



**RYODEN**

RYODEN REPORT **2022**

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**Our evolution into a business creation company is steadily progressing.  
We will use Ryoden Corporation's new beginning as an opportunity to strive for further value creation.**

**Katsuyuki Tomizawa**

President & CEO

**Striving wholeheartedly to achieve ICHIGAN 2024, together with all the Group's employees**

My name is Katsuyuki Tomizawa, and I have had the honor to be appointed RYODEN's Representative Director of Board, President & CEO. I joined Mitsubishi Electric in 1983, and served in positions such as Deputy Senior General Manager of the Nagoya Works, Executive Managing Officer and General Representative of China Regional Corporate Office, and Chairman concurrently President of Mitsubishi Electric (China) Co., Ltd., before joining RYODEN in April 2021. I have engaged, together with my predecessor Mr. Shogaki, in implementing our medium-term management plan, "ICHIGAN 2024," as Executive Vice President since June 2021.

I have been familiar with RYODEN since my time at Mitsubishi Electric. To be honest, I always had the impression that it had rather a conservative image. After joining RYODEN, however, I have been surprised by the way that it not only focuses on selling things as a trading company but also boasts a large and active technical team.

The sales and technical teams work together with a strong spirit of taking on new challenges. Likewise, in terms of investor relations, RYODEN has become able to actively promote itself to the rest of the world. We live in an era of change. Over the past year, I have been impressed by RYODEN's spirit of determination and conscious efforts to take on the challenges presented by this change.

With its combination of close ties to the local community and a global perspective, RYODEN is rare among Mitsubishi Electric's distributors. At the RYODEN Group, we will continue to strive as one to realize the goals of ICHIGAN 2024 and engage in achieving a sustainable society through environment, security and safety as a 100-year company. We will work together with all our stakeholders to contribute to building a society that continues the green development underpinning sustainability, and I look forward to your support in these endeavors.

**In FYE2022, elevated demand resulted in the highest profits on record**

The global economy is gradually recovering from the COVID-19 crisis, but the outlook remained unclear due to factors such as supply chain disruptions, semiconductor shortages, and soaring energy prices. In Japan, too, corporate earnings showed signs of a downturn, with the increasingly serious effects of soaring raw materials costs resulting from high resource prices and the depreciation of the yen, despite the beginning of a recovery trend in socioeconomic activity. In the Group's business domains, supply remained tight in the electronic components business, including for components and materials, due to persistent high demand for automotive and industrial equipment applications. Demand was also high for machine

tools for electric vehicles and semiconductor-related equipment.

In these conditions, the Group continued to engage in creating new value as a business creation company that transcends the bounds of an agency or trading company, based on its medium-term management plan ICHIGAN 2024, which entered its second year. As a result, net sales for FYE2022 were ¥229,126 million, an increase of 16.4% year on year. Operating profit was ¥7,062 million, an increase of 106.7%, ordinary profit was ¥7,285 million, an increase of 99.4%, and profit attributable to owners of parent was ¥5,004 million, an increase of 113.6%, representing the highest ever profit at each level.



Turning to the performance trends in each segment, the FA Systems Business experienced supply shortages for some of its products, but achieved increases in both revenue and profit due to robust sales for semiconductor manufacturing equipment and machine tools, as well as an upturn in capital expenditure projects for the domestic manufacturing industry. In the Cooling & Heating and Building Systems Business, however, revenue and profit both declined due to the impact of factors such as longer delivery times and the delay and cancellation of new projects resulting from supply shortages of components and materials, despite a strong performance in the ventilation,

heat countermeasures, cold storage and freezing fields. Revenue and profit both declined for the X-Tech Business due to sluggish sales in the smart agriculture field, focused on the construction of proprietary plant factories, and the network systems field, where we struggled to obtain new orders for factory management systems. This was despite a steady performance in the healthcare field. The Electronics Business achieved a significant rise in revenue and profit due to robust sales for applications such as car navigation devices and other infotainment devices, semiconductor manufacturing equipment, and machine tools.

## ICHIGAN 2024, our plan to be a business creation company, enters its decisive final three years

At present, we are engaged in strengthening our four mainstay businesses, developing our six new business platforms using ICT technologies to fuse the knowledge we have acquired through these four mainstay businesses, and establishing businesses in two new fields. Under ICHIGAN 2024, our current medium-term management plan, we are striving to achieve our vision for FYE2025, the final year of the plan: to "continue to create new value as a business creation company that transcends the bounds of an agency or trading company."

Over the past two years, our four mainstay businesses have evolved to achieve a proposal-based sales style, enabling the steady creation of value. This was demonstrated in RYODEN's outstanding business performance in FYE2022. In the Cooling & Heating and Building Systems Business, we are facing a range of needs, including expanding demand related to data centers and increasing attention on heat countermeasures in school gymnasiums, and we have partnered with Kubota Air Conditioner Co., Ltd. to focus on promoting area air conditioners that can address these needs. In the FA Systems Business, we are experiencing increasing demand from companies wishing to upgrade to 5G data exchange in their factories and, at the same time, rising interest in new technologies such as cybersecurity measures and image monitoring systems. At RYODEN, we offer a wide range of solutions to address these needs, and we perceive this as a chance to expand our business domains. We are rare among trading companies, possessing strengths covering both FA and IT, and we expect to be able to make full use of these strengths. In the Electronics Business, demand remains extremely elevated at present, and we are carrying a large backlog of orders. We are struggling to procure products in the face of serious supply shortages, but we anticipate the current, robust performance to continue for the time being. Semiconductor manufacturers are moving to boost production, and we expect the market to settle down somewhat when these production increases come online in around 2024.

Regarding our new businesses, full performance still lies some way in the future but, thanks to former President Shogaki, we have firmly established an environment to proceed with commercialization. The next three years will be decisive. We hope to establish a firm foundation for the next stage in our growth, as a 100-year company. The Smart Agriculture Business completed the construction of a plant factory in Numazu City, Shizuoka Prefecture in May, and commenced full-scale production and sales in August. At the plant factory, we will research and accumulate expertise in areas such as the optimal production methods for various crops, while engaging in actual production. We aim to offer plant factories not simply as equipment, but as a comprehensive and integrated business model, including distribution. In the Healthcare Business, our other growth business, we are focusing on promoting the spread of our "Total Package," offering electronic medical record and medical information systems, reception for revisiting patients, and IT accounting devices as a single package. We plan to promote this as a cloud-based, fixed-cost service mainly targeting small and medium-sized local hospitals, which have not aggressively invested in IT.

The main theme of ICHIGAN 2024 is RYODEN's evolution into a business creation company, and we have seen obvious growth in our sales of cloud-based subscription services, a measure that symbolizes this evolution. Our "Total Package" service for hospitals, LoRaWAN-related services, and "Pescle" pest control service for food factories are leading examples of such cloud-based subscription services. In FYE2023, we forecast net sales in excess of ¥200 million from these services. This is the first report to present Pescle, which is a cloud-based AI service that addresses rising demand for food security and safety, providing a constant monitoring system in locations such as food factories and stores, to ensure that there are no mice or other pests. We are promoting it jointly with Earth Environmental Service Co., Ltd. Leveraging RYODEN's high-accuracy sensing technology and unique AI, it represents a high-value-added service that can contribute to food security and safety.

## Promoting Total Carbon Management initiatives

We are engaged in addressing a range of issues such as achieving zero greenhouse gas emissions associated with electricity usage by 2030, to achieve the RYODEN Group's Environmental Vision. We pursue Total Carbon Management, the Group's unique initiative for a decarbonized society. By quantifying our greenhouse gas (GHG) emissions and our contribution to their reduction, and working together companywide to understand and analyze these figures, we are striving to increase our contribution to reducing GHG emissions throughout the supply chain. As one example of our efforts to achieve our Environmental Vision, we are aiming to use our proprietary photovoltaic power plant in

Kurihara City, Miyagi Prefecture to supply all of RYODEN's electric power. We have also installed solar power generation equipment for totally captive use on the roof of our plant factory, as well as achieving substantial energy savings through the use of state-of-the-art air conditioning equipment and sensors. As a new initiative in partnership with Zeroboard. Inc., we have begun to provide a cloud-based service that enables the measurement and visualization of GHG emissions.

## To our stakeholders

RYODEN celebrated its 75th anniversary in April this year. I would like to express my sincere gratitude to our stakeholders for their strong support and guidance, without which this would not have been possible. RYODEN is currently in the process of transforming into a "business creation company" that transcends the bounds of an agency or trading company. We believe we can achieve further growth by moving beyond the promotion of individual products to clearly set forth what we want to achieve and what value we can provide.

We have decided to change the company name to RYODEN CORPORATION in April 2023. This change removes

the implication that we are simply a trading company, which remains in the Japanese version of the current company name, while retaining the name of "RYODEN," now a familiar sound to our stakeholders. It embodies our determination to break free from the "trading" image and respond to market expectations as a business creation company, as we set our sights on being a 100-year company.

I look forward to our stakeholders' continued warm support for the Group into the future.



**"We aim for further growth by clearly showing society what we want to achieve and what value we can provide."**







# RYODEN's Value Creation Story

—Aiming to Become a 100-year Company— Anniversary



RYODEN has cultivated three key strengths over its 75-year-long history: technological prowess, a global network, and broad business domains. Today, RYODEN is being reborn as a business creation company, building on these strengths to transcend the bounds of a trading company as it aims to become a 100-year company. This section introduces the new "value creation" to which the reborn Ryoden Corporation aspires.

Began the transformation into a **business creation company** that transcends the bounds of an agency or trading company

## Strengths RYODEN Has Built During Its 75-year History

### Technological Prowess



Keys to RYODEN's strength

- ▶ Proposing solutions that are one step ahead by leveraging our technical prowess
- ▶ Providing professional customer response

Roots of RYODEN's strength

- ▶ 1982 Established a semiconductor technology division, capturing changing trends in the semiconductors business, and established foundations as a technical trading company, including the launch of technical training for engineers in the cooling and heating division
- ▶ 2001 Focused on uncovering new products by overseas manufacturers to overcome difficult market conditions, leading to a fundamental improvement in technological prowess
- ▶ 2003 Strengthened FAE personnel to achieve a "profitable growth strategy"
- ▶ 2005 Strengthened detailed technical support in response to advances in microcomputing and changes in sales channels

### Global Network



- ▶ 29 operational sites in Japan and 19 overseas, providing Japanese customers with global information, products, and services
- ▶ Operational sites in Europe and North America, in addition to Asia, providing local support to meet the diverse needs of customers expanding globally from Japan

- ▶ 1958 Established branches and offices across Japan as the domestic general agent for Mitsubishi sewing machines and electric refrigerators
- ▶ 1990 Established RYODEN's first overseas operational sites in Singapore to capture demand arising from Japanese companies' shift to overseas production
- ▶ 1999 Established a subsidiary in California, United States, with the aim of uncovering new products
- ▶ 2001 Expanded into China (Shanghai), providing not only semiconductors and devices but also factory automation (FA) equipment to local customers
- ▶ 2011 Established a subsidiary in Germany

### Broad Business Domains



- ▶ Four mainstay core businesses: FA (factory automation), cooling and heating (air-conditioning equipment), buildings (elevators), and electronics (semiconductors and devices)
- ▶ Expanding into network, healthcare, and smart agriculture fields

- ▶ 1947 Founded as a sales agent for Mitsubishi Electric sewing machines, radios, and electric refrigerators
- ▶ 1964 Mitsubishi Electric entered the equipment business
- ▶ 1971 Separated the original Mitsubishi consumer electronics agency business, and made a new start as a specialized trading company handling cooling, heating, household appliances, equipment, and materials
- ▶ Launched a companywide effort to expand sales of semiconductors as sole distributor for Mitsubishi Electric semiconductors
- ▶ Established an elevators division, and grew in scale as sole distributor for Mitsubishi Electric elevators
- ▶ 1983 Launched an information and telecommunications system division, began to handle radio equipment, and expanded the computer-related business

### Founding

1947  
"Riko Shokai K.K." was established as an agent for Mitsubishi Electric Corporation, for the purpose of selling various electric devices, mainly sewing machines, electric refrigerators and radios, and general machinery. The Company later merged with Daico Shokai (Osaka).

See P59 for details of RYODEN's history.

See P61 for details of RYODEN's strengths.



Remarks by Executive Officers

# RYODEN's Aim of "Business Creation"

RYODEN is undergoing substantial change, generating various internal and external innovations as it strives to evolve into a business creation company. How should we perceive RYODEN's long history as an agency and trading company? How should we break this mold to emerge in our new form? The Executive Officers responsible for each business, leading from the front, explain their aspirations for "business creation."

**Emphasizing communication with customers as we foster a corporate culture of striving for new business creation.**

**Masatoshi Nakamura** Senior Executive Officer  
In charge of supervising Business Divisions,  
General Manager, FA & Facilities System Business Headquarters



For RYODEN to establish a sustainable corporate value creation model, aiming to be a 100-year company, it must foster a corporate culture that encourages employees to take on the challenge of creating new businesses. We believe that business creation can be brought about by vigorously promoting a speedy and highly-flexible cycle of hypothesis, implementation, and verification.

In the past, RYODEN has endeavored to provide solutions to meet customer needs through its mainstay

businesses. However, in order to become a business creation company, we must move beyond this approach, undertaking initiatives to reveal latent customer issues and propose new value. To achieve this, we will further emphasize communication with customers and aim for more advanced proposals together with our corporate partners, striving to raise perceptions of RYODEN's corporate value from a long-term perspective.

**Value is generated by business creation that addresses social issues. Incorporating external perspectives to build a new quarter-century.**

**Shunichi Higashi** Senior Executive Officer  
General Manager, Device System Headquarters



Today, with the global environment, social environment, and economic environment all undergoing dramatic change, new businesses will be created to address social issues in the midst of these dramatically changing environments. Our business environment is also facing imminent transition due to factors such as carbon neutrality, ESG, and DX. Under these conditions, it is difficult to foresee a bright future by simply carrying on our existing businesses. For RYODEN to be a 100-year company, we must cast aside the routine work of the past 75 years and become a totally different enterprise

for the next 25 years. When considering where to seek the next pillar of our business, we will not be able to transcend the limitations of our industry only with internal discussions based on the same business practices and business culture as before. Rather, we must work together with external partners, with totally different opinions and perspectives. We are in the process of considering such partnerships right now. I believe there is a great need for all employees, myself included, to embrace change, so that we can respond flexibly and swiftly to changes in the environment.

**Leveraging RYODEN's strengths to create valuable new businesses in the fields of environment, safety and security.**

**Shinji Inazawa** Executive Officer  
General Manager, New Business Promotion Department  
General Manager, Innovation Emergence Department, Device System Headquarters



During the last decade, RYODEN has taken the challenge to engage in numerous new businesses, aspiring to be a "global solutions provider." However, with dramatic changes underway in the market environment, we must further accelerate the pace of this transformation. The roles required of trading companies by markets are changing, and to achieve our aim of becoming a 100-year company, we must not only continue to generate sustainable innovation by utilizing our strengths in existing businesses but also transcend

the trading intermediary model to achieve new value creation in new businesses. The keywords of our growth strategies—environment, safety and security—are all fields where we can fully leverage RYODEN's strengths. In my position responsible for new businesses, I am particularly keen to focus on establishing new businesses in the environment field. We aim to create valuable new businesses that will be beneficial to RYODEN, customers, supplier partners, the market, and the environment.

**"Block FARM" represents a significant value creation challenge. We will continue to take on new business domains and business models.**

**Takamasa Nitta** Executive Officer  
General Manager, Smart-Agri Business Division

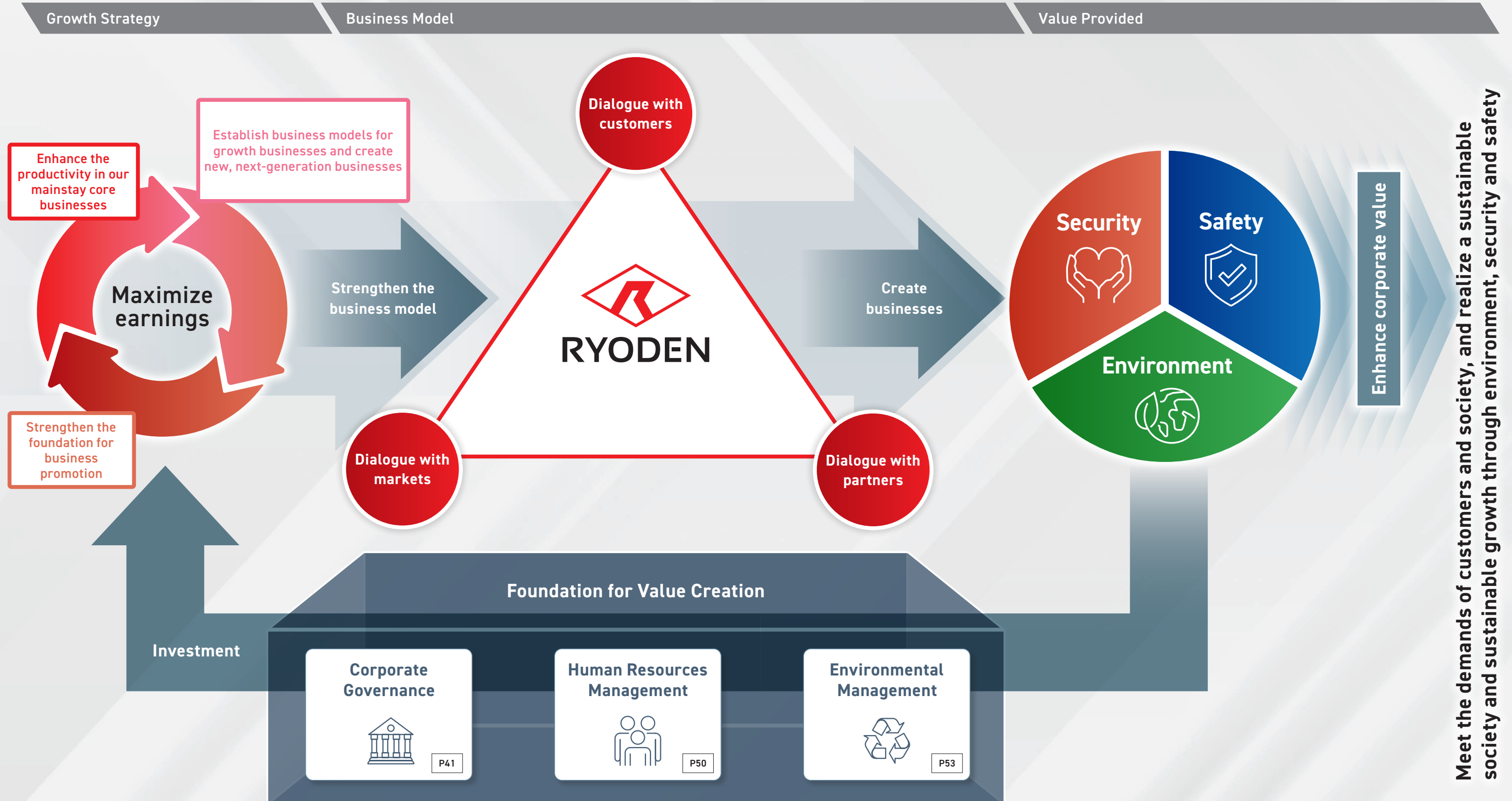


RYODEN's Smart Agriculture Business is not limited to the conventional equipment and systems business targeting plant factories; rather, we aim to be a next-generation agriculture platform, updating agriculture in Japan. We have actively invested in business creation on a level unprecedented within RYODEN. This includes investment in venture companies, business alliances with major corporations, and the construction of proprietary factories aimed at commercial operation on a new business model, among other activities. We aim to establish a comprehensive, streamlined function integrating all processes from research and

development to production, sales, distribution, and branding. "Block FARM," a next-generation spinach plant factory which started mass-production in August 2022, features RYODEN's proprietary solutions, such as an energy-saving environmental control system and labor-saving equipment. Through this initiative, we are engaged in practical value creation with the aim of helping to solve social issues. Looking ahead, I hope to further boost RYODEN's value creation by increasing our engagement in new business domains and business models in agriculture and other fields.

# RYODEN's Value Creation Model

We will engage in dialogue with customers, partners and markets to provide new value to society, and contribute to achieving a sustainable society and sustainable growth through environment, security and safety. We aim to achieve a "value cycle," enhancing corporate value through these efforts, strengthening our mainstay core businesses and new businesses through reinvestment, and creating even greater value.



Meet the demands of customers and society, and realize a sustainable society and sustainable growth through environment, security and safety

## Creating New Value (1) Smart Agriculture

RYODEN's Smart Agriculture Business is engaged in the development, construction, and operation of plant factories that use artificial light. We have completed a next-generation plant factory that achieves the mass-production of spinach, and we are working on expanding the scale of this business. With plant factory systems that can efficiently and stably supply safe and secure food, we will create significant value as we help to realize a sustainable society.

### Business creation

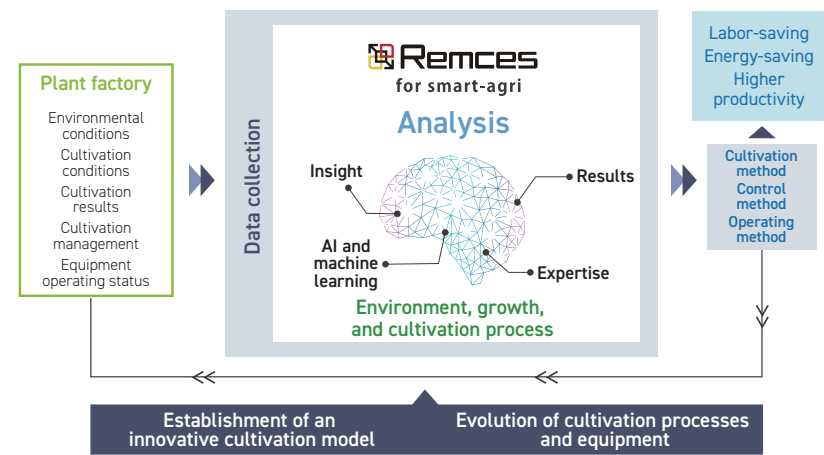
### Mass-production commences at our next-generation plant factory, "Block FARM," the first plant factory in the world to achieve the mass-production and stable supply of spinach

Since turning the development of equipment systems for plant factory and construction engineering into a commercial business in 2017, the RYODEN Group has gone on to acquire a leading share in the Japanese market for systems, equipment, and construction for plant factories. We have fully invested this expertise in the completion of the "Block FARM" next-generation plant factory, and established as a joint venture with Farmship, Inc., which has strengths in the sale of plant factory vegetables and factory operating expertise. Aiming for the mass-production of spinach in the clean environment within the factory, we commenced mass-production in August 2022, with a plan for year-round cultivation totaling approximately 1,000 tons per year.

Block FARM features the dedicated "Remces for smart-agri" integrated IoT system for plant factories. We used this state-of-the-art system, fusing IT and DX, to collect and analyze various data on factors such as environmental conditions, cultivation conditions, and past results, and to establish a cultivation model that realizes high productivity. In terms of hardware, we achieved substantial energy savings through features such as a correlated air-conditioning system that applies a newly-developed algorithm and high-precision localized air-conditioning technology. We will proceed to create new value, not only by producing high-value-added plant factory vegetables but also by providing our customers with cultivation models and packaged plant factories based on the expertise and insight acquired from our own production efforts.



| Block FARM         |  |
|--------------------|--|
| Production volume  | 3 tons per day   |
| Location           | 2262-1 Nishinaka, Hara, Numazu, Shizuoka, Japan                              |
| Scale              | 1,000 tonnes per year  |
| Area               | Overall site: 20,000m <sup>2</sup><br>Gross floor space: 8,000m <sup>2</sup> |
| Cultivation method | Enclosed artificial light  |
| New employment     | 100 people or more   |



### Value provided

By enabling the stable and efficient production of food, our Smart Agriculture Business aims to solve a wide range of social issues and climate change issues faced by Japanese agriculture today. Plant factories are not easily affected by environmental conditions, and are also useful for the effective utilization of agricultural land, including that which has been left abandoned.

Moreover, while high power usage posed a problem for conventional plant factories, Block FARM achieves both energy savings and high profitability, with a 50% reduction in power consumption compared to previous plant factories. This is achieved by combining the "Remces for smart-agri" dedicated plant factory IoT system with environmental control algorithms developed by RYODEN, full captive-consumption solar power generation equipment, etc.

We have also improved vegetable functionality by using a correlated air-conditioning system to create artificial temperature differences and achieved the simultaneous production of various types of vegetable through high-precision localized air-conditioning technology, to create new businesses and contribute to providing new value.



## Creating New Value (2) The "Remces" IoT Platform

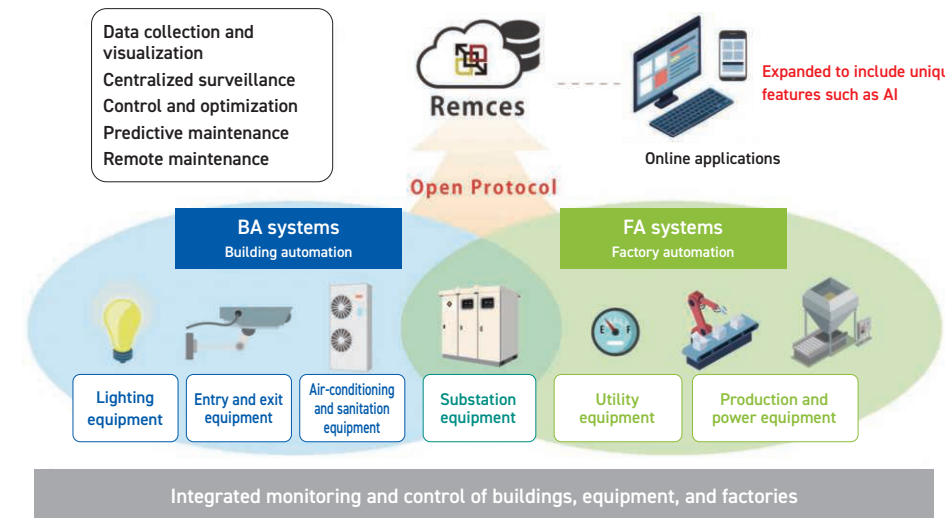
Remces is an IoT platform that links equipment and devices produced by different manufacturers, collects information from various sensors and alarms in real time, and enables centralized management. Leveraging the characteristics of open networks to link diverse functions to suit the environment, Remces creates new value in ways such as boosting efficiency and convenience, reducing costs, and conserving labor and energy.

### Business creation

### RYODEN succeeds in commercializing a cloud-based integrated monitoring and control system, highly acclaimed for reasons such as raising operating efficiency

The primary feature of Remces is its open protocol, compatible with at least 10 different types of protocol. This enables users to aggregate on the cloud various data from equipment, sensors and other devices with different manufacturers, and visualize, analyze, and control this information. Remces can be installed anywhere—in factories, buildings, facilities, stores, etc.—to assist in ways such as improving productivity and energy saving, and facilitating predictive maintenance and remote maintenance.

In factories, for example, Remces not only enables monitoring of the operational status of production equipment but also aggregates data such as the status of utilities and the inside and outside environment, as well as images from surveillance cameras, in real time. The Remces platform contributes to labor-saving and energy-saving by analyzing factors such as correlations with energy consumption and other data and ensuring the optimal control of equipment. This is also the case in office buildings, where linking the platform with lighting equipment, entry and exit equipment, air conditioning, sanitation and other equipment can facilitate better security and energy-saving.



### Value provided

In addition to providing value such as enhanced operational efficiency and convenience for customers, reduced up-front investment and operating costs, labor-saving and energy-saving, Remces also contributes to resolving social issues.

The "Electrical Power Measurement and Visualization Package" is specialized for the measurement and visualization of power consumption and supply volumes. It analyzes the data gathered from monitoring electrical power to support energy-saving through upgrading to high-efficiency equipment and revising control methods.

The "Environmental Monitoring Package" enables the real-time measurement and visualization of data such as temperature, humidity, light intensity, CO<sub>2</sub> concentration, and pressure. It is designed for installation in food factories and plant factories. It facilitates efforts to curb unnecessary energy consumption through the visualization of air-conditioning overload and the loss of pressure and flow.

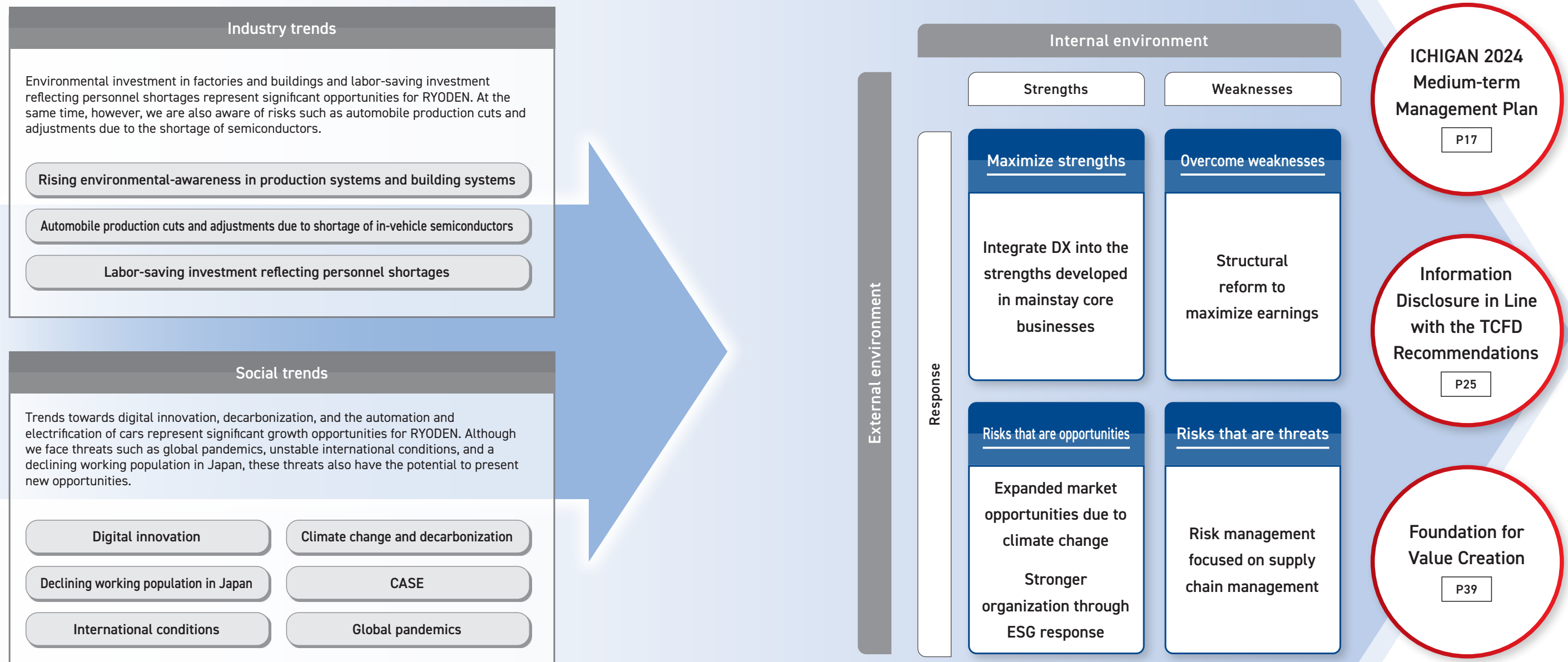




# Business Environment

RYODEN strives to correctly identify risks and opportunities by ascertaining and analyzing social and economic trends from a global perspective. In this way, we endeavor to maximize our strengths and overcome weaknesses, achieving our management strategy of minimizing threats while accurately capturing favorable opportunities.

RYODEN's strategic direction



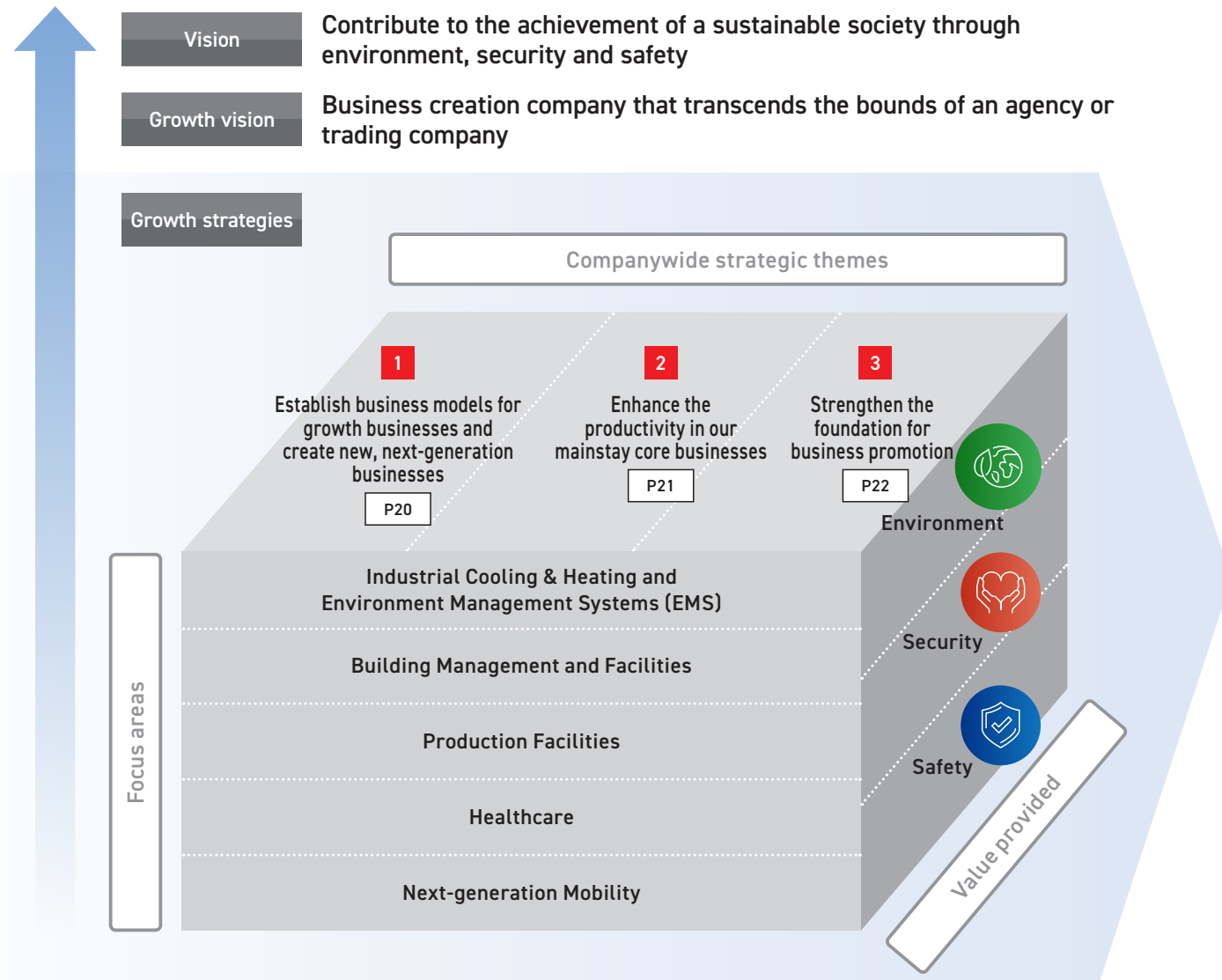
# ICHIGAN 2024 Medium-term Management Plan

Through the implementation of ICHIGAN 2024, the five-year medium-term management plan launched in FYE2021, the RYODEN Group aims to “continue to create new value as a business creation company that transcends the bounds of an agency or trading company.”

## Overview and positioning of the medium-term management plan

The major strategic theme of ICHIGAN 2024 is the maximization of earnings. We aim to achieve this through the implementation of structural reform and the promotion of DX. RYODEN previously established and operated a business model focused on solutions combining digital and other technologies with the strengths developed through mainstay core businesses. This concept has been passed on to our promotion of DX, further honed and actively pursued in the form of RYODEN Digital Transformation (RDX).

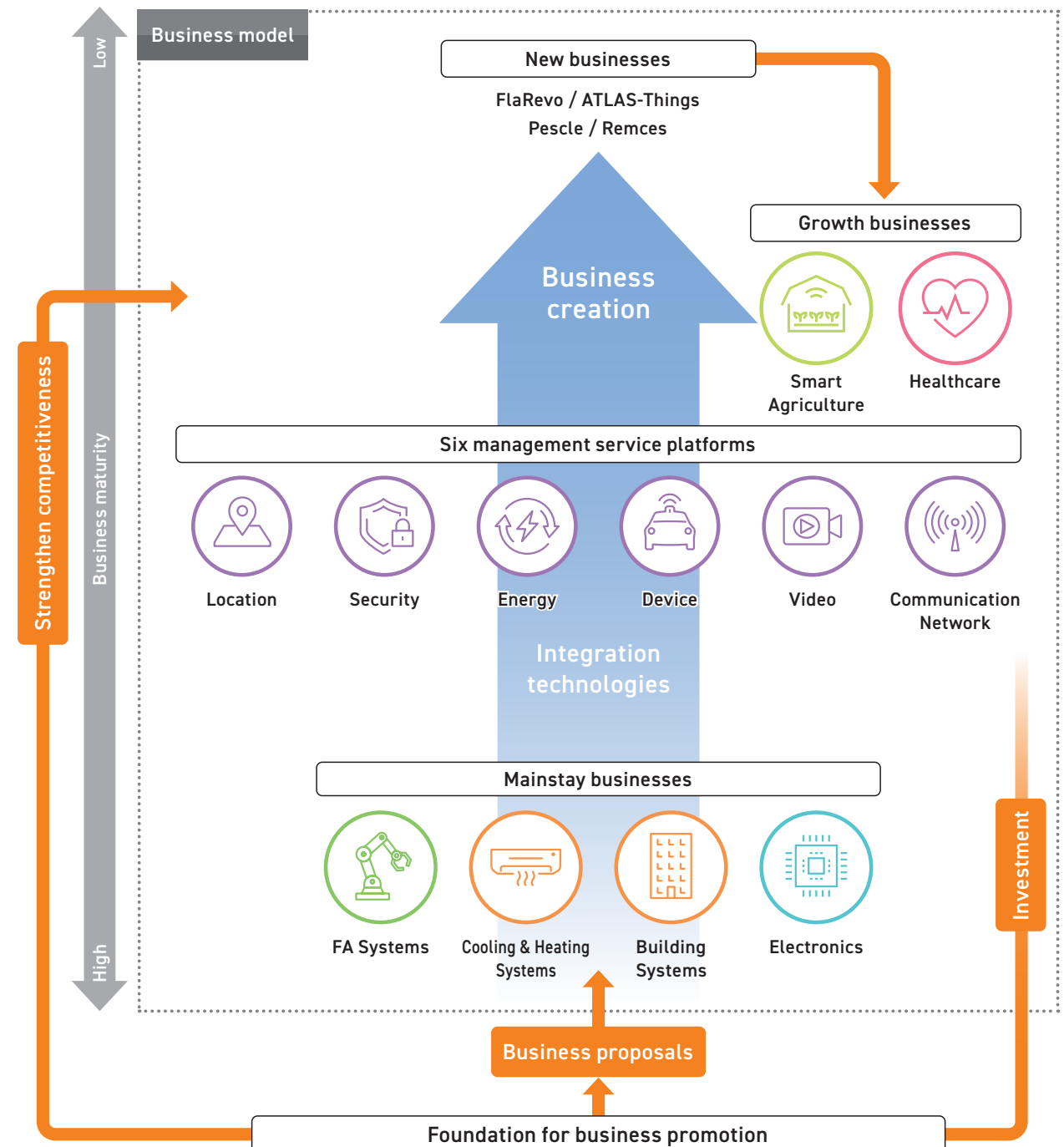
Our efforts to maximize earnings pivot on three growth strategies: “Establish business models for growth businesses and create new, next-generation businesses,” “Enhance the productivity in our mainstay core businesses,” and “Strengthen the foundation for business promotion.” For the focus areas where RYODEN has an advantage, in particular, we aim to achieve sustainable and profitable growth by generating environmental, security and safety value and creating new business models together with our customers.



## Value creation cycle through growth strategies

Until now, the RYODEN Group's growth has pivoted on its four mainstay businesses. In the future, we will develop six management service platforms fusing ICT technologies with the integration technologies acquired through these four mainstay businesses, in addition to strengthening these businesses. We will also engage in establishing growth businesses targeting two specialty fields.

Through business activities focusing on these areas, we aim to build an even more beneficial cycle that will enable us to further strengthen our foundation for business promotion and accelerate enhancements to the competitive strength of our business model, by creating businesses that generate new revenue, and reinvesting this revenue.

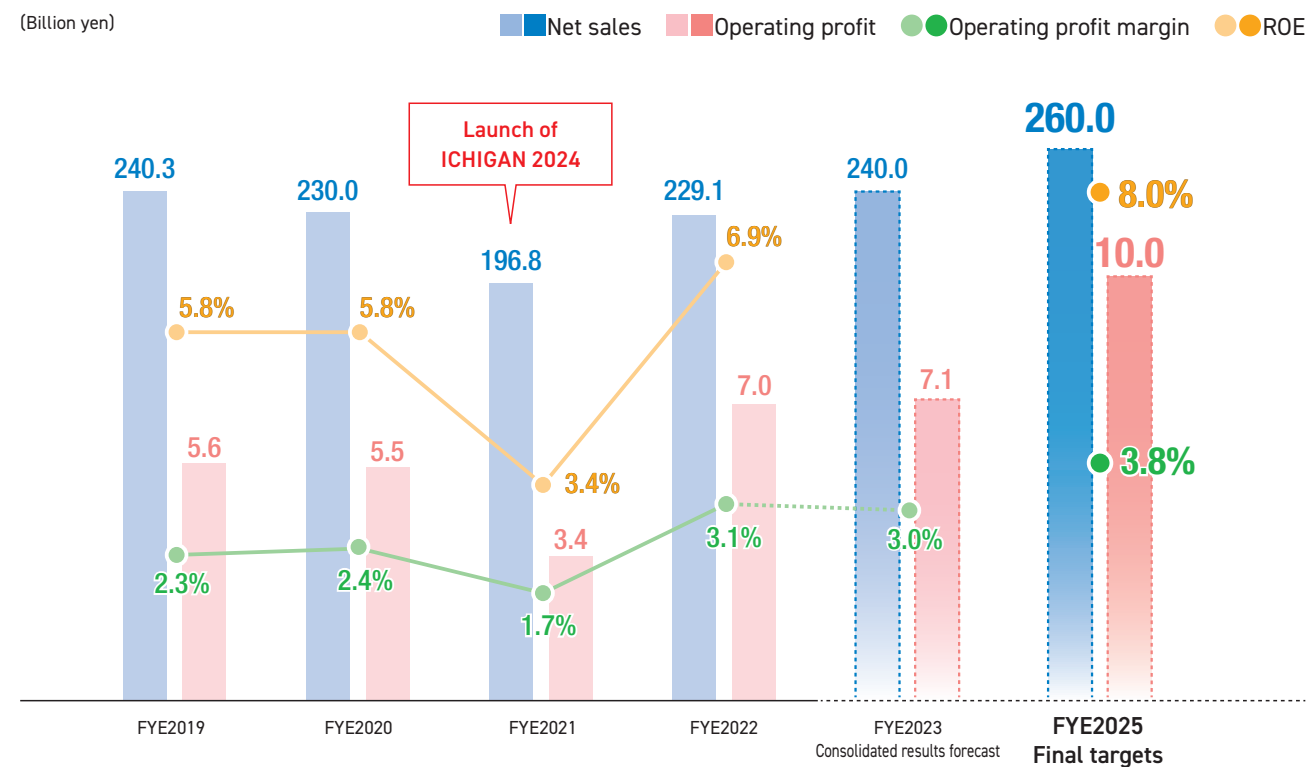


ICHIGAN 2024 Medium-term Management Plan

# State of Progress

Compared to the quantitative targets for the final fiscal year of the medium-term management plan, FYE2022 results were supported by our mainstay core businesses, with growth in Electronics especially significant. Operating profit amounted to ¥7.0 billion (a progress rate of 71%). The operating profit margin of 3.1% was up 1.4 percentage points year on year, but still fell short of the target for the final fiscal year by 0.7 percentage points. We will continue to strengthen our efforts to achieve RYODEN Digital Transformation (RDX), one of our strategic themes.

## Progress of ICHIGAN 2024



### Results against management targets

|                                       | FYE2022 results                        | ICHIGAN 2024 targets                 |
|---------------------------------------|--|--------------------------------------|
| Operating profit                      | ¥7.0 billion                           | ¥10.0 billion or more                |
| Operating profit margin               | 3.1%                                   | 3.8%                                 |
| Net sales in new businesses           | Down ¥0.16 billion compared to FYE2019 | Up ¥15.0 billion compared to FYE2019 |
| Gross profit margin in new businesses | 16%                                    | 18%                                  |
| ROE                                   | 6.9%                                   | 8.0%                                 |

ICHIGAN 2024 Medium-term Management Plan

# Growth Strategy 1 Establish business models for growth businesses and create new, next-generation businesses

RYODEN is progressively establishing business models for new businesses in Smart Agriculture (plant factories), Network, and Healthcare, while also developing new services aimed at solving social issues such as carbon neutrality and food safety.

## Establish business models for growth businesses

| Achievements  | Future initiatives   |
|---|--|
| <ul style="list-style-type: none"> <li>Transformed the business model through smart agriculture. Our subsidiary BlockFARM, Inc. completed construction of an energy-saving, next-generation plant factory utilizing innovative, state-of-the-art technologies, and entered the production business</li> <li>Set up a cloud-based integrated management system (subscription-model) business as a new, next-generation business</li> <li>Secured a stable level of sales in the healthcare IT business targeting small and medium-sized hospitals</li> </ul> | <ul style="list-style-type: none"> <li>Achieve monetization in smart agriculture through full-scale entry into the production business and the construction of next-generation agriculture value chains</li> <li>Expand network cloud service proposals focused on the manufacturing industry</li> <li>Establish firmer profit base by expanding sales of products such as electronic medical records and medical information systems</li> </ul> |

## Create new, next-generation businesses

| Achievements   | Future initiatives   |
|--|--|
| <ul style="list-style-type: none"> <li>Commenced an alliance with Zeroboard, Inc. for decarbonization initiatives</li> <li>Launched cloud-based AI services to support pest control, contributing to food security and safety</li> </ul> | <ul style="list-style-type: none"> <li>Leverage the cloud-based greenhouse gas (GHG) emissions measurement and visualization service produced by Zeroboard, Inc. to establish a business model to realize decarbonized ecosystems for the electronics industry</li> <li>Expand pest control proposals in collaboration with our corporate partners, focusing on the food manufacturing industry</li> </ul> |

In Smart Agriculture, a growth business, we will strengthen our initiatives in fields apart from vegetables, reinforce our alliance with Farmship, Inc., and accelerate our efforts to build next-generation value chains. In Network, we will promote initiatives to pursue training and personnel development in networks, automatic recognition, and sensing technologies, and to establish sales, maintenance, and technical support systems that include our partner companies. In Healthcare, we will swiftly establish a more resilient profit base through initiatives such as the introduction of electronic medical records and the expansion of medical information systems.

For new, next-generation businesses, we will accelerate our efforts to strengthen sales of the Remces integrated monitoring and control system for the carbon-neutral market, as well as visualizing and reducing RYODEN's own GHG emissions.



## Growth Strategy 2 Enhance the productivity in our mainstay core businesses

In our mainstay core businesses—FA Systems, Cooling & Heating Systems, Building Systems and Electronics—we are pursuing the standardization and optimization of operations through structural reform promotion and promoting high-value-added businesses by uncovering new products and implementing solutions businesses.

### Enhance the productivity in our mainstay core businesses

|                           | Achievements   | Future initiatives  |
|---------------------------|--|---|
| FA Systems                | <ul style="list-style-type: none"> <li>Advanced the systems engineering business, focusing on robotics and image processing</li> <li>Moved ahead with efforts to gain access to local semiconductor manufacturers and NC machine tools manufacturers in China</li> </ul> | <ul style="list-style-type: none"> <li>Strengthen product and services unearthing and proposal capabilities based on DX in the manufacturing industry</li> <li>Expand businesses in the growth markets of China and Southeast Asia</li> </ul>               |
| Cooling & Heating Systems | <ul style="list-style-type: none"> <li>Promoted alliances with sales partners and strengthened our engineering function</li> <li>Accelerated development into overseas markets such as new product sales to Japanese subcontractors in Mexico</li> </ul>                 | <ul style="list-style-type: none"> <li>Expand industrial cooling and heating business, including environmental testing facilities</li> <li>Promote collaboration with partners and strengthen proposal capabilities to achieve carbon neutrality</li> </ul> |
| Building Systems          | <ul style="list-style-type: none"> <li>Progressively developed into the building management, ZEB, and renewal markets as whole-building coordinators</li> </ul>  | <ul style="list-style-type: none"> <li>Promote building management business to capture energy-saving and energy management demand</li> </ul>  |
| Electronics               | <ul style="list-style-type: none"> <li>Collaborated in designing next-generation mobility solutions, our focus as a new, high-value-added business</li> </ul>  | <ul style="list-style-type: none"> <li>Establish a business promotion system to optimize our business portfolio</li> <li>Strengthen sales expansion of analog products through stronger FAE</li> </ul>  |

Our engagement with the market was partially affected by factors such as the COVID-19 pandemic, rising worldwide inflation and geopolitical risk, and soaring energy resource and raw materials prices resulting from supply chain disruptions. However, we achieved substantial results thanks to the success of new products uncovered in our mainstay core businesses and proposal activities for high-value-added businesses in solutions and other businesses, as well as by capturing vigorous international investment in labor-saving using machine tools and robots and robust demand in the automotive and industrial equipment markets. We are also accelerating initiatives to capture markets for which growth is expected and develop hitherto untapped industries. This includes actively investing resources from a global perspective.

We will continue to engage in structural reform, actively pursuing higher productivity through the standardization and optimization of business processes, uncovering new products, implementing solutions businesses, and developing new markets to promote high-value-added businesses.

## Growth Strategy 3 Strengthen the foundation for business promotion

We are working towards a stronger foundation for business promotion to accelerate the implementation of the RYODEN Group's growth strategies. This primarily refers to the training of global personnel who will form the core of our corporate management, but also includes initiatives such as organizational reform, the reform of corporate culture, and the strengthening of the Group's digital foundation and IT infrastructure.

| Achievements   | Future initiatives  |
|--|---|
| <ul style="list-style-type: none"> <li>Worked to create a corporate culture and environment for the development of innovative personnel</li> <li>Formulated a grand design for working style transformation and promoted cultural reform, aiming to enhance the ease of work and work fulfillment</li> <li>Optimized the business promotion system and achieved a stronger strategic function and speedier decision-making</li> <li>Implemented organizational reforms</li> <li>Strengthened the IT foundation and information security through the release of new core systems</li> </ul> | <ul style="list-style-type: none"> <li>Establish a sustainable business promotion system</li> <li>Practice "one rank higher corporate governance" as a Prime Market-listed company</li> <li>Leverage process standardization and digitalization to achieve more efficient operations and improve productivity</li> <li>Focus on building the digital foundation and strengthening ICT infrastructure</li> </ul> |

### Growth Strategy Case Studies

#### Growth Strategy 1 Establish business models for growth businesses and create new, next-generation businesses

##### "Pescle" cloud-based AI service: supporting sustainable pest control

"Pescle" is a cloud-based AI service that constantly monitors locations such as food factories and stores to ensure that there are no mice or other pests. Through collaboration with Earth Environmental Service Co., Ltd., which possesses a high degree of expertise in comprehensive environmental hygiene management, the service achieves high-accuracy, real-time detection and monitoring, with sensor units that apply advanced thermal technology and unique AI technology.

With the demand for food security and safety on the rise, there is an ever greater need for pest control. However, specialized knowledge and techniques are required for this, which presented problems in terms of securing on-site engineers and achieving efficient operations. Pescle not only supports sustainable pest control operations but also contributes to achieving a society where food safety is ensured.



##### Commencing an alliance with Zeroboard. Inc. for decarbonization in the electronics industry Encouraging companies to reduce greenhouse gas emissions

The "zeroboard" cloud service, developed by RYODEN's alliance partner Zeroboard. Inc., enables the measurement and visualization of greenhouse gas (GHG) emissions from corporate activities and supply chains based on the GHG Protocol, an international standard.

By installing zeroboard, companies are able to establish GHG measurement methods, reduce workload, and link emissions data across supply chains. We have also released a function for measuring emissions by product and service. Visualizing results for each product and service contributes to measuring and reducing GHG emissions throughout the supply chain. Through our alliance with Zeroboard. Inc., we will expand these initiatives into the network of trading partners that RYODEN has established until now, aiming to realize decarbonized ecosystems in the electronics industry.



Growth Strategy 3 Strengthen the foundation for business promotion

## RYODEN Digital Transformation (RDX)

Through ICHIGAN 2024×DX, we aim to achieve a “growth business creation cycle.”

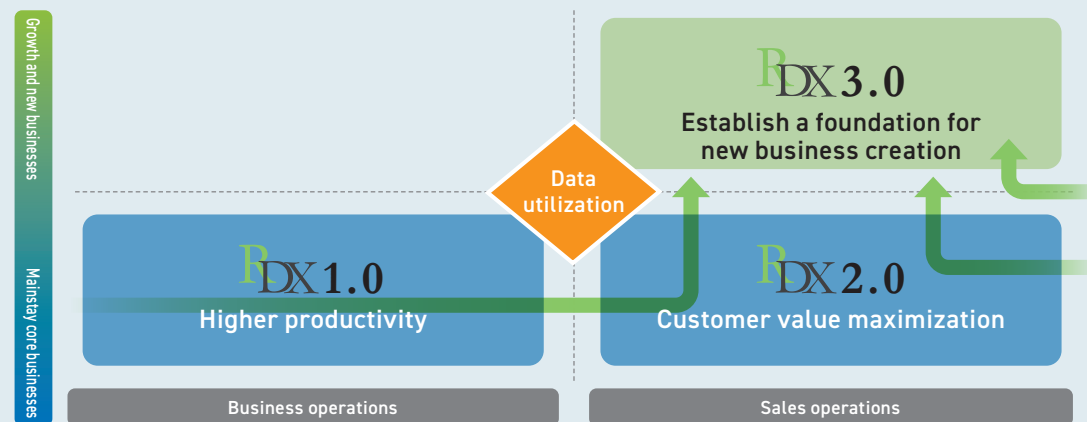
RYODEN Digital Transformation (RDX) will transform RYODEN's various “connections” —connections with customers and partners, and internal connections—through the power of digital technology and vigorously promote initiatives to bring about growth, to achieve the ICHIGAN 2024 strategic theme: “Promotion of digital transformation (DX).”

In combination with each growth strategy under the ICHIGAN 2024 Medium-term Management Plan, we will utilize diverse digital data acquired from our businesses to drive future business activities and establish a cycle of the continuous creation of growth businesses and new businesses, while substantially changing the business framework.

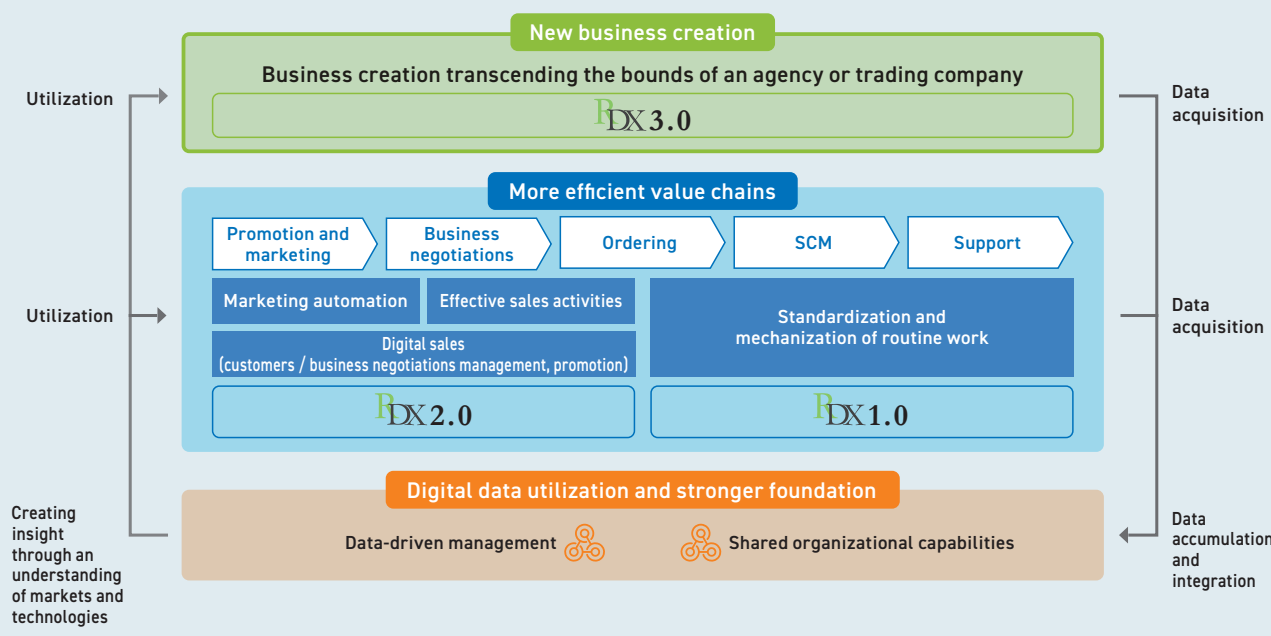


Under RDX1.0, we aim to leverage the power of digital technology to achieve higher productivity, efficiency, and optimization in our business operations and achieve low-cost operation, primarily in our mainstay core businesses.  
Under RDX2.0, we aim to rebuild relationships and contact points with customers and partner companies through digitalization, and maximize customer value while transforming our sales style.  
Through our initiatives under RDX1.0 and RDX2.0, we will establish a foundation for data-driven management. This will then lead to the creation of new business models from a different perspective to existing businesses, under RDX3.0.

### RDX Promotion Framework



### RDX Themes (Illustration in Terms of Business Activities)



## Promoting SDGs

Seven important SDGs for our business activities



We selected seven important SDGs for our business activities upon consideration of a comprehensive range of factors such as the degree of importance in relation to our business activities, the focus areas of our medium-term management plan, and the perspectives of various stakeholders. These SDGs are incorporated into our initiatives in each business.

### Progress in promoting SDGs

In addition to these seven important SDGs for our business activities, from FYE2023, we have established and are pursuing targets corresponding to priority issues identified based on a consideration of initiatives to mitigate corporate risk from ESG and other perspectives.

|               | Priority issues / main themes   | Initiatives  | Targets (non-financial indicators)   | Related SDGs |
|---------------|---|--|--|--------------|
| Environmental | <b>Global warming countermeasures</b>   |  |  |              |
|               | Reducing greenhouse gas (GHG) emissions from our offices (activities aimed at achieving the Environmental Vision) | • Reductions through the switch to electric power not sourced from fossil fuels  | • Reduce GHG emissions from our offices to zero by 2030  | 7, 13        |
|               | Reducing GHG emissions from company cars  | • GHG reductions through the adoption of non-fossil fuel vehicles such as electric vehicles (EV) and fuel cell vehicles (FCV)  | • Reduce GHG emissions through the 100% introduction of non-fossil fuel vehicles by 2030   | 13           |
|               | <b>Initiatives to create a circular society</b>   |  |  |              |
|               | Protecting forest resources   | • Protecting forest resources through the use of FSC certified paper   | • Use 100% FSC certified paper (continue every year)   | 13, 15       |
|               | Reducing waste  | • Reducing the amount of final waste disposal  | • Reduce the amount of final waste disposal by FYE2031 (to 501.6 kg, a 60% reduction compared to FYE2016)  | 8, 12        |
| Social        | <b>Biodiversity</b>   |  |  |              |
|               | Social contribution activities with due consideration to biodiversity   | • Promoting global environmental conservation activities   | • Recommence activities after a hiatus due to COVID-19 (continue activities in all operational sites and areas)  | 13, 14, 15   |
|               | <b>Promoting diversity</b>  | • Supporting active participation by diverse personnel   | • Raise the proportion of female new graduates on the main career track to 30% by FYE2025<br>• Raise the number of females in senior positions to around 20 (around 10% of all senior employees) by FYE2031 (compared to 7, 2% in FYE2022)<br>• Raise the number of mid-career recruits in senior positions to around 75 (around 30% of all senior employees) by FYE2031 (compared to 62, 17% in FYE2023)<br>• Comply with the legally mandated employment rate of disabled persons                                | 5, 8         |
|               | <b>Personnel development initiatives</b>  | • Providing opportunities to continue to grow  | • Implementation rate of the team strengthening project (to be completed in FYE2026)<br>• Career planning training sessions for each age group: 30% attendance rate among all employees by FYE2026<br>• Raise the number of females in senior positions to around 20 (around 10% of all senior employees) by FYE2031 (compared to 7, 2% in FYE2022)<br>• Raise the number of mid-career recruits in senior positions to around 75 (around 30% of all senior employees) by FYE2031 (compared to 62, 17% in FYE2023) | 4, 8, 10     |
|               | <b>Working style reform</b>   | • Achieving health and productivity management and work-life balance   | • 100% utilization rate for regular medical examinations and stress checks<br>• Ensure utilization of five days of annual paid leave per year<br>• Raise the annual paid leave utilization rate from 60% to 65% by FYE2025   | 3, 8         |
|               | <b>Initiatives for quality, etc.</b>  | Supporting efforts to strengthen technical capabilities to achieve sustainable consumption and production  | • Operating quality risk management systems for new businesses<br>• Investigate the true cause of serious defects and implement measures to prevent recurrence across the organization   | 8, 9         |
| Governance    | <b>More advanced corporate governance</b>   | • Initiatives to strengthen governance in line with the Corporate Governance Code  | FYE2023<br>• Increase the proportion of Independent Outside Directors to at least one-third of all Directors<br>• Strengthen coordination through regular reporting and communication of internal audit results to the Board of Directors  | 17           |
|               | <b>Risk management</b>  | • Supplement governance with enhanced risk management systems through the Business Risk Committee  | • Hold regular meetings of the Business Risk Committee and encourage internal information-sharing  | 17           |
|               | <b>Continuing compliance</b>  | • Confirming and sharing the status of compliance through the Ethics and Legal Compliance Committee, completing legality checks across all operational sites, and enhancing compliance education | • Hold regular meetings of the Ethics and Legal Compliance Committee and encourage internal information-sharing<br>• Complete legality checks across all operational sites (annually)<br>• Maintain a 100% implementation rate for compliance education (e-learning) for all employees in Japan and overseas   | 4, 10, 17    |

# Information Disclosure in Line with the TCFD Recommendations

Climate change is a crucial issue for the international community, and is a priority management issue for RYODEN. RYODEN utilizes benchmarks to validate the appropriateness of its climate change response in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), capturing growth opportunities and addressing risks to achieve sustainable growth.

## Response to the TCFD recommendations

At RYODEN, we organize and disclose information in line with the TCFD recommendations. In addition to fulfilling our corporate responsibility to address climate change, we are also responding to risks and opportunities that will contribute to enhancing corporate value.

We have also established the environment, security and safety as value creation targets under our ICHIGAN 2024 Medium-term Management Plan. We are working to reinforce initiatives based on RYODEN's mission and the economic, social and environmental impact of our businesses.

## Governance

### Board of Directors supervisory structure for risks and opportunities related to climate change

"We respond to societal changes, strive for the stability and development of our corporate management and contribute to the communities in which we do business." RYODEN has established this as a principle of its Management Philosophy.

Our vision for 2050 is "contributing to the achievement of a sustainable society through environment, security and safety, as a 100-year company." To achieve this philosophy and vision, we have established the Sustainability Committee to manage sustainability issues, including climate change.

We are fully aware of the needs of our customers, which are under pressure to accelerate carbon neutrality initiatives, as well as our responsibility for our own greenhouse gas (GHG) emissions. We regard addressing climate change as an important managerial issue, and we will engage in management that emphasizes sustainability. The Sustainability Committee is chaired by the Director of Board, President & CEO, and composed of Executive Officers with titles. Important climate-related matters are discussed by the Sustainability Committee, and reported at least once per year, in principle, to the Board of Directors, for the consideration of sustainability issues.

### Role of management in assessing and managing risks and opportunities related to climate change

At RYODEN, management is deeply involved in the effectiveness management of climate-related issues, to speedily address customer needs related to carbon neutrality. Specifically, the Director of Board, President & CEO, as the person responsible for climate-related issues, manages the progress of issues through the Sustainability Committee, instructing and supervising each division, executive office, and Group company as necessary.

We contribute to mitigating climate change not only by visualizing our GHG emissions and emissions reduction contributions and promoting initiatives at our offices in Japan and overseas through RYODEN's unique Total Carbon Management (TCM) but also through the products and services we provide to customers. The Sustainability Committee deliberates on the state of progress of these initiatives, and reports to the Board of Directors. The Board of Directors then indicates countermeasures. In this way, our supervisory structure increases the effectiveness of our response to climate-related issues.

## Strategies

### Timeframes for climate change-related risks and opportunities (short-term, medium-term, and long-term)

For our customers in the electronics industry, carbon neutrality represents a pressing challenge. At the same time, we regard it as a favorable opportunity to provide products and services to address climate change, as we work towards becoming a "business creation company." We are therefore monitoring trends in environmental regulation and market changes, considering their impact on our strategies and operations, strengthening our highly energy-saving product offerings in Cooling & Heating and Building Systems, and enhancing our offerings of systems to improve production efficiency in FA Systems.

In the medium term, we will accelerate our new product offerings to respond to decarbonization, contributing to technological development through dialogue with customers and suppliers engaged in initiatives to achieve decarbonization. We will promote activities to address these climate change-related opportunities, and risks that represent opportunities, based on the following timeframes.

|             |   |
|-------------|---|
| Short-term  | We will respond swiftly to demand for products and services with better energy-saving performance, and work to address short-term changes in the business environment, including the mitigation of environmental impact due to business activities. |
| Medium-term | We will respond to climate change risks by strengthening our initiatives to achieve a decarbonized society, aiming to create products and services (solutions) with low environmental impact throughout the product life cycle.                     |
| Long-term   | We aim to develop and expand products and services optimized for a decarbonized society—those with extremely low CO <sub>2</sub> emissions and those designed for adaption to climate change—as a core business.                                    |

Short-term: 0-2 years; medium-term: 2-8 years; long-term: 8-28 years

### Impact of climate-related risks and opportunities on the organization's business, strategies, and financial targets

#### Our approach to serious risks

We have designated the implementation of structural reforms to strengthen profitability and the promotion of digital transformation as strategic themes under the ICHIGAN 2024 Medium-term Management Plan. We perceive "operating profit" as an especially important management target, and we aim to evolve into a company that contributes to achieving a sustainable society through profitable and sustainable growth.

Moreover, RYODEN's businesses are established on business models deeply linked to "supply chains," including aspects such as the procurement of products from suppliers and the construction of business networks. For these reasons, when assessing the serious financial and strategic impact of climate change risks, we consider not only the impact on RYODEN alone but, as a responsible member of global supply chains, the impact across the entire supply chain.

#### Definition of serious risks

Serious risks include potential pressure on RYODEN's operating profit due to an increase in procurement costs and management costs arising in the event of a disruption to logistics at RYODEN or in its supply chains, or if procurable products or important materials or components become difficult to obtain, due to the rising physical risk of natural disasters or other issues caused by climate change. We regard the quantitative standard for defining serious financial impact as approximately 10% of RYODEN's operating profit.



Impact of climate-related risks and opportunities on the organization's business, strategies, and financial targets

Risks

| Transition risks |   | Countermeasures  | Timeframe   |
|------------------|---|--|-------------|
| Reputation       | <ul style="list-style-type: none"> <li>Decline in social reputation due to delays in the provision of products and services that will contribute to reducing carbon and decarbonization</li> </ul>  | <ul style="list-style-type: none"> <li>Collaborate with suppliers and partners to implement the technological development needed to transition to products and services capable of responding to reducing carbon and decarbonization</li> </ul>  | Short-term  |
| Regulation       | <ul style="list-style-type: none"> <li>Increase in management costs due to stricter greenhouse gas (GHG) emissions regulations</li> <li>Decline in sales volumes due to the introduction of carbon taxes, with a particularly significant impact on semiconductor devices, which consume large amounts of energy during production</li> </ul> | <ul style="list-style-type: none"> <li>Monitor regulatory trends through the Sustainability Committee, and respond promptly</li> <li>Contribute to ameliorating the impact of regulations through cross-industry initiatives targeting suppliers, such as providing the introduction of highly-efficient cooling &amp; heating and building systems and FA systems to boost production efficiency</li> </ul> | Medium-term |
| Technology       | <ul style="list-style-type: none"> <li>Loss of sales opportunities for low-carbon products and services due to delays in the development of advanced technologies to respond to the dramatic transition to a low-carbon society</li> </ul>  | <ul style="list-style-type: none"> <li>Monitor trends in the level of technology deemed necessary for low-carbon society, through coordination between the Sustainability Committee and business divisions</li> </ul>  | Medium-term |
| Markets          | <ul style="list-style-type: none"> <li>Decline in sales volumes for products and services that are difficult to adapt to carbon reductions and decarbonization, due to changes in market needs</li> </ul>   | <ul style="list-style-type: none"> <li>Collaborate with suppliers and partners to implement the technological development needed to transition to products and services capable of responding to reducing carbon and decarbonization</li> </ul>  | Long-term   |

| Physical risks  |  | Countermeasures   | Timeframe   |
|---|--|---|-------------|
| <ul style="list-style-type: none"> <li>Slowdown in production and sales activity and decline in sales due to damage to supply chains (manufacturing plants, warehouses, etc.) resulting from natural disasters</li> </ul> |  | <ul style="list-style-type: none"> <li>Build systems to facilitate the detection of indications of natural disasters and take emergency response</li> </ul> | Medium-term |

Opportunities

| Opportunities  | Effect on business and strategies   | Timeframe   |
|--|---|-------------|
| <ul style="list-style-type: none"> <li>Expansion in demand for air-conditioning equipment due to high temperatures in summer and extremely low temperatures in winter</li> </ul> | <ul style="list-style-type: none"> <li>Increase in sales opportunities for various air-conditioning equipment in Cooling &amp; Heating and Building Systems, and the achievement of CO<sub>2</sub> emission curbs through the provision of products to enhance energy-saving performance</li> </ul> | Short-term  |
| <ul style="list-style-type: none"> <li>Rising need to curb CO<sub>2</sub> emissions from production processes</li> </ul>   | <ul style="list-style-type: none"> <li>Business expansion and sales growth for FA systems, which contributes to improvements in production efficiency and energy efficiency</li> </ul>  | Medium-term |
| <ul style="list-style-type: none"> <li>Expanding need to achieve stable agricultural production</li> </ul>   | <ul style="list-style-type: none"> <li>Business expansion and sales growth through the stable production and sale of high-value-added, safe vegetables from Ryoden's energy-saving next-generation plant factories</li> </ul>   | Short-term  |

Risk management

Climate-related risks are considered by the Sustainability Committee and other risks associated with business management are considered by the Risk Management Supervisory Committee. The results of this consideration are reported to the Executive Committee and the Board of Directors, and monitored by the Board of Directors. Working groups subsidiary to the Sustainability Committee are responsible for the specific management of identified serious risks and identified climate-related risks, instructing and supervising each business division, executive office, and Group company. The Sustainability Committee instructs and supervises each working group. The status of execution is reported by the Chairperson to the Executive Committee and the Board of Directors. These processes are monitored and supervised by the Board of Directors. Each year, measures to address identified serious risks and opportunities are formulated or reviewed and approved, and their progress is checked.

Targets used to manage climate-related risks and opportunities, and results against these targets

Greenhouse gas (GHG) emissions targets

We recognize responding to climate change as a crucial challenge for society, and we have established a target of reducing GHG emissions from all our internal business activities by 100% of FYE2022 levels by FYE2031.

|                                |  |
|--------------------------------|--|
| Reason for setting this target | A 100% reduction in Scope 1 and 2 emissions will be possible by achieving the target of "zero greenhouse gas emissions associated with electricity usage by 2030," established under the RYODEN Group's Environmental Vision, and the 100% adoption of non-fossil fuel vehicles, including electric vehicles (EV) and fuel cell vehicles (FCV), as company cars. This target will enable us to achieve the SBT standards and government targets. |
| Scope                          | RYODEN (non-consolidated) + consolidated companies in Japan (excluding BlockFARM) [Scope 1 and 2]  |

▶ Setting a target for electric power sourced from renewable energy

We will use non-fossil fuel energy certificates with tracking from the RYODEN-operated Kurihara Photovoltaic Power Plant (Kurihara City, Miyagi Prefecture) to reduce GHG emissions from the electric power we use in business activities to zero by FYE2031, and contribute to achieving a decarbonized society.

▶ Other climate-related targets

Reduce GHG emissions to zero by 2030, through the 100% adoption of non-fossil fuel vehicles, including electric vehicles (EV) and fuel cell vehicles (FCV).

▶ Initiatives to reduce emissions

In FYE2019, we introduced Total Carbon Management (TCM), which aims to outweigh the GHG emissions from electricity and fuel consumption in our business activities by contributing to reducing GHG emissions through the use of products we sell. We have continued this initiative since. In FYE2022, GHG emissions from our business activities amounted to 1,054 t-CO<sub>2</sub>, compared to a reduction of 8,286 t-CO<sub>2</sub> in GHG emissions due to the use of products we sold. Our contribution to the reduction of GHG emissions far outweighed the GHG emissions from our business activities.

▶ Promoting initiatives to reduce emissions

The success of the Total Carbon Management (TCM), a significant initiative aimed at reducing GHG emissions, depends largely on our activities to expand sales of products that contribute to reducing GHG emissions when they are used. In recognition of this fact, we have introduced an awards program where prizes are presented to employees and sections that demonstrate outstanding results significantly surpassing the targets for our GHG emissions reduction initiatives.

▶ Products and services that can contribute to reducing emissions

|  |   |
|--|---|
| FA systems                                     | These systems contribute to improving customers' production efficiency and energy efficiency, thus helping to curb GHG emissions.   |
| Cooling & heating systems                      | Through total solutions, including a wide range of equipment, air conditioning, and cleanrooms for a range of sites such as offices, production sites and logistics processes, these systems achieve more efficient energy usage through better energy-saving performance, thus helping to curb GHG emissions.  |
| Energy-saving, next-generation plant factories | Through the parallel establishment of facilities such as a proprietary-developed heat convection environment control system and mega solar power equipment for totally captive use, plant factories using artificial light contribute to achieving a decarbonized society as energy-saving, next-generation plant factories, capable of the stable production of agricultural products safe from the effects of abnormal weather due to climate change. |

Results against targets [See P55](#)

# Message from CFO



## Review of FYE2022

The Electronics Business led RYODEN's overall performance in FYE2022. Supply chain disruptions due to factors such as semiconductor and materials shortages and lockdowns in China caused some customers to adjust production, but sales for car navigation devices and other infotainment devices were robust, as were sales for semiconductor manufacturing equipment and machine tools, and net sales grew significantly. Sales for machine tools and semiconductor manufacturing equipment also drove performance in the FA Systems Business, leading to increases in both revenue and profit. In the Cooling & Heating and Building Systems Business, however, revenue and profit both declined due to the impact of a slowdown in the supply of our main products, despite some support from demand for ventilation, heat countermeasures, cold storage and freezing.

Operating cash flow was negative ¥7.6 billion, mainly due to the impact of an increase in working capital, primarily inventories, associated with substantial growth in the Electronics Business. Amid a continuing worldwide shortage of semiconductors and other electronic components, our inventories have been swollen by products that we have not been able to deliver to customers that are unable to procure the other components needed for production. This is in addition to holding larger-than-normal amounts of inventory under these conditions, for business continuity planning (BCP) purposes. The shortage in electronic components is expected to continue for the time being, but we have responded through cooperation with our suppliers and customers. We have secured the understanding of customers regarding the early placement of orders for products with long delivery times, as well as securing inventory, as already mentioned.

## RYODEN's finance strategy

We believe that RYODEN has secured a sufficiently high equity ratio, at 52.9%. It is possible that we may continue to

seek external funding, but we do not intend to increase financial leverage for the purpose of raising ROE, and we will adhere to our policy of maintaining financial soundness.

RYODEN's basic finance strategy, as a trading company, is focused on how to reduce delays in the collection of receivables, how to reduce bad debt, and how to control inventory levels. Down-to-earth initiatives to reduce net working capital—trade payables, trade receivables, and inventory—are at the root of RYODEN's finance strategy, and form the foundation of our sturdy financial base.

At the same time, we are called upon to raise the sophistication of finance and accounting operations in the context of the globalization of business activity and the establishment of new business models. We must also secure new resources such as accounting treatment and performance management for an increasing range of work. We have responded to this situation by introducing a new, cloud-based accounting system in February 2022, and we are endeavoring to improve productivity through the consolidation and standardization of routine work.

## Status of the ICHIGAN 2024 Medium-term Management Plan

Under the ICHIGAN 2024 Medium-term Management Plan, we set targets for the final fiscal year including an operating profit margin of 3.8% or greater and ROE exceeding 8.0%. In FYE2022, we were able to reach levels close to these targets, with an operating profit margin of 3.1% and ROE of 6.9%.

RYODEN's basic strategy is to aim for greater profitability by steadily engaging in its existing businesses across a wide range of business fields, such as Electronics, FA Systems, and Cooling & Heating and Building Systems, and smoothly integrating ICT technology (DX) into these businesses to add new value and greater value. We believe that this new view of business—our approach as a business creation company—is now thoroughly embedded companywide, and we are steadily establishing a path to achieving higher levels of profit.

Over the past decade, RYODEN has invested ¥5.6 billion in capital expenditure and ¥3.3 billion in equity investments. We intend to continue to actively invest in the future for our growth as we strive to become a business creation company. For example, in the Smart Agriculture Business, we have made an additional investment in Farmship, Inc., a major player in plant factory operation and distribution. We have also reached an agreement on a three-company business alliance and joint development, including House Foods Group Inc., and we expect this endeavor to grow swiftly. Investment such as this entails a certain degree of risk, and we also pay careful attention to risk management. In addition to autonomous initiatives by each business or department to address the three main categories of hazard risk, financial risk, and operational risk, we also place the establishment of any new business before the Investment and Loans Consideration Committee for detailed discussion.

## To our stakeholders

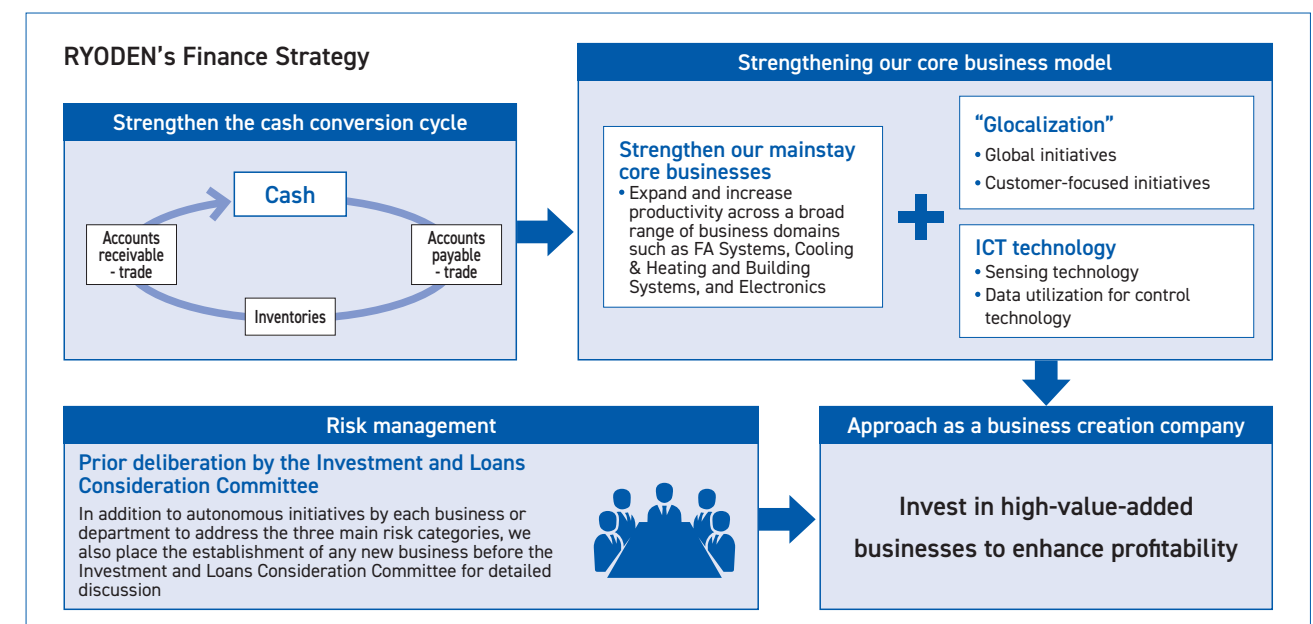
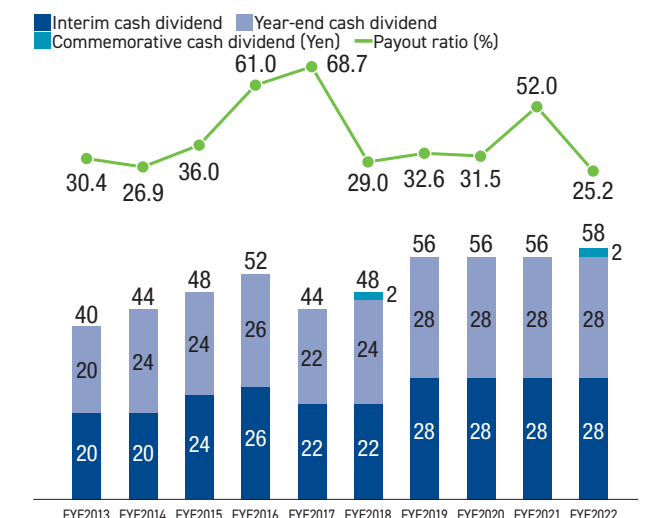
At RYODEN, we believe that maintaining and continuing stable dividends in the medium and long term will lead to the sustainable enhancement of shareholder value. We will aim to increase our earning capacity through growth investment while striving to ensure the continuation of stable shareholder returns, premised on maintaining a sound financial condition and investing sustainably in profit growth. RYODEN's earning capacity is still too low. For the moment, we will engage in strengthening this capacity as a priority management issue.

RYODEN targets a share price level corresponding to a PBR exceeding 1.0 in the near future. If we can achieve an operating profit of ¥10.0 billion, which is our target under

ICHIGAN 2024, we believe that RYODEN's share price will naturally approach this level.

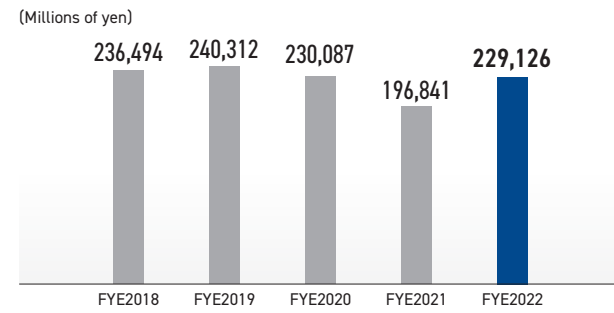
At present, we hold two sets of biannual results briefings, for individual investors and institutional investors. We believe that this level of information dissemination is still insufficient, and we must work to enhance it in the future. We intend to put more effort into disseminating information to institutional investors and overseas.

## Cash dividends per share and payout ratio

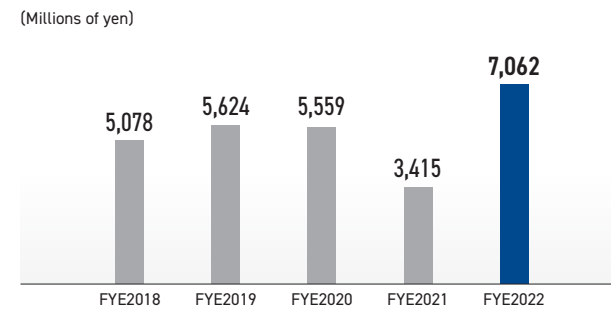


# Financial and Non-financial Highlights

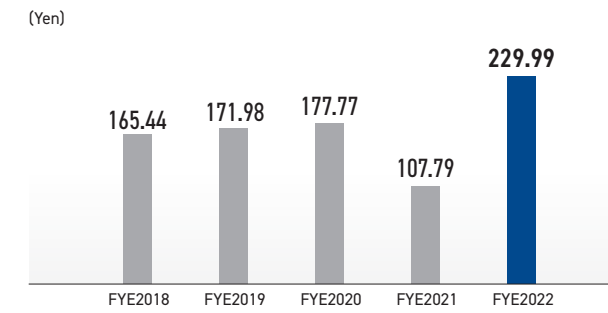
## Net sales



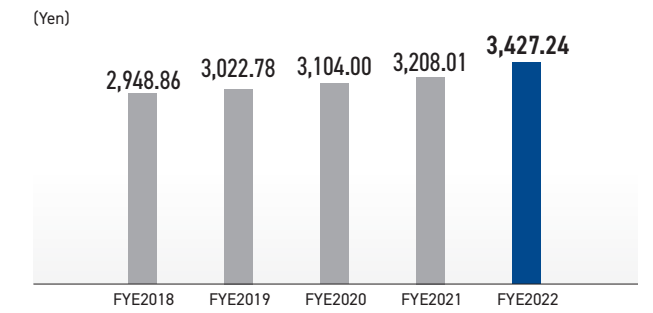
## Operating profit



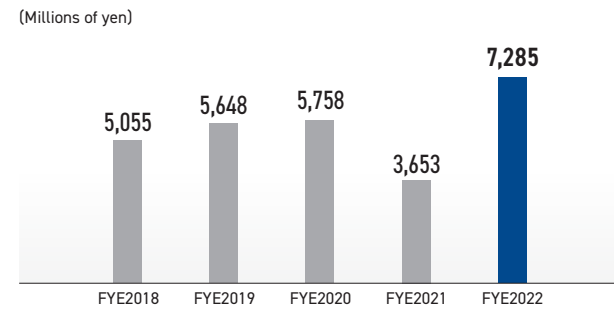
## Profit per share



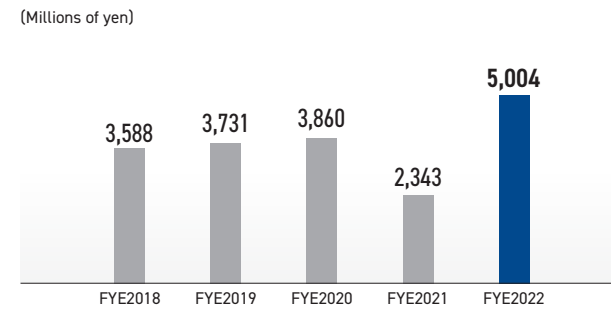
## Net assets per share



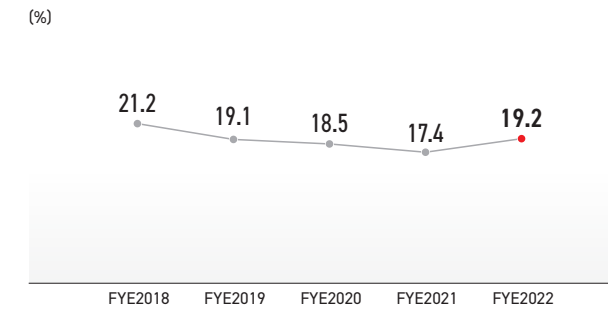
## Ordinary profit



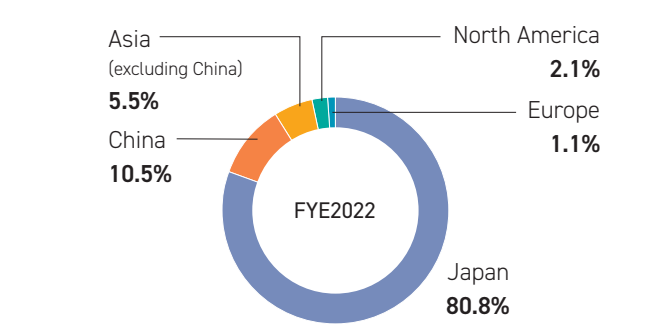
## Profit attributable to owners of parent



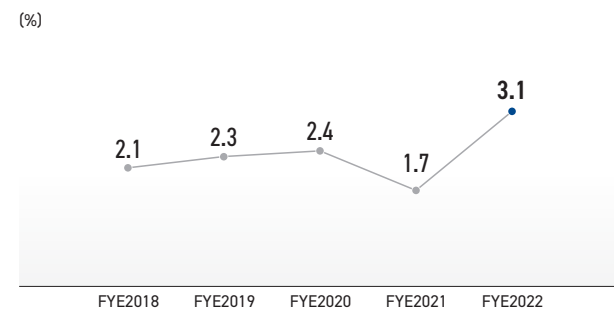
## Ratio of overseas sales



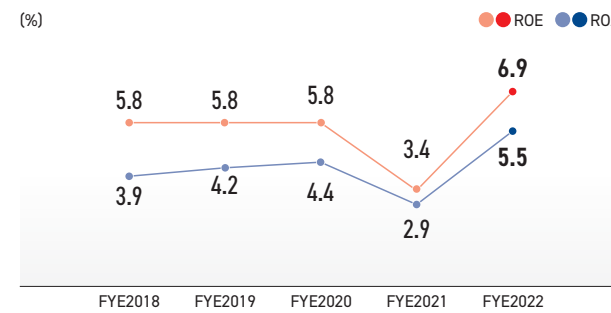
## Proportion of net sales by region



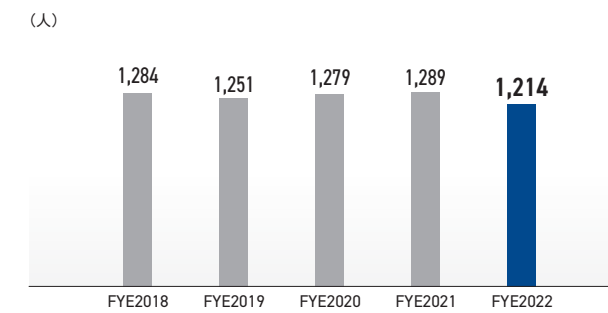
## Operating profit to net sales



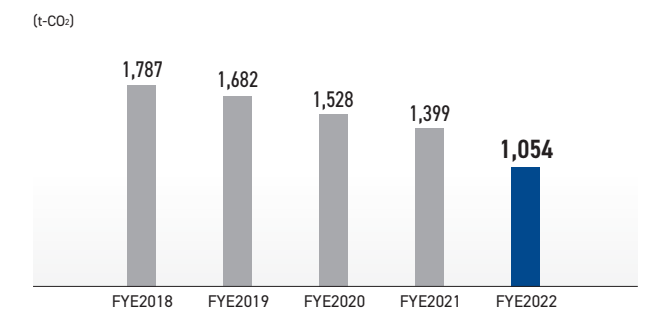
## Return on equity (ROE), Return on Assets (ROA)



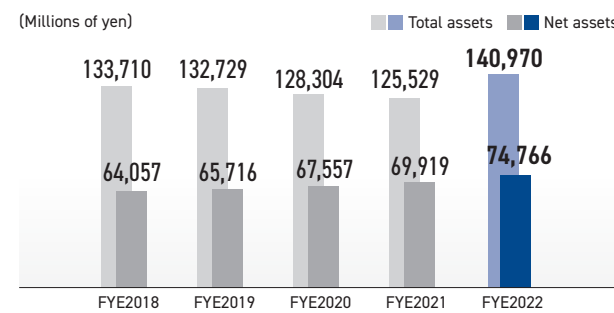
## Number of employees at the end of the fiscal year



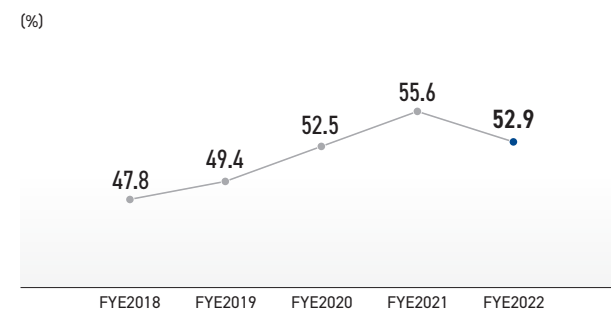
## Total GHG emissions (Scope 1 and 2)



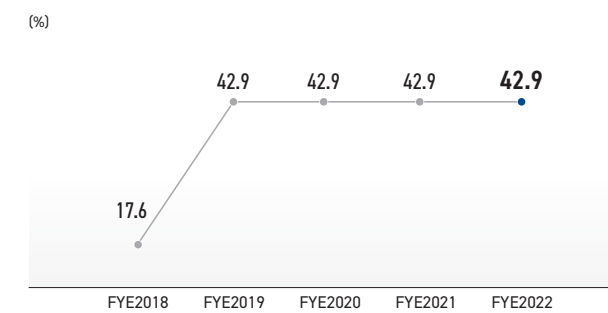
## Total assets, net assets



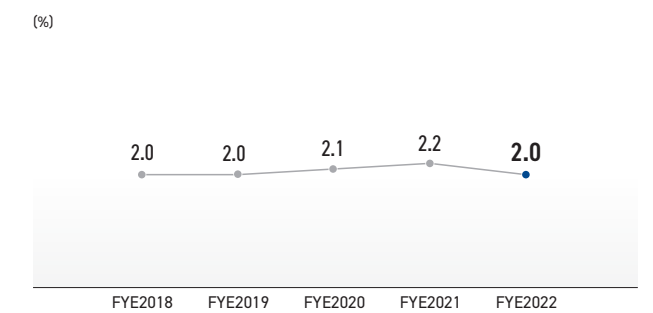
## Equity ratio



## Proportion of Outside Directors



## Proportion of female core personnel (in senior positions)



\* A share consolidation (consolidation of two shares of common stock into one share) was conducted with the effective date of October 1, 2017. The amounts shown for profit per share and net assets per share reflect the number of shares after consolidation.



# RYODEN's Businesses

Four traditional mainstay business melded with two fast-growing new fields. We use our unique management platform to develop cutting-edge ICT business.

The RYODEN Group develops Smart Agriculture and Healthcare as businesses in new areas, in addition to its four mainstay businesses: FA Systems, Cooling & Heating Systems, Building Systems and Electronics. We have also built six management service platforms that fuse our mainstay businesses with ICT (Network Business). Toward future mobility society, we are actively advancing into cutting-edge fields such as MaaS and CASE, in addition to a broad range of solutions such as monitoring systems, global logistics management systems and energy management systems, making extensive use of technologies such as electronic tags, camera systems, sensors and ICT. We engage in a broad range of businesses across our global network of 29 operational sites in Japan and 19 operational sites overseas.

## Ryoden Corporation

### Four Mainstay Businesses

**FA Systems**

Proposing labor-saving robots, data utilization systems and other value-added systems to help solve problems in the manufacturing industry.

**Cooling & Heating Systems**

Providing total solutions for air-conditioning environments including air-conditioning for buildings, low temperature environments, and energy-saving support.

**Building Systems**

Providing safe, comfortable, and environmentally-friendly total building management, worthy of the IoT age.

**Electronics**

Offering solutions with an element of consulting such as ensuring the ideal semiconductors and devices and providing technical expertise.

### X-Tech

#### Businesses in Two New Areas

**Smart Agriculture**

Helping promote sustainable food and agriculture through the development and construction of next-generation plant factory systems with high operational efficiency

**Healthcare**

Providing a wide range of solutions from in-hospital image data management to operational support systems

#### Six Management Service Platforms

**Location**

**Security**

**Energy**

**Device**

**Video**

**Communication Network**

#### Main Permits and Licenses

- Construction License
- Special Construction License: Plumbing work, machine and equipment installation work, electrical work
  - Ordinary Construction License: Scaffolding and earth work, telecommunications work

- Telecommunications business registration
- Selling and leasing license for specially controlled medical devices
- Medical devices repair license



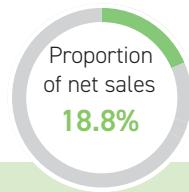
- Main Suppliers**
- Mitsubishi Electric Corporation
  - Mitsubishi Electric Living Environment Systems Corporation
  - Sanken Electric Co., Ltd.
  - Renesas Electronics Corporation
  - Micron Japan, Ltd.



- Main Delivery Destination Market (Industries, markets)**
- Automobile manufacturers
  - Semiconductor manufacturing equipment and machine tools manufacturers
  - Construction market
  - In-vehicle market
  - Industrial equipment manufacturers
  - Medical institutions
  - Food manufacturers
  - Manufacturing industry for food, automobiles, etc.

# Overview by Business

## FA Systems



### Main activities

We provide high value-added solutions to achieve the shift to smart manufacturing and enhance efficiency. With our extensive product lineup, we meet all needs, from FA controller products, drive control and NC control products, to robots, laser processing machines, and AI vision systems.



Mitsubishi Electric Corporation MELFA ASSISTA collaborative robot

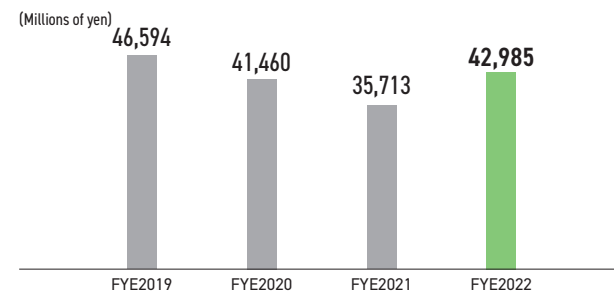
Mitsubishi Electric Corporation sequencer

### FYE2022 main points

- There was an upturn in capital expenditure projects for the domestic manufacturing industry.
- Sales for semiconductor manufacturing equipment and machine tools were robust.

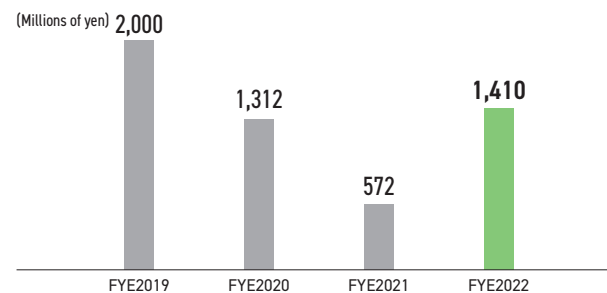
#### Net sales

¥42,985 million  
up 20.4% y/y



#### Operating profit

¥1,410 million  
up 146.3% y/y



### Business Strategy for FYE2023

#### Basic Policy

- Expand our business domain by strengthening our specialized technological and engineering capabilities to respond to market trends and customer needs, and promoting high value-added businesses
- Acquire new customers and create new businesses, such as AI inspections, automation, and data utilization, through stronger relationships with our alliance partners

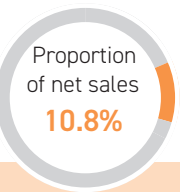
#### Risks and Opportunities

- Expanding demand for automation due to a declining working population in Japan
- Rising demand for productivity and quality improvements leveraging the IoT

#### Major Initiatives

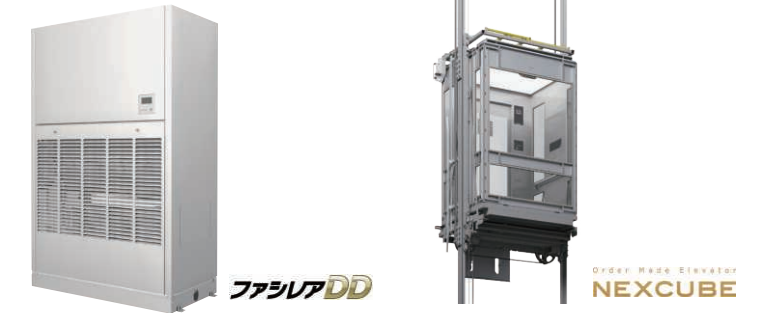
- Expand core businesses such as the route business, end user business, and set maker business
- Strengthen the systems engineering business, and create new businesses such as processing applications businesses and EMS businesses

## Cooling & Heating and Building Systems



### Main activities

We provide total solutions, including wide range of equipment, air conditioning, cleanrooms, and energy-saving support, at a range of sites such as office buildings, production plants and logistics warehouses. In addition to solutions such as environmentally-friendly air-conditioning environments, low-temperature environments, and heat countermeasures, we propose safe and comfortable environments through the promotion of building management and Net Zero Energy Buildings (ZEB).



Mitsubishi Electric Corporation Packaged HVAC systems for equipment applications

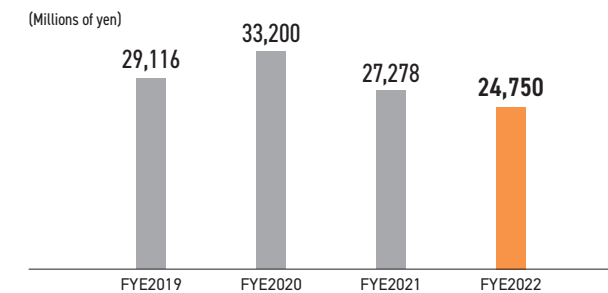
Mitsubishi Electric Corporation Observatory elevator

### FYE2022 main points

- Sales were subdued due to the impact of factors such as longer delivery times for our main products and the delay and cancellation of new projects resulting from a shortage in components and materials, despite some support from demand for ventilation, heat countermeasures, cold storage and freezing.

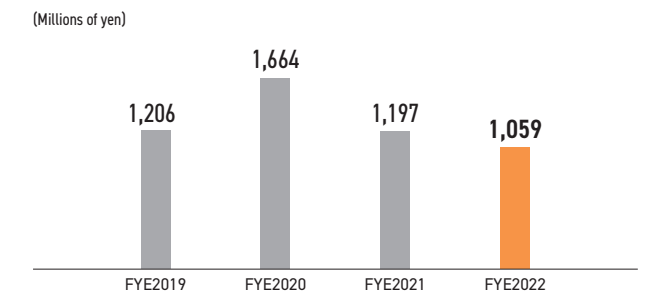
#### Net sales

¥24,750 million  
down 9.3% y/y



#### Operating profit

¥1,059 million  
down 11.5% y/y



### Business Strategy for FYE2023

#### Basic Policy

- Promote the solutions business pivoting on industrial cooling and heating, and enhance productivity in the core cooling and heating business
- Provide added value, secure profitability, and strengthen the foundation by promoting total buildings businesses

#### Risks and Opportunities

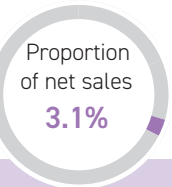
- Shrinking construction demand and a decrease in the number of new properties due to Japan's declining population
- Declining construction capability due to aging of workers in the construction industry

#### Major Initiatives

- Strengthen our engineering function and develop sales channels for industrial cooling and heating
- Expand our partner alliances in core business areas
- Promote proposal activities for ZEB and building management systems



# X-Tech



## Main activities

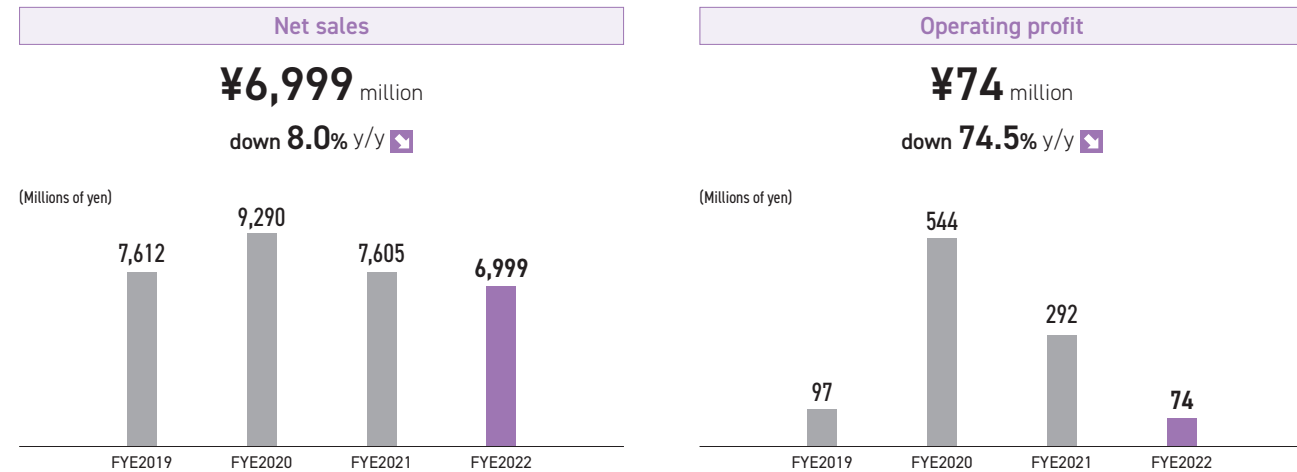
We provide unique solutions that utilize IoT technology across various industrial fields including automobiles, machinery, and food. With the environment, security and safety as our motto, we are developing business in a wide range of fields, and expanding our business domains into healthcare and smart agriculture.



Medical information system (illustration) "FlaRevo" video camera solution Plant factory-related equipment

## FYE2022 main points

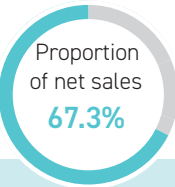
- In the network systems field, the teleworking components business was sluggish.
- Orders expanded for video management systems, but were sluggish for factory management systems.
- The healthcare field performed strongly in areas such as infectious diseases-related products and hospital IT equipment.
- In the smart agriculture field, we focused on constructing a proprietary plant factory to shift to a production business model.



## Business Strategy for FYE2023

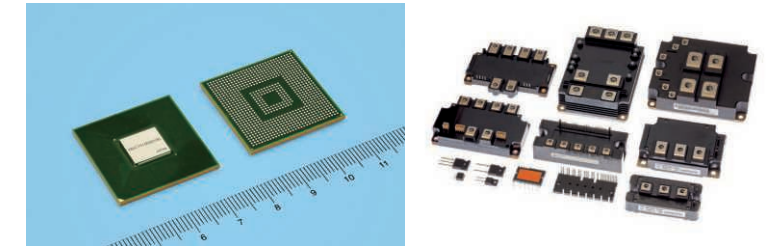
- Basic Policy**
  - Create new business models for IoT businesses
  - Aim to be a total planner for "visualization"
- Risks and Opportunities**
  - Increasingly dynamic security countermeasures with the rise of cyber terrorism
  - Commercialization of 5G, broader utilization of IoT due to workforce shortages
- Major Initiatives**
  - Visualization of manufacturing sites, visualization of the movement of things, visualization of the movement of people, visualization of security risks
  - Firmly establish our earnings base by expanding proposals for cloud-based service focused on the manufacturing industry in ICT, and expanding sales of products such as electronic medical record and medical information systems in healthcare
  - In smart agriculture, achieve monetization through entry into the production business and the construction of next-generation agriculture value chains

# Electronics



## Main activities

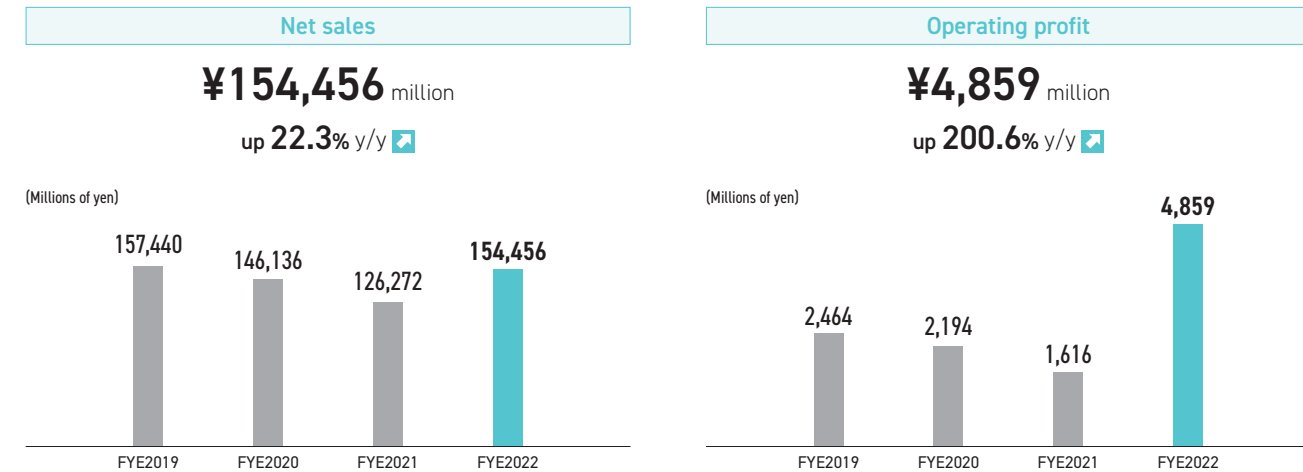
At the forefront of the constantly evolving electronics industry, we provide ideal semiconductors and devices to suit our customers and solutions to meet their increasingly sophisticated needs. We leverage the electronics technologies we have cultivated over many years to contribute to a safe and secure environmental society.



Renesas Electronics Corporation "R-Car M2" Automotive System-on-Chip (SoC) for Car Information Systems Mitsubishi Electric Corporation SiC power module

## FYE2022 main points

- Japan**
  - Sales for car navigation devices and other infotainment devices were strong in the in-vehicle market, despite production adjustments by automobile manufacturers due to a shortage of semiconductors. Sales were also robust in the industrial equipment market, focused on semiconductor manufacturing equipment and machine tools, on the back of rising demand for semiconductors.
- Overseas**
  - Sales were brisk for industrial equipment in China and in-vehicle applications in Europe and North America.



## Business Strategy for FYE2023

- Basic Policy**
  - Transform from a semiconductor trading company to a business creation company
  - Contribute to the environment and society by pursuing initiatives designed to help achieve the SDGs through electronics technology
- Risks and Opportunities**
  - The spread of IoT and automation in the wake of personnel shortages
  - Advent of autonomous driving, commercialization and spread of 5G
- Major Initiatives**
  - Create new high-value-added businesses
  - Establish a business promotion system to optimize our business portfolio and expand sales of analog products through stronger FAE





Masahiro Muroi



Cindy Yoshiko Shirata



Yuji Fujii



Thomas Witty

## RYODEN's Management Team



RYODEN



Takahiro Ozawa



Katsuyuki Tomizawa



Shoji Kitai



Masato Suzuki



Noriko Sekiguchi



Hiroshi Hiraide



Reiichiro Kito

## Foundation for Value Creation

### Management Members

The Company strives to strengthen corporate governance to sustainably enhance shareholder value and fulfill its responsibilities to diverse stakeholders. In addition to “ensuring transparency,” “increasing the speed of decision-making,” “enhancing ethics and legal compliance,” and “strengthening internal control,” we are working to further advance corporate governance by strengthening initiatives for “information disclosure” and “accountability.”

#### Views on the balance of knowledge, experience, and skills, and the diversity and size of the Board of Directors

In order to ensure the Board of Directors make decisions and fulfill supervisory functions quickly and decisively in a transparent and fair manner to a maximum degree, achieve the RYODEN Group's sustainable growth, and increase its corporate value over a medium to long term, we work to ensure that the Board is formed in a way that allows it to achieve the overall right balance between knowledge, experience and skills, and achieve diversity in gender and international mindedness and an optimum size. Furthermore, we strive to ensure Independent Outside Directors represent one-third of the Board.

#### Matrix of the skills of management members

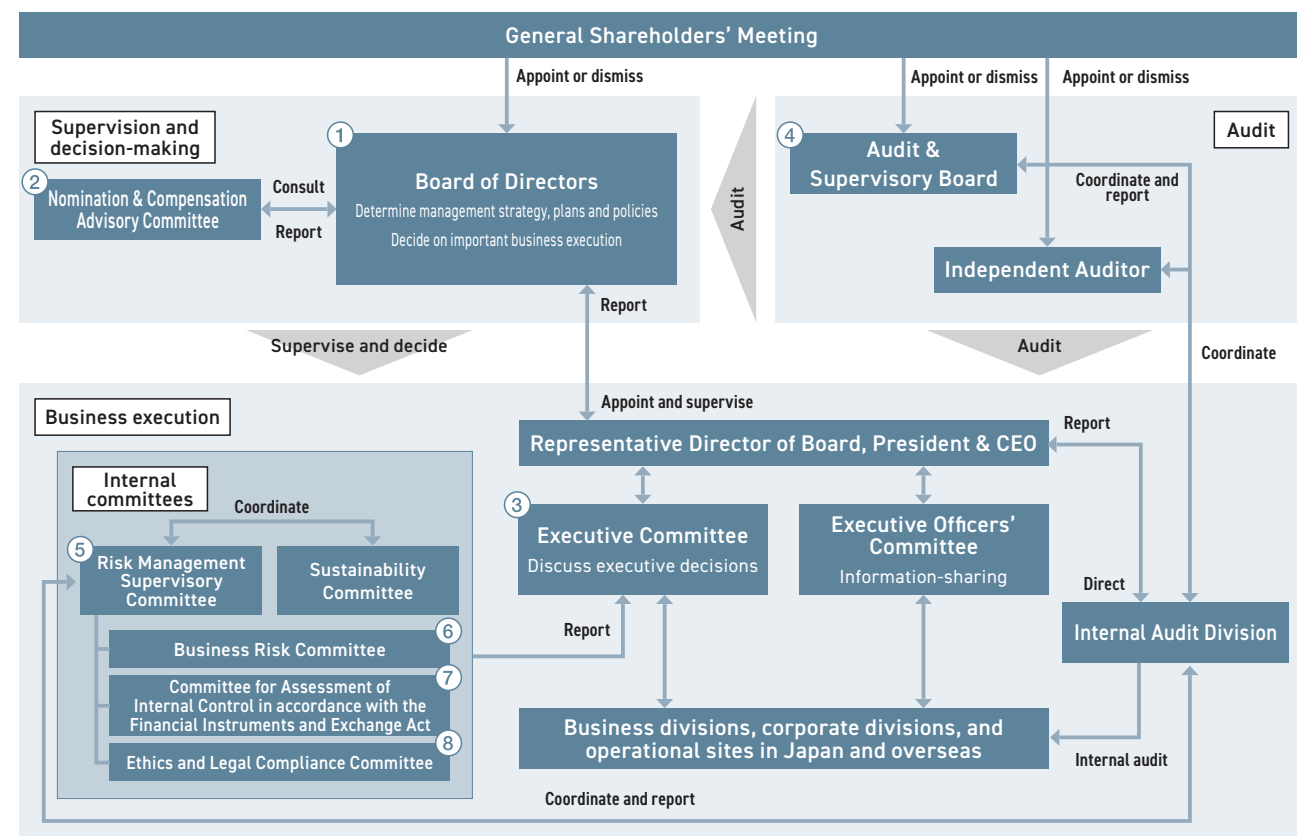
|  | Corporate management | Industrial knowledge | Global business | ICT / DX | Financial accounting | Legal affairs / risk management | Governance / sustainability | Diversity / experience in other industries* |
|--|----------------------|----------------------|-----------------|----------|----------------------|---------------------------------|-----------------------------|---|
| <b>Katsuyuki Tomizawa</b><br>Representative Director of Board, President & CEO   | ●                    | ●                    | ●               |          |                      | ●                               | ●                           | ●   |
| <b>Shoji Kitai</b><br>Representative Director of Board<br>Senior Vice President<br>Nomination & Compensation Advisory Committee Member | ●                    | ●                    | ●               | ●        | ●                    |                                 | ●                           |   |
| <b>Takahiro Ozawa</b><br>Director of Board<br>Senior Executive Officer   | ●                    | ●                    |                 | ●        |                      |                                 |                             |   |
| <b>Yuji Fujii</b><br>Outside Director<br>Nomination & Compensation Advisory Committee Member   | ●                    | ●                    |                 |          | ●                    | ●                               |                             | ●   |
| <b>Cindy Yoshiko Shirata</b><br>Outside Director (Independent)<br>Nomination & Compensation Advisory Committee Member                  | ●                    |                      | ●               | ●        | ●                    | ●                               | ●                           | ●   |
| <b>Masahiro Muroi</b><br>Outside Director (Independent)<br>Nomination & Compensation Advisory Committee Chair                          | ●                    |                      |                 | ●        |                      |                                 | ●                           | ●   |
| <b>Thomas Witty</b><br>Outside Director (Independent)<br>Nomination & Compensation Advisory Committee Member                           | ●                    |                      | ●               |          |                      | ●                               | ●                           | ●   |
| <b>Reiichiro Kito</b><br>Corporate Auditor   |                      | ●                    |                 |          | ●                    |                                 |                             |   |
| <b>Hiroshi Hiraide</b><br>Corporate Auditor  |                      | ●                    |                 |          |                      |                                 |                             | ●   |
| <b>Masato Suzuki</b><br>Outside Corporate Auditor  |                      |                      |                 |          |                      | ●                               | ●                           | ●   |
| <b>Noriko Sekiguchi</b><br>Outside Corporate Auditor   |                      |                      |                 |          | ●                    |                                 | ●                           | ●   |

\*Defined as the knowledge needed to realize soundness, transparency and sustainable growth.

# Corporate Governance

## Corporate governance system

The Company has adopted the current structure of a company with an Audit & Supervisory Board, because it considers that a system of double checks involving the Board of Directors and the Audit & Supervisory Board will secure the appropriateness of operations. The Board of Directors consists of seven Directors, four of whom are Outside Directors. It makes decisions on important matters of business execution, and supervises business execution by Directors. The Audit & Supervisory Board is composed of four Audit & Supervisory Board Members, two of whom are Outside Corporate Auditors. It ensures independence from business executers in supervising the execution of business by Directors, in coordination with the Independent Auditor and the Internal Audit Division.



### Composition of each body

◎Chair or Chairperson ○Attending member

| Rank  | Name                  | ① Board of Directors | ② Nomination & Compensation Advisory Committee | ③ Executive Committee | ④ Audit & Supervisory Board |
|---|-----------------------|----------------------|--|-----------------------|-----------------------------|
| President and representative director       | Katsuyuki Tomizawa    | ◎                    |  | ◎                     |                             |
| Director of Board, Senior Vice President    | Shoji Kitai           | ○                    | ○  | ○                     |                             |
| Director of Board, Senior Executive Officer | Takahiro Ozawa        | ○                    |  | ○                     |                             |
| Outside Director                            | Yuji Fujii            | ○                    | ○  |                       |                             |
| Outside Director                            | Cindy Yoshiko Shirata | ○                    | ○  |                       |                             |
| Outside Director                            | Masahiro Muroi        | ○                    | ◎  |                       |                             |
| Outside Director                            | Thomas Witty          | ○                    | ○  |                       |                             |
| Corporate Auditor                           | Reiichiro Kito        | ○                    |  | ○                     | ◎                           |
| Corporate Auditor                           | Hiroshi Hiraide       | ○                    |  | ○                     | ○                           |
| Outside Corporate Auditor                   | Masato Suzuki         | ○                    |  |                       | ○                           |
| Outside Corporate Auditor                   | Noriko Sekiguchi      | ○                    |  |                       | ○                           |
| Senior Executive Officer                    | Masatoshi Nakamura    |                      |  | ○                     |                             |
| Senior Executive Officer                    | Shunichi Higashi      |                      |  | ○                     |                             |
| Senior Executive Officer                    | Kazumoto Yogosawa     |                      |  | ○                     |                             |
| Senior Executive Officer                    | Ko Oniwa              |                      |  | ○                     |                             |

### Overview of the corporate governance system

|   |   |   |  |
|---|---|---|--|
| Organizational form   | Company with an Audit & Supervisory Board | Number of Auditors (of which, Outside Corporate Auditors) | 4 (2)  |
| Number of Directors (of which, Outside Directors)               | 7 (4)                                     | Adoption of an Executive Officer system                   | Yes  |
| Term of office of Directors                                     | 1 year                                    | Establishment of voluntary committees                     | Yes (Nomination & Compensation Advisory Committee)                           |
| Number of Outside Directors designated as Independent Directors | 3   | Compensation system                                       | (1) Fixed compensation (2) Bonuses (3) Stock-compensation-type stock options |

#### ① Board of Directors (Meetings in FYE2022: 14)

As the management top decision-making body, the Board of Directors decides on important matters concerning the Company's execution of business, and supervises the execution of duties by Directors. The Company has introduced an Executive Officer system in order to increase the speed of decision-making, separate oversight functions and execution functions, and to enhance agility of execution, so as to appropriately respond to the business environment in which the Company operates. At the Ordinary General Meeting of Shareholders held in June 2018, the Articles of Incorporation was amended to set the number of Directors at 12 or less. The Board of Directors is presently composed of seven Directors (including four Outside Directors, of which three are Independent).

#### ② Nomination & Compensation Advisory Committee (Meetings in FYE2022: 9)

Ryoden Corporation has established a Nomination & Compensation Advisory Committee, in order to ensure the fairness, transparency and objectivity of the processes regarding the nomination and compensation of Directors and to improve its corporate governance. The Nomination & Compensation Advisory Committee, upon consultation from the Board of Directors, deliberates and provides advice on matters regarding the nomination and compensation of Directors to the Board of Directors. A majority of the members are Independent Outside Directors, and the Committee is chaired by Masahiro Muroi, an Outside Director.

#### ③ Executive Committee (Meetings in FYE2022: 28)

Ryoden Corporation has established the Executive Committee to deliberate the agenda to be submitted to the Board of Directors as well as important matters regarding Ryoden Corporation's business execution. At present, the Executive Committee is composed of the President and representative director and six Executive Officers with titles. Corporate Auditors also attend the meetings.

#### ④ Audit & Supervisory Board (Meetings in FYE2022: 5)

Ryoden Corporation's Audit & Supervisory Board comprises two Corporate Auditors and two Outside Corporate Auditors. Each Auditor attends the meetings of the Board of Directors as well as other key meetings in accordance with the audit policy and audit plan determined by the Audit & Supervisory Board, and audits and oversees legal compliance by the Directors in performing their duties, by verifying reports from Directors and employees of the Company and the Group and conducting investigations into the business operation and financial situations of each company.

#### ⑤ Risk Management Supervisory Committee (Meetings in FYE2022: 1)

As an oversight body, the Company established the Risk Management Supervisory Committee, chaired by the President and representative director and made up of the Executive Officers with titles, to discuss basic policies on the internal controls of the Group and verify the activities of other committees.

#### ⑥ Business Risk Committee (Meetings in FYE2022: 2)

To ensure the continuity and stable development of our business, we established the Business Risk Committee chaired by the responsible Director. The Committee conducts group-wide risk analysis, and in order to mitigate the risks identified therein, draws up countermeasures considering the probability of occurrence of risks and the level of impact, etc., and further monitors the implementation status.

#### ⑦ Committee for Assessment of Internal Control in accordance with the Financial Instruments and Exchange Act (Meetings in FYE2022: 4)

For the purpose of complying with the internal control reporting system stipulated by the Financial Instruments and Exchange Act and ensuring the credibility of our financial reporting, we established the Committee for Assessment of Internal Control in accordance with the Financial Instruments and Exchange Act chaired by the responsible Director. The Committee evaluates our internal control system based on the results of internal audits that the Internal Audit Division and Information System Division perform in accordance with each assessment criterion with respect to the implementation status and operating results in the Company.

#### ⑧ Ethics and Legal Compliance Committee (Meetings in FYE2022: 2)

Recognizing compliance as a key managerial priority, we established the Ethics and Legal Compliance Committee chaired by the responsible Director and have a Compliance Manager to take regular action to ensure compliance with laws and regulations, fairness and morality in our activities.



### Basic approach to corporate governance

The Company strives to strengthen corporate governance to sustainably enhance shareholder value and fulfill its responsibilities to diverse stakeholders. In addition to "ensuring transparency," "increasing the speed of decision-making," "enhancing ethics and legal compliance," and "strengthening internal control," we are working to further advance corporate governance by strengthening initiatives for "information disclosure" and "accountability."

### Principles of the Corporate Governance Code and RYODEN's initiatives

The Company has formulated and disclosed "Principles of the Corporate Governance Code and RYODEN's Initiatives," which summarizes the Company's initiatives to address each principle in the Corporate Governance Code, in accordance with its basic approach to corporate governance.

The Company has implemented all of the principles set forth in the Tokyo Stock Exchange Corporate Governance Code (as revised in June 2021), with the exception of Supplementary Principle 3.1.3 (initiatives on sustainability) and Supplementary Principle 4.2.2 (sustainability initiatives by the Board of Directors).

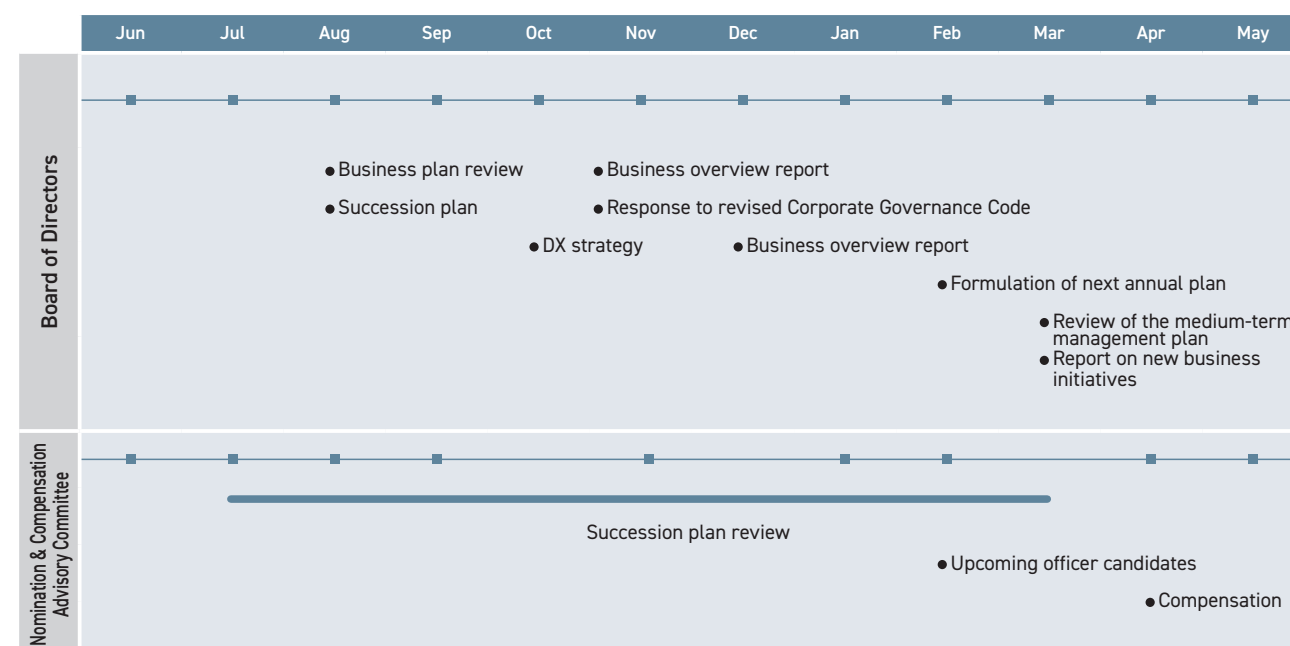
In its Corporate Governance Report, the Company discloses the reasons for not implementing these principles, and details of all 11 General Principles, Principles, and Supplementary Principles for which disclosure is required by the Tokyo Stock Exchange.

Principles of the Corporate Governance Code and RYODEN's Initiatives <https://www.ryoden.co.jp/csr/governance/>

### Strengthening corporate governance

|                                     | 2016             | 2018   | 2019   | 2022            |
|-------------------------------------|------------------|--|--|-----------------|
| Separated supervision and execution | 17 Directors     | Number of Directors stipulated in the Articles of Incorporation 12 Directors |  |                 |
|                                     |                  | Introduction of an Executive Officer system                                  |  |                 |
| Outside Directors                   | 2 (17 Directors) | 2 (7 Directors)  | 3 (7 Directors)  | 4 (7 Directors) |
| Voluntary committees                |                  |  | Established the Nomination & Compensation Advisory Committee |                 |
|                                     |                  |  | Appointed an Independent Outside Director as Chairperson     |                 |

### Themes discussed by the Board of Directors and committees in FYE2022



### Evaluation of the effectiveness of the Board of Directors

#### Method of evaluation

A self-assessment survey on the effectiveness of the Board of Directors in FYE2022 (from April 2021 to March 2022) was conducted on all members of the Board of Directors, with the aim of confirming and enhancing the effectiveness of the Board of Directors. In previous years, a meeting was held to exchange opinions between Independent Outside Directors, Corporate Auditors, and the officers responsible, based on the result of the survey. This fiscal year, however, a meeting was held to exchange opinions between Independent Directors and Corporate Auditors only, for the purpose of receiving the unreserved opinions of Independent Directors and Corporate Auditors.

#### Summary of the survey

|             |   |
|-------------|---|
| Respondents | Directors and Corporate Auditors  |
| Method      | Anonymous survey  |
| Content     | (1) Composition of the Board of Directors (2) Operation of the Board of Directors (3) Debate by the Board of Directors (4) Operation of the Nomination & Compensation Advisory Committee etc. |
| Questions   | 28 questions in total (including five free-response questions)  |

#### Evaluation results and future initiatives

The Company's Board of Directors engages in constructive and vigorous discussions. Aspects such as the composition and size of the Board of Directors, including securing diversity, its operation and discussions, and the operation of the Nomination & Compensation Advisory Committee were all evaluated as being generally appropriate and effective.

However, it was pointed out that information on important agenda items should be provided to Outside Directors and Auditors more swiftly and briefings should be held, and that the Board should discuss more deeply about issues such as risk management, competitor and market trends, succession plans, promoting internal diversity, and sustainability.

Based on the results of this year's survey, the Company will continue to strive to increase the effectiveness of the Board of Directors and further enhance corporate governance, in ways such as reflecting the management environment and strategies in the Board's composition, setting themes for discussion by the Board, succession planning, and strengthening communication between the Nomination & Compensation Advisory Committee and the Board.

### Introduction of external perspectives

The Company currently has four Outside Directors and two Outside Corporate Auditors. The Outside Directors, drawing on their respective abundant experience and wide-ranging knowledge, provide advice concerning operations and supervise execution. Outside Corporate Auditors, from their objective and independent stances, monitor and oversee the status of management execution in cooperation with Corporate Auditor and conduct audits to ascertain whether the execution of duties by Directors is in compliance with laws and regulations and the Company's Articles of Incorporation through examination of the design and operation of internal control systems of the Company and the Group.

|                           | Name  | Independent | Reason for appointment   | Meetings attended in FYE2022 |                           |
|---------------------------|---|-------------|--|------------------------------|---------------------------|
|                           |   |             |  | Board of Directors           | Audit & Supervisory Board |
| Outside Director          | Yuji Fujii <span style="color:red">Newly-appointed</span>       |             | Mr. Fujii serves as General Manager of Market Planning & Administration Department in Mitsubishi Electric Corporation's Corporate Marketing Group and has a wealth of experience and broad knowledge in the industry the Company operates in. The Company has judged that he will be able to contribute to the supervisory function on the overall management of the Company from an objective standpoint as Outside Director. | —                            | —                         |
|                           | Cindy Yoshiko Shirata   | ○           | Ms. Shirata possesses specialized knowledge about financial accounting and management, as well as a wealth of experience and wide-ranging knowledge as an accounting specialist. She offers effective advice from the aforementioned viewpoints and an independent, objective standpoint.  | 14/14                        | —                         |
|                           | Masahiro Muroi  | ○           | Mr. Muroi has a wealth of knowledge and experience in corporate management, corporate governance and digital transformation, among others. He offers effective advice from the aforementioned viewpoints and an independent, objective standpoint.   | 14/14                        | —                         |
| Outside Corporate Auditor | Thomas Witty <span style="color:red">Newly-appointed</span>     | ○           | Having handled M&A deals for global companies for many years as an attorney, Mr. Witty has a wealth of experience and knowledge and has a depth of understanding of how Japanese companies are and their culture. The Company has judged that he will be able to offer advice to the management to help the Company grow globally, as well as contribute to reinforcing governance and supervising appropriate execution.      | —                            | —                         |
|                           | Masato Suzuki   | ○           | Mr. Suzuki has many years of experience in corporate legal affairs as an attorney. He utilizes his specialized knowledge and wide-ranging experience to appropriately perform duties as an Outside Corporate Auditor.  | 14/14                        | 5/5                       |
|                           | Noriko Sekiguchi <span style="color:red">Newly-appointed</span> | ○           | As a certified public accountant, Ms. Sekiguchi possesses a wealth of experience in corporate accounting, advanced expertise and broad knowledge, as well as work experience in several companies. The Company has judged that she will appropriately perform duties as an Outside Corporate Auditor.  | —                            | —                         |

Note: Outside Directors Yuji Fujii and Thomas Witty, and Outside Corporate Auditor Noriko Sekiguchi, were newly appointed at the 82nd Ordinary General Meeting of Shareholders held on June 23, 2022.



## Compensation for Directors and Auditors

### Basic Policy on Compensation for Directors

- Increases medium- to long-term corporate value in line with the Company's Management Principle
- Endeavors to share interests in common with shareholders
- Is explainable to stakeholders and determined through a transparent process

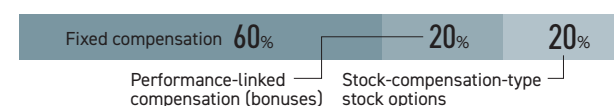
### Policy for determining compensation for Directors and Auditors

Maximum total amounts of compensation for all Directors and Auditors, respectively, are determined through a resolution of the General Shareholders' Meeting. Compensation amounts for Directors are determined by the Board of Directors through consultation with the Nomination & Compensation Advisory Committee, which comprises a majority of Outside Directors. Compensation amounts for Auditors are determined through discussion among Auditors. The details of and policy for determining compensation, etc. for Directors and Auditors are as follows:

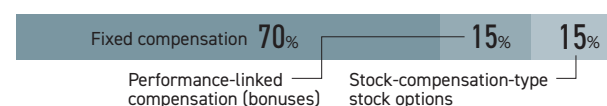
| Class of Officer | Relevant officers              | Approach for determining compensation, etc.  | Resolutions on compensation, etc.  |
|------------------|--------------------------------|--|--|
| Directors (7)    | Directors (internal) (3)       | <b>Basic compensation (fixed compensation)</b> <ul style="list-style-type: none"> <li>• A specific amount is determined by the Board of Directors for each rank, based on comprehensive consideration of Ryoden Corporation's financial results, the degree of contribution of each individual to these results, and the degree of performance of roles and duties.</li> </ul> <b>Performance-linked compensation (bonuses)</b> <ul style="list-style-type: none"> <li>• Cash compensation is paid as performance-linked compensation (bonuses) reflecting key performance indicators (KPI) as an incentive to promote consistent achievement of annual financial results targets and appropriate management.</li> <li>• Specifically, the amount is determined by the Board of Directors for each rank in accordance with the profit attributable to owners of parent each fiscal year, also taking into account the level of the Company's overall financial results.</li> </ul> <b>Non-monetary compensation, etc. (stock-compensation-type stock options)</b> <ul style="list-style-type: none"> <li>• Share acquisition rights are allocated as non-monetary compensation to further clarify the link between the Company's performance and share value and to enhance value sharing with shareholders</li> <li>• Specifically, the Company pays Directors that have been allotted share subscription rights compensation equal to the total issue price and offset the compensation claims against the payment obligations for the share subscription rights.</li> </ul> | <ul style="list-style-type: none"> <li>• The maximum annual amount of monetary compensation is 400 million yen (of which, the maximum for Outside Directors is 30 million yen) (as resolved at the 70th Ordinary General Meeting of Shareholders held on June 29, 2010)</li> <li>• The maximum annual amount of stock-compensation-type stock options for Directors (excluding Outside Directors) is 100 million yen (as resolved at the 73rd Ordinary General Meeting of Shareholders held on June 27, 2013)</li> </ul> |
|                  | Outside Directors (4)          |  |  |
| Auditors (4)     | Auditors (internal) (2)        | <ul style="list-style-type: none"> <li>• Basic compensation (fixed compensation) only, no performance-linked compensation, etc.</li> </ul>   | <ul style="list-style-type: none"> <li>• The maximum annual amount of monetary compensation is 80 million yen (as resolved at the 73rd Ordinary General Meeting of Shareholders held on June 27, 2013)</li> </ul>  |
|                  | Outside Corporate Auditors (2) |  |  |

### Percentage of each type of compensation

#### President and representative director



#### Internal Directors (excluding the president and representative director)



### Compensation amounts for Directors and Auditors (FYE2022)

| Class of Officer                       | Number of eligible Officers (persons) | Amount of each type of compensation (millions of yen) |                                 |                                       | Total amount of compensation (millions of yen) |
|--|---------------------------------------|---|---------------------------------|---------------------------------------|--|
|  |                                       | Basic compensation                                    | Performance-linked compensation | Non-monetary compensation, etc.       |  |
|  |                                       | Fixed compensation                                    | Bonuses                         | Stock-compensation-type stock options |  |
| Directors                              | 7                                     | 108   | 25                              | 19                                    | 153  |
| (of which, Outside Directors)          | 2                                     | 14  | —                               | —                                     | 14   |
| Auditors                               | 4                                     | 49  | —                               | —                                     | 49   |
| (of which, Outside Corporate Auditors) | 2                                     | 12  | —                               | —                                     | 12   |

\*1 The number of officers and the amounts of compensation shown above include one Director who retired at the conclusion of the 81st Ordinary General Meeting of Shareholders held on June 24, 2021. In addition, no compensation was paid to one of the three Outside Directors.

\*2 The amounts of bonuses shown above were the amounts paid to four Directors (excluding Outside Directors).

\*3 The amount of stock-compensation-type stock options shown above is the amount of expenses recorded pertaining to the grant of share acquisition rights as stock-compensation-type stock options to four Directors (Outside Directors are not eligible) in the fiscal year under review.

\*4 Profit attributable to owners of parent is used as the performance indicator for calculating stock-compensation-type stock options.

## Message from Outside Director

**At meetings of the Board of Directors, I endeavor to develop frank, broad-reaching discussions from a stakeholder perspective.**

**Cindy Yoshiko Shirata**

Outside Director



The Tokyo Stock Exchange Market was established 144 years ago in May 1878. And the market was reorganized into three categories, Prime, Standard, and Growth for the first time since it started this year. Ryoden Corporation is categorized as a Prime group. Ryoden Corporation is celebrating its 75 anniversary this fiscal year. Under the new Market Standards, inviting independent directors is strictly required as a "Matter of Observance" in the corporate code of conduct. Especially investors request to appoint a female board member as an independent director of the corporation in recent years.

When I was appointed as one of the outside board of directors of Ryoden Corporation in June 2016, it was not so popular in Japan that appointed women as the outside board member. According to the Tokyo Stock Exchange data, it was recorded only 22.7% of the outside board members of public companies in Japan in 2016, and most of them were male. That shows that the reason why Ryoden Corporation appointed me as one of the outside board members was not responding to the market or pressure from the investors, but the corporate own will. It shows that the Ryoden Corporation has established its own management structure and own code of conduct that is open to stakeholders. At each Board of Directors meeting, I personally actively and freely ask questions and, especially point out matters related to my specialty, Financial related matters. At that time, the CEO and other Executive Board member listen sincerely to my opinions and suggestions. They always promptly responded to my suggestions and have taken countermeasures.

In recent years, all public companies are now required to disclose various information regarding corporate activities. One example is the evaluation of

the effectiveness of the board of directors. Regarding the evaluation of the effectiveness of the board of directors of public companies, a survey using questioning is required conduct for all board members to determine whether the effectiveness is functioning, and the results are published. On the other hand, RYODEN not only conducts similar confirmations but also has opinion exchange meetings with all independent outside directors to exchange candid opinions or problems. At that meeting, all outside directors also confirm the role of the Board of Directors. I am convinced that the implementation of these opinion exchange meetings and the identification of problems is truly worthy of evaluating the effectiveness of the Board of Directors and can be highly evaluated.

Looking ahead to the next 100 years, Ryoden Corporation is expected to go beyond the traditional framework of a trading company to create new value and grow into a company that can become a leader in opening up society. Ryoden Corporation is already developing various new businesses for the SDGs. Among them, I am most interested in and be focusing on the development, construction, and operation of an energy-saving next-generation plant factory. That factory utilizes innovative advanced technology and LED light sources for plant cultivation developed in-house. The Shizuoka plant factory operated by Ryoden Shoji has already achieved the mass production of spinach as a closed plant factory. It also planned the Production of products other than spinach in the future, and it is expected to play a role in leading the next-generation agricultural model. I hope that all shareholders and other stakeholders will pay close attention to the future development of Ryoden Corporation's new businesses.

## Training for Directors and Auditors

The Company's newly-appointed Directors and Auditors (excluding Outside) attend external seminars, as well as undertake e-learning for listed companies provided by Tokyo Stock Exchange, Inc. after their appointment. In addition, Directors and Auditors actively participate in external seminars organized by consultants and bodies such as the Japan Auditors Association.

## Cross-shareholdings

### Criteria and approach for classifying investment shares

Shares held exclusively for the purpose of deriving profits from changes in share price or dividends are classified as investment shares held purely for investment purposes, while shares held because it is deemed reasonable for maintaining or developing business relationships are classified as investment shares held for purposes other than pure investment.

### Investment shares held for purposes other than pure investment

The Company only enters into cross-shareholdings where it is deemed reasonable for maintaining and developing business relationships. Cross-shareholdings are reviewed annually. The purpose of each shareholding and business relationship is considered from qualitative and quantitative perspectives, and the Board of Directors closely examines whether each shareholding is necessary and appropriate. If, as a result of comprehensive judgement, the purpose of the shareholding is not deemed reasonable, then the Company considers reducing the shareholding through sale.

In FYE2022, the Board of Directors executed an evaluation of the appropriateness of all shareholdings, including unlisted shares, as follows.

- The Board evaluated the economic rationale of holding each stock, through a comparison of the benefits it imparts to the Company, and the Company's cost of capital, from the dual perspectives of dividends received and the contribution of the business relationship to revenue. As a result, shareholdings were deemed economically rational for a majority of stocks.
- Regarding qualitative aspects, the Board confirmed that continuing shareholdings could be expected to contribute to maintaining and developing business relationships, and strengthening alliances, with the companies concerned.
- The Board implemented sales of some shareholdings that were not deemed reasonable as a result of comprehensive judgement of these matters. In FYE2022, shareholdings in two stocks were sold completely, and shareholdings in two other stocks were partially sold.

### Number of stocks and amount recorded on the balance sheets

|                                   | Number of stocks (stocks) | Total amount recorded on the balance sheets (Millions of yen) |
|-----------------------------------|---------------------------|---|
| Unlisted shares                   | 9                         | 101   |
| Shares other than unlisted shares | 27                        | 3,669   |

### Stocks for which shareholdings increased in FYE2022

|                                   | Number of stocks (stocks) | Total acquisition cost related to increases in the number of shares (Millions of yen) | Reason for increases in the number of shares   |
|-----------------------------------|---------------------------|---|--|
| Unlisted shares                   | —                         | —   | —  |
| Shares other than unlisted shares | 7                         | 4   | Increases due to regular purchases by the business partner shareholding association. |

### Stocks for which shareholdings decreased in FYE2022

|                                   | Number of stocks (stocks) | Total acquisition cost related to decreases in the number of shares (Millions of yen) |
|-----------------------------------|---------------------------|---|
| Unlisted shares                   | —                         | —   |
| Shares other than unlisted shares | 4                         | 85  |

## Compliance system

The Company deems thorough compliance as one of its important managerial issues. We have therefore set compliance rules in place and have strived to thoroughly disseminate them to all officers and employees of the Ryoden Corporation and its Group through education. In addition, in an effort to strengthen and expand the system of internal controls of the Ryoden Corporation and its Group, we established the Risk Management Supervisory Committee chaired by the President and representative director to oversee activities involving internal control. Furthermore, to ensure the thorough compliance in our business activities, we established the Ethics and Legal Compliance Committee chaired by the responsible Director, which periodically stipulates matters related to compliance and puts them into practice. On the other hand, the Internal Audit Division audits the status of compliance in the Ryoden Corporation and its Group.

Additionally, we stipulated our resolute stance against anti-social forces in the Ryoden Corporation Group Behavior Principles and have thoroughly disseminated the guidelines to all officers and employees of the Ryoden Corporation and its Group, always paying attention to the maintenance of system. If officers and/or employees of the Ryoden Corporation and its Group become aware of behavior that is or may be in violation of compliance, they can report the incident using a hotline system and will receive no disadvantageous treatment.



## Hotline system

Ryoden Corporation has established an internal whistleblower hotline system aimed to provide an early-detection and self-cleaning mechanism for legal and regulatory violations and dishonest actions. The hotline features both internal and external reporting and consultation points. A contact point has also been established in the Audit & Supervisory Board to ensure independence from senior management.

Reports may be made to the hotline anonymously, and internal rules clearly forbid any unfavorable treatment of those who make reports, and stipulate that their names and the details of reports, etc., must be kept confidential. Teams may be formed to investigate individual reports, depending on their content, and to clarify the facts of the case. If, as a result, actions are discovered that risk being out of line with the provisions of laws or internal regulations, etc., Ryoden Corporation endeavors to promote and embed a correct understanding through the review of rules and the implementation of information sessions.

Furthermore, if it is confirmed that these actions violate laws or internal regulations, etc., the individual responsible is punished and improvement measures are implemented at the relevant division.

Efforts are made to ensure companywide knowledge of the hotline mechanism, with posters displayed in each division and office, as well as on the intranet.



## Initiatives on information security

Ryoden Corporation continuously implements countermeasures against unauthorized access to our internal information systems as well as measures against confidential information and personal information leaks. In addition, we thoroughly train all officers and employees of the Ryoden Corporation and its Group with respect to aforementioned matters. We have reinforced security through such means as establishing office security guidelines, applying zone-control to each business location, and using IC-chip cards for access control. Additionally, we have introduced an integrated management system for computers and servers, for business use, and removed software that clients have decided not to use.



# Risk Management

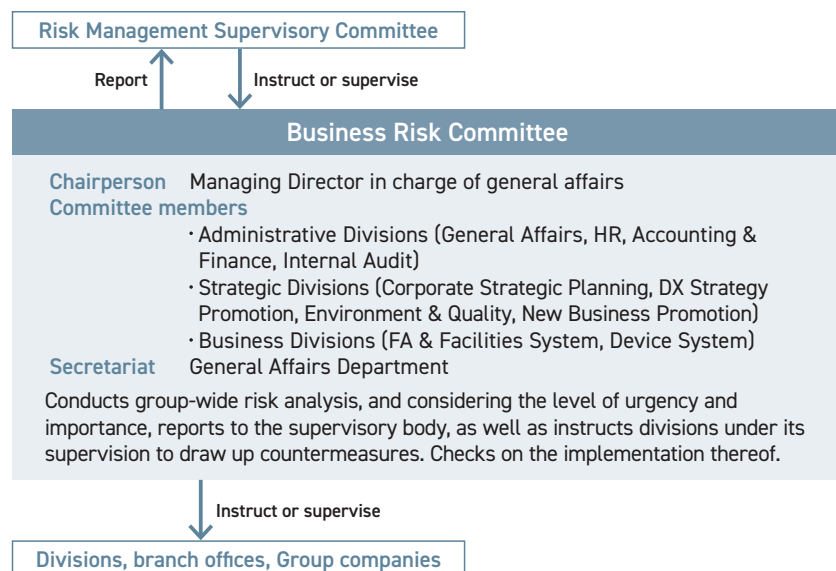
The Company has established Basic Regulations on Risk Management for the Group's risk management. The Business Risk Committee chaired by the responsible Director conducts group-wide risk analysis and carries out multifaceted risk management for the Group.

## Risk Management System

The Chairperson of the Business Risk Committee is the Managing Director in charge of general affairs, and the secretariat is the General Affairs Department.

Members of the committee are appointed by the Chairperson, and the current members comprise the leaders of Administrative Divisions of the Head Office and General Managers of Business Headquarters.

The Business Risk Committee conducts group-wide risk analysis, and considering the level of urgency and importance, reports on its activities to the Risk Management Supervisory Committee, as well as instructs divisions under its control to draw up countermeasures and monitors the implementation thereof.



## Risk identification process

The Group's risk management targets the following types of risk and identifies risks based on their probability of occurrence and level of impact. The Business Risk Committee meets twice per year to review risks, check the progress of countermeasures, and work to ensure continuity and stable development of the business.

- (1) Disaster risk (2) Management risk (3) Political, economic, and social risk

## Identified risks

| Identified risks (example)  | Main countermeasures  |
|---|---|
| Business continuity risk due to pandemics and natural disasters such as earthquakes and floods (employee safety, securing supply chain, etc.) | <ul style="list-style-type: none"> <li>Disaster training, safety confirmation training, and so forth are conducted regularly in anticipation of a disaster. In addition, a disaster kit is distributed to each and every employee.</li> <li>To prepare for supply chain disruption, we ensure information management at our business partners, warehouses, etc., and in the event of a disaster, we will quickly collect information and disseminate it within the Company.</li> <li>In addition to basic measures to prevent the spread of COVID-19 (wearing masks, handwashing and gargling, disinfecting), we have established teleworking, installed a Web meeting system, and taken measures to prevent infection in offices.</li> </ul> |
| Risks such as data leaks due to unauthorized access   | <ul style="list-style-type: none"> <li>We are working to maintain/increase the security level, conducting targeted e-mail attack response training, and monitoring unauthorized access to file servers.</li> </ul>  |
| Risk of overdue receivables and bad debts   | <ul style="list-style-type: none"> <li>We are working to ensure compliance with Credit Limit Regulations, preliminary applications in all cases, factoring guarantee coverage, and enhancing awareness by those in charge.</li> </ul>   |
| Quality risk  | <ul style="list-style-type: none"> <li>In order to prevent defects before they occur, if there is any concern over quality risk, a quality risk review meeting is held to examine the risk and implement countermeasures.</li> </ul>  |

# Human Resources Management

The Group respects diversity and strives to help each employee to develop, so that he or she can continue to grow with a feeling of fulfillment, make the maximum use of his or her abilities, and play an active part in global society. At the same time, we promote the creation of sound and health-conscious workplace environments, build positive relationships between each company and its employees, and implement a range of measures.

## Personnel Development and Training

In FYE2021, RYODEN established the Personnel Development Committee for its "people," which are its invaluable asset. The purpose of the committee is to create an environment that develops autonomous human resources that think and act on their own and are highly motivated to grow. For new to mid-level employees, the committee defined the ideal employee model and the code of conduct and business promotion skills that employees of the Company must learn, and for management-level employees, it indicated the management know-how needed to support member growth and help the organization to properly function.

Based on the circumstances of each employee, on-the-job training, off-the-job training, self-development, and various programs are effectively combined, and a growth cycle of "indicate standards, teach, demand, and evaluate" is followed to develop human resources that are ready for the challenge of creating new value.

### Training data (FYE2022)



## Initiatives for Working Style Transformation

### The vision for workstyle transformation

While we have introduced a new personnel system and provided a teamwork program to generate change from within in order to create a workplace environment in which each employee can actively work and make the maximum use of his or her abilities, now we renewed the Workstyle Transformation Promotion Committee to further accelerate these initiatives. This committee is developing a vision for RYODEN's workstyle transformation (based on security, team, and challenge) through discussion among young to mid-level members from each division, with the goal of making it both easier to work and more fulfilling.

We are presently engaged in activities aimed at resolving issues across four themes:



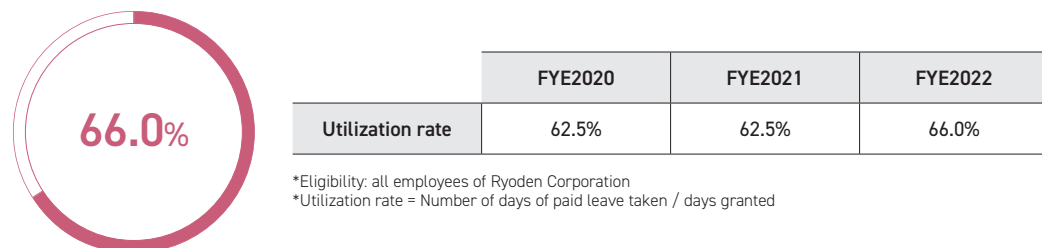
- Organizational culture and mindset reform** Create a culture where people thank and praise each other, foster a team mindset, and increase unity
- Structures and systems review** Review systems according to diverse needs and establish operations
- Personnel training and use of personnel** Use character traits and individual strengths, create a workplace environment where everyone can play an active part
- Business promotion and operational reform** Standardize and streamline operations for higher productivity, and promote the use of ICT



### Work-life balance

It is necessary for each employee to have a meaningful private life, in order to perform his or her best at work. We are working to realize balanced working styles, enabling employees to concentrate on work and take leave when necessary. The five days of annual paid leave are allotted systematically and may be used in combination with holidays to enable employees to take extended leave, or used in units of half a day or even an hour. In this way, we endeavor to create an environment where employees can maintain harmony between work and life. We strictly comply with the Article 36 Agreement (concerning overtime work and work on rest days), investigate the cause of long working hours and implement countermeasures, and coordinate with employees to follow-up on the subsequent situation.

#### Annual paid leave utilization rate (FYE2022)



### Diversity & Inclusion

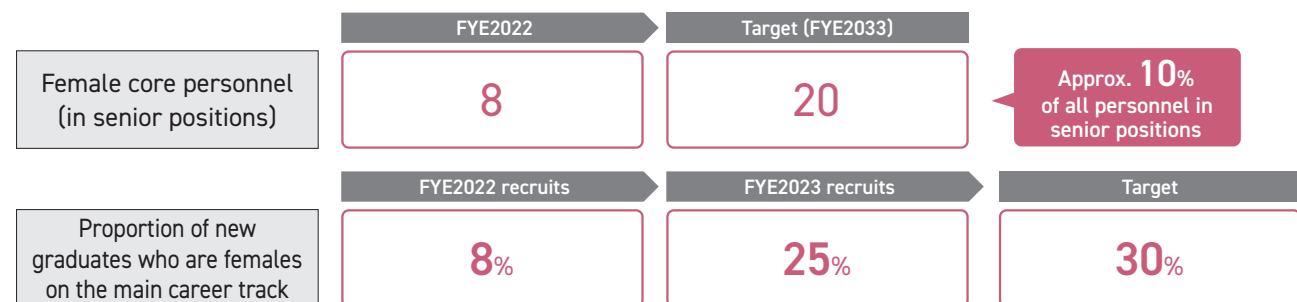
We are creating systems and workplace environments that encourage employees to accept and respect each other's diversity, to strive and grow together. We create opportunities for all employees to take an active part in business, and aim to build environments where they can make the maximum use of their individual abilities.

#### Promoting active participation of female employees

Under RYODEN's personnel system, we have removed the barrier between the main career track and the clerical career track, to provide opportunities for female employees to engage in a variety of duties. We have expanded training opportunities, and many female employees have participated. For example, our off-the-job training programs, which were conducted according to job type in the past, are now offered to anyone who wants to participate.

We have also established a target of raising the proportion of new graduates who are females on the main career track to 30%, and we are engaged in recruitment activities to meet this target. By combining this with on-the-job training, we will support the active participation of women so that they can become core human resources in the company.

#### Targets related to the active participation of female employees



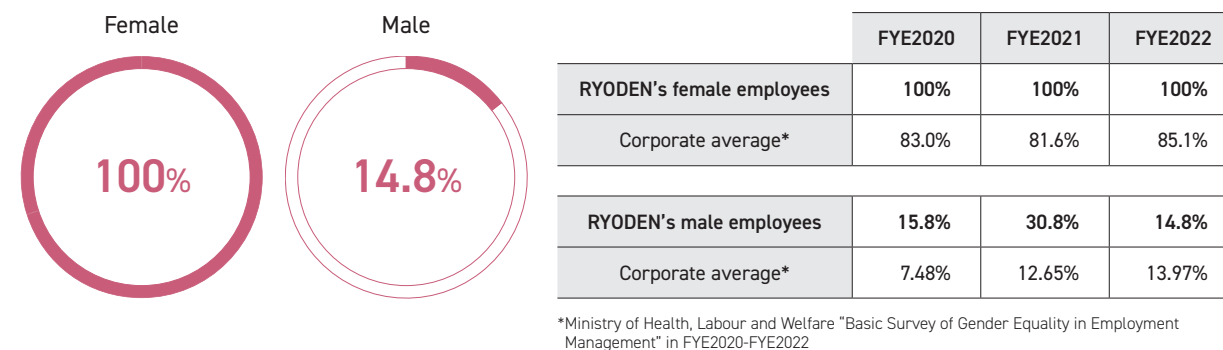
#### Promoting active participation of senior citizens

We have introduced a new re-employment system from FYE2023, with the aim of utilizing the extensive experience and ability of senior citizens, and enable employees to continue to play an active and useful part after they reach the age of retirement at 60 years old. We endeavor to match the hopes of senior citizens with RYODEN's employment needs, through interviews with each individual. We establish the duties of each person individually, and provide commensurate compensation, expanding the opportunities for active participation of senior citizens.

### Supporting development of the next generation and supporting childcare

The Company has implemented systems including shortened working hours for employees caring for children below school age and a flex-time system for employees until their children finish third grade so that employees may reconcile work with childcare. In addition, we allow employees to accumulate expired annual paid leave and use this leave when waiting to enroll their child in a nursery, or for hospital visits or hospitalization for the purpose of infertility treatment. Moreover, we offer paid maternity and paternity leave and pay bonuses of approximately 50% even during childcare leave. We also provide support through such means as a higher family allowance for children and an increase in the amount of subsidy for our "cafeteria plan" for the purpose of day care for children or infertility treatment. The utilization of childcare leave by female employees is 100% every year, and we are also endeavoring to create an environment facilitating the utilization of childcare leave by male employees.

#### Childcare leave utilization rate (FYE2022)



Payment of salary and bonuses during maternity and paternity leave

Payment of approx. 50% of bonuses during childcare leave

### Health and Productivity Management

The health of employees is the foundation for an energetic company, and is also vital for the happiness of employees and their families. The Company and its employees are united in their efforts to maintain and promote employee health, and we will strengthen initiatives towards preventive maintenance.

#### Physical health

We ensure that all of our employees undergo regular medical checkups. Employees with a high risk of lifestyle diseases receive guidance from a public health nurse, enabling them to improve their health. Moreover, we have increased the amount of subsidy for the purpose of preventative medicine (health screening, etc.) in the "cafeteria plan" and are implementing a smoking cessation program and walking event with the cooperation of health insurance associations. The Company shares information regarding long working hours with its employees through forums such as the Health and Safety Committee. We are strengthening measures to protect the health of employees, including consultation with an industry physician and interviews with the immediate supervisor and administrative division for employees whose working hours exceed a specified level.

We also distribute a health promotion app to all employees. The app helps to promote the health of the owner. By entering data gained from past health checks, or movement and meal data, users can access information such as advice and calories consumed. In addition, it can also be used as a first-aid guide as well as to search for medical facilities or an AED, or to request SOS relief, in the case of a health emergency affecting the employee or a family member.

#### Mental health

100% of employees undergo a stress check diagnosis. The result is reported back to each individual employee, and where necessary, recommendations are given for further consultations, counselling, etc. to aid in employees' self-care.

We implement organizational diagnosis surveys to visualize the sources of stress for employees in the workplace. The situation for the organization and individual employees, reflected in the results of these two diagnoses, is reported back to management, together with expert commentary. By utilizing these results for improvement activities, we support more effective mental health promotion in the workplace.

# Environmental Management

The Group recognizes that it is an important mission for it, as a member of society, to pass on a better environment to future generations with whom it shares the global environment. For this reason, we have established targets for reducing the environmental burden from our own business activities, as well as responding to biodiversity, etc., and we are enhancing the systems necessary to achieve these targets.

## The RYODEN Group's Environmental Vision

To pass on a clean planet for the future... We established the RYODEN Group's Environmental Vision in April 2020. By 2030, we will accelerate our environmentally-friendly business activities to contribute to the creation of a sustainable society. By 2050, we will contribute to the achievement of a sustainable society through environment, security and safety, as a 100-year company.

### 2030 Vision

**—To pass on a clean planet for the future—  
We will contribute to achieving a sustainable society through environmentally-friendly business activities**

**We will strengthen initiatives for a decarbonized society (from a low-carbon society to a decarbonized society)**

- Strive to achieve zero greenhouse gas emissions associated with electricity usage
- Provide solutions that contribute to reducing environmental burden, such as ZEB

**We will create environmental solutions to contribute to the concept of product life-cycles to enhance environmental value**

### 2050 Vision

**As a 100-year company, the Ryoden Corporation Group will**

**Contribute to the achievement of a sustainable society through environment, security and safety**



## Action plan

The Group aims to conserve the global environment and contribute to achieving the Sustainable Development Goals (SDGs) through all its corporate activities. Specifically, our action plan consists of three major policies: initiatives for a decarbonized society, initiatives for creating a circular society, and social contribution activities with due consideration to biodiversity.

## Environmental targets

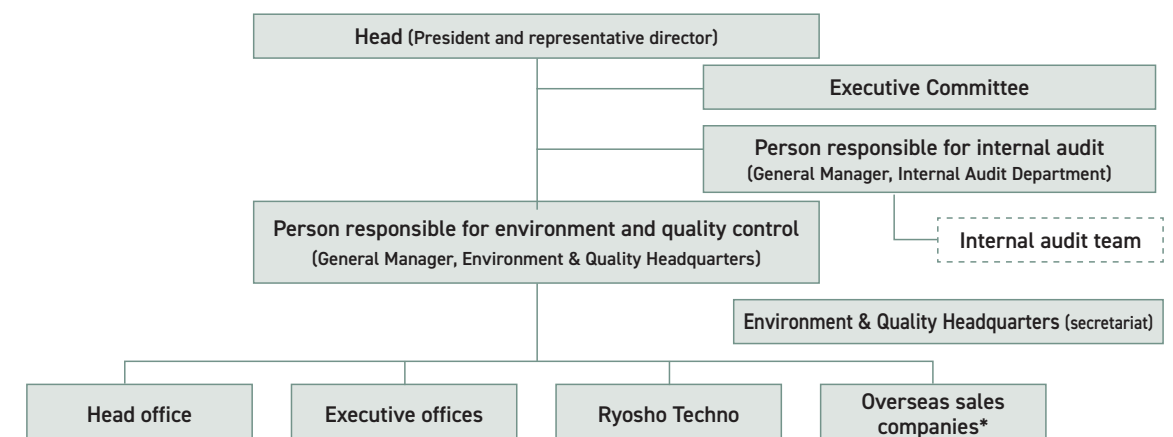
We have established Total Carbon Management, the Group's unique indicator, as part of an initiative for a decarbonized society. In addition, we have also established specific targets in areas such as the use of FSC certified paper, reduction in the amount of final waste disposal, and global environmental conservation activities. We are working continually towards achieving these targets.

### Environmental targets for FYE2022

| Category  | Target   |
|---|--|
| ① Initiatives for a Decarbonized Society                                | Establish targets for Total Carbon Management (TCM) associated with the figures in our business plans (net sales). Aim to integrate our management with environmental activities |
| ② Initiatives for Creating a Circular Society                           | Continue the use of FSC certified paper  |
|   | Reduce the amount of final waste disposal<br>Results: 545.0 kg / Target: 681.6 kg  |
| ③ Social Contribution Activities with Due Consideration to Biodiversity | Continue and invigorate global environmental conservation activities   |

## Environmental Management System Management Structure

We have built an environmental management system management structure headed by the Representative Director of Board, President & CEO, as an initiative to realize and achieve our Environmental Vision and environmental targets. We have clearly documented the environmental management systems and procedures in the head office and each business base in Japan and overseas, and established systems to carry out objective checks on an ongoing basis, which include confirmation of whether business activities are environmentally-friendly, and whether rules are properly adhered to.



\*Overseas sales companies  
 ① RYOSHO TECHNO SINGAPORE PTE LTD ② RYOSHO HONG KONG COMPANY, LIMITED ③ RYOSHO (THAILAND) CO., LTD  
 ④ RYOSHO ELECTRONICS (SHANGHAI) COMPANY, LIMITED ⑤ RYOSHO TAIWAN COMPANY, LIMITED ⑥ Ryosho Europe GmbH  
 ⑦ RYOSHO U.S.A., INC. ⑧ RYOSHO KOREA COMPANY, LIMITED

# 1 Initiatives for a Decarbonized Society

## Awareness of social issues and basic thinking on a decarbonized society

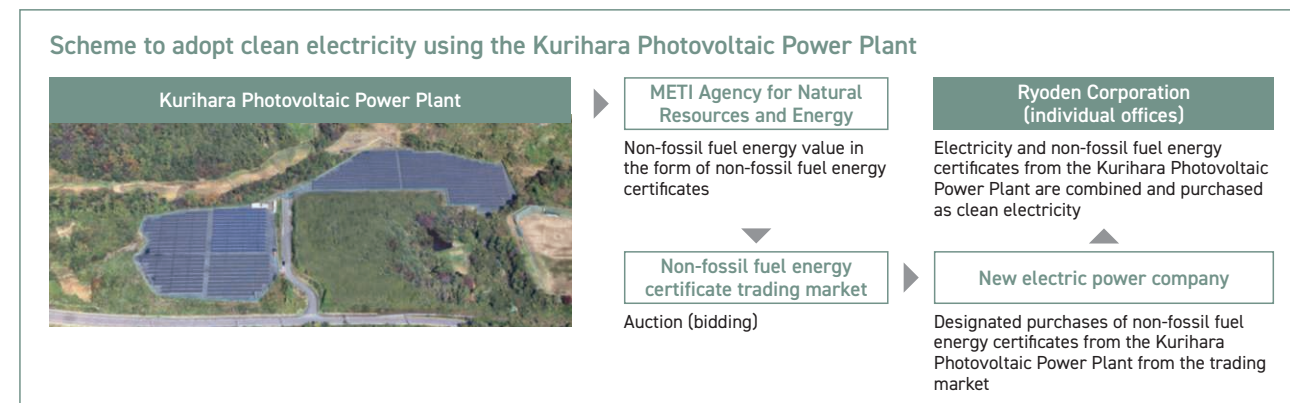
The Paris Agreement, which was adopted at the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP) in 2015, set goals for all nations to substantially reduce greenhouse gas (GHG) emissions to limit the average global temperature increase. In response to this, the Japanese government declared "2050 Carbon Neutral" to reduce GHG emissions to zero by 2050. Within this trend, the Ryoden Corporation Group has strengthened its approach to limiting GHG emissions from "low carbon" to "decarbonize."

Currently, based on the Ryoden Corporation Group's Environmental Vision established in 2020, we are addressing issues such as reducing GHG emissions from electricity use in the Company to zero by 2030.

In addition, as its own index, the Company visualizes the amount of its GHG emissions and its contribution to their reduction, and implement Total Carbon Management company-wide. We will continue to contribute to the reduction of greenhouse gases from a lifecycle perspective.

## Use of clean electricity to achieve net-zero GHG emissions

We are also working to use renewable clean energy as a means of reducing and absorbing GHG emissions. RYODEN is pursuing an initiative to use clean energy at all Group offices by using a non-fossil fuel energy certificate with tracking\* from its Kurihara Photovoltaic Power Plant (Kurihara City, Miyagi Prefecture) that it operates. The Head Office building switched and began using this in August 2021.



\*Non-fossil fuel energy certificate: Non-fossil fuel energy value from renewable energy in the form of a certificate that can be bought and sold. Fossil fuel energy refers to energy obtained by burning fossil fuels such as petroleum, coal, and natural gas. Non-fossil fuel energy refers to energy from solar, geothermal, wind, and hydro power that does not rely on fossil fuels (=renewable energy)

## Value created by responding to social issues

In order to pass on a clean planet for the future, the RYODEN Group makes efforts to reduce its energy consumption by using the latest air-conditioning technology, efficient lighting and electrical appliances, fuel-efficient cars, and so forth. In addition, we regard environmental initiatives as medium- and long-term growth opportunities, and recognize creation of environmental solutions that contribute to life-cycle thinking for enhancement of environmental value as a key managerial priority. The RYODEN Group provides total support for the achievement of ZEB, which aims for net zero energy consumption in a building by saving and creating energy while creating a comfortable interior environment, and for the introduction and operation of environmental management systems (EMS) designed to help achieve environmental targets in offices, factories, and other facilities.

**7 AFFORDABLE AND CLEAN ENERGY**  
**Target 7.2**  
 Increase substantially the share of renewable energy in the global energy mix by 2030.

**13 CLIMATE ACTION**  
**Target 13.2**  
 Integrate climate change measures into national policies, strategies, and planning.

**17 PARTNERSHIPS FOR THE GOALS**  
**Target 17.14**  
 Enhance policy coherence for sustainable development.

## Governance relating to climate change

The RYODEN Group regards environmental issues relating to climate change, specifically efforts that aim toward a decarbonized society, as part of its environmental vision and a key managerial priority that should be addressed Group-wide. Reports and proposals regarding climate change countermeasures are deliberated by the management team in business strategy meetings, and decisions on these are ultimately made by the President and representative director, who assumes ultimate responsibility for climate change countermeasures.

The officer in charge of environmental matters manages progress based on long-term environmental management targets and gives instructions for correction and improvement as necessary. Climate change risks and opportunities are reported to the Board of Directors if it is deemed that they will materially affect business. The Board of Directors provides supervision by giving instructions on countermeasures through deliberation, so that climate change countermeasures are properly taken.

## Total Carbon Management (TCM)

Total Carbon Management (TCM) is the Group's unique environmental activity in which the amount of RYODEN's GHG emissions and its contribution to their reduction are visualized, then monitored and analyzed by the Head Office, domestic executive offices, and overseas sales companies, respectively. Through this, the Group can proceed with environmental activities as its own concern. We will continue company-wide efforts to increase our contribution to reduction throughout the supply chain.

## RYODEN's GHG emissions in the supply chain in FYE2022

\*Scope 1, 2, and 3: Standards issued by GHG Protocol in November 2011 for calculating emissions throughout an organization's supply chain. GHG Protocol was created by the GHG Protocol Initiative, jointly convened by the WRI (World Resources Institute) and the WBCSD (World Business Council for Sustainable Development).  
 \*GHG: Greenhouse gas

|   |   | FYE2020                            |                                    | FYE2021        |                                      | FYE2022                            |                |                                      |
|---|---|------------------------------------|------------------------------------|----------------|--------------------------------------|------------------------------------|----------------|--------------------------------------|
|   |   | GHG emissions (t-CO <sub>2</sub> ) | GHG emissions (t-CO <sub>2</sub> ) | Proportion     | Comparison with previous fiscal year | GHG emissions (t-CO <sub>2</sub> ) | Proportion     | Comparison with previous fiscal year |
| <b>Total GHG emissions (Scope 1, 2, and 3 combined)</b> |   | <b>8,054,309</b>                   | <b>6,950,174</b>                   | <b>100.00%</b> | <b>86%</b>                           | <b>6,755,401</b>                   | <b>100.00%</b> | <b>97%</b>                           |
| Scope1  | Company cars  | 505                                | 401                                | 0.01%          | 80%                                  | 358                                | 0.01%          | 89%                                  |
| Scope2  | Offices (for electricity used)                                  | 1,023                              | 998                                | 0.01%          | 98%                                  | 696                                | 0.01%          | 70%                                  |
| <b>Scope3</b>   |   | <b>8,052,782</b>                   | <b>6,948,775</b>                   | <b>99.98%</b>  | <b>86%</b>                           | <b>6,754,347</b>                   | <b>99.98%</b>  | <b>97%</b>                           |
| Cat.1   | Products and services purchased                                 | 812,840                            | 699,331                            | 10.06%         | 86%                                  | 887,183                            | 13.13%         | 127%                                 |
| Cat.2   | Capital goods   | 955                                | 1,178                              | 0.02%          | 123%                                 | 1,128                              | 0.02%          | 96%                                  |
| Cat.3   | Fuel and energy-related activities not included in Scope 1 or 2 | 258                                | 233                                | 0.00%          | 90%                                  | 191                                | 0.00%          | 82%                                  |
| Cat.4   | Transport, distribution (upstream)                              | —                                  | —                                  | —              | —                                    | —                                  | —              | —                                    |
| Cat.5   | Waste from business activities                                  | 6                                  | 5                                  | 0.00%          | 89%                                  | 5                                  | 0.00%          | 89%                                  |
| Cat.6   | Travel  | 1,422                              | 315                                | 0.00%          | 22%                                  | 251                                | 0.00%          | 79%                                  |
| Cat.7   | Commuting by employees  | 389                                | 395                                | 0.01%          | 102%                                 | 368                                | 0.01%          | 93%                                  |
| Cat.8   | Leased assets (upstream)  | —                                  | —                                  | —              | —                                    | —                                  | —              | —                                    |
| Cat.9   | Transport, distribution (downstream)                            | 638                                | 516                                | 0.01%          | 81%                                  | 473                                | 0.01%          | 92%                                  |
| Cat.10  | Processing of marketed products                                 | —                                  | —                                  | —              | —                                    | —                                  | —              | —                                    |
| Cat.11  | Use of marketed products  | 7,236,273                          | 6,246,802                          | 89.88%         | 86%                                  | 5,864,749                          | 86.82%         | 94%                                  |
| Cat.12  | Disposal of marketed products                                   | —                                  | —                                  | —              | —                                    | —                                  | —              | —                                    |
| Cat.13  | Leased assets (downstream)                                      | —                                  | —                                  | —              | —                                    | —                                  | —              | —                                    |
| Cat.14  | Franchise   | —                                  | —                                  | —              | —                                    | —                                  | —              | —                                    |
| Cat.15  | Investment  | —                                  | —                                  | —              | —                                    | —                                  | —              | —                                    |

Scope 1, 2, and 3 calculation formula:  
 In reference to the guidelines posted on the Ministry of the Environment website ([https://www.env.go.jp/earth/ondanka/supply\\_chain/gvc/en/](https://www.env.go.jp/earth/ondanka/supply_chain/gvc/en/)), we define the service life of products, operating time, power consumption by products in use, and various intensity measures in order to calculate the emissions.



## 2 Initiatives for Creating a Circular Society

### Awareness of social issues and basic approach for creating a circular society

The Sustainable Development Goal 12 calls for sustainable consumption and production patterns to be ensured. It notes the finiteness of resources as energy demand increases with global population growth and calls on companies to optimize product life cycle and use resources more efficiently as a social responsibility. The environmental problem of marine plastic debris is spreading globally, and the conditions for maintaining the conventional social system based on mass production, consumption, and disposal are beginning to collapse. Based on co-creation and collaboration, it is important for each of us to play a role in working toward the common goal of building "a society where there is no concept of waste."

Based on this thinking, the Ryoden Corporation Group has made a commitment to a circular society by using FSC certified paper, promoting 3R, the Ecocap Movement, and so forth. In addition to striving to curb the discharge of waste, all employees in the Group are united in creating a circular society where all materials possible are utilized effectively through reuse or recycling. At the same time, we stay focused on the proper management of information on chemical substances in products and the smooth communication of information.

### Value created by responding to social issues

The Ryoden Corporation Group is making efforts to contribute to the formation of a circular society by continuous initiatives in reducing waste and increasing recycling rates (reduce, reuse, recycle of waste). Specific initiatives include halting deforestation by using FSC certified paper while contributing to the creation of a framework to sustainably and appropriately manage forests necessary for production.

From the perspective of reducing substances of concern in products, we are continuously promoting the procurement of safe and secure products and working to reduce substances of concern included in raw materials and ingredients in order to realize the sustainable management of chemical substances. In addition to increasing the transparency and safety of chemical substances used in our products, we are working with our business partners to develop best practices in the handling and management of chemical substances, such as promoting alternatives to substances of concern.

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**  
**Target 12.2**  
 By 2030, achieve the sustainable management and efficient use of natural resources.  
**Target 12.5**  
 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

**15 LIFE ON LAND**  
**Target 15.2**  
 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

**14 LIFE BELOW WATER**  
**Target 14.1**  
 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.

**8 DECENT WORK AND ECONOMIC GROWTH**  
**Target 8.4**  
 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead.

### Chemical substance management

With the expansion of efforts in chemical substance management on a global scale, companies are increasingly faced with the challenge of complying with chemical substance management regulations in foreign countries. The RYODEN Group stays focused on the proper management of information on chemical substances in products and the smooth communication of information.

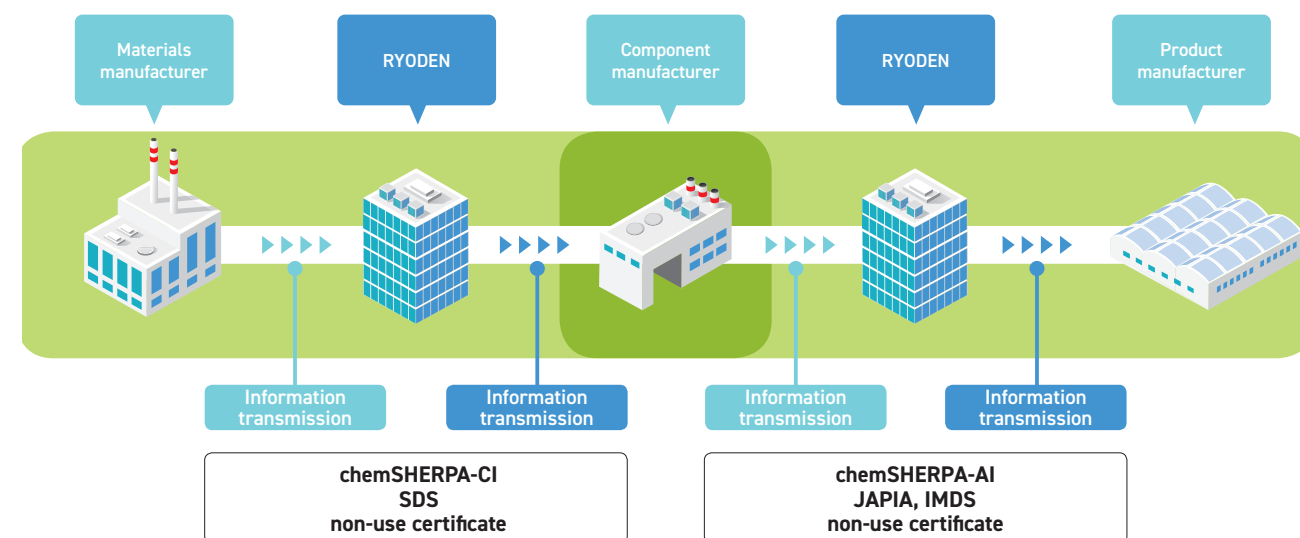
#### Towards enhanced management systems

In April 2011, the Group established a department specializing in managing information on the chemical substances contained in our products. Sales divisions coordinate with the specialist department to respond to customer demands. In April 2010, one year before establishing the specialist department, we joined the Joint Article Management Promotion-consortium (JAMP). Since then, we have strived to ensure timely acquisition of the information on industry trends and latest information in the management of the chemical substances contained in our products. We are also engaged in enhancing our management systems, with reference to the guidelines published by JAMP.

#### Respond to diverse needs

In addition to chemSHERPA, we respond to a wide variety of needs including for JAPIA sheets, ICP data and non-use certificates, through the cooperation of our suppliers. We also comply with ProChemist/AS (electric machinery and electronics industries) and IMDS (automobile industry), and provided customers with some 20,000 pieces of information in FYE2022.

#### Process for managing and conveying information on chemical substances



#### Participation in the Ecocap Movement

The Ecocap Movement is a movement to send vaccines to children in developing countries by donating the proceeds from selling plastic bottle caps sorted and collected from offices to recycling contractors. This also reduces GHG emissions by using the caps as a resource instead of burning them.

The RYODEN Group set up collection boxes at each office in 2007 and actively collects ecocaps.

|                             | Ecocap shipping destination | Number of caps   | Vaccines (number of people) | CO <sub>2</sub> reduction (t) |
|-----------------------------|-----------------------------|------------------|-----------------------------|-------------------------------|
| FYE2020                     | Re-LifeStyle                | 121,657          | 247.3                       | 0.89                          |
| FYE2021                     |                             | 99,761           | 204.4                       | 0.73                          |
| FYE2022                     |                             | 91,914           | 180.6                       | 0.67                          |
| <b>Cumulative from 2007</b> |                             | <b>1,766,349</b> | <b>2,687.8</b>              | <b>13.26</b>                  |

# Our Future Growth Path

## An impressive transformation from humble origins as a Mitsubishi Electric sales agent to a ¥200 billion global company

Ryoden Corporation was set up just after the end of the World War II in 1947. As a sales agent for Mitsubishi Electric, we initially handled such products as sewing machines, refrigerators, and radios. After that, our business expanded steadily and, in the 1970s, we subsequently entered the fields of semiconductors, elevators and escalators, and housing equipment. We then started to focus on diversified business development as a technical trading company. In the 1990s, we began accelerating the globalization of our business, consolidated net sales topped ¥200 billion in 1995, and ratio of overseas sales broke through 10% in 2004.

As part of our second founding period since 2000, we have been pursuing further corporate transformation with the aim of becoming a 100-year company. To mark our 70th anniversary in 2017, we began working to create a full-fledged solutions business, which helped create our current business structure that develops six solutions based on four mainstay businesses. We are always keen to boldly challenge new fields and are currently expanding into the fields of healthcare and smart agriculture.

In 2023, we will change the Company's trade name to **RYODEN CORPORATION**. This name change embodies our commitment to provide new value to all our stakeholders as a business creation company that transcends the existing bounds of an agency or trading company, and to transform into a company that contributes to the sustainable development of global society.

- 1947 "Riko Shokai K.K." established as an agent for Mitsubishi Electric Corporation, for the purpose of selling various electric devices, mainly sewing machines, electric refrigerators and radios, and general machinery

- 1958 Trade name changed to "Ryoden Corporation"

Riko Shokai (Tokyo), the predecessor of Ryoden Corporation, was founded in 1947, shortly after the end of World War II. The Company merged with Daico Shokai (Osaka), and the trading name was changed to Ryoden Corporation in 1958.



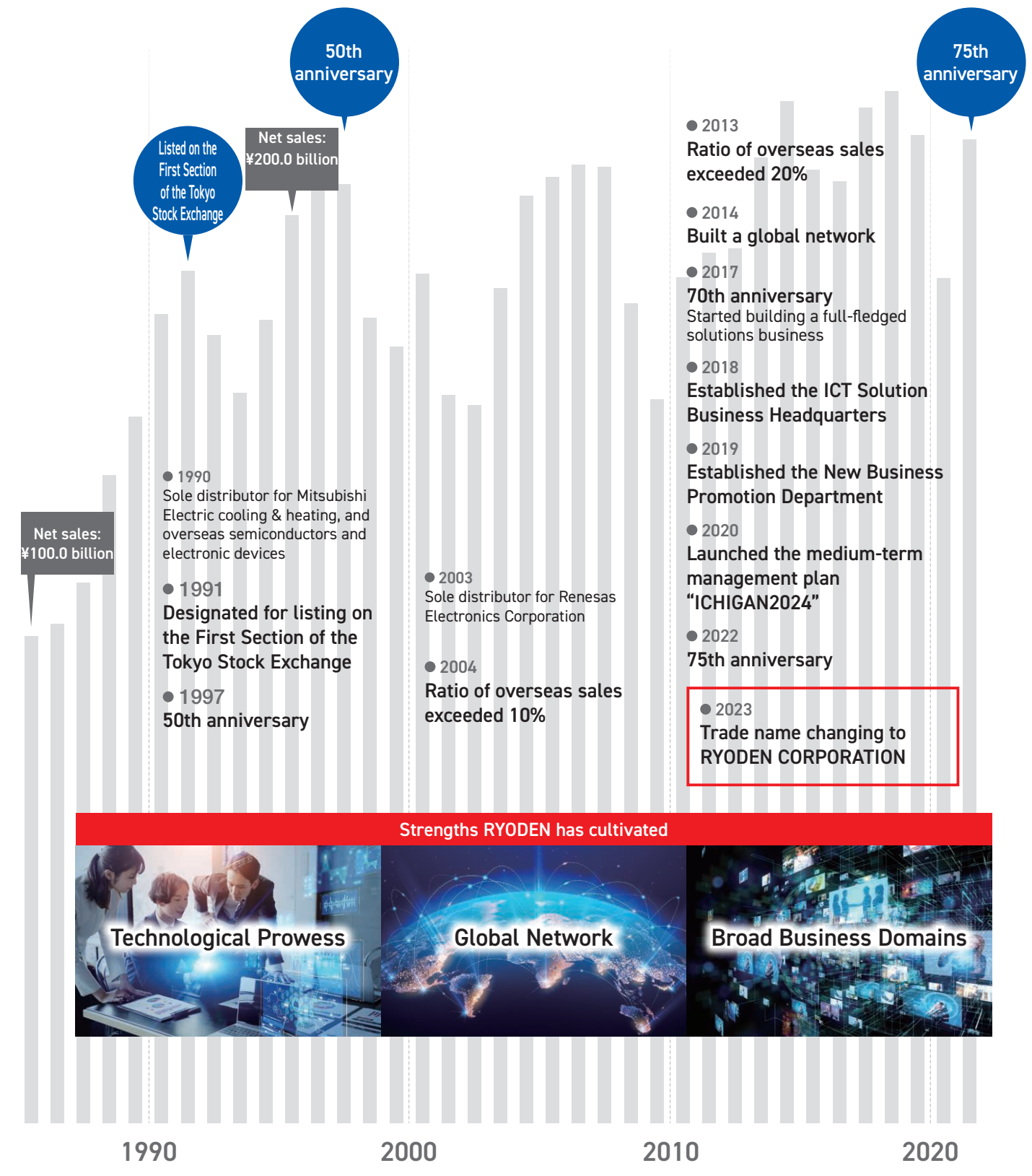
▶ Net sales over time

- 1963 Shares listed on the Second Section of the Tokyo Stock Exchange

- 1964 Concluded an agency agreement for the distribution of Mitsubishi Electric products



- 1971 Sole distributor for Mitsubishi Electric elevators and escalators
- 1973 Sole distributor for Mitsubishi Electric semiconductors
- 1979 Sole distributor for Mitsubishi Electric housing equipment



# RYODEN's Strengths

RYODEN's three key strengths, cultivated over many years since its establishment in 1947, include technological prowess, a global network, and broad business domains. Each of these strengths is becoming increasingly important, not only to provide our customers with optimal solutions to address the issues they face but also for RYODEN to evolve into a business creation company.

## Technological Prowess

### Proposing optimal solutions and systems

The Group has provided customers with services as a trading company with a high level of technical prowess, including customizing products provided by suppliers to match customer needs. Today, with increasingly diverse customer needs, we frequently work between suppliers and customers to construct optimal solutions and systems for each customer. We are focusing our efforts on accumulating and analyzing technical information by further strengthening the coordination of the Group with suppliers and customers. We are also building systems, including the establishment of specialized technical teams, to respond immediately to any changes in industries, in Japan and overseas.



## Global Network

### Developing global and locally-aligned businesses

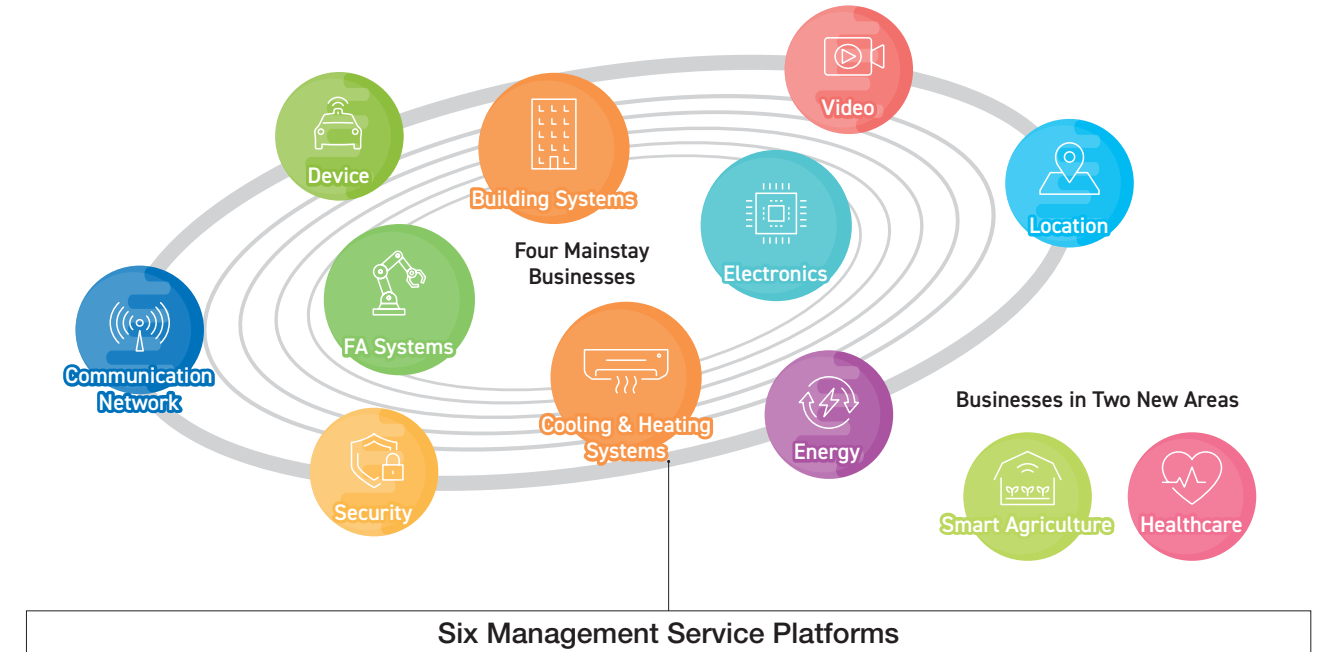
Since establishing a local subsidiary in Singapore in 1990, RYODEN has gone on to set up operational sites around the world. Sustained by the trust and achievements we had built up in Japan, we have developed businesses closely aligned with each local region. With today's increasingly global markets, we are promoting globalization across design, manufacturing, procurement and sales, including joint development with alliance partners and product procurement supply chains. Specifically for the Asian region, which has led growth in the global economy during the past few years, we have established Strategic Offices in both East Asia and Southeast Asia, and we are expanding our businesses by integrating our strategy to comprehend markets across the region, expanding our operational sites, and coordinating with network of operational sites around the world, including Europe and North America.



## Broad Business Domains

### Leveraging diverse business domains to provide optimal solutions

Since its founding in 1947, the Group has developed around four core businesses: FA Systems, Cooling & Heating Systems, Building Systems and Electronics. We have also built six management service platforms that fuse the technologies we have cultivated through these four mainstay businesses with ICT (Network Business). In addition, we are also developing businesses in two new specialty fields (Smart Agriculture and Healthcare). With the strength of our diverse business domains, we provide optimal solutions to address the issues faced by our customers.



**Device** With rapid advances in the networking and automation of automobiles, the task of developing embedded systems and software for automobiles is becoming increasingly complicated and large-scale. In addition to a virtual environment that significantly improves development efficiency, we provide solutions to support cutting-edge automotive technologies, such as safety assessment for autonomous driving and advanced driver assistance systems.

**Video** A vast amount of data is contained in video images from the surveillance camera systems that perform a core role in physical security. Through our proprietary FlaRevo series, we provide systems to enable users to view valuable video information, including diverse information on the movement of people, the status of machines, the quality of products, etc., whenever and wherever appropriate, and to share this information with others as necessary.

**Communication Network** We develop a range of businesses utilizing LoRaWAN (Long Range Wide Area Network), a form of long range wireless communications network. We utilize the power saving and radio wave diffraction features of LoRaWAN, developing it for use in disaster rescue activity support networks, and carrying out practical demonstrations aimed at improving work environments and enhancing productivity at shipyards.

**Location** We provide solutions to dramatically enhance the efficiency of operations, by identifying the movements and positions of people and things. We have a range of solutions ready, including the ATLAS-Things cloud service, which uses automatic recognition technologies such as RFID and QR to record the receipt and shipment of goods, and positioning systems to monitor the movement of people, materials and equipment, leading to improvements in work efficiency.

**Security** We protect corporate activities from the cyber attacks that occur without respite across the globe, through security solutions making extensive use of technologies such as surveillance cameras and access management systems. We leverage the expertise developed through our FA Systems, Building Systems, and Electronics businesses, to provide state-of-the-art security and safety compatible with DX.

**Energy** We support customers' energy saving measures by enabling the constant monitoring of lighting and air-conditioning operation. The outstanding features of our cloud-based integrated monitoring system, Remces, include the use of an open network, without constraints on the manufacturer of sensors or controllers used, and a high degree of freedom in system design, making this a "triple-free" system, giving the user freedom of manufacturer, base/terminal, and design.



## Financial and Non-financial Data Over Past Decade

|                            |   | (Millions of yen)      |                        |                        |                        |  |                        |                        |                        |                        |                        | (Thousands of U.S. dollars) |                        |
|----------------------------|---|------------------------|------------------------|------------------------|------------------------|--|------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------------|------------------------|
| Financial data             |   | 73rd term<br>(FYE2013) | 74th term<br>(FYE2014) | 75th term<br>(FYE2015) | 76th term<br>(FYE2016) |  | 77th term<br>(FYE2017) | 78th term<br>(FYE2018) | 79th term<br>(FYE2019) | 80th term<br>(FYE2020) | 81st term<br>(FYE2021) | 82nd term<br>(FYE2022)      | 82nd term<br>(FYE2022) |
| Results summary            | Net sales                               | 203,730                | 224,766                | 237,877                | 221,990                |  | 219,225                | 236,494                | 240,312                | 230,087                | 196,841                | 229,126                     | 1,878,081              |
|                            | Overseas sales                          | 49,177                 | 63,857                 | 66,342                 | 54,439                 |  | 48,919                 | 50,111                 | 45,826                 | 42,645                 | 34,259                 | 43,897                      | 359,811                |
|                            | Ratio of overseas sales (%)             | 24.1                   | 28.4                   | 27.9                   | 24.5                   |  | 22.3                   | 21.2                   | 19.1                   | 18.5                   | 17.4                   | 19.2                        | 19.2                   |
|                            | Operating profit                        | 4,414                  | 5,278                  | 4,992                  | 3,673                  |  | 2,730                  | 5,078                  | 5,624                  | 5,559                  | 3,415                  | 7,062                       | 57,885                 |
|                            | Ordinary profit                         | 4,662                  | 5,641                  | 4,505                  | 3,296                  |  | 2,442                  | 5,055                  | 5,648                  | 5,758                  | 3,653                  | 7,285                       | 59,713                 |
|                            | Profit attributable to owners of parent | 2,852                  | 3,550                  | 2,891                  | 1,846                  |  | 1,388                  | 3,588                  | 3,731                  | 3,860                  | 2,343                  | 5,004                       | 41,016                 |
| Balance sheets summary     | Total assets                            | 107,872                | 117,936                | 125,121                | 119,382                |  | 122,763                | 133,710                | 132,729                | 128,304                | 125,529                | 140,970                     | 1,155,491              |
|                            | Net assets                              | 54,121                 | 57,582                 | 61,444                 | 60,401                 |  | 60,975                 | 64,057                 | 65,716                 | 67,557                 | 69,919                 | 74,766                      | 612,836                |
|                            | Short-term loans                        | 3,113                  | 3,603                  | 3,685                  | 3,158                  |  | 1,849                  | 1,909                  | 2,428                  | 1,221                  | 1,438                  | 1,633                       | 13,385                 |
| Cash flow summary          | Cash flows from operating activities    | 11,124                 | 778                    | (4,168)                | 3,747                  |  | 4,601                  | (4,833)                | 4,479                  | 5,938                  | 1,939                  | (7,623)                     | (62,483.61)            |
|                            | Cash flows from investing activities    | (269)                  | (1,920)                | (1,230)                | (777)                  |  | 474                    | 674                    | (686)                  | (518)                  | 183                    | (1,326)                     | (10,868.85)            |
|                            | Cash flows from financing activities    | (245)                  | (994)                  | (1,087)                | (1,550)                |  | (2,227)                | (942)                  | (563)                  | (2,281)                | (1,052)                | (883)                       | (7,237.70)             |
| Financial indicators, etc. | Profit per share (¥)                    | 131.47                 | 163.68                 | 133.40                 | 85.22                  |  | 64.04                  | 165.44                 | 171.98                 | 177.77                 | 107.79                 | 229.99                      | 1.89                   |
|                            | Net assets per share (¥)                | 2,494.29               | 2,657.02               | 2,834.19               | 2,784.95               |  | 2,809.01               | 2,948.86               | 3,022.78               | 3,104.00               | 3,208.01               | 3,427.24                    | 28.1                   |
|                            | Cash dividends per share (¥)            | 40                     | 44                     | 48                     | 52                     |  | 44                     | 48                     | 56                     | 56                     | 56                     | 58                          | 0.5                    |
|                            | Operating profit to net sales (%)       | 2.2                    | 2.3                    | 2.1                    | 1.7                    |  | 1.2                    | 2.1                    | 2.3                    | 2.4                    | 1.7                    | 3.1                         | 3.1                    |
|                            | ROE (%)                                 | 5.4                    | 6.4                    | 4.9                    | 3.0                    |  | 2.3                    | 5.8                    | 5.8                    | 5.8                    | 3.4                    | 6.9                         | 6.9                    |
|                            | ROA (%)                                 | 4.3                    | 5.0                    | 3.7                    | 2.7                    |  | 2.0                    | 3.9                    | 4.2                    | 4.4                    | 2.9                    | 5.5                         | 5.5                    |
|                            | Equity ratio (%)                        | 50.2                   | 48.8                   | 49.1                   | 50.5                   |  | 49.6                   | 47.8                   | 49.4                   | 52.5                   | 55.6                   | 52.9                        | 52.9                   |
|                            | Payout ratio (%)                        | 30.4                   | 26.9                   | 36.0                   | 61.0                   |  | 68.7                   | 29.0                   | 32.6                   | 31.5                   | 52.0                   | 25.2                        | 25.2                   |

\* A share consolidation (consolidation of two shares of common stock into one share) was conducted with the effective date of October 1, 2017. The amounts shown for profit per share, net assets per share and cash dividends per share reflect the number of shares after consolidation.

\* "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018), have been applied from the beginning of the fiscal year ended March 31, 2019. Accordingly, the key financial indicators for the fiscal year ended March 31, 2018 are those after retrospectively applying the standard.

\* Cash dividends per share for the fiscal year ended March 31, 2018 and the fiscal year ended March 31, 2022 include commemorative cash dividends of ¥2 per share each.

\* Amounts shown in U.S. dollars have been converted from yen, for convenience only, at the rate of ¥122 = U.S.\$1, the approximate rate of exchange prevailing on March 31, 2022 rounded to the nearest whole dollar.

## Non-financial data

|               |  | 73rd term<br>(FYE2013) | 74th term<br>(FYE2014) | 75th term<br>(FYE2015) | 76th term<br>(FYE2016) |  | 77th term<br>(FYE2017) | 78th term<br>(FYE2018) | 79th term<br>(FYE2019) | 80th term<br>(FYE2020) | 81st term<br>(FYE2021) | 82nd term<br>(FYE2022) |
|---------------|--|------------------------|------------------------|------------------------|------------------------|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Social        | Number of employees at the end of the fiscal year (persons)        | 1,148                  | 1,190                  | 1,251                  | 1,276                  |  | 1,284                  | 1,284                  | 1,251                  | 1,279                  | 1,289                  | 1,214                  |
|               | Number of new graduates recruited (persons)                        | 25                     | 20                     | 32                     | 41                     |  | 39                     | 24                     | 30                     | 38                     | 41                     | 23                     |
|               | Number of new mid-career recruits (persons)                        | 8                      | 26                     | 43                     | 20                     |  | 13                     | 7                      | 8                      | 24                     | 18                     | 9                      |
|               | Number of participants in social contribution activities (persons) | 530                    | 551                    | 669                    | 744                    |  | 696                    | 751                    | 704                    | 599                    | 0*                     | 0*                     |
|               | Proportion of female core personnel (in senior positions) (%)      | 0                      | 0                      | 0                      | 1.7                    |  | 2.0                    | 2.0                    | 2.0                    | 2.1                    | 2.2                    | 2.0                    |
| Environmental | Total GHG emissions (Scope 1 and 2) (t-CO <sub>2</sub> )           | 1,503                  | 1,648                  | 1,766                  | 1,793                  |  | 1,832                  | 1,787                  | 1,682                  | 1,528                  | 1,399                  | 1,054                  |
| Governance    | Proportion of Outside Directors (%)                                | 6.3                    | 6.3                    | 6.3                    | 6.3                    |  | 17.6                   | 17.6                   | 42.9                   | 42.9                   | 42.9                   | 42.9                   |
|               | Proportion of female Directors (%)                                 | 0                      | 0                      | 0                      | 4.8                    |  | 4.8                    | 9.1                    | 9.1                    | 9.1                    | 9.1                    | 18.1                   |

\* No employee participated in social contribution activities in the fiscal year ended March 31, 2021 or the fiscal year ended March 31, 2022 due to the impact of COVID-19 pandemic.

## Consolidated Financial Statements

### Consolidated Balance Sheets (as of March 31, 2021)

(Million yen)

| Account title  | As of March 31, 2021 | As of March 31, 2022 | Account title   | As of March 31, 2021 | As of March 31, 2022 |
|--|----------------------|----------------------|---|----------------------|----------------------|
| <b>Assets</b>  |                      |                      | <b>Liabilities</b>                                    |                      |                      |
| <b>Current assets</b>                                      | <b>111,332</b>       | <b>126,093</b>       | <b>Current liabilities</b>                            | <b>50,954</b>        | <b>62,585</b>        |
| Cash and deposits  | 21,129               | 11,587               | Notes and accounts payable - trade                    | 33,706               | 40,117               |
| Notes and accounts receivable - trade                      | 48,050               | —                    | Electronically recorded obligations - operating       | 12,625               | 14,776               |
| Notes and accounts receivable - trade, and contract assets | —                    | 51,474               | Short-term borrowings                                 | 407                  | 822                  |
| Electronically recorded monetary claims - operating        | 19,823               | 21,992               | Income taxes payable                                  | 212                  | 1,633                |
| Securities   | —                    | 52                   | Other   | 4,001                | 5,235                |
| Merchandise and finished goods                             | 19,285               | 32,850               | <b>Non-current liabilities</b>                        | <b>4,655</b>         | <b>3,618</b>         |
| Other  | 3,062                | 8,163                | Retirement benefit liability                          | 3,609                | 2,818                |
| Allowance for doubtful accounts                            | (18)                 | (27)                 | Other   | 1,046                | 800                  |
| <b>Non-current assets</b>                                  | <b>14,197</b>        | <b>14,877</b>        | <b>Total liabilities</b>                              | <b>55,609</b>        | <b>66,204</b>        |
| <b>Property, plant and equipment</b>                       | <b>3,881</b>         | <b>3,764</b>         | <b>Net assets</b>                                     |                      |                      |
| Buildings and structures                                   | 732                  | 675                  | <b>Shareholders' equity</b>                           | <b>68,629</b>        | <b>72,442</b>        |
| Machinery, equipment and vehicles                          | 286                  | 254                  | Share capital   | 10,334               | 10,334               |
| Tools, furniture and fixtures                              | 265                  | 236                  | Capital surplus                                       | 7,437                | 7,449                |
| Land   | 2,597                | 2,597                | Retained earnings                                     | 51,671               | 55,458               |
| <b>Intangible assets</b>                                   | <b>724</b>           | <b>806</b>           | Treasury shares                                       | (813)                | (800)                |
| Software   | 643                  | 752                  | <b>Accumulated other comprehensive income</b>         | <b>1,129</b>         | <b>2,145</b>         |
| Other  | 81                   | 54                   | Valuation difference on available-for-sale securities | 1,633                | 1,652                |
| <b>Investments and other assets</b>                        | <b>9,591</b>         | <b>10,306</b>        | Foreign currency translation adjustment               | 69                   | 850                  |
| Investment securities                                      | 6,988                | 7,305                | Remeasurements of defined benefit plans               | (573)                | (357)                |
| Long-term prepaid expenses                                 | 81                   | 124                  | <b>Share acquisition rights</b>                       | <b>160</b>           | <b>178</b>           |
| Deferred tax assets  | 730                  | 453                  | <b>Total net assets</b>                               | <b>69,919</b>        | <b>74,766</b>        |
| Other  | 2,018                | 2,705                | <b>Total liabilities and net assets</b>               | <b>125,529</b>       | <b>140,970</b>       |
| Allowance for doubtful accounts                            | (228)                | (281)                |   |                      |                      |
| <b>Total assets</b>  | <b>125,529</b>       | <b>140,970</b>       |   |                      |                      |

### Consolidated Statements of Income (for the fiscal year ended March 31, 2021)

(Million yen)

| Account title   | For the fiscal year ended March 31, 2021 |                | For the fiscal year ended March 31, 2022 |                |
|---|--|----------------|--|----------------|
| <b>Net sales</b>  |  | <b>196,841</b> |  | <b>229,126</b> |
| <b>Cost of sales</b>  |  | <b>174,998</b> |  | <b>202,979</b> |
| <b>Gross profit</b>   |  | <b>21,843</b>  |  | <b>26,147</b>  |
| <b>Selling, general and administrative expenses</b>           |  | <b>18,427</b>  |  | <b>19,084</b>  |
| <b>Operating profit</b>                                       |  | <b>3,415</b>   |  | <b>7,062</b>   |
| <b>Non-operating income</b>                                   |  |                |  |                |
| Interest and dividend income                                  | 173                                      |                | 208                                      |                |
| Share of profit of entities accounted for using equity method | 41                                       |                | 80                                       |                |
| Other   | 164                                      | 379            | 145                                      | 434            |
| <b>Non-operating expenses</b>                                 |  |                |  |                |
| Interest expenses   | 23                                       |                | 24                                       |                |
| Foreign exchange losses                                       | 32                                       |                | 18                                       |                |
| Provision of allowance for doubtful accounts                  | —  |                | 42                                       |                |
| Other   | 85                                       | 142            | 126                                      | 212            |
| <b>Ordinary profit</b>  |  | <b>3,653</b>   |  | <b>7,285</b>   |
| <b>Extraordinary income</b>                                   |  |                |  |                |
| Gain on sale of shares of subsidiaries and associates         | 199                                      |                | —  |                |
| Gain on sale of investment securities                         | 28                                       |                | 20                                       |                |
| Gain on sale of non-current assets                            | 55                                       | 283            | —  | 20             |
| <b>Extraordinary losses</b>                                   |  |                |  |                |
| Loss on valuation of investment securities                    | 336                                      |                | 6  |                |
| Gain on sale of shares of subsidiaries and associates         | —  | 336            | 1  | 8              |
| <b>Profit before income taxes</b>                             |  | <b>3,599</b>   |  | <b>7,297</b>   |
| Income taxes - current  | 1,010                                    |                | 2,118                                    |                |
| Income taxes - deferred                                       | 245                                      | 1,256          | 174                                      | 2,293          |
| <b>Profit</b>   |  | <b>2,343</b>   |  | <b>5,004</b>   |
| <b>Profit attributable to owners of parent</b>                |  | <b>2,343</b>   |  | <b>5,004</b>   |

### Consolidated Statements of Cash Flows (for the fiscal year ended March 31, 2021)

(Million yen)

| Account title  | For the fiscal year ended March 31, 2021 | For the fiscal year ended March 31, 2022 |
|--|--|--|
| <b>Cash flows from operating activities</b>                          |  |  |
| Profit before income taxes   | 3,599                                    | 7,297                                    |
| Depreciation   | 414                                      | 409                                      |
| Increase (decrease) in allowance for doubtful accounts               | (196)                                    | 47                                       |
| Increase (decrease) in retirement benefit liability                  | (37)                                     | (481)                                    |
| Interest and dividend income   | (173)                                    | (208)                                    |
| Interest expenses  | 23                                       | 24                                       |
| Share of loss (profit) of entities accounted for using equity method | (41)                                     | (80)                                     |
| Loss (gain) on sale and retirement of non-current assets             | (28)                                     | 16                                       |
| Loss (gain) on sale of investment securities                         | (28)                                     | (21)                                     |
| Loss (gain) on valuation of investment securities                    | 336                                      | 24                                       |
| Loss (gain) on sale of shares of subsidiaries and associates         | (199)                                    | —  |
| Decrease (increase) in trade receivables                             | 1,872                                    | (4,804)                                  |
| Decrease (increase) in inventories                                   | 1,433                                    | (13,129)                                 |
| Increase (decrease) in trade payables                                | (2,930)                                  | 7,928                                    |
| Other, net   | (382)                                    | (4,100)                                  |
| <b>Subtotal</b>  | <b>3,662</b>                             | <b>(7,077)</b>                           |
| Interest and dividends received                                      | 193                                      | 230                                      |
| Interest paid  | (24)                                     | (24)                                     |
| Income taxes paid  | (1,891)                                  | (752)                                    |
| <b>Net cash provided by (used in) operating activities</b>           | <b>1,939</b>                             | <b>(7,623)</b>                           |
| <b>Cash flows from investing activities</b>                          |  |  |
| Purchase of property, plant and equipment                            | (98)                                     | (132)                                    |
| Proceeds from sale of property, plant and equipment                  | 210                                      | 0  |
| Purchase of intangible assets  | (138)                                    | (307)                                    |
| Purchase of investment securities                                    | (289)                                    | (1,253)                                  |
| Proceeds from sale of investment securities                          | 591                                      | 932                                      |
| Proceeds from withdrawal of time deposits                            | 300                                      | —  |
| Long-term loan advances  | (350)                                    | (500)                                    |
| Other, net   | (41)                                     | (65)                                     |
| <b>Net cash provided by (used in) investing activities</b>           | <b>183</b>                               | <b>(1,326)</b>                           |
| <b>Cash flows from financing activities</b>                          |  |  |
| Net increase (decrease) in short-term borrowings                     | 165                                      | 310                                      |
| Net decrease (increase) in treasury shares                           | (1)                                      | (0)                                      |
| Dividends paid   | (1,216)                                  | (1,193)                                  |
| <b>Net cash provided by (used in) financing activities</b>           | <b>(1,052)</b>                           | <b>(883)</b>                             |
| <b>Effect of exchange rate change on cash and cash equivalents</b>   | <b>(116)</b>                             | <b>290</b>                               |
| <b>Net increase (decrease) in cash and cash equivalents</b>          | <b>955</b>                               | <b>(9,542)</b>                           |
| <b>Cash and cash equivalents at beginning of period</b>              | <b>20,165</b>                            | <b>21,120</b>                            |
| <b>Cash and cash equivalents at end of period</b>                    | <b>21,120</b>                            | <b>11,577</b>                            |

# Corporate Information

## Corporate Data (As of March 31, 2022)

|                        |   |
|------------------------|---|
| Trade name             | Ryoden Corporation                                    |
| Establishment          | April 22, 1947  |
| Capital                | ¥10,334,298,875                                       |
| Stock exchange listing | Prime Market of the Tokyo Stock Exchange (Commercial) |
| Number of employees    | Consolidated: 1,214 (Non-consolidated: 1,016)         |

## Stock Information (As of March 31, 2022)

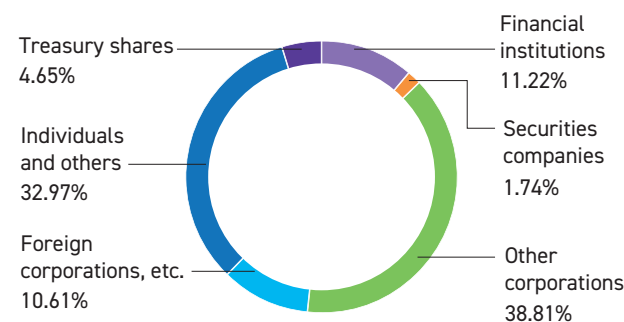
|                                   |  |
|-----------------------------------|--|
| Total number of shares authorized | 56,550,000 shares  |
| Total number of shares issued     | 22,824,977 shares (including 1,061,811 shares of treasury stock) |
| Number of shareholders            | 33,169   |

### Major shareholders (top 10)

| Name of shareholders   | Number of shares held (Thousand shares) | Shareholding ratio |
|--|---|--------------------|
| Mitsubishi Electric Corporation                                | 7,755                                   | 35.63%             |
| The Master Trust Bank of Japan, Ltd. (trust account)           | 1,429                                   | 6.57%              |
| BBH BOSTON FOR NOMURA JAPAN SMALLER CAPITALIZATION FUND 620065 | 589                                     | 2.70%              |
| Ryoden Employee Stock Ownership Plan                           | 476                                     | 2.18%              |
| Citizen Watch Co., Ltd.  | 414                                     | 1.90%              |
| Tokio Marine & Nichido Fire Insurance Co., Ltd.                | 326                                     | 1.49%              |
| HIKARI TSUSHIN, INC.   | 217                                     | 0.99%              |
| BNYMSANV RE BNYMIL RE LF MORANT WRIGHT NIPPON YIELD FUND       | 215                                     | 0.98%              |
| Meiji Yasuda Life Insurance Company                            | 203                                     | 0.93%              |
| MUFG Bank, Ltd.  | 180                                     | 0.82%              |

\* The shareholding ratio is calculated after deducting treasury stock, and rounded down to the second decimal place.

### Chart of share ownership



## Directors, Audit & Supervisory Board

| Name                         | Title  | Responsibilities and significant concurrent positions  |
|------------------------------|--|--|
| <b>Katsuyuki Tomizawa</b>    | Representative Director of Board, President & CEO  |  |
| <b>Shoji Kitai</b>           | Representative Director of Board Senior Vice President Nomination & Compensation Advisory Committee Member | In charge of supervising Administrative Divisions, in charge of General Affairs, Human Resources and Accounting & Finance Departments, deputy in charge of Internal Audit Department   |
| <b>Takahiro Ozawa</b>        | Director of board Senior Executive Officer   | In charge of supervising Strategic Divisions, in charge of Environment & Quality Headquarters, General Manager, Corporate Strategic Planning, General Manager, DX Strategy Promotion Department                              |
| <b>Yuji Fujii</b>            | Outside Director   | (General Manager, Market Planning & Administration Department, Corporate Marketing Group, Mitsubishi Electric Corporation)   |
| <b>Cindy Yoshiko Shirata</b> | Outside Director (Independent) Nomination & Compensation Advisory Committee Member                         | (Chairperson, Land Valuation Council, Tokyo Regional Taxation Bureau) (Honorary Professor, School of Business and Commerce, Tokyo International University) (Visiting Professor, Global Innovation Studies, Toyo University) |
| <b>Masahiro Muroi</b>        | Outside Director (Independent) Nomination & Compensation Advisory Committee Chair                          | (Auditor, The Norinchukin Bank) (Outside Director, TODA CORPORATION)   |
| <b>Thomas Witty</b>          | Outside Director (Independent) Nomination & Compensation Advisory Committee Member                         | (Tokyo Management Partner, ARQIS Foreign Law Office Foreign Law Joint Enterprise) (Representative, Japan Administrative Office, German-Japanese Association of Jurists)  |
| <b>Reiichiro Kito</b>        | Corporate Auditor  |  |
| <b>Hiroshi Hiraide</b>       | Corporate Auditor  |  |
| <b>Masato Suzuki</b>         | Outside Corporate Auditor  | (Attorney at law (Partner, Miyake & Partners))   |
| <b>Noriko Sekiguchi</b>      | Outside Corporate Auditor  | (Representative, Sekiguchi Noriko CPA Office) (Outside Director, TOKYO OHKA KOGYO CO., LTD.) (Independent Outside Audit & Supervisory Board Member, Oji Holdings Corporation)  |
| <b>Masatoshi Nakamura</b>    | Senior Executive Officer   | In charge of supervising Business Divisions, General Manager, FA & Facilities System Business Headquarters   |
| <b>Shunichi Higashi</b>      | Senior Executive Officer   | General Manager, Device System Headquarters  |
| <b>Kazumoto Yogosawa</b>     | Senior Executive Officer   | General Manager, Central Japan Executive Office  |
| <b>Ko Oniwa</b>              | Senior Executive Officer   | General Manager, West Japan Executive Office   |

# Glossary

|                             |  |
|-----------------------------|--|
| <b>greenhouse gas (GHG)</b> | Collective term for the gases present in Earth's atmosphere that contribute to the greenhouse effect by absorbing some of the infrared radiation from the surface. They include carbon dioxide, methane, nitrous oxide and fluorocarbons. Carbon dioxide represents most of the gases.   |
| <b>infotainment</b>         | A portmanteau of "information" and "entertainment." This term is mainly used for automotive (in-vehicle) systems, which provide both information and entertainment.  |
| <b>carbon neutral</b>       | The state in which the amount of the greenhouse gas generated as a result of producing something or any other human activity is balanced out by an equivalent amount of the gas absorbed or eliminated through human activity. The Japanese government has pledged to make the country carbon neutral by 2050.   |
| <b>supply chain</b>         | The flow of raw materials and components needed to provide products and services from procurement through manufacturing, delivery, etc. and into the hands of consumers.   |
| <b>subscription</b>         | A business model in which customers make regular or continuing payments for the right to use products or services for set periods of time, instead of owning or purchasing them.   |
| <b>sensing</b>              | Technology that uses sensors to measure and quantify various information. Factors such as temperature, sound level, brightness, and durability can be measured and quantified in a wide variety of settings.   |
| <b>protocol</b>             | A set of rules governing the exchange of data between computers, including procedures, conventions, electrical signal rules, procedures for receiving and transmitting communications, etc.  |
| <b>pest control</b>         | Pests refer to all organisms that cause a negative impact on human health and economic activity, including insect pests such as cockroaches, animal vermin such as mice and weasels, and microbes such as molds. Pest control refers to technology that controls these insects and vermin at levels that do not harm human life.   |
| <b>5G</b>                   | Short for "5th Generation." The 5th generation of next-generation communications standards for use in mobile phones and other devices. It features "high-speed high-volume," "high-reliability low-latency communications," and "multiple simultaneous connections."   |
| <b>CASE</b>                 | An acronym of Connected, Autonomous, Shared and Electric. CASE is a concise expression of the four next-generation trends in the automotive industry, which is said to have entered a once in a century transformation period.   |
| <b>DX</b>                   | Short for "Digital Transformation." Ministry of Economy, Trade and Industry defines it as "for a company to establish a position of competitive advantage by responding to drastic changes in the business environment, changing its products, services and business models using data and digital technology based on the needs of customers and society and changing its operation, organization, processes, corporate culture." |
| <b>FA</b>                   | Short for "Factory Automation." The automation of all factory processes, from production planning to the shipment of ordered products, using technologies such as robots, sensors, and information systems.  |
| <b>GHG</b>                  | An environmental term, short for "Greenhouse Gas."   |
| <b>ICT</b>                  | Short for "Information and Communication Technology." It refers to communication utilizing communication technologies.   |
| <b>IoT</b>                  | Short for "Internet of Things." It refers to a system where various "things" are connected to the Internet, and control each other through the exchange of information   |
| <b>LoRaWAN</b>              | Short for "Long Range Wide Area Network." It refers to a wireless communications method featuring low power consumption and long range. Communication is possible over several kilometers, and it is easy to establish wireless networks in both indoor and outdoor environments.  |
| <b>MaaS</b>                 | Short for "Mobility as a Service." It refers to the use of information and communication technology to integrate all forms of transport except personal use vehicles, including busses, trains, taxis, aircraft, etc. into a single service.   |
| <b>RFID</b>                 | Short for "Radio Frequency Identifier." It is an automatic recognition technology which reads and writes information stored in IC tags without contact through short-range wireless communication using electromagnetic fields, radio waves, etc.  |
| <b>SBT</b>                  | Short for "Science Based Targets." These are GHG emissions reduction targets established by companies for the next five to fifteen years, conforming to the standards required under the Paris Agreement.  |
| <b>SDGs</b>                 | Short for "Sustainable Development Goals." They are goals for the year 2030, adopted by the United Nations General Assembly.   |
| <b>SoC</b>                  | Short for "System on a chip." A device integrating various functions, such as a CPU (central processing unit), microcontrollers, and memories, on a single chip.   |
| <b>ZEB</b>                  | Short for "Net Zero Energy Building." It is a building that aims to achieve net-zero consumption of primary energy used in it over a year, while maintaining a comfortable indoor environment.   |



On April 1, 2023, the trade name of  
Ryoden Corporation will change to  
**RYODEN CORPORATION.**



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<https://www.ryoden.co.jp/en/>