas Marketing Div.</p> <p>Oct. 2014    Registered as a U.S. Certified Public Accountant,</p> <p>Feb. 2015    Senior Executive Officer &amp; General Manager, Administration Div., Overseas Marketing Div., in charge of CSR Dept.</p> <p>Nov.2015    Senior Executive Officer &amp; General Manager, Administration Div., in charge of CSR Dept.</p> <p>Apr. 2016    Director &amp; Senior Executive Officer in charge of Corporate Strategy Div., General Manager, Administration Div., in charge of CSR Dept, and General Manager, Accounting Dept</p> <p>Feb. 2019    Director &amp; Managing Executive Officer in charge of Corporate Strategy Div., and Administration Div.</p> <p>Jul.2019    Representative Director &amp; Senior Managing Executive Officer in charge of Corporate Strategy Div., and Administration Div.</p> <p>Feb. 2021    Representative Director &amp; Senior Managing Executive Officer in charge of Corporate Strategy</p>	<p>(1) 0 shares</p> <p>(2) 22,700 shares</p> <p>(3) 22,700 shares</p>

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	<p>Div., and Administration Div.</p> <p>Feb. 2022 Director &amp; Managing Executive Officer in charge of Internal Auditing Dept., CSR Dept., and Special Assignment.</p> <p>Apr. 2023 Director &amp; Managing Executive Officer in charge of Administration Div., Internal Auditing Dept., CSR Dept., and Special Assignment. (present position)</p>	
<p><b><u>Reasons for nominating the candidate for Director who is a member of the Audit and Supervisory Committee</u></b></p> <p>Mr. Kiyoshi Waki has domestic and international experience and achievements during his career at financial institutions. In addition, he also experienced management in corporate planning and strategy department, overseas marketing division and administration division since he joined Ryoyo Electro, and he possess a high level of expertise and broad knowledge in areas related to finance and accounting. Therefore, election of Mr. Kiyoshi Waki as a director who is a member of the Audit and Supervisory Committee of the newly established Joint Holding Company is proposed as he is deemed suitable to enhance transparency and impartiality of the whole group.</p>		
<p style="text-align: center;"><b>Outside</b> Mahito Ogawa (January 25, 1961)</p>	<p>Sep. 1983 Joined Pete Marwick Mitchell Accountants Office (currently KPMG AZSA LLC)</p> <p>Oct. 1996 Partner, Century Audit Corporation (currently KPMG AZSA LLC)</p> <p>Oct. 2001 Joined Shin Nihon &amp; Co. (currently Ernst &amp; Young ShinNihon LLC)</p> <p>Jul.2003 Transferred to KPMG FAS Co.</p> <p>Jul.2005 Director (Partner), KPMG FAS Co.</p> <p>Apr. 2008 Auditor, The Japan-England Society (present position)</p> <p>Apr. 2008 Representative Director, ACE Consulting K.K. (present position)</p> <p>Apr. 2011 Director, Japan Association of Certified Fraud Examiners</p> <p>Jan. 2013 Auditor, NPO Think Kids (present position)</p> <p>Jan. 2013 Outside Director, K.K. CrossVision International</p> <p>Jun. 2016 Outside Director (Member of the Audit and Supervisory Committee), Ryosan (present position)</p> <p>Jun. 2017 Outside Auditor, ICHIKEN Co., Ltd.</p> <p>〈Status of important concurrent occupations or positions at other organizations〉</p>	<p>(1) 0 shares (2) 0 shares (3) 0 shares</p>

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<p>Name (Date of birth)</p>	<p>Biography, Positions, Responsibilities and Important Concurrent Positions</p>	<p>(1) Number of shares of Ryosan held (2) Number of shares of Ryoyo Electro held (3) Number of shares of the Joint Holding Company to be allocated</p>
	<p>Auditor, The Japan-England Society Representative Director, ACE Consulting K.K. Auditor, NPO Think Kids</p>	

**Reasons for nominating the candidate for Outside Director who is a member of the Audit and Supervisory Committee and outline of expected role**

Mr. Mahito Ogawa has advanced knowledge and broad experience in finance and accounting, which has been cultivated through his career as a certified public accountant over many years. Therefore, election of Mr. Mahito Ogawa as an outside director who is a member of the Audit and Supervisory Committee of the newly established Joint Holding Company is proposed in expectation of his role to provide supervision to enhance transparency and impartiality of management and advice based on his professional expertise as a certified public accountant.

<p><u>Outside</u> Motomi Oi (July 27, 1977)</p>	<p>Apr. 1999      Joined Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC) Jun. 2002      Registered as a Certified Public Accountant May 2006      Established OI CPA Office Jun. 2013      Outside Auditor, C'BON COSMETICS Co., Ltd. Apr.2020      Outside Auditor, Ryoyo Electro Oct. 2021      Supervisory Director, Japan Logistics Fund, Inc. (present position)                       〈Status of important concurrent occupations or positions at other organizations〉                      Certified Public Accountant, OI CPA Office                      Supervisory Director, Japan Logistics Fund, Inc.</p>	<p>(1)0 shares (2)0 shares (3)0 shares</p>
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**Reasons for nominating the candidate for Outside Director who is a member of the Audit and Supervisory Committee and outline of expected role**

Although she has never been involved in the management of a company in any way other than by being an outside director or officer, Ms. Motomi Oi has extensive expertise in finance, accounting and auditing as a certified public accountant and broad knowledge based on wealth of experience, and she has served as auditor at other companies. Therefore, election of Ms. Motomi Oi as an outside director who is a member of the Audit and Supervisory Committee of the newly established Joint Holding Company is proposed in expectation of her role to provide supervision to enhance transparency and impartiality of management and advice based on her professional expertise as a certified public accountant.

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<p style="text-align: center;"><span style="border: 1px solid black; padding: 2px;">Outside</span> Sachiko Fukuda (July 15, 1962)</p>	<p>Apr. 1987    Joined Pete Marwick Accountants Office (currently KPMG AZSA LLC)</p> <p>Mar. 1990    Registered as a Certified Public Accountant</p> <p>Oct. 1992    Established Sachiko Takaya (Fukuda) Certified Public Accountant Office</p> <p>Oct. 2001    Registered as a lawyer, Joined Chiba Citizens' Kyodo Law Office (present position)</p> <p>Apr. 2018    Representative Audit Committee Member of Narashino City (present position)</p> <p>〈Status of important concurrent occupations or positions at other organizations〉 Registered as a lawyer and certified public accountant, Chiba Citizens' Kyodo Law Office Representative Audit Committee Member of Narashino City</p>	<p>(1)0 shares (2)0 shares (3)0 shares</p>

**Reasons for nominating the candidate for Outside Director who is a member of the Audit and Supervisory Committee and outline of expected role**

Although she has never been involved in the management of a company in any way, Ms. Sachiko Fukuda has extensive expertise in finance, accounting and legal which are cultivated through her experience as a certified public accountant and an attorney. Therefore, election of Ms. Sachiko Fukuda as an outside director who is a member of the Audit and Supervisory Committee of the newly established Joint Holding Company is proposed in expectation of her role to provide supervision to enhance transparency and impartiality of management and advice based on her professional expertise as a certified public accountant and an attorney.

(Note)

1. The number of shares of Ryosan and Ryoyo Electro held by each candidate is based on ownership status as of October 31, 2023, and the number of shares of the Joint Holding Company to be allocated is based on such ownership status, taking into account the share transfer ratio. The actual number of shares of the Joint Holding Company to be allocated may vary depending on the change in number of shares held by each candidate until right before the date of incorporation of the Joint Holding Company.
2. Neither candidate has any special interest in Ryosan or Ryoyo Electro, nor do they plan to have any special interest in the Joint Holding Company.
3. Mr. Mahito Ogawa, Ms. Motomi Ooi and Ms. Sachiko Fukuda are candidates for outside director.
4. Mr. Mahito Ogawa, Ms. Motomi Oi and Ms. Sachiko Fukuda meet the requirements for independent directors/auditors as stipulated by the Tokyo Stock Exchange. If each of them is elected and assumes the office as an outside director, such person is planned to be reported to Tokyo Stock Exchange as an independent directors/auditors.
5. If Mr. Mahito Ogawa, Ms. Motomi Oi and Ms. Sachiko Fukuda are elected and assume the office as directors, the Joint Holding

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Company plans, in accordance with Article 427, Paragraph 1 of the Companies Act, to enter into an agreement to limit his/her liability for damages; the maximum amount of liability for damages under such agreement will be the amount stipulated by laws and regulations.

6. The Joint Holding Company plans to enter into a directors and officers liability insurance contract, as stipulated in Article 430-3, paragraph 1 of the Companies Act, with insurance company. In the event that each candidate is elected and assumed his/her position, such person is planned to become insured under this contract. An overview of the contents of the directors and officers liability insurance contract is as follows:
  - The insurance premium will be fully covered by the Joint Holding Company
7. If this proposal is approved as proposed, Mr. Kiyoshi Waki will be elected as a director of the Joint Holding Company as a member of the Audit and Supervisory Committee of the Joint Holding Company. Accordingly, he plans to resign as a director of Ryoyo Electro before the effective date of the Share Transfer (March 31, 2024) and assume the position of director who is the member of the Audit and Supervisory Committee of the Joint Holding Company as of the effective date of the Share Transfer (April 1, 2024).

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9. Matters stipulated in Article 77 of the Regulation for Enforcement of the Companies Act regarding a person who will be a financial auditor of the Joint Holding Company.

The profile of a person who will serve as a financial auditor of the Joint Holding Company is provided below.

(As of May 31, 2023)

Name	Deloitte Touche Tohmatsu LLC
Location of principal office	Marunouchi Nijubashi Building, 3-2-3 Marunouchi, Chiyoda-ku, Tokyo
Corporate history	<p>May. 1968      Established Tohmatsu Aoki &amp; Co.</p> <p>May. 1975      Joined Touche Ross International (now Deloitte Touche Tohmatsu Limited)</p> <p>Feb. 1990      Name changed to Deloitte Touche Tohmatsu</p> <p>Jul. 2009      Name changed to Deloitte Touche Tohmatsu LLC due to transition to a limited liability audit corporation.</p>
Outline	<p>Capital amount: 1,138 million yen</p> <p>Number of members (certified public accountants): 486</p> <p>                                 Specified employees: 58</p> <p>                                 Staff Certified Public Accountants: 2,543</p> <p>                                 Persons who passed the Certified Public Accountant Examination, etc. (including assistant accountants): 1,359</p> <p>                                 Other professionals: 3,309</p> <p>                                 Administrative staff: 90</p> <p>Number of companies involved in audits: 3,162</p>

(Note)

We have selected Deloitte Touche Tohmatsu LLC as our candidate for financial auditor because we believe that the said auditing firm has the expertise, independence, and internal control systems required of a financial auditor of the Joint Holding Company and that it is suitable for the position.

**Proposal 2: Partial Amendment to the Articles of Incorporation**

1. Reasons for Proposal

To facilitate the administrative procedures related to the convocation of ordinary general meetings of shareholders, the Company has provided the record date for ordinary general meetings of shareholders in Article 13 (Record Date of the Ordinary General Meeting of Shareholders) of the current Articles of Incorporation, pursuant to Article 124, Paragraph 3 of the Companies Act. If proposal 1 above for the approval of the share transfer plan related to the Share Transfer is approved at the Extraordinary General Meeting of Shareholders, and the Share Transfer becomes effective on Monday, April 1, 2024, the Company will have only one shareholder, the Joint Holding Company, making the provisions regarding the record date for the ordinary general meeting of shareholders unnecessary. Therefore, in connection with the abolition of the record date system for the ordinary general meetings of shareholders, the Company will delete Article 13 (Record Date of the Ordinary General Meeting of Shareholders) of the current Articles of Incorporation in its entirety, and move up the numbering of Article 14 and the articles following thereafter by one article (such partial amendment to the Articles of Incorporation is hereinafter referred to as the "Partial Amendment to the Articles of Incorporation").

This Partial Amendment to the Articles of Incorporation will become effective on Sunday, March 31, 2024, provided that Proposal 1 (Approval of the Share Transfer Plan) is approved in its original form in the Extraordinary General Meeting of Shareholders, and that the Share Transfer Plan to be approved in Proposal 1 above has not lost its effect, or the Share Transfer

[Translation]

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has not been cancelled by the day before Sunday, March 31, 2024.

[Translation]

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2. Details of the Amendment

Details of the amendment are as follows.

(Underlines indicate changes.)

Current Articles of Incorporations	Proposed Amendment
Article 1 through Article 12 (Omitted)	Article 1 through to Article 12 (No amendment)
<u>(Record Date of the Ordinary General Meeting of Shareholders)</u>	(Deleted)
Article 13 The record date of the voting rights at the <u>ordinary general meeting of shareholders of the Company shall be March 31 of each year.</u>	
Article <u>14</u> through Article <u>35</u> (Omitted)	Article <u>13</u> through to Article <u>34</u> (Only numbering amended)

(Reference)

The dividends from the surplus for the FY ending March 31, 2024 (from April 1, 2023 to March 31, 2024) (year-end dividends) will be paid by the Company to shareholders or to the registered share pledgees whose names are listed or recorded in the final shareholders' register as of March 31, 2024, in accordance with Article 34, Paragraph 1 of the current Articles of Incorporation (Article 33, Paragraph 1 of the Articles of Incorporation after the Partial Amendment to the Articles of Incorporation).

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**Q&A regarding the Management Integration (establishment of a Joint Holding Company)  
with Ryoyo Electro Corporation**

◇ Background and purpose of the Management Integration

Q.	Please explain the background and purpose of the Management Integration.
A.	In line with the recent changes in the environment surrounding the electronics industry, the function and role of electronics trading companies are also changing, and the competition among trading companies is intensifying. Based on this recognition, in order to achieve a sustainable increase in corporate value and further contribute to all stakeholders, the Companies recognized that it is necessary not only to establish a solid management base, but also to break through the growth limit of each company by integrating their respective strengths and pursuing value enhancement across the entire value chain. Therefore, we have decided to carry out the Management Integration.
Q.	What initiatives are taken through the Management Integration?
A.	The Companies, as a new core group of domestic electronics trading companies, will make maximum use of the management resources, such as good customer relationships and excellent products and solutions, that each of the Companies has built up over the years, within a new framework, expanding "quantitatively" by multiplying the management assets of the Companies, and improving "qualitatively" by creating new value. By combining the strengths of the Companies, the Companies will aim to achieve a sales volume of JPY 500 billion and an operating profit of JPY 30 billion as the group management's targets for the fiscal year ending March 31, 2029, creating a virtuous cycle by pursuing "quantity" and "quality," and by helping solve not only the issues and problems of individual customers, but also the common problems and issues of the market as a whole, as well as seeking to further improve their corporate value.

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◇ Holding company

Q.	What is a joint share transfer ( <i>kyoudou kabushiki iten</i> )?
A.	A joint share transfer ( <i>kyoudou kabushiki iten</i> ) means an integration scheme in which a newly established joint holding company will become a wholly-owning parent company, and the existing companies (Ryosan and Ryoyo Electro in the case of the Management Integration) will operate their businesses as wholly-owned subsidiaries with independent legal personalities.
Q.	What is a joint holding company?
A.	A joint holding company means a holding company established for the purpose of holding all the shares of two or more existing companies that are wholly-owned subsidiaries (Ryosan and Ryoyo Electro in the case of the Management Integration) and for managing, supervising and controlling such multiple companies as a wholly-owning parent company.
Q.	Why did you decide to carry out the Management Integration by way of a joint share transfer ( <i>kyouodu kabushiki iten</i> )?
A.	A joint share transfer ( <i>kyoudou kabushiki iten</i> ) is a structure that can exert collaborative effects while maintaining the uniqueness of the Companies' businesses. Therefore, we determined that this was a desirable way to achieve the desired results.
Q.	Why did you choose the form of "a company with an Audit and Supervisory Committee" as the organization structure of the Joint Holding Company?
A.	We chose the form of "a company with an Audit and Supervisory Committee" to facilitate meaningful discussions within the Board of Directors by speeding up the decision-making process, to strengthen the supervisory functions of the Board of Directors, and improve corporate governance. This can be achieved by including in the Board of Directors the members of the Audit and Supervisory Committee, who play the role of auditing the Directors' duties.

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◇ Shares

Q.	What will happen to the Ryosan Shares that we currently hold?
A.	The shares of the Company will be delisted on March 28, 2024 as a result of the establishment of the Joint Holding Company by way of the Share Transfer. We are planning to newly list shares on the Prime Market of Tokyo Stock Exchange (technical listing), and shares of the Joint Holding Company will be newly delivered to the Company's shareholders. 1.32 shares of the Joint Holding Company will be allocated per common share of the Company.
Q.	Should the shareholders take any measures?
A.	The shareholders do not need to take any procedures. The shares of the Joint Holding Company will be automatically allocated to the account currently opened.
Q.	When can Ryosan shares and the shares of the Joint Holding Company be purchased and sold?
A.	The final purchase and sale date of shares of the Company is scheduled to be March 27, 2024. The sale of shares of the Joint Holding Company is scheduled to be permitted on April 1, 2024.

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Commencement date of measures for electronic provision: November 27, 2023

Extraordinary General Meeting of Shareholders  
Other Matters subject to Measures for Electronic Provision  
(Matters omitted in delivery documents)

Contents of Financial Statements of Ryoyo Electro Corporation  
for FY ended January 2023

Ryosan Company, Limited

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Provided document

## **Business Report**

(From February 1, 2022 to January 31, 2023)

### **1. Current Conditions of the Corporate Group**

#### **(1) Business conditions in the fiscal year ended January 31, 2023**

##### **Progress and results of operations**

The Japanese economy during the current fiscal year (from February 1, 2022 to January 31, 2023) saw moves toward the normalization of social and economic activities.

However, the year was marked by constant uncertainty about the outlook, fueled by soaring energy and raw material costs stemming from heightened geopolitical risks, mounting monetary tightening in various countries, and rising prices due to the yen's depreciation.

In the electronics industry, in which the Ryoyo Group operates, despite disruptions to the supply chain due to shortages of semiconductors and other components, the situation has gradually calmed down, improving supply/demand balance for some segments and products. On the other hand, the ICT segment saw ongoing, brisk IT-related investment by companies in digital transformation for the purpose of automation and labor saving as well as investments aimed at transforming their business models.

Under these circumstances, in order to provide the best solutions for customers' issues and problems in faster and better manners than anyone else, the Ryoyo Group set out three core strategies in its three-year business plan: "to expand and deepen customer engagement," "to pursue uniqueness," and "to increase productivity." While implementing various measures, we expanded both businesses of semiconductors & devices and ICT & solutions from the previous fiscal year.

As a result, performance in the fiscal year under review was up year on year across the board: Net sales were ¥129.912 billion (up 15.9%), operating profit was ¥4.693 billion (up 107.9%), ordinary profit was ¥4.477 billion (up 86.5%), and profit attributable to owners of parent was ¥3.056 billion (up 63.1%).

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<b>Net sales</b> ¥129,912 million	<b>YoY Change</b> Up 15.9% 	<b>Ordinary profit</b> ¥4,477 million	<b>YoY Change</b> Up 86.5% 
<b>Operating profit</b> ¥4,693 million	<b>YoY Change</b> Up 107.9% 	<b>Profit attributable to owners of parent</b> ¥3,056 million	<b>YoY Change</b> Up 63.1% 

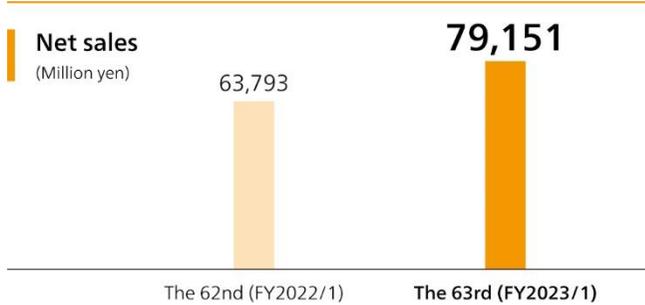
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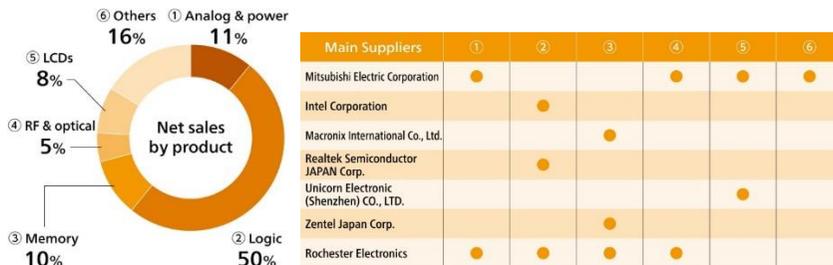
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## Semiconductors & devices business

Supporting Monozukuri with our abundant product lineup of top brand products and unique devices and appropriate proposals



Net sales were ¥79,151 million, an increase of ¥15,357 million, or 24.1%, year on year. This was mainly due to solid performance in a wide range of areas, particularly for industrial applications and applications for office equipment.



**Strengths**

**01**

We propose solutions that leverage the latest information we gain by working closely with the world's leading vendors.

**Strengths**

**02**

Beyond just selling individual products, we propose optimal solutions for customer and market needs by combining multiple products and developing original solutions.

**Strengths**

**03**

We actively seek out and supply cutting-edge, high-added-value products from in and outside of Japan.

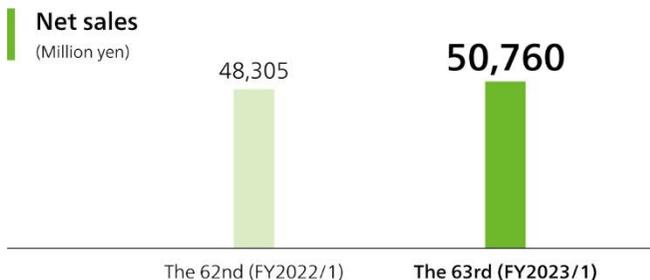
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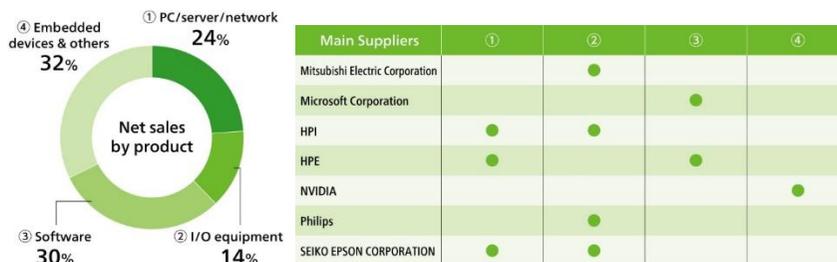
## ICT & solution business

Our specialists in various fields identify issues and needs that customers face, and support the process of solving them.



Net sales were ¥50,760 million, an increase of ¥2,455 million, or 5.1%, year on year.

This was mainly due to growth in sales of personal computers, network equipment, and other products and related services associated with the introduction of an online eligibility verification system in Japan.



Strengths

**01**

Our sector and domain-specific specialists can provide broad product and technology solutions, from edge to cloud.

Strengths

**02**

We propose optimal solutions by combining the world's leading products and services to solve the customer's issues.

Strengths

**03**

We bring proven experience and expertise to support our customers' IT life cycle (planning, development, operation).

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## (2) Challenges that the Company should address

The Ryoyo Group is an electronics trading company selling “semiconductors and devices” and offering “ICT and solutions” in its business domain. It sells products and provides associated services to electronic equipment manufacturers and users in Japan and overseas. It endeavors to realize its vision “To provide the best solutions for our customers’ issues and problems in a faster and better manner than anyone else,” aiming to enhance its corporate value.

However, the environment surrounding the electronics trading industry is undergoing significant changes due to rapid increase in the use of new technologies as technological innovation, with the acceleration of IoT and digital transformation (DX) across society. In line with these changes, the functions and roles of electronics trading companies are also changing. In addition, while competition among trading companies is intensifying due to the alliances of electronic component manufacturers, such as semiconductor and IT equipment manufacturers, external factors, such as the impact of COVID-19, the supply shortage of semiconductors and other components, geopolitical risk, and trends in the financial markets, are having a significant impact on the business environment and performance despite the low-profitability structure of the trading companies.

In this context, the Ryoyo Group has set out three core strategies in its three-year business plan started from February 2022: “to expand and deepen customer engagement,” “to pursue uniqueness,” and “to increase productivity.” Taking advantages of our broad network of contacts both upstream and downstream in the supply chain for electronics devices, and armed with insights into market needs gained from end-users (downstream), we will seek to expand engagement with electronic equipment manufacturers (upstream), combining products, technologies, and services to offer unique solutions and also seek to become a key player in creating a business (information and value) cycle across the entire supply chain. By doing so, we aim to build a strong business foundation that is resilient to changes in the environment.

In the ongoing three-year business plan, we have been engaged in investments and M&A for the purpose of acquiring elemental technologies that lead to create unique added value and complementing functionality. We have also been considering alliances with other companies in view of building a strong business foundation and obtaining growth opportunities.

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As described in “Notice Concerning Acquisition of Ryosan Company Stock by Ryoyo Electro” disclosed on February 7, 2023, we will accelerate consideration and discussions pursuing business synergies and the form for a broad alliance between the two parties, and aim to realize a new image of an electronics trading company that helps resolve the issues and problems facing customers and the market as a whole.

(3) Status of capital investments

Not applicable

(4) Status of fundraising

The Company issued the fourth share acquisition rights in the previous fiscal year and raised funds of ¥636 million during the current fiscal year.

(5) Status of business transfer, absorption-type split, and incorporation-type split

Not applicable

(6) Status of transfer of business from other companies

Not applicable

(7) Status of succession to rights and obligations in connection with business of another juridical person by absorption-type merger or absorption-type split

Not applicable

(8) Status of acquisition or disposition of shares, other equity, or share acquisition rights of another company

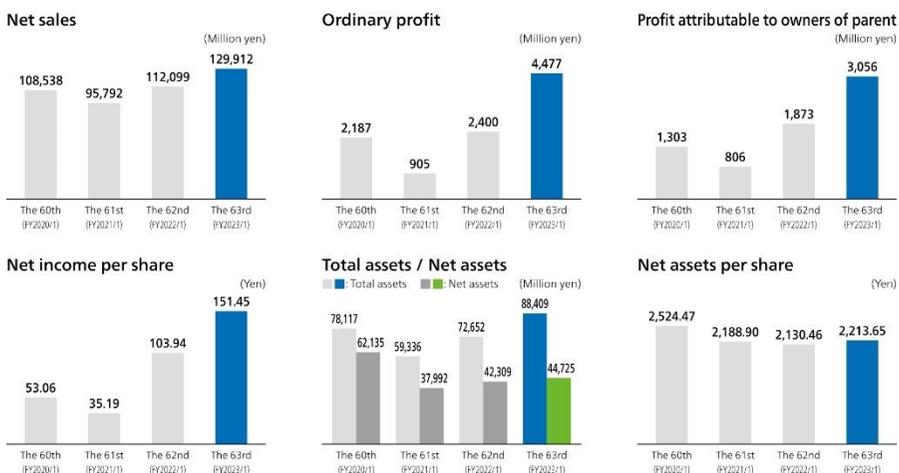
Not applicable

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## (9) The financial position and results of operations during the last three fiscal years



	(Millions of yen)			
	60th (Fiscal year ended January 31, 2020)	61st (Fiscal year ended January 31, 2021)	62nd (Fiscal year ended January 31, 2022)	63rd (Current fiscal year) (Fiscal year ended January 31, 2023)
Net sales	108,538	95,792	112,099	129,912
Ordinary profit	2,187	905	2,400	4,477
Profit attributable to owners of parent	1,303	806	1,873	3,056
Net income per share (yen)	¥53.06	¥35.19	¥103.94	¥151.45
Total assets	78,117	59,336	72,652	88,409
Net assets	62,135	37,992	42,309	44,725
Net assets per share (yen)	¥2,524.47	¥2,188.90	¥2,130.46	¥2,213.65

(Note) The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the current fiscal year, and every figure regarding the current fiscal year reflects adoption of the Accounting Standard.

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(10) Main businesses (as of January 31, 2023)

The main businesses of the Ryoyo Group are sales of semiconductors & devices and ICT & solutions as well as provision of related services. The major handling products in their respective businesses are as follows:

Business	Main handling products	
Semiconductors & devices	(Semiconductors)	Microprocessors, microcontrollers, system LSI, power devices, memories, LED elements, laser diodes, various sensors, etc.
	(Devices)	LCD panels, LCD modules, contact image sensors, etc.
ICT & solutions	(ICT)	Servers, storage, workstations, personal computers, tablets, software, display monitors, printers, plotters, projectors, network systems, maintenance services, etc.
	(Solutions)	Original solutions by business type, etc.

(11) Status of the parent company and important subsidiary companies

(i) Status of the parent company

Not applicable

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(ii) Status of important subsidiary companies

Company name	Capital	Voting rights	Main businesses
Ryoyo Semicon Corporation	¥100 million	100%	Semiconductors & devices ICT & solutions
StyleZ Corporation	¥30 million	100%	ICT & solutions
RYOYO ELECTRO SINGAPORE PTE., LTD.	S\$8,000 thousand	100%	Semiconductors & devices ICT & solutions
RYOYO ELECTRO HONG KONG LIMITED	HK\$30,300 thousand	100%	Semiconductors & devices ICT & solutions
Ryoyo Electro (Shanghai) Co., Ltd.	RMB58,301 thousand	100%	Semiconductors & devices ICT & solutions
RYOYO ELECTRO INDIA PVT. LTD.	INR140,000 thousand	*100%	Semiconductors & devices ICT & solutions
RYOYO ELECTRO (MALAYSIA) SDN. BHD.	RM1,000 thousand	*100%	Semiconductors & devices ICT & solutions
RYOYO ELECTRO (THAILAND) CO., LTD.	THB140,000 thousand	*100%	Semiconductors & devices ICT & solutions
Ryoyo Electro Taiwan Co., Ltd.	NT\$45,000 thousand	100%	Semiconductors & devices ICT & solutions

(Note) 1. The asterisk indicates the percentage including ownership by subsidiaries.

2. Ryoyo Electro Taiwan Co., Ltd., which was a non-consolidated subsidiary until the previous consolidated fiscal year, has become a consolidated subsidiary from the beginning of this consolidated fiscal year because of increased materiality.

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(12) Principal business sites (as of January 31, 2023)

Ryoyo Electro Corporation (the Company)	Head Office	1-12-22 Tsukiji, Chuo-ku, Tokyo
	Branch offices	Sendai, Matsumoto, Ohmiya, Hachioji, Yokohama, Nagoya, and Osaka
	Sales offices	Kyoto, Fukuoka
Ryoyo Semicon Corporation (Subsidiary)	Head Office	1-12-22 Tsukiji, Chuo-ku, Tokyo
StyleZ Corporation (Subsidiary)	Head Office	1-2 Kandaogawamachi, Chiyoda-ku, Tokyo
RYOYO ELECTRO SINGAPORE PTE., LTD. (Subsidiary)	Head Office	Republic of Singapore
RYOYO ELECTRO HONG KONG LIMITED (Subsidiary)	Head Office	The People's Republic of China
Ryoyo Electro (Shanghai) Co., Ltd. (Subsidiary)	Head Office	The People's Republic of China
RYOYO ELECTRO INDIA PVT. LTD. (Subsidiary)	Head Office	India
RYOYO ELECTRO (MALAYSIA) SDN. BHD. (Subsidiary)	Head Office	Malaysia
RYOYO ELECTRO (THAILAND) CO., LTD. (Subsidiary)	Head Office	Kingdom of Thailand
Ryoyo Electro Taiwan Co., Ltd. (Subsidiary)	Head Office	The Republic of China
RYOYO ELECTRO EUROPE GMBH (Subsidiary)	Head Office	The Federal Republic of Germany

(13) Status of employees (as of January 31, 2023)

(i) Status of employees of the Corporate Group

Number of employees	Increase/decrease from the end of the previous consolidated fiscal year
714	Decreased by 1

(Note) The figure is the number of employees.

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(ii) Status of employees of the Company

Number of employees	Increase/decrease from the end of the previous fiscal year	Average age	Average years of service
537	Increased by 4	44.6 years old	16.0 years

(Note) The figure is the number of employees.

(14) Borrowings from major banks (as of January 31, 2023)

(Millions of yen)

Banks	Balance of borrowing
MUFG Bank, Ltd.	8,263
Sumitomo Mitsui Banking Corporation	5,995
Mizuho Bank, Ltd.	5,558

(15) Other significant matters on the current conditions of the Corporate Group

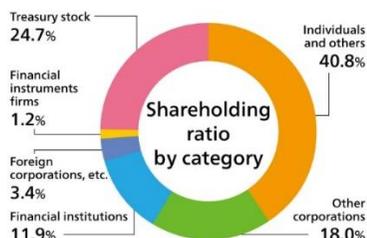
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## 2. Current conditions of the Company



### (1) Status of shares (as of January 31, 2023)

- |   |                    |
|---|--------------------|
| (i) Total number of authorized shares   | 119,628,800 shares |
| (ii) Total number of outstanding shares | 26,800,000 shares  |
| (iii) Number of shareholders            | 23,750             |
| (iv) Top 10 shareholders                |                    |

Name of shareholders	Number of shares held (thousand shares)	Shareholding ratio (%)
SHC Corporation	2,118	10.49
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,073	10.27
Mitsubishi Electric Corporation	1,576	7.81
Sheep Shokai Co.	523	2.59
Nippon Life Insurance Company	409	2.03
Ryoyo Electro Employee Stockholder Association	309	1.53
Yoshihisa Shimada	211	1.05
Yoichiro Ohashi	206	1.02
Ken System Co., Ltd.	200	0.99
Mars Group Holdings Corporation	200	0.99

(Note) 1. The Company, which owns 6,608,536 treasury shares, is excluded from the above major shareholders.

2. The shareholding ratios are calculated after deducting treasury shares.

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(v) Status of treasury shares granted to the Company's officers as compensation for the execution of duties during the fiscal year under review

	Number of shares	Number of grantees
Directors (excluding outside Directors)	21,700 shares	4 persons
Outside Directors	—	—
Audit & Supervisory Committee Members	—	—

(Note) The content of stock compensation of the Company is described in "2. Current conditions of the Company (3) Status of the Company's officers (iii) Compensations, etc. for Directors and Audit & Supervisory Committee Members in the fiscal year under review."

(2) Status of share acquisition rights, etc.

Status of share acquisition rights granted to Directors of the Company as compensation for the execution of duties and held by them as of the end of this fiscal year

Name	Ryoyo Electro Corporation, Third share acquisition rights
Total number of share acquisition rights	300 rights (100 shares per share acquisition right)
Scope and number of grantees of share acquisition rights	2 Directors of the Company (including - outside Director)
Type and number of shares for share acquisition rights	Common shares of the Company: 30,000 shares
Paid-in amount of share acquisition rights (Issue price)	¥95,400 per share acquisition right (¥954 per share) (Note 1)
The value of property to be contributed upon the exercise of share acquisition rights	(Note 2)
The period for exercising share acquisition rights	From February 1, 2019 to January 31, 2059
Terms and conditions for exercising share acquisition rights	(Note 3)

(Note) 1. The amount of compensation right held by a person to the Company will be offset by the paid-in amount of share acquisition rights.

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2. The value of property to be contributed upon the exercise of share acquisition rights shall be one yen, which is the amount to be paid per share upon the exercise of share acquisition rights, multiplied by the number of granted shares.
3. (i) Holders of share acquisition rights can exercise their rights within 10 days from the next day of expiration of position as Director (or the next business day of the 10th day if the 10th day is a holiday).
- (ii) Notwithstanding the above (i), in the event when a general meeting of shareholders of the Company approves a merger agreement under which the Company will become a non-surviving company, a corporate split agreement or corporate split plan under which the Company will be split, or a share exchange agreement or share transfer plan under which the Company will become a wholly-owned subsidiary of another company (in either case, if no resolution at a general meeting of shareholders is needed, resolved by the Board of Directors of the Company), share acquisition rights shall be exercised within 30 days from the next day after such approval is made. However, this does not apply when share acquisition rights of a reorganized company are granted to holders of share acquisition rights in accordance with matters regarding granting of share acquisition rights in line with the reorganizational restructuring.
- (iii) Other terms and conditions shall be subject to the share acquisition allocation agreement signed between the Company and the holder of share acquisition rights.

(3) Status of the Company's officers

(i) Status of Directors and Audit & Supervisory Committee Members (as of January 31, 2023)

Current position at the Company	Name	Responsibilities and status of important concurrent occupations or positions at other organizations
Representative Director, President & Chief Executive Officer	Moritaka Nakamura	
Director & Managing Executive Officer	Kiyoshi Waki	In charge of Internal Auditing Dept., CSR Dept., and Special Assignment
Director & Managing Executive Officer	Osamu Sano	In charge of Strategic Technology Development Div., General Manager, Strategic Technology Development Div., Application Development Dept. 1 and Application Development Dept. 2

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Current position at the Company	Name	Responsibilities and status of important concurrent occupations or positions at other organizations
Director & Managing Executive Officer	Daisuke Aguro	In charge of Semiconductor & Device Div., General Manager, Semiconductor & Device Div.
Outside Director	Shinya Takada	Chairperson of the Board of Directors
Outside Director	Masumi Shiraishi	Professor, Faculty of Policy Studies, Kansai University Outside Audit & Supervisory Board Member, NEW KANSAI INTERNATIONAL AIRPORT COMPANY, LTD. Outside Audit & Supervisory Board Member, E-SUPPORTLINK, Ltd. Member of the Board (outside), MIKUNI CORPORATION
Outside Director	Masashi Oba	Outside Director, State Street Trust and Banking Co., Ltd.
Outside Director	Michiko Aoki	Managing Director, COACH A Co., Ltd.
Full-time Audit & Supervisory Board Member	Hiroyuki Kanno	
Outside Audit & Supervisory Board Member	Ryoji Kimura	Lawyer, Kimura / Kuroe Law Office
Outside Audit & Supervisory Board Member	Kazumi Akiyama	Outside Director, SAMURAI SECURITIES Co., Ltd.
Outside Audit & Supervisory Board Member	Motomi Oi	Certified Public Accountant, Oi CPA Office Supervisory Director, Japan Logistics Fund, Inc.

Nomination and Compensation Committee: Shinya Takada, Masumi Shiraishi, Masashi Oba, Michiko Aoki, Moritaka Nakamura, and Kiyoshi Waki

- (Note)
1. Shinya Takada, Masumi Shiraishi, Masashi Oba, and Michiko Aoki are outside Directors.
  2. Ryoji Kimura, Kazumi Akiyama, and Motomi Oi are outside Audit & Supervisory Board Members.
  3. Yasushi Okazaki and Seiju Yasuda retired upon expiration of their term of office at the conclusion of the 62nd annual general meeting of shareholders held on April 26, 2022.
  4. Hiroyuki Kanno, full-time Audit & Supervisory Board Member, and Kazumi Akiyama and Motomi Oi, Audit & Supervisory Board Members, possess considerable expertise in finance and accounting.

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- Hiroyuki Kanno, full-time Audit & Supervisory Board Member, has many years of experience in the overall administrative operations of the Company.
  - Kazumi Akiyama, Audit & Supervisory Board Member, has many years of experience in the Ministry of Finance.
  - Motomi Oi, Audit & Supervisory Board Member, is licensed as a certified public accountant.
5. Ryoji Kimura, Audit & Supervisory Board Member, is qualified as a lawyer and possesses considerable expertise in corporate legal affairs.
6. The Company has designated Directors Shinya Takada, Masumi Shiraishi, Masashi Oba, and Michiko Aoki, and Audit & Supervisory Board Members Ryoji Kimura, Kazumi Akiyama, and Motomi Oi as independent directors and auditors in accordance with the regulations of Tokyo Stock Exchange to which its report has been submitted.
- (ii) The outline of the liability insurance contract for Directors
- The Company has entered into a liability insurance policy for Directors with an insurance company as provided for in Article 430-3, Paragraph 1 of the Companies Act. The policy covers economic losses incurred by an insured person from claims for damages arising from the performance of duties as an officer, etc. of the Company. However, as measures to ensure that the proper performance of duties of officers, etc. is not impaired, the policy does not cover damages resulting from breach of faith or criminal acts or damages caused by the insured persons in cases where they have intentionally committed illegal acts. Insured persons under the policy are Directors, Audit & Supervisory Board Members, and Executive Officers, etc. of the Company and its subsidiaries under the Companies Act. All insurance premiums are borne by the Company. The policy is renewed on March 1 every year and the Company plans to renew the policy with the same terms.
- (iii) Compensation, etc. for Directors and Audit & Supervisory Board Members for the fiscal year under review
- Compensation, etc. for Directors and Audit & Supervisory Board Members
- a. Policy for determining the content of compensation, etc. for Directors
- The Company consults the Nomination and Compensation Committee regarding the policy for determining the content of compensation, etc. for

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individual Directors, and the Board of Directors makes a resolution on the policy after receiving the report from the Committee.

With regard to the compensation, etc., for individual Directors for the fiscal year under review, the Board of Directors has confirmed that the method of determining the content of compensation, etc., and the content of compensation, etc., determined are consistent with the determination policy resolved by the Board of Directors and that the report from the Nomination and Compensation Committee has been given due weight. Accordingly, the Board of Directors judges that the compensation, etc., for individual Directors for the fiscal year under review are in accordance with the determination policy.

Outline of the policy for determining the content of compensation, etc. for individual Directors is as follows.

- Basic Policy

The Company's Director compensation is based on a compensation system appropriate for securing excellent human resources who can realize the Company's management philosophy and improve the Company's performance in accordance with the Company's management policy, and for motivating such human resources to play an active role in enhancing the Company's corporate value over the medium to long term. Compensation for Directors who serve concurrently as executive officers includes basic compensation, performance-based compensation (monetary), and stock compensation (restricted stock). Compensation for Directors who do not serve concurrently as executive officers comprises only basic compensation. Furthermore, individual compensation depends on each Director's respective job description and responsibilities based on the above-mentioned compensation system.

- Policy for determining the amount, award period, and terms of basic compensation for individual Directors

Basic compensation is fixed monthly compensation paid in cash while the Director is in office. For Directors who serve concurrently as executive officers, the basic compensation amount is determined annually at a certain period, based on the Compensation Table for each position, and reflecting the previous year's performance of the Company, the degree of contribution of

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each Director to the Company, and other factors. Compensation plans for outside Directors not serving concurrently as executive officers are determined annually at a certain period, taking into account a range of factors, including Company performance, compensation levels at other companies, and the current social context.

- Policy for determining the content of performance indicators, amount, calculation method, award period, and terms of performance-based compensation (monetary)  
Directors who serve concurrently as executive officers are paid performance-based compensation (monetary) in an amount determined based on the degree of achievement of target values allocated and set according to duties for each of the following indicators: consolidated operating profit, operating profit of each business division, and consolidated net profit for the applicable fiscal year. The compensation is paid at a certain time each year after the end of the applicable fiscal year.
- Policy for determining the content, amount, calculation method, award period, and terms of non-monetary compensation, etc. (stock compensation)  
Directors who serve concurrently as executive officers are granted restricted stock at a certain time each year while in office. Restricted stock is common stock of the Company allocated to Directors who serve concurrently as executive officers based on a restricted stock allocation agreement concluded with them, in which transfer restrictions stipulated in the agreement are applied for a period from the date of delivery of the stock until the date of retirement or resignation of the Director as a Director of the Company or other position stipulated by the Board of Directors. The number of shares of stock granted is determined based on the Compensation Table for each position.
- Policy on the Compensation Table  
The Nomination and Compensation Committee determines the Compensation Table. Using compensation amounts of companies listed on the Japanese stock market taken from the objective compensation survey data of an outside specialist organization as a reference, and comprehensively taking into consideration the Company's performance and corporate scale, social context, and other factors, the Committee makes relative comparisons and

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revises the Compensation Table appropriately in accordance with the Basic Policy.

- Policy for determining the ratio of basic compensation, performance-based compensation (monetary), and stock compensation (restricted stock) to individual Director compensation

The ratio of each type of compensation for Directors who serve concurrently as executive officers is set based on position, duties, trends among other companies, and so forth. As an approximate guide to the ratio of compensation by type, basic compensation comprises 70%, performance-based compensation (monetary) 10%, and stock compensation (restricted stock) 20%.

- Method of determining the content of individual Director compensation, etc. All Director compensation plans are determined by a resolution of the Board of Directors, reflecting deliberation and reporting from the Nomination and Compensation Committee, the majority of whose members are independent outside Directors.

- Policy for determining the amount and calculation method of compensation, etc. for Audit & Supervisory Board Members

Compensation for Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members) is fixed, and is determined through discussions among the Audit & Supervisory Board Members based on comprehensive consideration of the individual's contribution to the Company and the degree to which roles and responsibilities have been fulfilled. Meanwhile, compensation for outside Audit & Supervisory Board Members is fixed, and is determined through discussions among the Audit & Supervisory Board Members based on comprehensive consideration of the individual's social position, contribution to the Company, and the circumstances of their appointment.

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b. Total compensation, etc. of Directors and Audit & Supervisory Board Members

Office category	Total compensation (millions of yen)	Compensation by type (millions of yen)			Number of applicable individuals
		Basic compensation	Performance-based compensation, etc. (monetary)	Non-monetary compensation, etc. (stock compensation)	
Directors (Of which, outside Directors)	230 (38)	161 (38)	33 (-)	35 (-)	10 (4)
Audit & Supervisory Board Members (Of which, outside Audit & Supervisory Board Members)	36 (21)	36 (21)	- (-)	- (-)	4 (3)
Total (Of which, outside Directors and outside Audit & Supervisory Board Members)	266 (60)	197 (60)	33 (-)	35 (-)	14 (7)

Notes: 1. The amount of compensation, etc. of Directors does not include the portion for employees of Directors who concurrently serve as employees.

2. Performance indicators for performance-based compensation, etc. are calculated based on the degree of achievement of target values allocated and set according to duties for each of the following indicators: consolidated operating profit, operating profit of each business division, and consolidated net profit. The reason for selecting these indicators is to encourage profit-oriented management for Directors who concurrently serve as executive officers. The results of performance indicators for the fiscal year under review are shown in "1. Current Conditions of the Corporate Group, (1) Business conditions in the fiscal year ended January 31, 2023, Progress and results of operations."

3. Non-monetary compensation, etc., consists of shares of the Company's stock, and the terms of allotment, etc., are stated in "2. Current conditions of the Company, (3) Status of the

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- Company's officers, (iii) Compensation, etc. for Directors and Audit & Supervisory Board Members for the fiscal year under review, Compensation, etc. for Directors and Audit & Supervisory Board Members, a. Policy for determining the content of compensation, etc. for Directors." The status of stock delivery during the fiscal year under review is stated in "2. Current conditions of the Company, (1) Status of shares, (v) Status of treasury shares granted to the Company's officers as compensation for the execution of duties during the fiscal year under review."
4. The maximum amount of compensation for Directors was resolved at the 48th Annual Shareholders' Meeting held on April 25, 2008 to be ¥280 million per year (not including the portion for employees). As of the conclusion of the 48th Annual Shareholders' Meeting, the number of Directors was 11.
  5. The maximum amount of restricted stock compensation was resolved at the 59th Annual Shareholders' Meeting held on April 25, 2019 to be ¥100 million per year. As of the conclusion of the 59th Annual Shareholders' Meeting, the number of Directors was nine (of which, two were outside Directors).
  6. The maximum amount of compensation for Audit & Supervisory Board Members was resolved at the 57th Annual Shareholders' Meeting held on April 27, 2017 to be ¥40 million per year. As of the conclusion of the 57th Annual Shareholders' Meeting, the number of Audit & Supervisory Board Members was four.
  7. The above includes two Directors who retired due to expiration of their terms of office at the conclusion of the 62nd Annual Shareholders' Meeting held on April 26, 2022.
- (iv) Matters related to outside Directors and outside Audit & Supervisory Board Members
- a. Significant concurrent positions held at other companies and relationship between the Company and such other companies  
Outside Director Michiko Aoki is a Director and Executive Officer of COACH A Co., Ltd. ("COACH A"). Although the Company has an education-related business relationship with COACH A, there are no matters affecting the independence of outside Directors between the Company and COACH A, and the Company believes that Ms. Aoki is qualified to serve as an independent Director.  
There are no special relationships between the Company and any other companies.

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b. Major activities in the fiscal year under review

Summary of attendance, statements made, and duties performed with respect to the role expected of an outside Director	
Director Shinya Takada	Mr. Takada attended all 12 meetings of the Board of Directors during the fiscal year under review. Of those, he attended 10 meetings held on or after April 26, 2022, as chairman. He played an appropriate role in ensuring the adequacy and appropriateness of decision-making by the Board of Directors by expressing his opinions from a multifaceted perspective based on his extensive experience in management while serving in the areas of corporate planning and strategy. In addition, as chairman of the Nomination and Compensation Committee, he played an important role in the nomination, compensation, etc. of Directors and executive officers.
Director Masumi Shiraishi	Ms. Shiraishi attended all 12 meetings of the Board of Directors during the fiscal year under review. She played an appropriate role in ensuring the adequacy and appropriateness of decision-making by the Board of Directors by expressing her opinions from a multifaceted perspective based on her extensive experience in the private sector, teaching, and public service. In addition, as a member of the Nomination and Compensation Committee, she played an important role in the nomination, compensation, etc. of Directors and executive officers.
Director Masashi Oba	Mr. Oba attended all 12 meetings of the Board of Directors during the fiscal year under review. He played an appropriate role in ensuring the adequacy and appropriateness of decision-making by the Board of Directors by expressing his opinions from a multifaceted perspective based on his experience in management as a CFO while working mainly in the administrative division in his previous positions. In addition, as a member of the Nomination and Compensation Committee, he played an important role in the nomination, compensation, etc. of Directors and executive officers.
Director Michiko Aoki	Ms. Aoki attended all 10 meetings of the Board of Directors held after her appointment. She played an appropriate role in ensuring the adequacy and appropriateness of decision-making by the Board of Directors by expressing her opinions from a multifaceted perspective based on her experience in the product planning department in her previous position and her extensive experience in human resource development at a human resource development company. In addition, as a member of the Nomination and Compensation Committee, she played an important role in the nomination, compensation, etc. of Directors and executive officers.
Audit & Supervisory Board Member Ryoji Kimura	Mr. Kimura attended all 12 meetings of the Board of Directors and all 12 meetings of the Audit & Supervisory Board during the fiscal year under review. He expressed his opinions from his professional perspective as an attorney and other appropriate opinions to ensure the adequacy and appropriateness of decision-making by the Board of Directors and the Audit & Supervisory Board.

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Summary of attendance, statements made, and duties performed with respect to  
the role expected of an outside Director

Audit & Supervisory Board Member Kazumi Akiyama	Mr. Akiyama attended all 12 meetings of the Board of Directors and all 12 meetings of the Audit & Supervisory Board during the fiscal year under review. He expressed his opinions based on the insights he had gained through his many years of service in the Ministry of Finance and other appropriate opinions to ensure the adequacy and appropriateness of decision-making by the Board of Directors and the Audit & Supervisory Board.
Audit & Supervisory Board Member Motomi Oi	Ms. Oi attended all 12 meetings of the Board of Directors and all 12 meetings of the Audit & Supervisory Board during the fiscal year under review. She expressed her opinions from her professional perspective as a certified public accountant and other appropriate opinions to ensure the adequacy and appropriateness of decision-making by the Board of Directors and the Audit & Supervisory Board.

(v) Outline of the agreement limiting liability

The Company and outside Directors Shinya Takada, Masumi Shiraiishi, Masashi Oba, and Michiko Aoki, and outside Audit & Supervisory Board Members Ryoji Kimura, Kazumi Akiyama, and Motomi Oi have entered into an agreement to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act pursuant to Article 427, Paragraph 1 of said Act.

The maximum amount of liability for damages under said agreement is the higher of the amount stipulated by law or ¥8 million.

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#### (4) Status of Accounting Auditor

##### (i) Name: Seiyo Audit Corporation

Note: The term of office of KPMG AZSA & Co., the Company's former accounting auditor, expired at the conclusion of the 62nd Annual Shareholders' Meeting held on April 26, 2022, and the firm resigned.

##### (ii) Amount of audit fees, etc.

	Amount of audit fees, etc. (millions of yen)
Amount of audit fees, etc. for the fiscal year under review	32
Total amount of money and other financial benefits payable by the Company and its subsidiaries to the accounting auditor	32

- Notes:
1. The audit agreement between the Company and the accounting auditor does not clearly distinguish between the amounts of audit fees, etc. for audits pursuant to the Companies Act and those for audits pursuant to the Financial Instruments and Exchange Act, and it is not practically possible to distinguish them. Therefore, the total amount of these fees is provided as the amount of audit fees, etc. for the fiscal year under review.
  2. Of the Company's important subsidiaries, the Company's overseas subsidiaries are audited by auditing firms (including those with qualifications equivalent to an auditing firm in foreign countries) other than the Company's accounting auditor.
  3. In addition to the above fees, the Company paid ¥1 million to the predecessor accounting auditor, KPMG AZSA & Co., as fees for the services of handing over to the successor accounting auditor.

##### (iii) Non-audit services

Not applicable.

##### (iv) Reasons why the Audit & Supervisory Board gave consent to the amount of audit fees, etc. of the accounting auditor for the fiscal year under review

The Audit & Supervisory Board made a decision to consent to the amount of audit fees, etc. paid to the accounting auditor after necessary verification of the appropriateness of the content of the accounting auditor's audit plan, the status of performance of accounting audit duties, the basis for calculation of the estimated audit fees, etc.

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(v) Policy on dismissal or non-reappointment of accounting auditor

The Audit & Supervisory Board decides the content of the proposal for dismissal or non-reappointment of the accounting auditor to be submitted to the annual shareholders' meeting, when it determines that such action is necessary, such as when there is a problem with the performance of duties by the accounting auditor. In addition, if it is deemed that the accounting auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board dismisses the accounting auditor based on the unanimous consent of the Audit & Supervisory Board Members. In this case, the Audit & Supervisory Board Member selected by the Audit & Supervisory Board reports the dismissal of the accounting auditor and the reasons thereof at the first annual shareholders' meeting convened after the dismissal.

(vi) Outline of the agreement limiting liability

Not applicable.

(5) Systems for Ensuring the Appropriateness of Business Operations

The following is a summary of decisions made regarding systems for ensuring that the execution of duties by Directors complies with laws, regulations, and the Articles of Incorporation, and other systems for ensuring the appropriateness of the Company's business operations.

(i) System for ensuring that the execution of duties by Directors and employees of the Company and its subsidiaries (the "Group") is in compliance with laws, regulations, and the Articles of Incorporation

- The Ryoyo Group Code of Conduct has been established as a code for Directors and employees of the Group acting in compliance with laws, regulations, the Articles of Incorporation, and social norms.  
In order to ensure thorough implementation of the Code, the CSR Department oversees the Group's compliance efforts across the board.
- Recognizing that the development of internal control systems is an important management issue, the Company has established the Rules of the Board of Directors, Rules on Division of Duties, Rules on Administrative Authority,

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and “Rules on the *Ringi* System” to ensure appropriate organizational management.

- Directors monitor each other’s execution of duties through regularly held meetings of the Board of Directors.
  - The Internal Auditing Department checks the appropriateness and efficiency of each department’s operations in a timely manner, and also audits the status of compliance in cooperation with the CSR Department. These activities are regularly reported directly to the Representative Director and President, the Board of Directors, and the Audit & Supervisory Board Members as appropriate.
  - The Ryoyo Group Compliance Hotline has been established as a means for employees to directly provide information on legally questionable conduct.
  - The Company takes a firm stand against antisocial forces, groups, etc. that threaten the order and safety of civil society, and works closely with the police and specialized attorneys to cut off all relationships with them.
- (ii) System for the storage and management of information related to the execution of duties by Directors
- Information related to the execution of duties by Directors is stored and managed in accordance with the Document Management Rules. Directors and Audit & Supervisory Board Members may have access to these documents and other information at all times.
- (iii) Rules and other systems for managing the risk of loss of the Group
- The risk management manager of each department establishes an appropriate system for managing risks associated with compliance, environment, disaster, information security, quality, foreign exchange, financial reporting, and so on. In the unlikely event that a risk materializes, each department takes prompt and appropriate action to minimize damage under the direction of the risk management manager.
- (iv) System for ensuring the efficient execution of duties by Directors of the Group
- The Board of Directors has enhanced its functions by setting the appropriate number of Directors to enable accurate and prompt decision-making based on

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sufficient discussions on matters stipulated by laws, regulations, and the Articles of Incorporation and on important management matters (including important matters concerning subsidiaries).

- The function of the Board of Directors as a management decision-making and supervisory body is separated from the function to execute business based on the Board of Directors' decisions to enable flexible business execution by the Representative Director and President and executive officers.
  - In order to enhance objectivity in nominating and compensating Directors and executive officers, a Nomination and Compensation Committee, the majority of which is composed of independent outside Directors, has been established and reports the results of its deliberations to the Board of Directors.
- (v) System for ensuring the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries, and system for reporting to the Company on matters related to the execution of duties by Directors, etc. of subsidiaries
- Having Domestic Subsidiary Management Rules and Overseas Subsidiary Management Rules in place, the Company requires subsidiaries to report regularly to the Company on their financial conditions and other important matters. The Company also strives to ensure smooth cooperation and sound business development among the Company's corporate group.
  - In order to ensure the reliability of financial reporting in accordance with the provisions of the Financial Instruments and Exchange Act, the Company has established Internal Control Rules on Financial Reporting, has developed an internal control system, and regularly assesses its effectiveness.
  - The CSR Department, in cooperation with the departments supervising the operations of each company in the Group, monitors the status of internal controls and provides guidance for improvement, etc., as necessary.
  - The Internal Auditing Department periodically conducts internal audits of each company in the Group to audit the status of compliance with laws, regulations, and rules, and provides necessary guidance.

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- (vi) Matters regarding employees who are assigned to assist duties of Audit & Supervisory Board Members, their independence from Directors, and ensuring effectiveness of instructions given to said employees by Audit & Supervisory Board Members
  - The Internal Auditing Department implements internal audits for matters requested by Audit & Supervisory Board Members based on the Job Assignment Regulation, and reports its result to Audit & Supervisory Board Members. The Department's employees are not subject to instructions and orders from the Directors, in order to ensure the independence with respect to their duties.
  
- (vii) Reporting systems through which Directors and employees of the Company and Directors, Audit & Supervisory Board Members, and employees of its subsidiaries report to the Audit & Supervisory Board Members, other reporting system to the Audit & Supervisory Board Members, and the system to ensure that reporters will not suffer from any disadvantageous treatment due to submission of those reports
  - Directors and employees of the Company and Directors, Audit & Supervisory Board Members, and employees of its subsidiaries shall promptly report to Audit & Supervisory Board Members on matters which are likely to cause serious damage to the Group, important management matters, internal audit status, notification state through compliance hotline, and their contents, in addition to matters designated by law.
  - It shall be prohibited to give any disadvantageous treatment to Directors and employees of the Company and Directors, Audit & Supervisory Board Members, and employees of its subsidiaries, who have reported to the corporate auditors, due to their reporting to the Audit & Supervisory Board Members, and officers and employees of the Group shall be notified of the ruling.

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- (viii) Matters regarding prepayment or reimbursement procedures of expenses which occur on the occasion of performance of duties of the Audit & Supervisory Board Members and other policies for accounting for those expenses or related liabilities
  - When an Audit & Supervisory Board Member requests advance payment for expenses for performance of their duties, the accounting treatment shall be done according to the request for advance payment, etc. excluding items which are recognized as unnecessary for the Audit & Supervisory Board Member's execution of duties.
- (ix) Other system to ensure that audits by corporate auditors shall be implemented effectively
  - Audit & Supervisory Board Members and the Representative Director, President & Chief Executive Officer hold meetings regularly for mutual exchange of opinions. In addition, Audit & Supervisory Board Members obtain advice on audit work from expert lawyers and accounting auditors as needed.
- (6) Outline of implementation status of systems for ensuring the appropriateness of business operations
  - (i) Efforts to ensure appropriateness and efficiency of duty execution by Directors
    - The Board of Directors makes decisions regarding matters stipulated by laws and regulations and the Articles of Incorporation, and important management matters as well as monitor mutually execution status of operation by Directors. outside Audit & Supervisory Board Members also attend the Board of Directors meeting and express their opinions at any time when needed.
  - (ii) Efforts to ensure effective implementation of audits by Audit & Supervisory Board Members
    - At the Audit & Supervisory Board, agenda items of the Board of Directors meeting are deliberated, along with exchange of a wide range of opinions are implemented regarding validity, efficiency, compliance, etc. of corporate management. The discussion result is expressed appropriately at the Board of Directors.

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- Efforts are made to improve the effectiveness of the audit through attending important meetings including the Board of Directors, inspection of important documents such as approval documents which have obtained all approval required, and holding regular meetings to exchange opinions with the Representative Director, President & Chief Executive Officer, accounting auditors, and the Internal Auditing Department.

(iii) Efforts to ensure appropriateness of operation

- The Internal Auditing Department implements internal audits based on the internal audit plan formulated at the start of the business year and reports the audit result to the Representative Director, President & Chief Executive Officer, the Board of Directors, and Audit & Supervisory Board Members after each audit engagement.
- Contact points outside the Company (outside lawyers) which are independent from corporate management are set up as contact points of "Ryoyo Group Compliance Hotline" which is the means for the Group's employees to directly provide information with respect to an action that could be viewed as a breach of laws.

(7) Basic policy regarding decision making on dividends of surplus

While maintaining a stable management base and working to expand business in the future, the Company returns profit to its shareholders, taking into account the financial position, business environment, etc., and the Company's basic policy is to pay stable dividends, targeting a dividend on equity ratio (DOE) of 5%.

The Company's basic policy for dividends of surplus is to distribute profits twice a year, interim dividend and year-end dividend. Although it is provided in the Articles of Incorporation that both of interim dividend and year-end dividend can be resolved at the board of directors meeting, the year-end dividend of the fiscal year under review is to be resolved at the general meeting of shareholders.

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## Consolidated Financial Statements

### Consolidated Balance Sheet (As of January 31, 2023)

(Millions of yen)

Item	Amount	Item	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>79,183</b>	<b>Current liabilities</b>	<b>42,657</b>
Cash and deposits	19,031	Notes and accounts payable-trade	13,366
Notes and accounts receivable-trade, and contract assets	30,966	Short-term borrowings	25,817
Electronically recorded monetary claims-operating	3,886	Income taxes payable	1,423
Merchandise and finished goods	23,623	Accrued consumption taxes	143
Work in process	174	Provision for bonuses	857
Other	1,502	Other	1,048
Allowance for doubtful accounts	(1)	<b>Non-current liabilities</b>	<b>1,026</b>
<b>Non-current assets</b>	<b>9,225</b>	Deferred tax liabilities	603
<b>Property, plant, and equipment</b>	<b>226</b>	Retirement benefit liability	316
Tools, furniture and fixtures, net	73	Other	106
Land	5	<b>Total liabilities</b>	<b>43,683</b>
Construction in progress	7	<b>(Net assets)</b>	
Other, net	139	<b>Shareholders' equity</b>	<b>41,940</b>
<b>Intangible assets</b>	<b>832</b>	Share capital	13,672
Goodwill	471	Capital surplus	13,336
Other	361	Retained earnings	32,000
<b>Investments and other assets</b>	<b>8,166</b>	Treasury shares	(17,068)
Investment securities	5,406	<b>Accumulated other comprehensive income</b>	<b>2,756</b>
Deferred tax assets	110	Valuation difference on available-for-sale securities	1,805
Retirement benefit asset	1,589	Deferred gains or losses on hedges	0
Other	1,642	Foreign currency translation adjustment	1,124
Allowance for doubtful accounts	(582)	Remeasurements of defined benefit plans	(173)

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Item	Amount	Item	Amount
		<b>Share acquisition rights</b>	<b>28</b>
		<b>Total net assets</b>	<b>44,725</b>
<b>Total assets</b>	<b>88,409</b>	<b>Total liabilities and net assets</b>	<b>88,409</b>

Note: The amounts mentioned show those whose fractions under the unit stated are rounded down.

### Consolidated Statements of Income (From February 1, 2022 to January 31, 2023)

(Millions of yen)

Item	Amount
<b>Net sales</b>	<b>129,912</b>
<b>Cost of sales</b>	<b>116,328</b>
<b>Gross profit</b>	<b>13,583</b>
<b>Selling, general, and administrative expenses</b>	<b>8,889</b>
<b>Operating profit</b>	<b>4,693</b>
<b>Non-operating income</b>	<b>185</b>
Interest income	43
Dividend income	113
Gain on investments in investment partnerships	6
Other	21
<b>Non-operating expenses</b>	<b>401</b>
Interest expenses	185
Foreign exchange losses	151
Provision of allowance for doubtful accounts	54
Other	9
<b>Ordinary profit</b>	<b>4,477</b>
<b>Extraordinary losses</b>	<b>105</b>
Loss on valuation of investment securities	105
<b>Profit before income taxes</b>	<b>4,372</b>
Income taxes-current	1,595
Income taxes-deferred	(279)
<b>Profit</b>	<b>3,056</b>
<b>Profit attributable to owners of parent</b>	<b>3,056</b>

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## Consolidated Statements of Changes in Net Assets

(From February 1, 2022 to January 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	13,672	13,336	31,164	(17,978)	40,194
Changes during period					
Dividends of surplus			(2,200)		(2,200)
Profit attributable to owners of parent			3,056		3,056
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(0)		0	0
Exercise of share acquisition rights		(210)		848	638
Restricted stock payment		(13)		62	48
Changes in scope of consolidation			204		204
Transfer from retained earnings to capital surplus		224	(224)		–
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	835	909	1,745
Balance at end of period	13,672	13,336	32,000	(17,068)	41,940

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	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans		
Balance at the beginning of current period	1,794	(0)	412	(122)	30	42,309
Changes during period						
Dividends of surplus						(2,200)
Profit attributable to owners of parent						3,056
Purchase of treasury shares						(1)
Disposal of treasury shares						0
Exercise of share acquisition rights						638
Restricted stock payment						48
Changes in scope of consolidation						204
Transfer from retained earnings to capital surplus						—
Net changes in items other than shareholders' equity	10	0	712	(51)	(2)	670
Total changes during period	10	0	712	(51)	(2)	2,416
Balance at end of period	1,805	0	1,124	(173)	28	44,725

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## **Notes to Consolidated Statements**

### **1. Important matters providing basis for preparation of consolidated financial statements**

#### (1) Matters regarding the scope of consolidation

##### (i) Number of consolidated subsidiaries: 9

Name of consolidated subsidiaries

Ryoyo Semicon Corporation

StyleZ Corp.

RYOYO ELECTRO SINGAPORE PTE., LTD.

RYOYO ELECTRO HONG KONG LIMITED

Ryoyo Electro (Shanghai) Co., Ltd.

RYOYO ELECTRO INDIA PVT. LTD.

RYOYO ELECTRO (MALAYSIA) SDN. BHD.

RYOYO ELECTRO (THAILAND) CO., LTD.

Ryoyo Electro Taiwan Co., Ltd.

##### (ii) Changes in the scope of consolidation

Ryoyo Electro Taiwan Co., Ltd., which was a non-consolidated subsidiary until the previous consolidated fiscal year, has become a consolidated subsidiary from the beginning of this consolidated fiscal year because of increased materiality.

##### (iii) Name of non-consolidated subsidiaries

RYOYO ELECTRO USA, INC.

RYOYO SERVICE (THAILAND) CO., LTD.

RYOYO ELECTRO EUROPE GMBH

##### (iv) Reason for exclusion of non-consolidated subsidiaries from the scope of consolidation

The non-consolidated subsidiaries are excluded from the scope of consolidation because they have no significant influence on consolidated financial statements with any respect to total assets, net sales, profit, retained earnings, etc.

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(2) Matters regarding application of the equity method

The non-consolidated subsidiaries are evaluated through the cost method instead of the equity method because they have minor impact on consolidated profit, retained earnings, etc. and have no significance on the whole.

(3) Matters regarding business year of consolidated subsidiaries

Among consolidated subsidiaries, RYOYO ELECTRO INDIA PVT. LTD. and StyleZ Corp. settle the accounts at the end of March. Therefore, their financial statements prepared based on provisional settlement of accounts as of the end of December are used for the preparation of consolidated financial statements.

Other overseas subsidiaries settle the accounts at the end of December, and their financial statements on said date are used for the preparation of consolidated financial statements.

In addition, the adjustment required for the consolidation is provided to significant transactions which occurred in relation to consolidated closing date.

(4) Matters regarding accounting policies

(i) Valuation standards and methods for important assets

a. Available-for-sale securities

Other securities

a) Those other than securities, etc. without a market price

Market value method (evaluation differences are included directly in net assets, and costs of securities sold are calculated using the moving average method).

b) Securities, etc. without a market price

Cost method using moving average method.

As for investments in investment limited partnership and similar investment associations (as regarded as securities by Article 2, Paragraph 2 of Financial Instruments and Exchange Act), the Company books the net value of equity equivalents based on the latest available financial report of the association according to the financial closing date set forth in the partnership contract.

b. Inventories

a) Merchandise and finished goods



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receivables and the separate likelihood of collection for specific receivables such as doubtful receivables.

b. Provision for bonuses

To prepare for the payment of employee bonuses, an estimated amount corresponding to the portion of the bonus payments in this fiscal year is accounted for.

(iv) Methods of accounting procedures for retirement benefits

a. Attribution method for projected retirement benefits

In the calculation of retirement benefit obligation, the method for allocating the estimated retirement benefits to each fiscal year till the end of this fiscal year is based on the benefit calculation method.

b. Accounting method for actuarial differences and prior service cost

Prior service cost is amortized by the straight-line method over a period within the average remaining service years for employees (10 years) at the time of occurrence, and the amortized amount is expensed from the time of occurrence.

Actuarial differences are allocated by the straight-line method over a period within the average remaining service years for employees (10 years) at the time of occurrence, and they are expensed from the following year when incurred in each fiscal year.

c. Accounting method for unrecognized actuarial differences and unrecognized prior service cost

With respect to accounting of actuarial differences and prior service costs that are yet to be recognized in profit or loss, they are recorded as remeasurements of defined benefit plans of accumulated other comprehensive income within net assets, after adjusting for tax effects.

The Company has the defined-contribution pension plans in addition to the defined-benefit pension plans.

(v) Accounting standards for revenues and expenses

The Group's main businesses are the Semiconductors/device Business, which is engaged in sales of semiconductors and electronic parts both at home and abroad, and the ICT/solutions Business, which is engaged in ICT solutions. The respective

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businesses sell their merchandise and finished goods and provide the relevant services.

Regarding the sales of merchandise and finished goods, we identify delivering merchandise and finished goods that were purchased from suppliers to customers as our performance obligation. Revenues are recognized when merchandise and finished goods are delivered. In cases where the period from shipment to transfer of control of the merchandise and finished goods to the customer is of normal length, revenues are recognized at the time of shipment. As for providing installment and other services, we identify providing functions that are demanded by customers as our performance obligation. In principle, we judge our performance obligation as satisfied when service provision is completed, and recognize the revenue at the point of time.

Regarding transactions in which the Group serves as the agent for selling merchandise and finished goods or providing services, the revenue is recognized in the net amount of consideration to be received from customers, after deducting the costs payable to suppliers.

The consideration of transactions is received largely within one year after the performance obligation is satisfied, and no significant financing component is included.

(vi) Method of material hedge accounting

a. Method of hedge accounting

Deferral hedge processing is applied. In the meantime, the allocation processing is applied to certain forward exchange contracts that meet the requirements for the allocation processing.

b. Hedge means and hedge targets

Hedge means: Forward exchange transactions

Hedge targets: Foreign currency denominated monetary claims/liabilities and foreign currency denominated planned transactions

c. Hedging policy

The potential exchange risk of foreign currency denominated transactions is in principle hedged by using derivatives such as a forward exchange contract within the range of contract amount at the time of contract of the transactions

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(including planned transactions), in accordance with the Inhouse Foreign Currency Control Rules.

d. Evaluation method for the effectiveness of hedging

The accumulated amount of the hedging target's market changes during the period from the start of hedging to the evaluation of its effectiveness and the accumulated amount of the hedging means' market changes during the same period are compared and evaluated.

(vii) Amortization method and amortization period for goodwill

Goodwill is evenly amortized over 10 years.

## 2. Change in accounting policies

### Application of accounting standards for revenue recognition

The Company has decided to apply the accounting standards including the ASBJ Statement No. 29, March 31, 2020 (hereafter referred to as "the Accounting Standard for Revenue Recognition") from the beginning of this fiscal year, and to recognize revenue for transfer of goods or services promised to customers in an amount reflecting the expected consideration in return for those goods or services. Following this change, we have decided to recognize revenue in the net amount of consideration to be received from customers, after deducting the costs payable to suppliers in transactions in which the Company serves as the agent for providing goods or services, instead of in the gross amount as in the past.

The adoption of the Accounting Standard for Revenue Recognition, etc. is in accordance with the transitional treatment as stipulated in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. Accordingly, the cumulative impact from applying this new accounting policy to prior years before the beginning of this fiscal year has been reflected in retained earnings brought forward at the beginning of this fiscal year, and the new accounting policy has been adopted from the beginning of this fiscal year. In this regard, however, the Company has adopted the method as stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition, and thus the new accounting policy has not been applied to contracts in which most of revenues were recognized in accordance with the previous treatment before the beginning of this fiscal year.

In addition, the Company decided to indicate "Notes and accounts receivable-trade," which were presented in Current assets on the Balance Sheet of previous fiscal year, including

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them in “Notes and accounts receivable-trade, and contract assets” from the fiscal year under review.

As a result, net sales and cost of sales for this fiscal year decreased by 4,140 million yen, respectively, and there is no impact on profit before income taxes for this fiscal year. In addition, there is no impact on retained earnings brought forward at the beginning of this fiscal year.

### **3. Change of presenting method**

Application of accounting standards for market value calculation

The Company has applied the Accounting Standards for Market Value Calculation (Corporate Accounting Standards No. 30 of July 4, 2019; the “Market Value Calculation Accounting Standards”) and other standards since the beginning of this fiscal year. In accordance with the interim handling specified in Clause 19 of the Market Value Calculation Accounting Standards and Clause 44-2 of the Accounting Standards for Financial Instruments (Corporate Accounting Standards No. 10 of July 4, 2019), the Company decided to apply a new accounting policy as specified by the Market Value Calculation Accounting Standards, etc. over the future and to include notes on matters concerning a breakdown by level of the market values of financial instruments in the Notes on Financial Instruments.

Consolidated statements of income

Because Purchase discounts under Non-operating income that were independently stated in the previous fiscal year have become lower in monetary importance, they have been included in Other under Non-operating income in this fiscal year.

Because Charge expenses under Non-operating expenses that were independently stated in the previous fiscal year have become lower in monetary importance, they have been included in Other under Non-operating expenses in this fiscal year.

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#### 4. Notes on accounting estimates

##### Valuation of merchandise and finished goods

##### (1) Amounts recorded in the consolidated financial statements for this fiscal year

	This fiscal year (millions of yen)
(1) Merchandise and finished goods	23,623
(2) Merchandise and finished goods for which one year or more have passed since the purchase date	1,608
(3) Devalued book value based on (2) and individual sales potentials	413

##### (2) Information about significant accounting estimates pertaining to identified items

The Ryoyo Group places orders according to orders and expected orders received and to be received from customers. Demand for goods related to Semiconductors & Devices and ICT & Solutions is influenced by rapid technological innovation and changes in the business environment. So there is a risk that merchandise and finished goods will accumulate.

When the net realizable values of merchandise and finished goods are below their book values, the Company devalues the year-end book values to those net realizable values. It also regularly devalues the book values of merchandise and finished goods for which one year or more have passed since the purchase date and for which no evidence exists relating to order sheets from buyers or buyers' accepting stock of them (the "Accumulating Stock") according to the policy decided based on the past sales performance or disposal performance and devalues the book values of merchandise and finished goods whose book values have not been devalued based on individual sales potentials.

The Company estimates sales potential taking into account the demand forecast, such as market trends, the most recent performance of sales to customers and the trend in orders received, a production schedule in the future, and expected orders received. That estimate involves uncertainty. So if demand from customers falls sharply in quantity or Accumulating Stock increases, because of future changes in the market environment, there is a possibility that it will have a significant influence on the consolidated financial statements for the following fiscal year.

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## 5. Notes on consolidated balance sheets

Accumulated depreciation of property, plant and equipment

¥861 million

## 6. Notes on consolidated statements of income

Year-end inventories show the book values devalued because of decreased profitability, and the following loss from inventory revaluation is included in cost of sales.

¥286 million

## 7. Notes on consolidated statements of changes in net assets

### (1) Matters concerning the total number of outstanding shares

(Thousand shares)				
Class of shares	Number of shares at beginning of this fiscal year	Number of shares increased this fiscal year	Number of shares decreased this fiscal year	Number of shares at end of this fiscal year
Common shares	26,800	–	–	26,800

### (2) Matters concerning the number of treasury shares

(Thousand shares)				
Class of shares	Number of shares at beginning of this fiscal year	Number of shares increased this fiscal year	Number of shares decreased this fiscal year	Number of shares at end of this fiscal year
Common shares	6,955	5	352	6,608

Notes: 1. The increase in the number of treasury shares is an increase from returns of payment based on shares with restriction on transfer, and purchase of shares less than one unit.

2. The decrease in the number of treasury shares is a decrease from the exercise of stock options, payment of payment based on shares with restriction on transfer, and requests for additional purchase of shares less than one unit.

### (3) Matters concerning dividends of surplus

#### (i) Amount of dividends paid

a. Matters concerning dividends according to a resolution at the 62nd annual shareholders' meeting held on April 26, 2022

- The total amount of dividends: ¥1,190 million

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- The amount of dividend per share: ¥60

- Record date: January 31, 2022

- Effective date: April 27, 2022

b. Matters concerning dividends according to a resolution at the board meeting held on August 31, 2022

- The total amount of dividends: ¥1,009 million

- The amount of dividend per share: ¥50

- Record date: July 31, 2022

- Effective date: October 3, 2022

(ii) Of dividends whose record date is included in this fiscal year, those whose effective date is included in the following fiscal year

They will be discussed as follows at the 63rd annual shareholders' meeting to be held on April 26, 2023.

Moreover, the Company is to allot retained earnings to the dividend payment fund.

- The total amount of dividends: ¥1,211 million

- The amount of dividend per share: ¥60

- Record date: January 31, 2023

- Effective date: April 27, 2023

(4) Matters concerning stock options on the last day of this fiscal year

3rd stock options	
Class of shares underlying	Common shares
Number of shares underlying	30,000
Number of stock options	300
Balance of stock options	¥28,620,000

## 8. Notes on financial instruments

(1) Matters concerning the state of financial instruments

(i) Policy on working on financial instruments

The Ryoyo Group raises necessary funds mainly through bank borrowing according to its fund operation and funding plan. Moreover, the Group basically operates funds as highly safe financial assets. The Group makes it its principle to limit derivatives to exchange forward contract transactions to avoid the risk of

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future foreign exchange fluctuations pertaining to foreign currency transactions and not to carry out speculative transactions.

- (ii) Details of financial instruments and their risks as well as risk management systems  
Bill receivable, accounts receivable and contract assets which are trade receivables as well as electronically recorded monetary claims are exposed to customers' credit risk. Regarding the credit risk, in accordance with its internal rules, the Group sets a credit limit for each business connection and manages dates and balances as well as has established a system of regularly ascertaining the state of credit to early understand and reduce concerns about collection because of deteriorated financial situation. Moreover, foreign currency trade receivables are exposed to the risk of foreign exchange fluctuations. The Group hedges against that risk using forward exchange contracts regarding a position netted mainly with foreign currency trade receivables.

Investments in securities mainly include bonds, investment trusts, and the shares of companies with which it has business relations, which are exposed to the risk of market price fluctuations. We report to the board of directors their market values, which we assess regularly.

The due dates of bills payable and accounts payable, which are trade payables as well as income taxes payable, will come within one year. Moreover, foreign currency trade payables are exposed to the risk of foreign exchange fluctuations. The Group hedges against that risk using forward exchange contracts regarding a position netted mainly with foreign currency trade receivables.

Derivative transactions include forward exchange contract transactions for the purpose of hedging transactions against the risk of foreign exchange fluctuations, which pertains to foreign currency trade receivables and trade payables. Moreover, the hedge accounting method, means of hedging and hedge targets, the hedging policy, and the evaluating method for the effectiveness of hedging are stated in Important Hedge Accounting Method under Matters concerning Accounting Policies as mentioned above.

The Group uses borrowings mainly as working funds. Departments in charge make and update a financing plan timely and manage liquidity risk by maintaining liquidity on hand.

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Trade payables and income taxes payable are exposed to liquidity risk, and the Group considers that they can be covered sufficiently by cash and deposits which it holds.

(iii) Supplementary explanation for matters concerning the market values of financial instruments

The market values of financial instruments include values calculated reasonably, if there is no market value, in addition to values based on market values. Because variable factors are included in calculating those values, the values may fluctuate by adopting a different precondition, etc.

(2) Matters concerning the market values of financial instruments

The amounts and market values, as well as differences between them that are recorded in the consolidated balance sheets on January 31, 2023, are as follows.

Moreover, shares, etc. without a market price are not included in the following table (please see Note 1). In addition, a note on cash is omitted. Because Deposits, Notes, accounts receivable - trade, and contract assets, Electronically recorded monetary claims - operating, Notes and accounts payable - trade, Income taxes payable, and Short-term borrowings are settled in a short period, their market values are close to their book values. So notes on them are omitted.

	Amount recorded in consolidated balance sheets (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
(1) Investments in securities			
Other securities	4,947	4,947	–
(2) Derivative transactions (*1)	347	347	–

(\*1) Net credits and debts created by derivative transactions are shown in net amounts, and a figure for an item whose net debt is shown in total is put in parentheses.

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Note 1. Shares, etc. without a market price

Category	Amount recorded in consolidated balance sheets (millions of yen)
Unlisted stocks	305
Investments in investment limited partnerships	152
Total	458

The above shares, etc. without a market price are not included in (1) (Investments in securities).

Note 2. Expected amount of repayment of monetary claims and securities with a maturity after the closing date

	Within 1 year (millions of yen)	Over 1 year and within 5 years (millions of yen)	Over 5 years and within 10 years (millions of yen)	Over 10 years (millions of yen)
Notes	259	–	–	–
Electronically recorded monetary claims - operating	3,886	–	–	–
Accounts receivable - trade	30,706	–	–	–
Total	34,852	–	–	–

Note 3. Expected amount of repayment of borrowings after the closing date

	Within 1 year (millions of yen)	Over 1 year and within 2 years (millions of yen)	Over 2 years and within 3 years (millions of yen)	Over 3 years and within 4 years (millions of yen)	Over 4 years and within 5 years (millions of yen)	Over 5 years (millions of yen)
Short-term borrowings	25,817	–	–	–	–	–
Total	25,817	–	–	–	–	–

(3) Matters concerning the breakdown by level of the market values of financial instruments

The Group classifies the market values of financial instruments into the following three levels according to the observability and the importance of inputs pertaining to market value calculation.

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Market value level 1: A market value calculated by using a market price of assets or liabilities for which that market value is calculated and which is formed in an active market, of observable inputs pertaining to calculation of the market value

Market value level 2: A market value calculated by using an input pertaining to market value calculation other than the input at the level 1, of observable inputs pertaining to calculation of the market value

Market value level 3: A market value calculated by using an unobservable input pertaining to market value calculation

When the Group uses several inputs which have a significant influence on market value calculation, it classifies the market value in the lowest level of the order of priority in calculating market values, of levels in which those inputs are included respectively.

(i) Financial instruments recorded in consolidated balance sheets at their market values

Category	Market value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Shares	4,374	–	–	4,374
Derivative transactions				
Currency relations	–	372	–	372
Total assets	4,374	372	–	4,746
Derivative transactions				
Currency relations	–	24	–	24
Total liabilities	–	24	–	24

Note: The market values of investment trusts are not included in the above. The amount of investment trusts that is recorded in the consolidated balance sheets is 573 million yen.

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- (ii) Financial instruments other than those recorded in consolidated balance sheets at their market values

Not applicable.

Note: Explanation of the technique for valuation that is used in calculating market values and inputs pertaining to market value calculation

Investment securities

The Group values listed stocks using market prices. Because listed stocks are traded in active markets, the Group classifies their market values in Market Value Level 1.

Derivative transactions

The Group calculates market values for derivative transactions based on prices, etc. presented by its financial institutions and classifies the market values in Market Value Level 2.

## 9. Notes on revenue recognition

- (1) Information about resolved revenues from agreements with customers

	(Millions of yen)		
	Reporting segment		
	Japan	Asia	Total
By item			
Semiconductors & Devices	34,445	44,705	79,151
ICT & Solutions	50,498	262	50,760
Revenues from agreements with customers	84,944	44,967	129,912
Other revenues	-	-	-
Net sales to outside customers	84,944	44,967	129,912

- (2) Basic information to understand revenues from agreements with customers

The same content as that of basic information to understand revenues from agreements with customers is mentioned in Section 1 (Important basic matters in drawing up consolidated financial statements), (4) (Matters concerning accounting policies), (v) (Accounting standards for revenues and expenses). So notes on it are omitted.

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(3) Information to understand the amount of revenues in and after this fiscal year and the following fiscal year

(i) Balances of contract assets and contract liabilities

Contract assets are unclaimed claims pertaining to the sale of goods whose revenues the Group has recognized before inspection and acceptance by a customer in selling the goods. Contract liabilities are advances received from customers in the Semiconductor & Device Business and the ICT & Solution Business.

The balances of claims as well as contract assets and contract liabilities from agreements with customers in the Ryoyo Group at the beginning and the end of this fiscal year are as follows. Moreover, in the consolidated balance sheets, claims and contract assets are recorded in Notes and accounts receivable - trade, and contract assets, and Electronically recorded monetary claims - operating and contract liabilities in Other current liabilities.

	This fiscal year (millions of yen)	
	Balance at beginning of year	Balance at end of year
Claims from agreements with customers	32,158	34,852
Contract assets	—	—
Contract liabilities	183	210

(ii) Transaction prices allocated to remaining performance obligations

The Ryoyo Group has applied practical expedient means to notes on transaction prices allocated to remaining performance obligations. So agreements whose term is within one year as expected from the beginning are not included in the notes.

The total amount of transaction prices allocated to remaining performance obligations and the period in which revenues are expected to be recognized are as follows.

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	This fiscal year (millions of yen)
Within 1 year	49
Over 1 year and within 2 years	34
Over 2 years	46
Total	131

## 10. Notes on information per share

(1) Net assets per share	¥2,213.65
(2) Net income per share	¥151.45
(3) Diluted net income per share	¥151.22

## 11. Notes on important events after reporting period

### Acquisition of shares of Ryosan Company, Limited

The Company resolved to acquire some of the shares of Ryosan Company, Limited at the board meeting held on February 7, 2023, entered into a share transfer agreement with Silchester International Investors LLP, and acquired the shares on February 9, 2023 as follows.

Number of shares acquired, acquisition price and state of shares held before and after acquisition

(1) Number of shares held before acquisition	0	(Number of voting rights: 0) ----- (Proportion of voting rights held: -)
(2) Number of shares acquired	4,384,700	(Number of voting rights: 43,847) ----- (Proportion of voting rights held: 18.71%)
(3) Acquisition price	¥15,784 million (*)	
(4) Number of shares held after acquisition	4,384,700	(Number of voting rights: 43,847) ----- (Proportion of voting rights held: 18.71%)

\* The Company fixed the acquisition price referring to the result of the share value calculation by an independent third party calculating organization and considers it fair and appropriate.

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### Borrowing of important funds

The Company borrowed funds as follows as part of funds for acquisition of the shares of Ryosan Company, Limited according to a resolution at the board meeting held on February 7, 2023.

(1) Banks	MUFG Bank, Ltd.
	Sumitomo Mitsui Banking Corporation
(2) Amount of borrowings	¥6,000 million
(3) Borrowing date	February 8, 2023
(4) Term of repayment	April 30, 2024
(5) Borrowing rate	TIBOR + 1.0%
(6) Security	No security

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## Financial Statements

### Balance Sheets (as of January 31, 2023)

(Millions of yen)

Account title	Amount	Account title	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>64,337</b>	<b>Current liabilities</b>	<b>35,808</b>
Cash and deposits	15,219	Accounts payable - trade	11,502
Notes	242	Short-term borrowings	21,500
Electronically recorded monetary claims - operating	3,886	Accounts payable	66
Accounts receivable - trade	25,326	Income taxes payable	1,267
Operating accounts receivable	120	Consumption tax payable	121
Merchandise and finished goods	18,385	Accrued expenses	487
Accounts receivable	364	Deposits received	72
Other	792	Provision for bonuses	705
<b>Non-current assets</b>	<b>12,003</b>	Other	84
<b>Property, plant and equipment</b>	<b>178</b>	<b>Non-current liabilities</b>	<b>803</b>
Buildings	47	Deferred tax liabilities	732
Machinery and equipment	64	Other	71
Tools, furniture and fixtures, net	53	<b>Total liabilities</b>	<b>36,612</b>
Land	5	<b>(Net assets)</b>	
Construction in progress	7	<b>Shareholders' equity</b>	<b>37,895</b>
<b>Intangible assets</b>	<b>389</b>	<b>Share capital</b>	<b>13,672</b>
Software	326	<b>Capital surplus</b>	<b>13,336</b>
Software suspense account	50	Legal capital surplus	13,336
Other	12	<b>Retained earnings</b>	<b>27,955</b>
<b>Investments and other assets</b>	<b>11,435</b>	Legal retained earnings	1,290
Investment securities	5,308	Other retained earnings	26,665
Shares of associated companies	3,464	Retained earnings brought forward	26,665
Long-term loans	228	<b>Treasury shares</b>	<b>(17,068)</b>
Prepaid pension costs	1,667	<b>Valuation/translation difference</b>	<b>1,805</b>
Guarantee deposits	458	<b>Valuation difference on available-for-sale securities</b>	<b>1,805</b>

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Account title	Amount	Account title	Amount
Other	449	<b>Deferred gains or losses on hedges</b>	<b>0</b>
Allowance for doubtful accounts	(141)	<b>Stock options</b>	<b>28</b>
		<b>Total net assets</b>	<b>39,729</b>
<b>Total assets</b>	<b>76,341</b>	<b>Total liabilities and net assets</b>	<b>76,341</b>

Note: The amounts mentioned show those whose fractions under the unit stated are rounded down.

### Statements of Income (From February 1, 2022 to January 31, 2023)

(Millions of yen)

Account title	Amount
<b>Net sales</b>	<b>94,297</b>
<b>Cost of sales</b>	<b>82,910</b>
<b>Gross profit</b>	<b>11,387</b>
<b>Selling, general and administrative expenses</b>	<b>7,889</b>
<b>Operating profit</b>	<b>3,498</b>
<b>Non-operating income</b>	<b>143</b>
Interest income	9
Dividend income	113
Gain on investments in investment partnerships	6
Other	13
<b>Non-operating expenses</b>	<b>377</b>
Interest expenses	60
Foreign exchange losses	256
Cost of issuing stock options	1
Provision of allowance for doubtful accounts	50
Other	7
<b>Ordinary profit</b>	<b>3,264</b>
<b>Extraordinary losses</b>	<b>105</b>
Loss on valuation of investment securities	105
<b>Profit before income taxes</b>	<b>3,159</b>
Income taxes - current	1,276
Income taxes - deferred	(185)
<b>Profit</b>	<b>2,068</b>

Note: The amounts mentioned show those whose fractions under the unit stated are rounded down.

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## Statements of Changes in Net Assets (From February 1, 2022 to January 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus		Retained earnings	
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings
					Retained earnings brought forward
Balance on Feb. 1, 2022	13,672	13,336	–	1,290	27,021
Changes during fiscal year					
Dividends of surplus					(2,200)
Profit					2,068
Purchase of treasury shares					
Disposal of treasury shares			(0)		
Exercise of stock options			(210)		
Restricted stock payment			(13)		
Transfer from retained earnings to capital surplus			224		(224)
Net changes in items other than shareholders' equity					
Total changes during fiscal year	–	–	–	–	(356)
Balance on Jan. 31, 2023	13,672	13,336	–	1,290	26,665

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(Millions of yen)

	Shareholders' equity		Valuation/translation difference		Stock options	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges		
Balance on Feb. 1, 2022	(17,978)	37,341	1,794	(0)	30	39,166
Changes during fiscal year						
Dividends of surplus		(2,200)				(2,200)
Profit		2,068				2,068
Purchase of treasury shares	(1)	(1)				(1)
Disposal of treasury shares	0	0				0
Exercise of stock options	848	638				638
Restricted stock payment	62	48				48
Transfer from retained earnings to capital surplus		-				-
Net changes in items other than shareholders' equity		-	10	0	(2)	9
Total changes during fiscal year	909	553	10	0	(2)	562
Balance on Jan. 31, 2023	(17,068)	37,895	1,805	0	28	39,729

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## **Notes on unconsolidated financial statements**

### **1. Important accounting policies**

#### (1) Evaluation standards and methods for securities

##### (i) Shares of subsidiaries and associates

Cost method using moving average method.

##### (ii) Other securities

###### a. Those other than securities, etc. without a market price

Market value method (evaluation differences are included directly in net assets and costs of securities sold are calculated using the moving average method).

###### b. Securities, etc. without a market price

Cost method using moving average method.

As for investments in investment limited partnerships and similar investment associations (regarded as securities by Article 2, Paragraph 2 of Financial Instruments and Exchange Act), the Company books the net value of equity equivalents based on the latest available financial report of the association according to the financial closing date set forth in the partnership contract.

#### (2) Evaluation standards and methods for inventories

Cost method using moving average method of merchandise and finished goods (the balance sheet amount is calculated by writing down the book value of assets which decreased in profitability).

#### (3) Evaluation standards and methods for derivatives

Derivative market value method.

#### (4) Depreciation methods for fixed assets

##### (i) Tangible fixed assets (excluding lease assets)

Declining balance method.

In this regard, however, the straight-line method is applied to building fixtures obtained on and after April 1, 2016.

The main durable years are as follows:

Buildings	3 - 47 years
Machinery and equipment	3 - 10 years

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Tools, furniture and fixtures 4 - 15 years

(ii) Intangible fixed assets (excluding lease assets)

Straight-line method.

In this regard, however, the straight-line method is applied to software used by the Company based on the inhouse usable period (five years).

(iii) Lease assets

Regarding finance lease transactions that do not transfer ownership, the straight-line method is applied, where the respective durable years are their lease periods, setting the residual value to zero.

(5) Accounting standards for allowances and provisions

(i) Allowance for doubtful accounts

To prepare for bad debt losses on trade receivables, the estimated uncollectible amount is recorded based on the actual bad debt rate for general receivables and the separate likelihood of collection for specific receivables such as doubtful receivables.

(ii) Provision for bonuses

To prepare for the payment of employee bonuses, an estimated amount corresponding to the portion of the bonus payments in this fiscal year is included.

(iii) Provision for retirement benefits

In the calculation of retirement benefit obligation, the method for allocating the estimated retirement benefits to each fiscal year till the end of this fiscal year is based on the benefit calculation method. To prepare for the payment of employee retirement benefits, the amount deemed to have arisen within this fiscal year was recorded on the basis of balance of retirement benefit obligation and pension assets at the end of this fiscal year.

Prior service cost is amortized by the straight-line method over a period within the average remaining service years for employees (10 years) at the time of occurrence, and the amortized amount is expensed from the time of occurrence.

Actuarial differences are allocated by the straight-line method over a period within the average remaining service years for employees (10 years) at the time of occurrence, and they are expensed from the following year when incurred in each fiscal year.

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The accounting treatment of unrecognized actuarial differences related to retirement benefits and unrecognized prior service cost differs from that in consolidated financial statements.

(6) Accounting standards for revenues and expenses

The Company's main businesses are Semiconductors & Device Business, which is engaged in sales of semiconductors and electronic parts both at home and abroad, and ICT & Solutions Business, which is engaged in ICT solutions. The respective businesses sell their merchandise and finished goods and provide the relevant services. Regarding the sales of merchandise and finished goods, we identify delivering merchandise and finished goods that were purchased from suppliers to customers as our performance obligation. Revenues are recognized when merchandise and finished goods are delivered. In cases where the period from shipment to transfer of control of the merchandise and finished goods to the customer is of normal length, revenues are recognized at the time of shipment. As for providing installment and other services, we identify providing functions that are demanded by customers as our performance obligation. In principle, we judge our performance obligation as satisfied when service provision is completed and recognize the revenue at the point of time. Regarding transactions in which the Company serves as the agent for selling merchandise and finished goods or providing services, the revenue is recognized in the net amount of consideration to be received from customers, after deducting the costs payable to suppliers. The consideration of transactions is received largely within one year after the performance obligation is satisfied, and no significant financing component is included.

(7) Method of hedge accounting

(i) Method of hedge accounting

Deferral hedge processing. In the meantime, the allocation processing is applied to certain forward exchange contracts that meet the requirements for the allocation processing.

(ii) Hedge means and hedge targets

Hedge means: Forward exchange transactions

Hedge targets: Foreign currency denominated monetary claims/liabilities and foreign currency denominated planned transactions

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(iii) Hedging policy

The potential exchange risk of foreign currency denominated transactions is in principle hedged by using derivatives such as a forward exchange contract within the range of contract amount at the time of contract of the transactions (including planned transactions), in accordance with the Inhouse Foreign Currency Control Rules.

(iv) Evaluation method for the effectiveness of hedging

The accumulated amount of the hedging target's market changes during the period from the start of hedging to the evaluation of its effectiveness and the accumulated amount of the hedging means' market changes during the same period are compared and evaluated.

## 2. Change in accounting policies

### Application of accounting standards for revenue recognition

The Company has decided to apply the accounting standards including the ASBJ Statement No. 29, March 31, 2020 (hereafter referred to as "the Accounting Standard for Revenue Recognition") from the beginning of this fiscal year, and to recognize revenue for transfer of goods or services promised to customers in an amount reflecting the expected consideration in return for those goods or services. Following this change, we have decided to recognize revenue in the net amount of consideration to be received from customers, after deducting the costs payable to suppliers in transactions in which the Company serves as the agent for providing goods or services, instead of in the gross amount as in the past.

The adoption of the Accounting Standard for Revenue Recognition, etc. is in accordance with the transitional treatment as stipulated in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. Accordingly, the cumulative impact from applying this new accounting policy to prior years before the beginning of this fiscal year has been reflected in retained earnings brought forward at the beginning of this fiscal year, and then the new accounting policy has been adopted from the beginning of this fiscal year. In this regard, however, the Company has adopted the method as stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition, and thus the new accounting policy has not been applied to contracts in which most revenues were recognized in accordance with the previous treatment before the beginning of this fiscal year.

As a result, net sales and cost of sales for this fiscal year decreased by 4,140 million yen, respectively, and there is no impact on profit before income taxes for this fiscal year. In

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addition, there is no impact on retained earnings brought forward at the beginning of this fiscal year.

### 3. Change of presenting method

Consolidated statements of income

Because Interest on Securities under Non-operating Income which was independently stated in the previous financial year has become lower in monetary importance, they have been included in Other under Non-operating Income in this fiscal year.

Because Purchase Discounts under Non-operating Income which was independently stated in the previous financial year has become lower in monetary importance, they have been included in Other under Non-operating Income in this fiscal year.

### 4. Notes on accounting estimates

Estimation of merchandise and finished goods

(1) Amount reported in financial statements for this fiscal year

	Year ended January 31, 2023 (Millions of Yen)
(1) Merchandise and finished goods	18,385
(2) Merchandise and finished goods for which one year or more have passed since the purchase date	1,461
(3) Devalued book value based on (2) and individual sales potential	386

(2) Information about significant accounting estimates pertaining to identified items

Information about significant accounting estimates pertaining to identified items is included in 4. Notes on accounting estimates of Notes on Consolidated Financial Statements. Accordingly, the note is omitted.

### 5. Notes on balance sheet

(1) Accumulated depreciation of property, plant and equipment

¥614 million

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(2) Guarantee liabilities

- (i) The Company has guaranteed the following subsidiary's trade payables to suppliers.

Guarantee	Amount
RYOYO ELECTRO HONG KONG LIMITED	¥893 million

- (ii) The Company has guaranteed the following subsidiaries' borrowings from financial institutions.

Guarantee	Amount
RYOYO ELECTRO HONG KONG LIMITED	¥3,528 million
RYOYO ELECTRO INDIA PVT. LTD.	¥17 million

(3) Monetary claims/liabilities on/from associated companies

Short-term monetary claims	¥4,019 million
Long-term monetary claims	¥222 million
Short-term monetary liabilities	¥1,490 million

**6. Notes on statements of income**

(1) Transactions with associated companies

Net sales	¥10,964 million
Purchases	¥10,497 million
Selling, general and administrative expenses	¥13 million
Transactions other than business deals	¥4 million

- (2) Year-end inventory shows the book value devalued because of profitability fallen, and the following amount of losses from inventory valuation is included in cost of sales.

¥269 million

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## 7. Notes on statements of changes in net assets

Matters concerning the number of own shares

(Unit: Thousand shares)

Class of shares	No of shares at the beginning of year ended Jan. 31, 2023	No. of increased shares during the term	No. of decreased shares during the term	No of shares at the end of year ended Jan. 31, 2023
Common shares	6,955	5	352	6,608

- Notes: 1. The increase in the number of own shares is an increase from returns of payment based on shares with restriction on transfer, and purchase of shares less than one unit.
2. The decrease in the number of own shares is a decrease from the exercising of share options, payment of payment based on shares with restriction on transfer, and requests for additional purchase of shares less than one unit.

## 8. Notes on tax effect accounting

(1) Deferred tax assets and deferred tax liabilities by major cause

(Millions of Yen)

Deferred tax assets	
Provision for retirement benefits	231
Provision for bonuses	216
Shares of associated companies	141
Merchandise and finished goods	130
Business taxes payable	81
Investments in securities	78
Allowance for doubtful accounts	43
Accrued expenses	36
Share-based compensation expenses	36
Intangible fixed assets	29
Long-term other accounts payable	18
Others	18
Deferred tax assets - Subtotal	1,061
Valuation allowance	(273)
Deferred tax assets - Total	788
Deferred tax liabilities	
Valuation difference on other securities	(787)
Prepaid pension costs	(504)

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Gain on contribution of securities to retirement benefit trust	(228)
Others	(0)
Deferred tax liabilities - Total	<u>(1,520)</u>
Net amount of deferred tax assets/(liabilities)	<u>(732)</u>

(2) Differences between the statutory effective tax rate and the actual effective tax rate by major cause item

Statutory effective tax rate	30.62%
(Adjustments)	
Items that are not permanently included in deductible expenses, such as entertainment expenses	2.25%
Items that are not permanently included in taxable income, such as dividends received	(0.24)%
Inhabitant and other taxes on per capita basis	0.51%
Valuation allowance	1.07%
Others	0.31%
Actual effective tax rate after the adoption of tax effect accounting	<u>34.52%</u>

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## 9. Notes on transactions with related parties

### Subsidiaries, etc.

Attribution	Name of company, etc.	Capital or money invested	Business details or occupation	Ownership (owned) rate of voting rights, etc. (%)	Details of relations	
					Concurrent officer positions, etc.	Business relations
(Subsidiary)	RYOYO ELECTRO HONG KONG LIMITED	HK\$30,300 thousand	Semiconductors & devices ICT & solutions	Direct ownership 100%	1 person	Mutually supplying some of the Company's selling merchandise
(Subsidiary)	Ryoyo Electro (Shanghai) Co., Ltd. (Subsidiary)	RMB 58,301 thousand	Semiconductors & devices ICT & solutions	Direct ownership 100%	1 person	Mutually supplying some of the Company's selling merchandise

Attribution	Details of transactions	Amount of transactions (Millions of Yen)	Account item	Balance at end of year (Millions of Yen)
(Subsidiary)	Sales of merchandise	7,248	Accounts receivable - trade	2,805
	Purchase of merchandise	2,375	Accounts payable - trade	1,004
	Guarantee of borrowings from financial institutions (Note 3)	3,528	-	-
	Liabilities to the suppliers' trade payables Guarantee (Note 4)	893	-	-
(Subsidiary)	Sales of merchandise	2,074	Accounts receivable - trade	841

(Notes) Transaction conditions and policies for determining the conditions, etc.

1. Amount of transactions does not include consumption taxes.

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2. Sales prices are determined in light of prevailing market trends and after discussions with the relevant subsidiaries.
3. The Company has guaranteed the borrowings from financial institutions. It does not receive guarantee fees and other fees associated with its guarantee of the liabilities.
4. The Company has guaranteed the suppliers' trade payables. It does not receive guarantee fees and other fees associated with its guarantee of the liabilities.

#### **10. Notes on revenue recognition**

Basic information to understand revenue from contracts with customers is included in 9. Notes on revenue recognition of Notes on Consolidated Financial Statements. Accordingly, the note is omitted.

#### **11. Notes on per share information**

(1) Net assets per share	¥1,966.22
(2) Net income per share	¥102.51
(3) Diluted net income per share	¥102.36

#### **12. Notes on important events after reporting period**

Notes on important events after reporting period is included in 11. Notes on important events after reporting period of Notes on Consolidated Financial Statements. Accordingly, the note is omitted.

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## **Audit Report**

### **Audit Report on the Consolidated Financial Statements (Translation)**

#### **Independent Auditor's Report**

March 7, 2023

To the Board of Directors of Ryoyo Electro Corporation

Seiyo Audit Corporation  
Minato-ku, Tokyo

Toshiya Nakaichi  
Certified Public Accountant  
Designated Partner and  
Engagement Partner

Masatoshi Nakamura  
Certified Public Accountant  
Designated Partner and  
Engagement Partner

Naoto Nakayama  
Certified Public Accountant  
Designated Partner and  
Engagement Partner

## **Audit Opinion**

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the consolidated financial statements of Ryoyo Electro Corporation, which comprise the consolidated balance sheets, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements applicable to the fiscal year from February 1, 2022 through January 31, 2023.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the corporate group, which consisted of Ryoyo Electro Corporation and its consolidated subsidiaries, applicable

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It may be difficult for you to enforce your rights and any claim you may have arising under the U.S. federal securities laws, since the issuers are located in Japan and some or all of their officers and directors reside outside of the United States. You may not be able to sue a Japanese company or its officers or directors in a Japanese court for violations of the U.S. securities laws. It may be difficult to compel a Japanese company and its affiliates to subject themselves to a U.S. court's judgment. You should be aware that the issuer may purchase securities otherwise than under the business combination, such as in the open market or through privately negotiated purchases.

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to the fiscal year ended January 31, 2023 in accordance with accounting principles generally accepted in Japan.

### **Basis for Audit Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of their duties with regard to the design, implementation, and maintenance of the reporting process for the other information. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion on the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. There are no matters to report regarding the other information.

### **Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes the maintenance and operation of internal control deemed necessary by

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management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identifying and assessing the risks of material misstatement, whether due to fraud or error, and designing and performing audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Concluding on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit

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evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty related to the assumption of a going concern exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluating whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtaining sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and will communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

### **Conflicts of Interest**

We or engagement partners have no interests in the Company and its consolidated subsidiaries, which should be stated in compliance with the Certified Public Accountants Act.

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## Audit Report on the Non-consolidated Financial Statements (Translation)

### Independent Auditor's Report

March 7, 2023

To the Board of Directors of Ryoyo Electro Corporation

Seiyo Audit Corporation  
Minato-ku, Tokyo

Toshiya Nakaichi  
Certified Public Accountant  
Designated Partner and  
Engagement Partner

Masatoshi Nakamura  
Certified Public Accountant  
Designated Partner and  
Engagement Partner

Naoto Nakayama  
Certified Public Accountant  
Designated Partner and  
Engagement Partner

### **Audit Opinion**

Pursuant to Article 436, paragraph (2), item (1) of the Companies Act, we have audited the non-consolidated financial statements of Ryoyo Electro Corporation, which comprise the non-consolidated balance sheets, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, the notes to the non-consolidated financial statements and the supplementary schedules (hereinafter referred to as the non-consolidated financial statements, etc.) applicable to the 63rd term from February 1, 2022 through January 31, 2023.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of the Ryoyo

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Electro Corporation applicable to the fiscal year ended January 31, 2023 in accordance with accounting principles generally accepted in Japan.

### **Basis for Audit Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements, etc. in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of their duties with regard to the design, implementation, and maintenance of the reporting process for the other information.

Our opinion on the non-consolidated financial statements, etc. does not cover the other information and we do not express an opinion on the other information.

In connection with our audit of the non-consolidated financial statements, etc., our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements, etc. or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

There are no matters to report regarding the other information.

### **Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-Consolidated Financial Statements, etc.**

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements, etc. in accordance with accounting principles generally accepted in Japan. This includes the maintenance and operation of internal control deemed necessary by

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management for the preparation and fair presentation of the non-consolidated financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc., with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements, etc.**

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the non-consolidated financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these non-consolidated financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identifying and assessing the risks of material misstatement, whether due to fraud or error, and designing and performing audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the non-consolidated financial statements, etc., obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.

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- Concluding on the appropriateness of preparing the non-consolidated financial statements, etc. with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty related to the assumption of a going concern exists, we are required to draw attention in our auditor's report to the notes to the non-consolidated financial statements, etc. or, if the notes to the non-consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating whether the presentation of the non-consolidated financial statements, etc. and notes to the non-consolidated financial statements, etc. are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the non-consolidated financial statements, etc. including the related notes thereto, and whether the non-consolidated financial statements, etc. fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and will communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

### **Conflicts of Interest**

We or engagement partners have no interests in the Company, which should be stated in compliance with the Certified Public Accountants Act.

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## Audit Report of the Audit & Supervisory Board

### Audit Report

With respect to the Directors' performance of their duties during the 63rd term (from February 1, 2022 to January 31, 2023), the Audit & Supervisory Board has prepared this audit report, upon deliberations based on the audit reports prepared by each of the Audit & Supervisory Board Members, and hereby reports as follows.

#### **1. Method and Content of Audit by Audit & Supervisory Board Members and the Audit & Supervisory Board**

- (1) The Audit & Supervisory Board formulated audit policies, assignment of duties, etc., received reports from each of the Audit & Supervisory Board Members regarding the progress and the results of their audit, received reports from the Directors, etc., and the Accounting Auditor regarding the performance of their respective duties, and requested further explanation as necessary.
- (2) In conformity with the Standards of Audit by Audit & Supervisory Board Members established by the Audit & Supervisory Board, and in accordance with the audit policies and assignment of duties, etc., each of the Audit & Supervisory Board Members communicated with the Directors, the Internal Auditing Department and other employees, etc., and endeavored to collect information and maintain and improve the audit environment. Each of the Audit & Supervisory Board Members executed their audits using the methods described below:
  - (i) We attended the meetings of the Board of Directors and other important meetings, received reports on the status of performance of duties from the Directors and employees, etc. and requested explanations as necessary, inspected important approval documents, and investigated the status of the corporate affairs and assets at the head office and other principal business locations. With respect to the subsidiaries, we communicated and exchanged information with the Directors and Audit & Supervisory Board Members, etc. of the subsidiaries and received from the subsidiaries reports on their respective operations as necessary.
  - (ii) We received reports on a regular basis from Directors and employees, etc., requested explanations as necessary, and provided opinions with respect to matters mentioned in the business report. Such matters consist of the content of the Board of Directors' resolutions regarding the development and maintenance of the

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system to ensure that the Directors' performance of their duties complied with applicable laws and regulations and the Articles of Incorporation of the Company and other systems that are set forth in Article 100, paragraphs (1) and (3) of the Regulations for Enforcement of the Companies Act as being necessary for ensuring the appropriateness of the corporate affairs of a stock company and the corporate group consisting of its subsidiaries, and the systems developed and maintained based on such resolutions (internal control systems).

- (iii) We further monitored and examined whether the Accounting Auditor maintained their independence and conducted the audit in an appropriate manner, as well as received reports concerning the performance of their duties and obtained explanations as necessary from the Accounting Auditor. We also received notice from the Accounting Auditor that it had established "systems for ensuring that the performance of the duties of financial auditor is being carried out correctly" (the matters set forth in the items of Article 131 of the Regulations on Corporate Accounting) in accordance with the "Quality Control Standards for Auditing" (Business Accounting Council, October 28, 2005), and requested explanations as necessary.

Based on the above methods, we examined the business report and the supplementary schedules thereto, and the non-consolidated financial statements (the non-consolidated balance sheets, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements) and the supplementary schedules thereto, as well as the consolidated financial statements (the consolidated balance sheets, the consolidated statement of income, the consolidated statement of changes in net assets, and notes to the consolidated financial statements), for the fiscal year under consideration.

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## 2. Results of Audit

### (1) Results of Audit of Business Report, etc.

- (i) We recognize that the business report and the supplementary schedules thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- (ii) We recognize that no misconduct or material fact constituting a violation of any law or regulations or the Articles of Incorporation of the Company was found with respect to the Directors' performance of their duties.
- (iii) We recognize that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the content in the business report and Directors' performance of their duties concerning the internal control systems.

### (2) Results of Audit of Non-consolidated Financial Statements and the Supplementary Schedules

We recognize that the methods and results of audit performed by the Accounting Auditor Seiyo Audit Corporation are appropriate.

### (3) Results of Audit of Consolidated Financial Statements

We recognize that the methods and results of audit performed by the Accounting Auditor Seiyo Audit Corporation are appropriate.

March 9, 2023

Audit & Supervisory Board of Ryoyo Electro Corporation  
Full-time Audit & Supervisory Board Member  
Hiroyuki Kanno  
Outside Audit & Supervisory Board Member  
Ryoji Kimura  
Outside Audit & Supervisory Board Member  
Kazumi Akiyama  
Outside Audit & Supervisory Board Member  
Motomi Oi

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<Reference> Subsequent events regarding the Company and its corporate group after receiving the audit report of the Audit & Supervisory Board

### **Conversion of Ryosan Company, Limited to an equity-method affiliate through the acquisition of additional shares**

The Company resolved to additionally acquire some of the shares of Ryosan Company, Limited, making it an equity-method affiliate, at the board meeting held on March 9, 2023, and entered into a share transfer agreement with MUFG Bank, Ltd. and Sumitomo Mitsui Banking Corporation. Based on the share transfer agreement, the Company acquired the additional shares of the said company on March 10, 2023 as follows.

Number of shares acquired, acquisition price and state of shares held before and after acquisition

(1) Number of shares held before acquisition	4,384,700	(Number of voting rights: 43,847) ----- (Proportion of voting rights held: 18.71%)*
(2) Number of shares acquired	321,000	(Number of voting rights: 3,210) ----- (Proportion of voting rights held: 1.37%)*
(3) Acquisition price	¥1,000 million	
(4) Number of shares held after acquisition	4,705,700	(Number of voting rights: 47,057) ----- (Proportion of voting rights held: 20.08%)*

\* The figure shown for the proportion is as of March 10, 2023.