

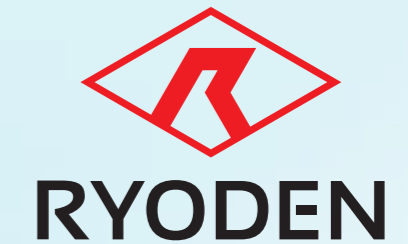


RYODEN

RYODEN REPORT 2020

A Future – Creator as Your Partner

— Your partner in creating the future together



“Truth is found at the worksite.” Ryoden Corporation’s vision for the future is to be a company that can step into the business domains of its customers and other partners, pursue and propose solutions to the issues that they face from a global perspective, and further, to build close partnerships in tandem with customers.

Management Philosophy

1. 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.
2. By conducting business sincerely and providing leading-edge technologies, we justify the trust of our customers.
3. We respect the dignity and individuality of each employee, cultivating people with high degrees of professional skill, commitment to innovation and creativity.

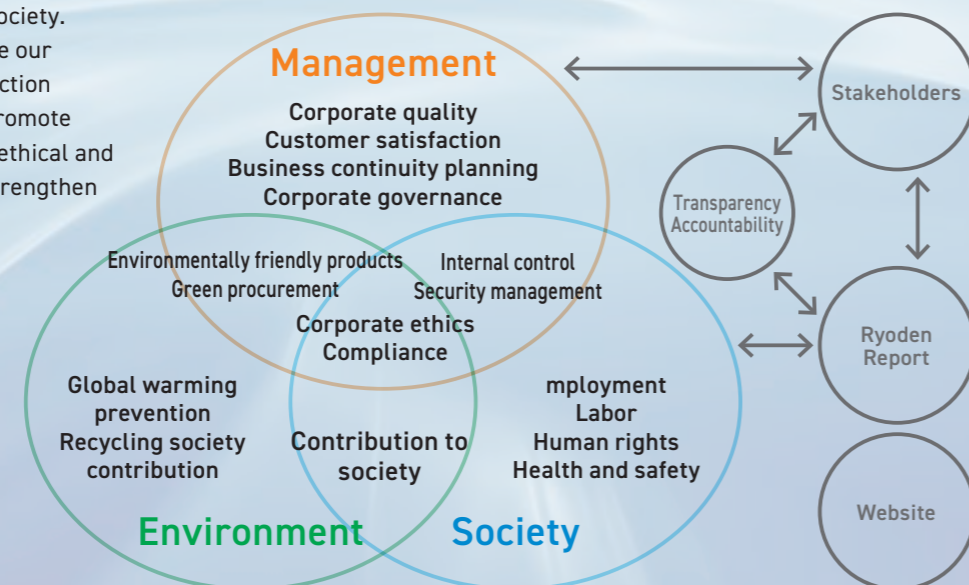
Guidelines for Action

1. We strictly comply with laws and regulations.
2. We aim for profitable growth.
3. Ryoden fulfills its responsibilities to society as a global enterprise.
4. Ryoden establishes its own approach, by which it builds a dynamic organization.
5. We pursue self-enlightenment, with respect for people’s dignity and individuality and a high sense of purpose.
6. Our managers and directors take the initiative in fulfilling their roles.

Ryoden Corporation’s CSR

The Group regards CSR initiatives as the basis of corporate management, to contribute to a sustainable society.

Our basic CSR policies are our Management Principle and Action Guidelines. Specifically, we promote active initiatives to enhance ethical and legal compliance systems, strengthen corporate governance and internal controls, and furthermore, to secure and enhance quality in our business activities, engage in environmental conservation and social contribution activities, and promote communication with stakeholders.



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Editorial Policy

Each year until now, the Company has published an Annual Report on business activities and financial information, and a Sustainability Report containing non-financial information including ESG (environment, social and governance).

For fiscal 2019, with the launch of the medium-term management plan “ICHIGAN2024,” we have decided to publish Ryoden Report 2020 to communicate to shareholders, investors and other stakeholders our process of sustainable value creation through engaging in activities in focus areas, and our contribution to a sustainable society.

This report not only contains more complete non-financial information than previous reports, but also outlines the formulation of our Value Creation Model to generate value for the realization of a sustainable society, and our solutions and their social impact in the areas of Environment, Security and Safety as Value Generated in Focus Areas. Regarding the environment, we have also established the Ryoden Corporation Environmental Vision, clearly articulating our long-term vision for society in view of increasingly serious environmental issues around the world, based on our management policy.

Reporting Period

This report contains information on business activities during fiscal 2019 (April 1, 2019 to March 31, 2020). Some information is also presented on prior fiscal years and the period since April 1, 2020.

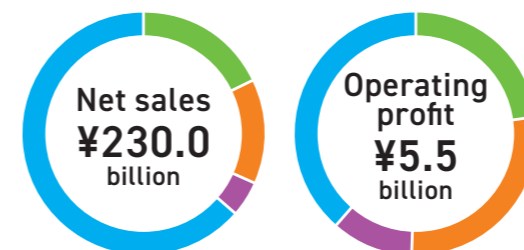
Scope of the Report

The scope of this report comprises Ryoden Corporation and its Group companies. Clear indication of the scope is given in sections where the scope differs to the above.

Ryoden's Business

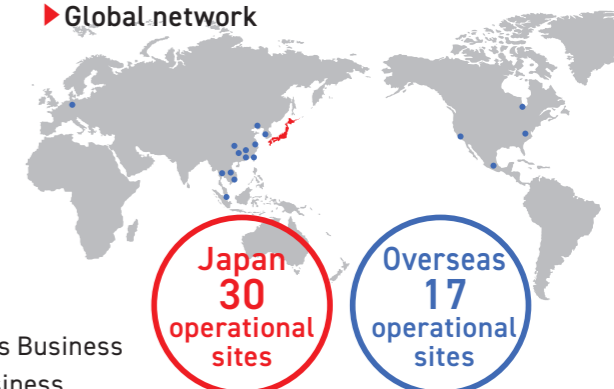
The Ryoden Group develops Smart Agriculture and Healthcare as businesses in new areas, in addition to its four mainstay businesses: FA Systems, Cooling & Heating Systems, Building Systems and Electronics. We have also built six management service platforms that fuse our mainstay businesses with ICT^{*1} (Network Business). Toward future mobility society, we are actively advancing into cutting-edge fields such as MaaS^{*2} and CASE^{*3}, 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 30 operational sites in Japan and 17 operational sites overseas.

Breakdown of net sales and operating profit

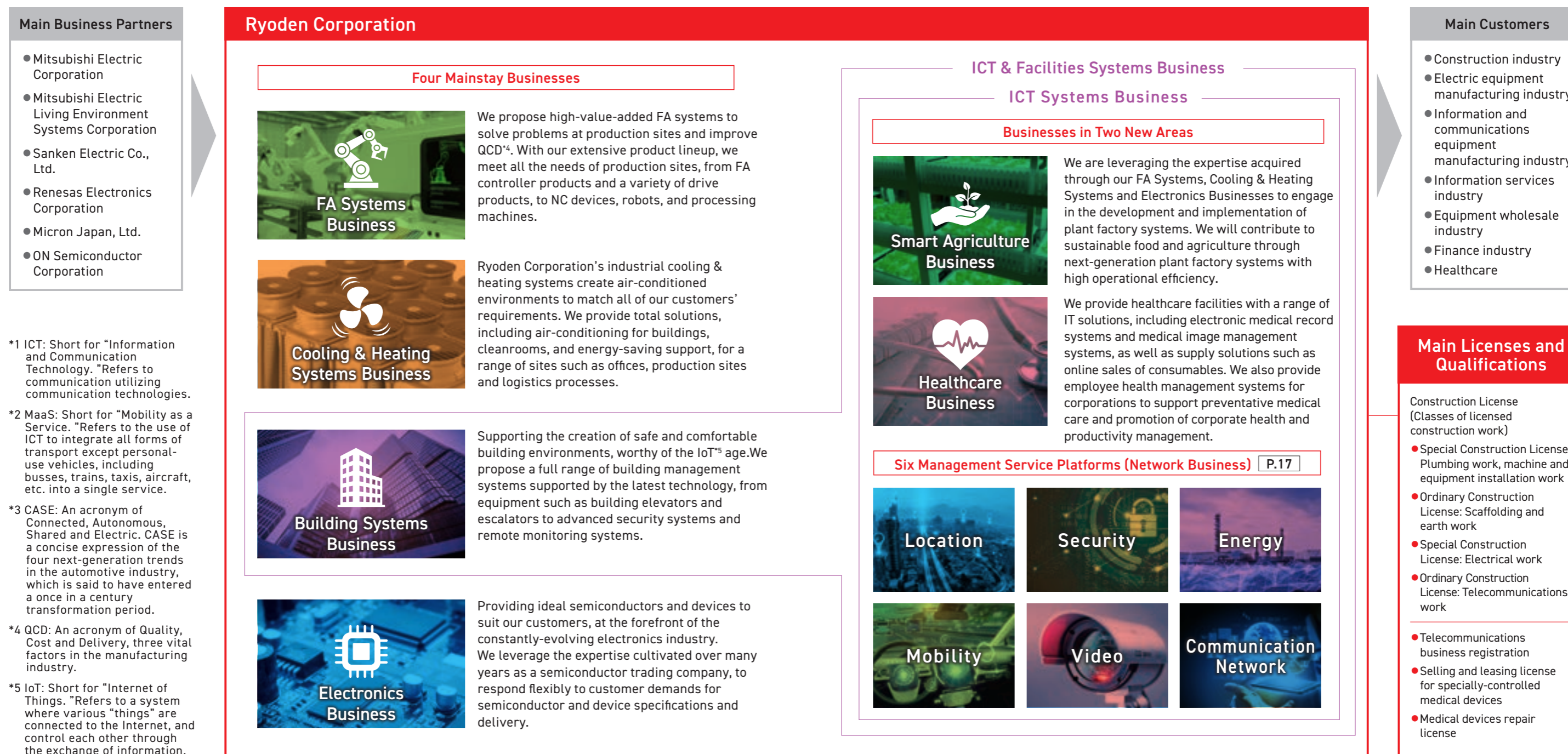


■ FA Systems Business
 ■ Cooling & Heating Systems Business
 ■ ICT & Facilities Systems Business
 ■ Electronics Business

Global network



Business Model



*1 ICT: Short for "Information and Communication Technology." Refers to communication utilizing communication technologies.


*2 MaaS: Short for "Mobility as a Service." Refers to the use of ICT to integrate all forms of transport except personal-use vehicles, including busses, trains, taxis, aircraft, etc. into a single service.

*3 CASE: 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.

*4 QCD: An acronym of Quality, Cost and Delivery, three vital factors in the manufacturing industry.

*5 IoT: Short for "Internet of Things." Refers to a system where various "things" are connected to the Internet, and control each other through the exchange of information.

With our strong business portfolio for the IoT age, we contribute to realizing a sustainable society through our efforts in the areas of environment, security and safety.



President & CEO



Business environment and financial results for fiscal 2019

Amid deteriorating market conditions, we recorded our highest ever profit, thanks to the growth of businesses in new areas

In the global economy during fiscal 2019, the strong U.S. economy showed indications of decline due to U.S.-China trade friction, while the Chinese and European economies displayed signs of a downturn. Furthermore, the spread of COVID-19 at the beginning of 2020 led to a rapid deterioration in the global economy. A slowdown in the Japanese economy also became apparent, with sluggish exports due to the impact of U.S.-China trade friction and stagnant capital investment. The impact of the COVID-19 pandemic became evident from the fourth quarter of fiscal 2019, and the outlook remains unclear.

In the business sectors that affect the Group, facilities demand stayed strong in the construction industry, but semiconductor manufacturing equipment, machine tools and other FA-related demand was subdued. In the automotive market, demand related to ADAS (advanced driver assistance systems) was strong, but the market experienced a dramatic slowdown with the spread of the pandemic. On the other hand, the now fully-established Smart Agriculture Business (Plant Factory) performed well, thanks to vigorous demand.

Under these conditions, the Group engaged in business activities aimed at shifting to a high added value model in its existing core businesses, establishing a business model in its growth businesses, and creating new, next-generation businesses, based on its vision to improve profitability

by accelerating the implementation of the customer value creation business model, adjusting to a changing business environment. As a result, the Group's net sales for fiscal 2019 were around ¥230.0 billion, a decrease of 4.3% year on year. Operating profit decreased by only 1.2% year on year, due to solid efforts in high-profit businesses in new areas, and profit attributable to owners of parent was ¥3.86 billion, the highest ever. Regarding the financial results for each segment, revenue and profit both declined for FA Systems and Electronics, due to U.S.-China trade friction and the persistence of the slump in demand for smartphones and semiconductors. On the other hand, revenue and profit both rose significantly for Cooling & Heating Systems and ICT & Facilities Systems due to an increase in redevelopment projects and large plant factory projects recorded in the Smart Agriculture field.

We regard the expansion of revenue from businesses in new areas during the fiscal year under review as a particularly important achievement. We are engaged in three new businesses, each spanning multiple business segments: Smart Agriculture, Healthcare, and Network. Annual net sales from these three businesses amounted to around ¥10.0 billion, growing roughly 50% year on year. These are all high-value-added businesses, with high profit margins, and they provided a significant boost for our profits for the fiscal year under review.

Business portfolio

A “business creation company” boasting six management service platforms

At the Group, we are attempting to substantially reshape the composition of our business portfolio, which is built around the four businesses cultivated since the time of our founding. FA Systems, Cooling & Heating Systems, Building Systems and Electronics will remain the Group's four core businesses, and will be designated “base businesses.” We will shape the six solutions generated from these base businesses as “management service platforms.” In addition, we have designated Smart Agriculture and Healthcare, two new businesses for which the market is reasonably clear, and which have achieved a certain scale, as businesses in new areas. We collectively refer to the businesses that handle our six management service platforms as Network Business.

Until now, the Group has placed its highest priority on utilizing the Group's strength as the main

general agent for Mitsubishi Electric products, to fine-tune its four base businesses as a “technical trading company.” It is undeniable that we became complacent in the belief that our task was simply to expand sales of the products supplied to us. Going forward, we aim to free ourselves fully from this attitude, to be not simply a “trading company specializing in technology,” but a “business creation company” that can provide optimal solutions to help customers create new businesses. This direction is indicated by our six management service platforms.

These six management service platforms are like six constellations floating in the night sky. The sky of the Group is scattered with the innumerable, twinkling lights of its elemental technologies. We will connect together these elemental technologies based the needs of each customer, into six constellations that we plan to indicate through concepts such as “Mobility” and “Video.”

Future growth strategy

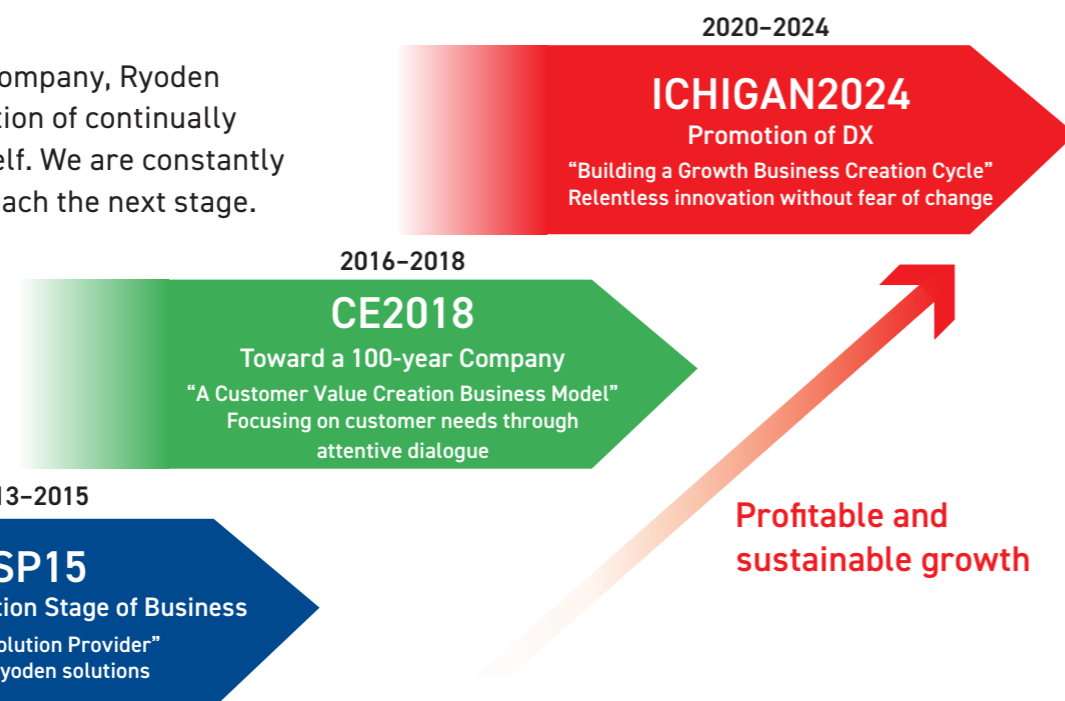
Contributing to the achievement of a sustainable society through environment, security and safety

Our vision for 2050 is “contributing to the achievement of a sustainable society through environment, security and safety, as a 100-year company.” We have worked to achieve this vision under successive medium-term management plans. Under the medium-term management plan “GSP15,” from 2013 to 2015, we defined this period as a second inauguration stage of business and strived to create solutions businesses. Under “CE2018,” from 2016 to 2018, we worked to build a customer value creation business model, aiming for a 100-year company. We have now launched initiatives under the new medium-term management plan “ICHIGAN2024,” which inherits this momentum, spanning five years from fiscal 2020.

Under “ICHIGAN2024,” we aim to be a company that can continue to generate new value as a business creation company that transcends the bounds of an agency or trading company. Our strategic theme is the powerful promotion of digital transformation (DX). We will establish business models for growth businesses and create new, next-generation businesses; we will enhance the productivity of our mainstay core businesses; we will strengthen the foundation for business promotion. Our strategy is to harness these three engines of growth to maximize revenue, and we have established management targets including operating profit of ¥10.0 billion or more.

Succession and evolution of the Ryoden Group’s medium-term management plans

As a 100-year company, Ryoden inherits a tradition of continually reinventing itself. We are constantly advancing to reach the next stage.



We will focus our efforts on five specific areas: Healthcare, Production Facilities, Next-generation Mobility, Industrial Cooling & Heating and Environment Management Systems (EMS), and Building Management and Facilities. We will actively propose solutions around core network and sensing technologies that are the Group’s greatest strengths, such as systems enabling the integrated management and on-demand delivery of the vast quantities of still and video images handled by large hospitals, and systems allowing remote, real-time monitoring of production lines. We have recently been authorized as a telecommunications carrier by Japan, and are now able to engage in the communications business across prefectural boundaries. We plan to develop a range of services through “LoRaWAN,” a communications network adapted for low electricity consumption and IoT applications. With the cooperation of local governments and others, we are already proceeding with demonstrations of systems to monitor landslides in real time, and systems capable of monitoring the position of medical teams during disasters, among others.

Sustainability

We established our Environmental Vision in April 2020, and contribute to a sustainable society

As I have already mentioned, the Group aspires to contribute to a sustainable society under its future vision, and strives, together with its stakeholders, to achieve a sustainable society through its business activities. “Environment” was one of our key management themes from early on. Not only did we engage in activities such as energy conservation, resource conservation and waste reduction, but we also sold environmentally-friendly products and cared for biodiversity, as well as promoted social contribution activities in tandem with local communities. These initiatives have been well received by society.

We established our Environmental Vision in April 2020, with the desire to engage even more proactively in environmental activities. In addition to strengthening our initiatives targeting a decarbonized society by 2030, we envisage creating environmental solutions to contribute to the concept of product life-cycles to enhance environmental value. We uphold two specific initiatives: the challenge to achieve zero greenhouse gas emissions related to electricity usage, and providing solutions, such as ZEB (net zero energy building), to contribute to reducing environmental impact. These initiatives

also link-in with our medium-term management plan “ICHIGAN2024,” and we are proud of the witness they bear to the sustainability orientation of the Group’s business activities.

The SDGs and ESG are gaining increasing attention as new indicators for investment selection that effectively influence corporate value and shareholder value. We consider it vital to respond in a realistic manner, without being manipulated by trends. We think it is necessary to incorporate a perspective on social issues into our analysis of the business environment to consider “what is necessary for the sustainable growth of society” and “what the Group can do.” We think it is necessary to determine “genuinely committed initiatives” that establish achievable goals.

As a public institution, we consider it our rightful duty to contribute to the environment, and to society, through appropriate governance. Going forward, we will assist in realizing a sustainable society by providing products and services to address the issues confronted by society, based on the theme of “contributing to the achievement of a sustainable society through environment, security and safety.”

To our stakeholders

Maintaining stable growth to be a company that can create the future

The Group endeavors to return profits to shareholders appropriately, based on comprehensive consideration of balance with respect to enhancing internal reserves to strengthen the business foundation and financial structure, and utilizing these reserves to invest in business expansion. Our policy is to stably and continuously pay out dividends of surplus, after considering factors such as the consolidated financial results of each fiscal year, and the Group’s medium- and long-term strategy.

We also intend to implement share buybacks as appropriate based on share price movements and the Group’s financial condition. We cannot predict the future. However, we should be able to envisage “the way we want to be,” and to work towards this vision to create a future that achieves it. Our corporate statement, “A Future – Creator as Your

Partner,” reflects the Group’s determination to strive constantly, not only to create its own future, but also to partner with customers and create their future together.

To realize this, the Group is preparing for a great advance, with a strong business portfolio comprising four base businesses, six management service platforms, and two businesses in new areas.

The role of the “business creation company” to which the Group aspires will only become greater in the era of full-scale IoT to come. The Group will do its utmost to maintain stable growth over a long period, responding to the demands of this new era and contributing to the achievement of a sustainable society through environment, security and safety.

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

Medium-term Management Plan (FY2020–FY2024)

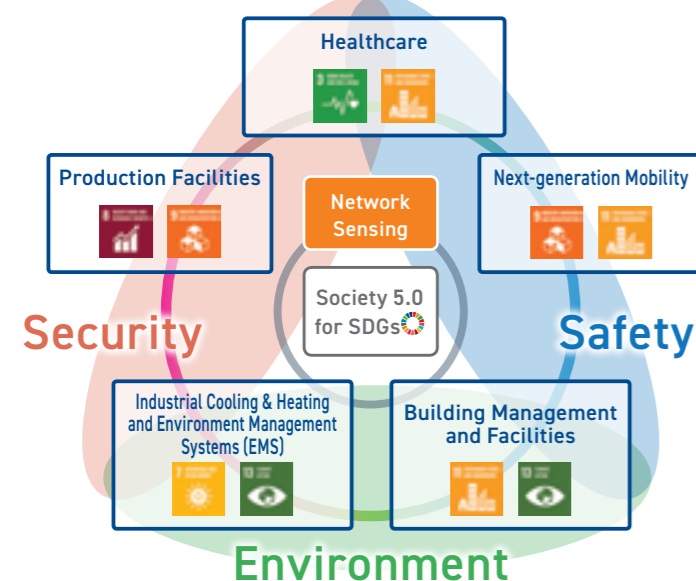
ICHIGAN2024

The Group has established the medium-term management plan “ICHIGAN2024,” beginning from fiscal 2020, as a new growth strategy for the next five years. Under the plan, we aim to create new value as a business creation company, transcending the bounds of an agency or trading company, based on the theme of “contributing to the achievement of a sustainable society through environment, security and safety.” Through the plan, we will engage in activities in our focus areas to contribute to a sustainable society, and proceed with initiatives to strengthen earning capacity.

Our Vision (Ryoden Corporation in FY2024)

Continue to create new value as a business creation company, transcending the bounds of an agency or trading company

Focus Areas



FY2024 Financial Results Targets (Consolidated Basis)

Net sales in new businesses	Up ¥15.0 billion compared to FY2018
Gross profit margin in new businesses	18%
Operating profit	¥10.0 billion or more
Operating profit to net sales	3.8%
ROE	8.0%

Strategic Themes

Promotion of digital transformation (DX)

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

Network Business	Accelerate the IoT business, develop the security business, expand the FlaRevo business
Smart Agriculture (Plant Factory) Business	Pursue unique added value, develop new businesses, expand next-generation agriculture in Japan and overseas
Healthcare Business	Strengthen medical-related businesses, create new businesses in the “pre-symptomatic domain”

Strategy 2 Enhance the productivity of our mainstay core businesses

FA Systems Business	Create new businesses and business models, expand the breadth of core businesses, expand overseas businesses
Cooling & Heating Systems Business	Strengthen the engineering business, continue the mainstay business, strengthen focus items, expand into overseas markets
Building Systems Business	“Whole-building” coordinators, maintain the escalator & elevator business
Electronics Business	Create new high-value-added businesses, construct a business portfolio, promote risk hedging

Strategy 3 Strengthen the foundation for business promotion

- Develop global human resources
- Strengthen Group governance



Ryoden’s Value Creation

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- 12 Value Creation Model
- 14 Ryoden’s Strengths
Technological Prowess / Global Network / Broad Business Domain
- 18 Value Generated in Focus Areas
Environment / Security / Safety

Ryoden's Progress

Ryoden Corporation came into existence in 1947 as an agent of Mitsubishi Electric, selling sewing machines, refrigerators, radios and other goods. It expanded its business domains in line with the times, and grew to boast annual net sales of over ¥200.0 billion from four core businesses: FA Systems, Cooling & Heating Systems, Building Systems and Electronics. In recent years, it has moved into new domains such as automatic driving and logistics management systems, by fusing these core businesses with ICT. It is also actively pioneering new areas and new businesses, such as the Plant Factory Business and the Healthcare Business.



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. The photograph shows badges with the company emblems (from the top, Riko Shokai, Daico Shokai and Ryoden Corporation).



The former head office building in Kanda Tsukasa-machi, Tokyo, was completed in 1966. The building supported the Company's business over a quarter century.



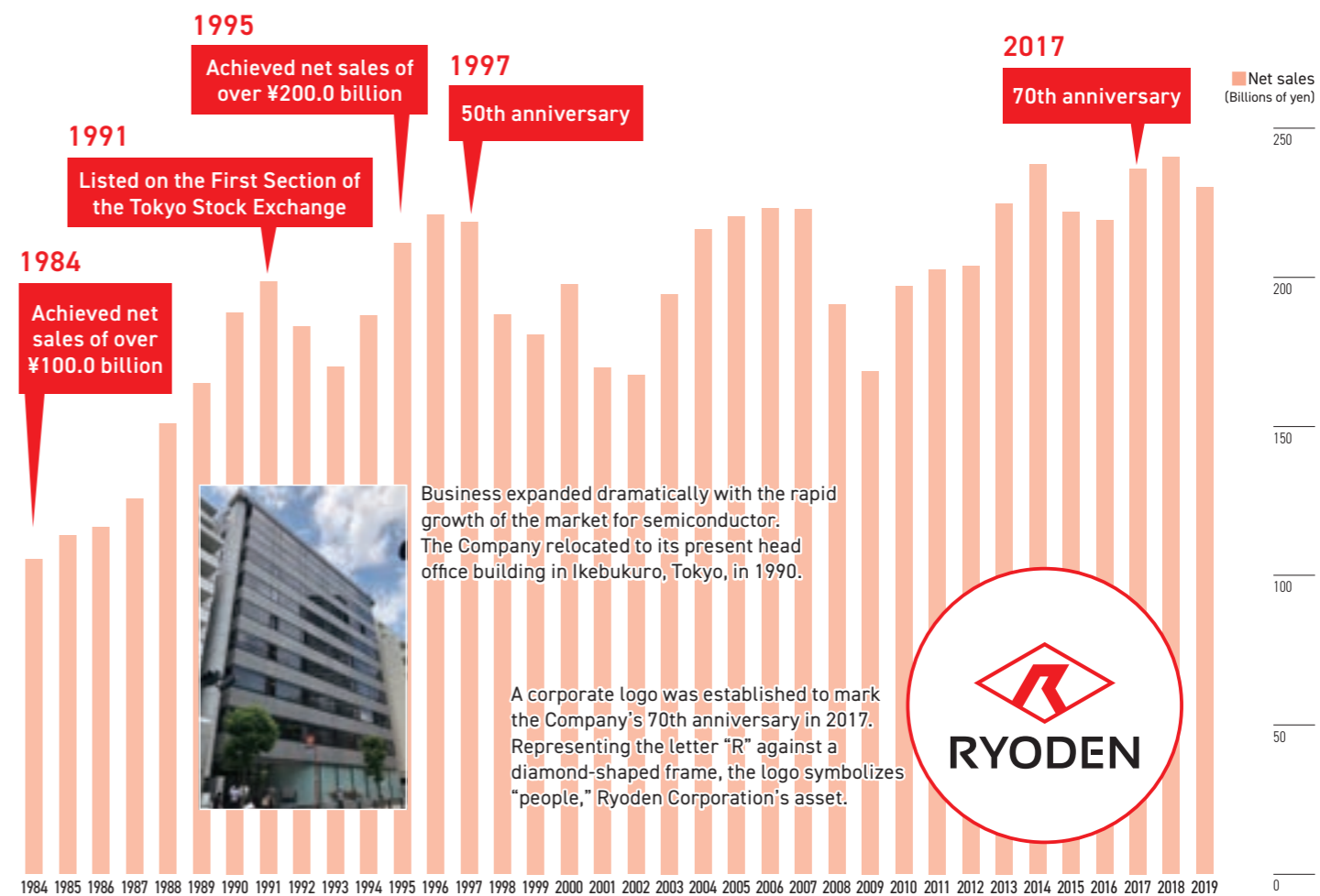
1947-
First Inauguration Stage of Business
Merger of Riko and Daico to become Ryoden Corporation

1963-
Diversification
First steps as a "technical trading company"

- 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"
- 1963 ■ Shares listed on the Second Section of the Tokyo Stock Exchange
- 1964 ■ Concluded an agency agreement for the distribution of Mitsubishi Electric products
- 1969 ■ Changed sales channels for household electrical appliances
- 1970 ■ Progressively transferred sales rights for household electrical goods to a new sales company established jointly with Mitsubishi Electric Corporation, completing the separation of the household appliance division
- 1971 ■ Concluded a sole distributor agreement for Mitsubishi Electric elevators and escalators
- 1973 ■ Concluded a sole distributor agreement for Mitsubishi Electric semiconductors
- 1979 ■ Concluded a sole distributor agreement for Mitsubishi Electric housing equipment

- 1985 ■ Net sales exceeded ¥100.0 billion due to stronger sales of semiconductors, housing equipment and elevators and escalators
- 1990 ■ Concluded a sole distributor agreement for Mitsubishi Electric cooling & heating, and overseas semiconductors and electronic devices
- 1991 ■ Designated for listing on the First Section of the Tokyo Stock Exchange
- 1992 ■ Established the Seoul Branch
- 1994 ■ Established a subsidiary, RYOSHO HONG KONG COMPANY, LIMITED in Hong Kong (currently a consolidated subsidiary)
- 1995 ■ Net sales doubled in 11 years, exceeding ¥200.0 billion due to stronger semiconductor and overseas businesses
- 1997 ■ 50th anniversary
- 1999 ■ Established a subsidiary, RYOSHO U.S.A., INC. in California, the U.S. (currently a consolidated subsidiary)

- 2001 ■ Established a subsidiary, RYOSHO ELECTRONICS (SHANGHAI) COMPANY, LIMITED in Shanghai, China (currently a consolidated subsidiary)
- 2003 ■ Acquired ISO14001 certification
- 2003 ■ Established the Shenzhen Office of a subsidiary, RYOSHO HONG KONG COMPANY, LIMITED
- 2004 ■ Switched suppliers in the semiconductor field, with the establishment of Renesas Technology
- 2004 ■ Expanded sites certified under ISO14001 across all domestic subsidiaries
- 2006 ■ Acquired ISO9001 certification for semiconductor and device divisions in the head office and branch offices across Japan
- 2006 ■ Acquired ISO9001 certification for the FA systems division in branch offices across Japan
- 2008 ■ Established a subsidiary, RYOSHO (THAILAND) CO., LTD. in Thailand
- 2008 ■ Established the Guangzhou Office of a subsidiary, RYOSHO ELECTRONICS (SHANGHAI) COMPANY, LIMITED
- 2009 ■ Established the Dalian Office of a subsidiary, RYOSHO ELECTRONICS (SHANGHAI) COMPANY, LIMITED



1991-
Globalization
Promotion of a profitable growth strategy

2010-
Second Inauguration Stage of Business
Bold endeavor to transform itself Toward a 100-year Company

- 2010 ■ Established a subsidiary, RYOSHO TAIWAN COMPANY, LIMITED in the Republic of China
- 2010 ■ Established the Chengdu Office of a subsidiary, RYOSHO ELECTRONICS (SHANGHAI) COMPANY, LIMITED
- 2011 ■ Established a subsidiary, RYOSHO EUROPE GmbH in Germany
- 2011 ■ Established the Atlanta Branch of a subsidiary, RYOSHO U.S.A., INC.
- 2012 ■ Abolished the Seoul Branch, and established a subsidiary, RYOSHO KOREA COMPANY, LIMITED in Seoul
- 2012 ■ Established the India Representative Office under a subsidiary, RYOSHO TECHNO SINGAPORE PTE LTD
- 2013 ■ Established a subsidiary, RYOSHO ELECTRONICS CONSULTANTS (SHENZHEN) CO., LTD., in Shenzhen
- 2013 ■ Established a subsidiary, PT. RYOSHO TECHNO INDONESIA, in Jakarta
- 2013 ■ Acquired ISO14001 certification for a subsidiary, RYOSHO TECHNO SINGAPORE PTE LTD
- 2013 ■ Ratio of overseas sales exceeded 20%

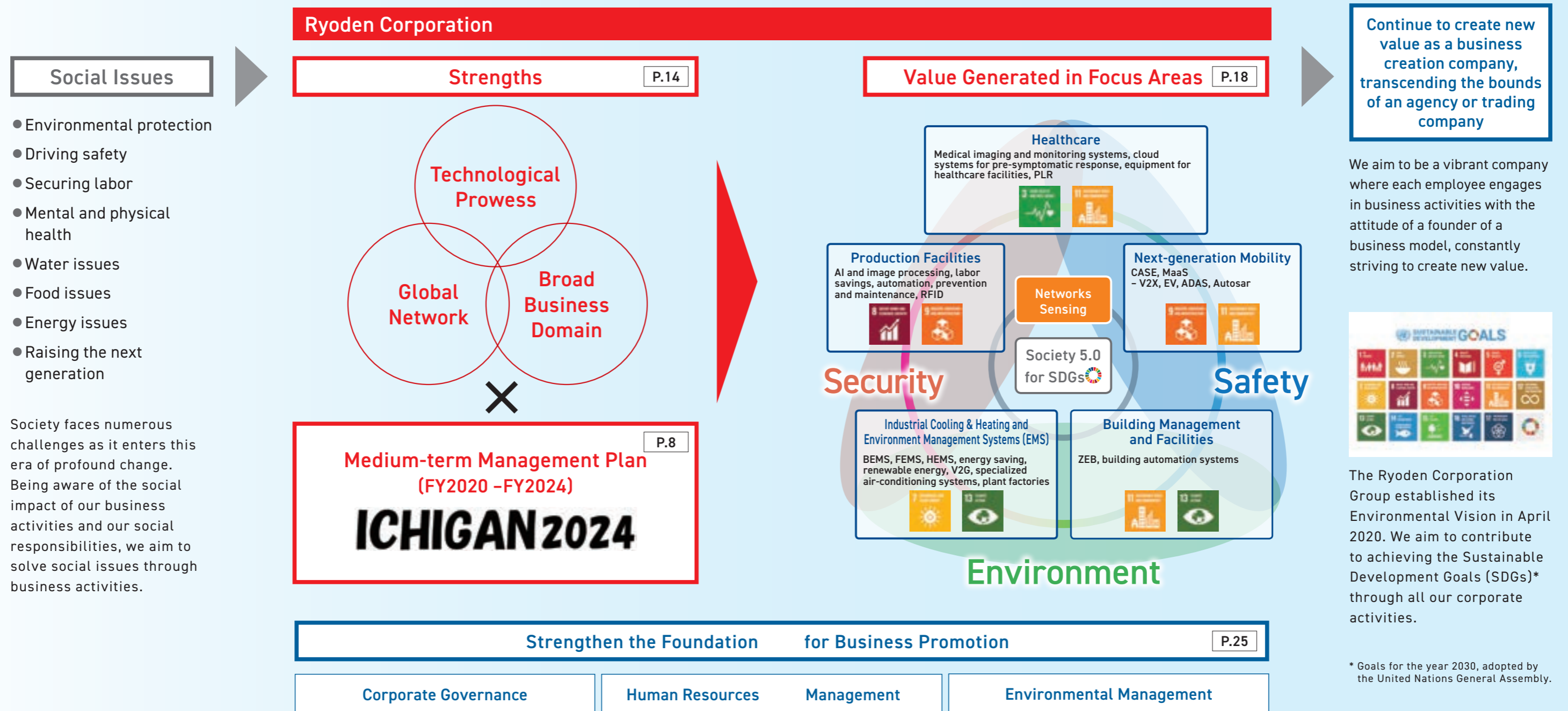
- 2014 ■ Established the Indianapolis Branch of a subsidiary, RYOSHO U.S.A., INC.
- 2014 ■ Established a subsidiary, RYOSHO TECHNO PHILIPPINES INC., in the Republic of the Philippines
- 2014 ■ Established the Sriracha Branch of a subsidiary, RYOSHO (THAILAND) CO., LTD.
- 2014 ■ Established the Representative Office of Ryoden Trading Company, Limited in Ho Chi Minh City in Vietnam
- 2015 ■ Built a global network
- 2015 ■ Established a subsidiary, RYOSHO TECHNO INDIA PRIVATE LIMITED
- 2015 ■ Acquired ISO14001 certification for subsidiaries, RYOSHO ELECTRONICS (SHANGHAI) COMPANY, LIMITED and RYOSHO TAIWAN COMPANY, LIMITED

- 2016 ■ Established the Shenzhen Branch of a subsidiary, RYOSHO ELECTRONICS (SHANGHAI) COMPANY, LIMITED
- 2016 ■ Established RYOSHO MEXICO, S.A. de C.V. a subsidiary of Ryoden Corporation and RYOSHO U.S.A., INC. in Mexico
- 2016 ■ Established RYOSHO ENGINEERING (THAILAND) CO., LTD. a joint venture of a subsidiary, RYOSHO (THAILAND) CO., LTD. in Thailand
- 2017 ■ Dissolved RYOSHO ELECTRONICS CONSULTANTS (SHENZHEN) CO., LTD.
- 2017 ■ 70th anniversary
- 2018 ■ Established the ICT Solution Business Headquarters
- 2018 ■ Introduced an Executive Officer system
- 2019 ■ Established the New Business Promotion Department
- 2019 ■ Established RYOSHO VIETNAM CO., LTD. in Vietnam
- 2020 ■ Acquired Sowa Technical Co., Ltd. as a subsidiary
- 2020 ■ Launched the medium-term management plan "ICHIGAN2024"

Value Creation Model

The Ryoden Corporation Group is working with its trusted partner companies, through reliable technology, to offer the best solutions to address customer needs and practical challenges, which are identified through its close relationships with customers. We will focus our efforts on five specific areas: Healthcare, Next-generation Mobility, Building Management and Facilities, Industrial Cooling & Heating and Environment

Management Systems (EMS), and Production Facilities. By continuing to create new value as a business creation company, transcending the bounds of an agency or trading company, we will meet the demands of customers and society, and aim to realize a sustainable society and sustainable growth through environment, security and safety.

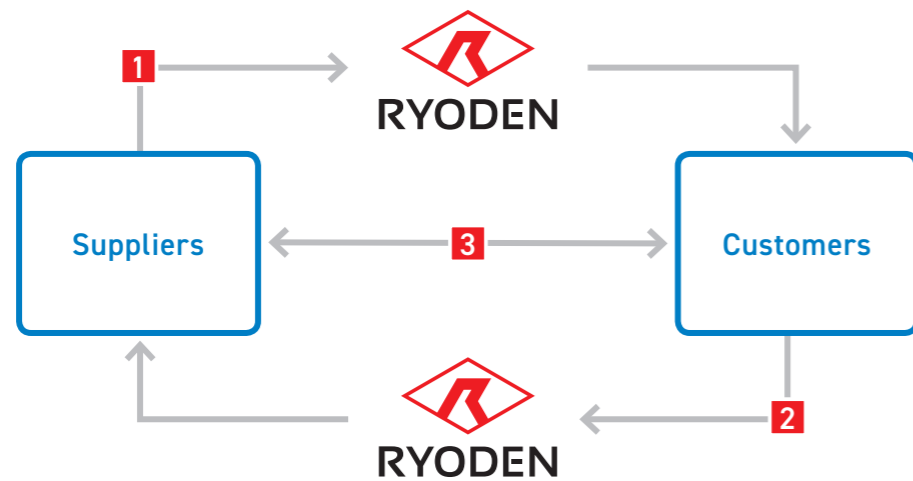


We aim to develop businesses to resolve customer needs and issues, and achieve a sustainable society and sustainable growth.

Technological Prowess

Proposing optimal solutions and systems for our customers

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.



1 Fusing Technologies to Create New Value



Proposing solutions that are one step ahead by leveraging our technical prowess

A trading company with the ability to anticipate market technical trends, and propose solutions one step ahead of the rest—that is Ryoden Corporation. We have technical personnel who can integrate suppliers' technologies, positioned in Japan, East Asia, and Southeast Asia. We provide developmental support for software and embedded systems to enhance customers' product appeal, and also make proposals related to enhancing productivity.

Case

Response to Next-generation Automobiles

Abundant solutions for next-generation automobiles

We develop a range of solutions for next-generation automobiles. From motor control and functional safety to graphics, semiconductor materials, and development environments, we provide total solutions for next-generation automobiles.



2 Ryoden Corporation's Technical Sales



Providing professional customer response

The Group's sales representatives work as professionals, guiding our suppliers and customers in the optimal direction based on technical proposals. For this reason, it is important that they maintain contact with both suppliers and customers, to bring out the fine details hidden in each delicate, technical nuance. The existence of a large team of sales representatives capable of unearthing customer issues on the basis of sound technical knowledge: this is another of Ryoden Corporation's strengths.

Case

Industry-University Joint Research

Technical support for overseas customers

To strengthen technical support for overseas customers, we have not only established technical teams, but also collaborated with university laboratories to anticipate market and technical trends. In Asia specifically, we are developing solutions with our designated technical centers in Shanghai (East Asia) and Singapore (Southeast Asia).



3 Quality Matching Service



Guiding and improving manufacturing and quality control for products required by customers, to provide stable, low-cost products

For customers that desire to purchase inexpensive, good quality products, we find low-priced products, and guide the supplier to improve manufacturing and control methods until each product attains the required quality level, before providing the product to the customer. After receiving the product, we carry out product inspections at overseas sites where necessary, to ensure stable quality.

Flow of the Quality Matching Service

Ascertain needs

We ascertain the customer's requirements and search for corresponding products. We judge manufacturers of the required product from a medium- to long-term perspective, in terms of whether they are capable of manufacturing the required quality product, and whether continuing product inspections after delivery would be necessary, and proceed to narrow-down potential manufacturers.

Improve the manufacturer's quality standard

We confirm the quality control situation at potential manufacturers. Where inadequacies are found, we ask the manufacturer to make improvements. We require the manufacturer to implement control systems to prevent the occurrence of any anticipated quality defects and enable the continuing supply of good quality products.

Pre-delivery product inspection checks

We implement regular audits to confirm that the manufacturer's product quality remains stable. We sometimes also engage in product inspections before delivery to customers to ensure that quality remains stable.

Global Network

Developing global and locally-aligned businesses

Since establishing a local subsidiary in Singapore in 1990, Ryoden Corporation 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.



Information bases for advanced products, technologies, legal regulation, etc.
Our operational site in Frankfurt, Germany, was established in 2011. In addition to the import and export of semiconductor products, it performs an important role as an information base for Ryoden's global expansion, providing the sites around the world with advanced information on products, technologies, and legal regulations regarding environmental issues.



Strategic expansion together with local partners
Our East Asian operational sites cover China, Hong Kong, Taiwan and South Korea. Our Southeast Asian operational sites cover Singapore, Thailand and the surrounding ASEAN nations. We have established Strategic Offices in both sites, and are promoting solutions businesses together with local partners in each area.



Accumulated trust and a strong presence
Ryoden's strength lies in its high market share across its businesses, and the high trust and presence it has built up in Japan. We are working to strengthen our capacity to propose solutions based on customer needs to further enhance the level of customer satisfaction.

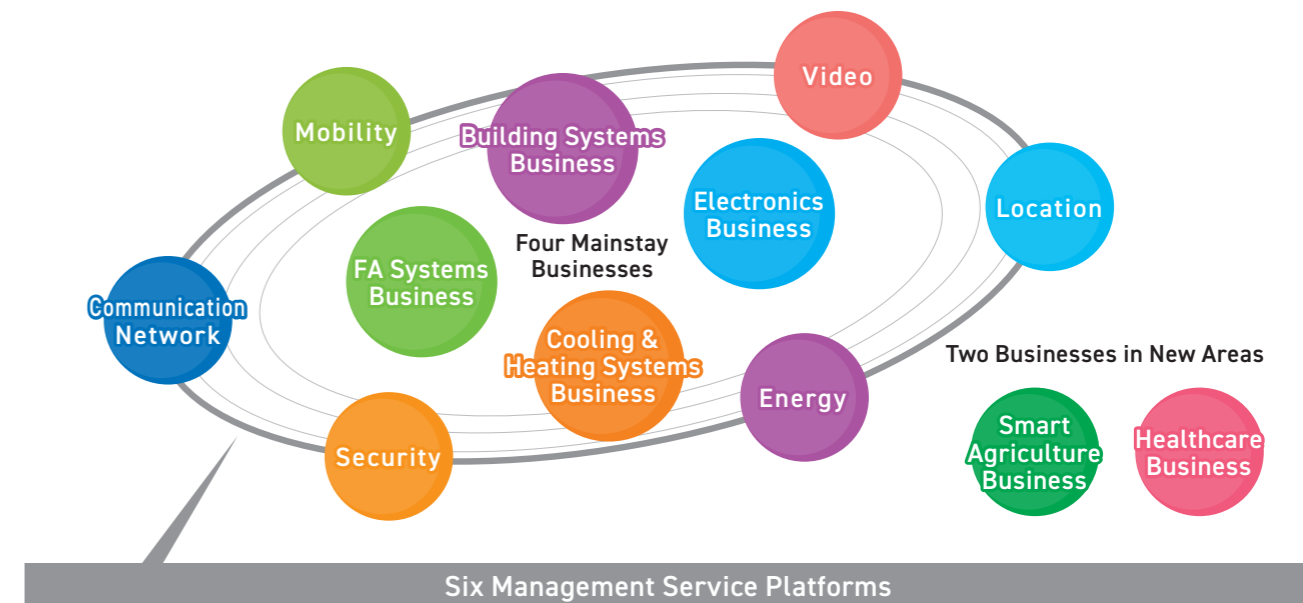


Transmitting information on advanced products, technologies, patents, etc.
At our operational sites in San Jose and Atlanta, we unearth new products, import and export semiconductor products, and provide advanced information on products, technologies, patents, etc. to our sites around the world. We also established a new site in Indianapolis in 2014, where we promote our automotive solutions business.

Broad Business Domain

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. 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.



Mobility
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 (digital transformation).

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.

Value Generated in Focus Areas

Environment

Ryoden's Environment Solution



A complete range of measures is required to conserve the global environment, including energy saving at offices and factories, and the utilization of renewable energies. Ryoden's environment solutions contribute to a sustainable society, through its broad technological prowess and proposal capabilities.

ZEB

Supporting the realization of Net Zero Energy Buildings (ZEB)

We support the realization of ZEB, which aims for net zero energy consumption in a building through energy saving and energy creation, while maintaining a comfortable indoor environment.



Business Environment	
Final energy consumption in offices, commercial facilities and the like accounts for around 16% of Japan's total energy consumption (FY2016), and continues to increase. ZEB technologies can significantly reduce energy consumption in buildings, and their spread is required to respond to global warming and stabilize energy supply and demand.	
Impact on Ryoden Corporation	Impact on Society
<ul style="list-style-type: none"> Expanding business opportunities in the Building Systems Business More stable revenue structure through the expansion of consulting businesses 	<ul style="list-style-type: none"> Providing social infrastructure to aid in municipal systems for the creation of sustainable, secure and resilient cities

Ryoden's Environment Solutions

The Group has a considerable track record of selling building equipment to potential ZEB targets: offices, hotels, hospitals, stores, schools, meeting places, etc. Based on these experiences, and in collaboration with Mitsubishi Electric Corporation, a general electrical manufacturing company, and partner companies, the Group supports customers as an equipment consultant or energy-saving consultant for the realization of ZEB, through proposing energy-creation and energy-saving solutions, such as photovoltaic facility and EMS, on top of main equipment such as air-conditioning, lighting, hot water supply, ventilation and elevators and escalators.

Qualitative definition of ZEB

"ZEB"	A building with net zero or negative in annual primary energy consumption
Nearly ZEB	A building very close to a ZEB, fulfilling the requirements of ZEB Ready, with annual primary energy consumption close to zero through renewable energy
ZEB Ready	An advanced building that may follow after a ZEB, equipped with high thermal insulation walls and efficient energy-saving equipment
ZEB Oriented	A building that may follow after a ZEB Ready, equipped with high thermal insulation walls and efficient energy-saving equipment, for which necessary measures have been taken toward further energy-saving

* V2X: Vehicle-to-everything

Ryoden Corporation is registered as ZEB Planner
A ZEB Planner, based on the gist of the ZEB Roadmap, is an entity which utilizes the ZEB Design Guidelines or the Technical and Design Knowhow on the Design of ZEB and Energy-Saving Buildings of each company. A consulting window is established at such entity for the realization of ZEB throughout the general public, with the aim of supporting business and disclosing the activities.

* Excerpted from "2019 Net Zero Energy Building (ZEB) Demonstration Project" released by the Sustainable Open Innovation Initiative in April 2019.

EMS

Providing total support for energy saving in offices and factories

The Ryoden Group provides total support for the introduction and operation of environmental management systems (EMS), which are mechanisms to achieve environmental targets in offices, factories, and other facilities.



Business Environment	
In order to achieve sustainable development, all companies are required to establish environmental rules and targets for their factories and business locations, and to strive continually to achieve them. EMS is attracting the attention of many companies, as a way to realize their targets from the perspective of cost reduction.	
Impact on Ryoden Corporation	Impact on Society
<ul style="list-style-type: none"> Contribution to mainstay businesses of expertise acquired through solutions technologies, which require comprehensive capabilities More stable revenue structure through the expansion of consulting businesses 	<ul style="list-style-type: none"> Promotion of the spread of clean energies, ensuring access to modern, sustainable energy

Ryoden's Environment Solutions

The Group makes proposals for update to LED lighting and other equipment and devices with outstanding energy-saving performance, based on the detailed analysis of data acquired through "energy visualization." By coordinating air-conditioning, lighting equipment, and access management systems, we also provide EMS proposals that ensure safety and comfort, for example by guarding against the air-conditioners and lights being left on after the last person has left the room. We provide total support for energy saving in offices and production sites, no matter what the scale.

Proposing EMS for energy saving and comfort

Heat source	Various measurements
Lighting	Wireless light switch, Motion sensor, illuminance sensor
Sanitation	Various measurements
Air-conditioning	Wireless light switch, Motion sensor, illuminance sensor
Electricity	Electric energy measurement
Other	Surveillance camera

Head office showroom

Value Generated in Focus Areas

Security

Ryoden's Security Solution

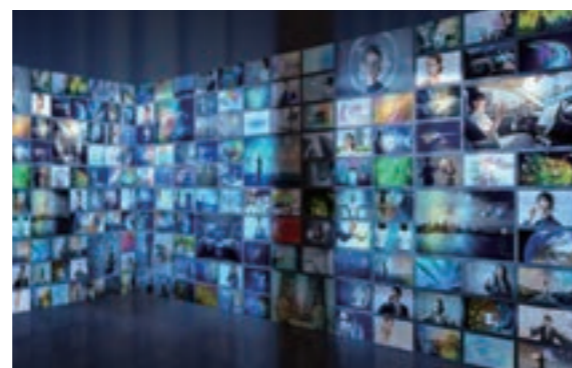


Appropriate acquisition and utilization of vast amounts of data is indispensable for business activities in advanced information society. Ryoden's security solutions help to protect lifestyle security through the proper management and utilization of data.

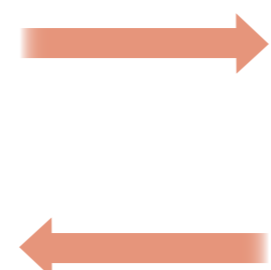
VMS

FlaRevo, which centrally manages all information, streamlining operations

The Ryoden Group contributes to building a safe and secure society through VMS (video management system), a network visual solution combining cameras and IT.



Business Environment	
As we enter the era of full-scale IoT, the usage of surveillance cameras is no longer limited to crime prevention, but is spreading across a range of fields, including analysis of the movements of people and things, and watching over the elderly. Video images enable the acquisition of larger amounts of information than words or still images, and have become a vital part of ensuring safe and secure lifestyles and businesses.	
Impact on Ryoden Corporation	Impact on Society
<ul style="list-style-type: none"> Development of new products and expansion of services in the cyber-security field Expansion of the insurance market as a result of the progress of advanced information society 	<ul style="list-style-type: none"> Creation of public spaces where everybody can live in security, through network visual solutions



Ryoden's Security Solutions

The Group offers the video monitoring system, FlaRevo, which adopts a VMS that contributes to improving operational efficiency, in addition to the conventional application of surveillance cameras for crime prevention. It is compatible with various scenarios, including the remote monitoring of hazardous areas, and monitoring of equipment to detect and restore defects quickly. In addition, the video footage acquired can be used to obtain important information, useful in corporate management, from the movements of people and the status of machinery, to product quality.

Shifting from "surveillance camera" to "business camera"

Shoot	See	Connect
Business site monitoring Wide range of camera selection • Compatible with over 120 manufacturers • Add 1 camera for the minimum unit Compatible with large-scale systems • Supports 100 units or more Flexible backups • HDD/NAS backup • Scheduled backup	Improved viewing environment Free video viewing • Multiple monitors can be installed • View video from personal computers Web page display • Add various types of information Cloud • Use on the Internet • Use with mobile devices	Linking systems Use of I/O • Use of contact signals Input from other systems • Bookmark function • Alert display Output to other systems • Alert notifications • Provide video/still images

Next-generation systems made possible by FlaRevo

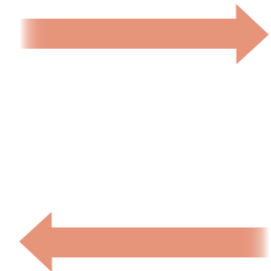
RFID

ATLAS-Things, which specializes in recording the receipt and shipment of all things

The Ryoden Group contributes to building a safe and secure society through the creation of a ubiquitous society, and RFID (Radio Frequency Identifier), an automatic recognition technology expected to be a tool for sophisticated information services.



Business Environment	
The state-of-the-art logistics network is required to monitor the status of each and every item in real time in order to optimize its cost effectiveness. In addition, with the globalization of supply chains, there is an increasing need for the standardization of information related to goods management.	
Impact on Ryoden Corporation	Impact on Society
<ul style="list-style-type: none"> Providing value across a variety of fields, including manufacturing, logistics, retail, services, transport, etc Providing value for business purposes, including individual item recognition, traceability, and environmental response 	<ul style="list-style-type: none"> Expanded traceability and recycle control of transport equipment around the world, contributing to simpler customs procedures and the abolition of tariffs on transport equipment



Ryoden's Security Solutions

RFID is expected to be applied to all kinds of objects, as devices that form a key part of Industry 4.0. The Group offers total RFID solutions, from reader/writers to the production of custom-made IC tags, etc. With our advanced technological prowess and thorough knowledge of the characteristics of RFID, including radio frequency and electromagnetic induction, we can respond to all user requirements. We are expanding the ATLAS-Things cloud service, which uses automatic recognition technologies such as RFID and QR to record the receipt and shipment of goods.

ATLAS-Things visualizes the movement of RTI, something that we couldn't do in the past

Features of ATLAS-Things

- 1. Flexible support regardless of user's scale**
Because it employs a cloud service, the system can be introduced quickly from small trials to large-scale enterprise users.
- 2. Compatible with international standards**
This service is compatible with hierarchically-structured supply chains. It conforms to international standards, as well as proprietary code systems. (Automobile industry: ISO1736x / Distribution industry: GS1)
- 3. Release of an online API**
Customers can develop local edge systems without placing limits on the readers to be used.
- 4. Supporting visualization**
The service provides a screen that allows users to track the status of the receipt and shipment of products, using a browser as a standard feature. In addition, it is equipped with a data export function that enables various types of analysis with BI tools.

Value Generated in Focus Areas

Safety

Ryoden's Safety Solution



"Safety" is a vitally important key word in today's society, with its diversity of potential risks. Ryoden's safety solutions actively contribute to safe lifestyles for the public across a broad range of fields such as plant factories and autonomous driving technologies.

Plant Factories with Artificial Lighting

Contributing to safe and secure "food" for the future, through artificially-lit plant factories

Artificially-lit plant factory systems enable the stable production of crops around the year, unaffected by seasons or weather conditions. Ryoden provides integrated support for these systems, from design to construction, to operation. We have also developed LED lighting in-house, specialized for plant propagation.



Business Environment

The world is facing increasingly severe food shortages, due to factors such as rising global populations, development in emerging nations, and abnormal weather conditions. Plant factories, which produce plants in a completely controlled environment, are gaining attention for their ability to produce stable harvests regardless of place, season or weather.

Impact on Ryoden Corporation

- Development of new customers through expansion into new markets, including food and agriculture
- More stable revenue structure through the expansion of consulting businesses

Impact on Society

- Contribution to stable food supply and realization of sustainable agriculture
- Support for new entries into the food business, revitalizing markets

Ryoden's Safety Solutions

Ryoden leverages its dedicated construction systems, specialized for plant factories, its leading proprietary-developed high-speed propagation LEDs, and its excellent procurement capabilities as the largest Mitsubishi Electric-affiliated trading company, to provide next-generation plant factory systems with high operating efficiency, from small-scale systems for research and development, to large-scale facilities for mass production. We have an extensive lineup of specialized plant factory equipment developed in-house. With our comprehensive construction systems, we can meet all requirements from plant factory design to materials and equipment consulting, as well as various associated works.



A large-scale plant factory, created by renovating an existing building



LED for high-speed plant propagation developed by the Group

Autonomous Driving

Building facilities for the Specific Environment Test Field at Jtown, Japan's first autonomous driving evaluation center

Ryoden Corporation was responsible for building facilities for the Specific Environment Test Field, capable of accurately simulating a variety of weather conditions, at Jtown, Japan's first autonomous driving evaluation center. We contribute to enhancing the safety of autonomous vehicles.



Business Environment

Autonomous vehicles achieve safe driving through the acquisition and real-time analysis of a vast range of data from a variety of sensors. Assessing vehicles' ability to negotiate poor conditions, such as strong rain and driving into the sun, is absolutely vital for ensuring safety, and the demand for specialized testing facilities is increasing.

Impact on Ryoden Corporation

- Foothold for the expansion of automotive-related business
- Synergy with the Smart Agriculture Business, through technologies to recreate specific weather conditions

Impact on Society

- Contribution to the development of safe vehicles and road transport systems
- Contribution to a safe society, without traffic accidents

Ryoden's Safety Solutions

Jtown is Japan's first autonomous driving evaluation center, established by the Japan Automobile Research Institute (JARI) in Tsukuba City, Ibaraki Prefecture. It contains three testing areas within its grounds of around 160,000 m². The Group was responsible for constructing the Specific Environment Test Field facility, which assesses the peripheral environment recognition capabilities of autonomous vehicles under anticipated general road conditions, such as rain, fog and backlight, which are simulated indoors. In addition to rainfall equipment that can recreate a torrential downpour of 80 mm per hour, the facility also features fog generating equipment and sunlight testing equipment.



The Specific Environment Test Field in Jtown. The building houses a 200 m-long, 3-lane (3.5 m x 3-lane) test road.



The precipitation equipment can simulate three levels of hourly rainfall: 30 mm, 50 mm and 80 mm.



The irradiation testing equipment includes a light that simulates the sun, recreating conditions such as driving into late afternoon sunlight.



The fog generating equipment can be adjusted to recreate a range of visibility from 15 m to 80 m.



Management

25 Corporate Governance

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- ① Initiatives for Working Style Transformation
- ② Diversity & Inclusion
- ③ Personnel Development and Education
- ④ Health and Productivity Management

34 Environmental Management

Ryoden Corporation Group's Environmental Vision
Processes to Establish and Achieve New Environmental Targets

- ① Initiatives for a Decarbonized Society
- ② Initiatives for Creating a Circular Society
- ③ Social Contribution Activities with Due Consideration for Biodiversity

Management

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.”

Management team (Directors and Audit & Supervisory Board Members)

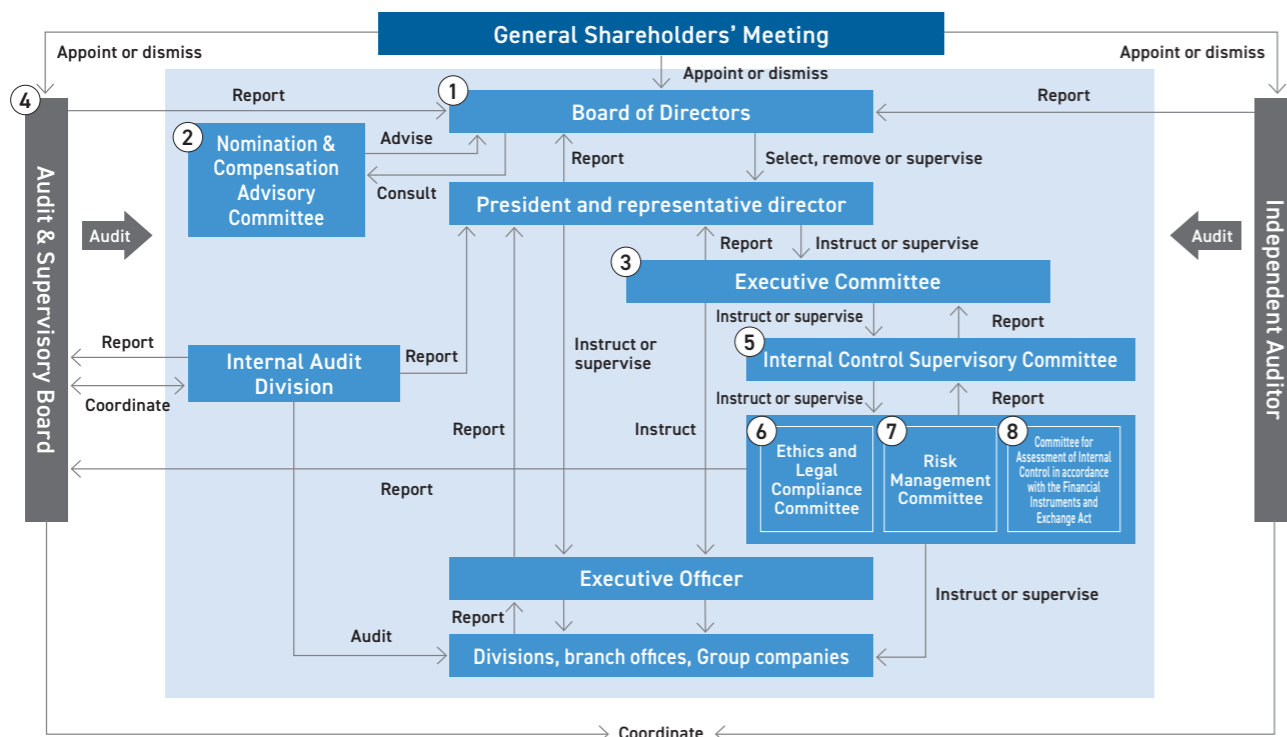
For the Company's sustainable growth and improved corporate value, it considers that an effective management team should contain an overall balance of knowledge, experience and ability to fulfill its role and responsibilities effectively, including broad knowledge of business and appropriate insights into finance, accounting and compliance.

	Knowledge and experience particularly expected						
	Corporate Management, Business Strategy	Sales, Marketing	Production, Technology, R&D	Finance, M&A	HR, Personnel development	Legal, Compliance	International business, Diversity
 Representative Director of Board, President & CEO Nobuo Shogaki	●	●					●
 Representative Director of Board, Senior Executive Officer Hideharu Yamazaki	●	●					
 Director of Board, Senior Executive Officer Shoji Kitai	●			●	●	●	
 Director of Board, Senior Executive Officer Osamu Tanaka	●		●				●
 Outside Director Masamitsu Miyagishi	●			●			
 Outside Director Yoshiko Shirata	●		●	●			●
 Outside Director Masahiro Muroi	●		●			●	
 Corporate Auditor Akira Sano		●					
 Corporate Auditor Reiichiro Kito				●		●	
 Outside Corporate Auditor Hideyo Ishino				●			●
 Outside Corporate Auditor Masato Suzuki						●	●

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, three 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	Nobuo Shogaki	⊙	⊙	⊙	
Director of Board, Senior Executive Officer	Hideharu Yamazaki	●		●	
Director of Board, Senior Executive Officer	Shoji Kitai	●	●	●	
Director of Board, Senior Executive Officer	Osamu Tanaka	●		●	
Outside Director	Masamitsu Miyagishi	●	●		
Outside Director	Yoshiko Shirata	●	●		
Outside Director	Masahiro Muroi	●	●		
Auditor	Akira Sano	●		●	⊙
Auditor	Reiichiro Kito	●		●	●
Outside Corporate Auditor	Hideyo Ishino	●			●
Outside Corporate Auditor	Masato Suzuki	●			●
Senior Executive Officer	Hitoshi Chihara			●	
Senior Executive Officer	Masatoshi Nakamura			●	
Senior Executive Officer	Shunichi Higashi			●	
Senior Executive Officer	Takahiro Ozawa			●	

Overview of the corporate governance system

Organizational form	Company with an Audit & Supervisory Board	Number of Auditors (of which, Outside Corporate Auditor)	4 (2)
Number of Directors (of which, Outside Directors)	7 (3)	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	2	Compensation system for officers, etc.	(1) Fixed compensation (2) Bonuses (3) Stock-compensation type stock options

① Board of Directors (Meetings in FY2019: 14)

As the Company's management 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, clarify the responsibilities for duties by separating 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 on June 28, 2018, the Articles of Incorporation was amended to set the number of Directors at 12 or less. The present composition of the Company's Board of Directors is as shown above.

② Nomination & Compensation Advisory Committee (Meetings in FY2019: 8)

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 of the Nomination & Compensation Advisory Committee are Outside Directors, and the Chairperson is chosen from among the committee members by resolution of the Committee.

③ Executive Committee (Meetings in FY2019: 25)

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. The Executive Committee is composed of the President and representative director and seven Executive Officers with titles. Corporate Auditors also attend the meetings to ensure proper deliberations.

④ Audit & Supervisory Board and Auditors (Meetings in FY2019: 6)

Ryoden Corporation's Audit & Supervisory Board comprises two Corporate Auditors and two Outside Corporate Auditors. Each Auditors 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 Internal Control Supervisory Committee

As an oversight body, the Company established the Internal Control 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 Ethics and Legal Compliance Committee

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

⑦ Risk Management Committee

To ensure the continuity and stable development of our business, we established the Risk Management 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.

⑧ Committee for Assessment of Internal Control in accordance with the Financial Instruments and Exchange Act

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.

Corporate Governance

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 fiscal 2019 was conducted of all members of the Board of Directors, with the exception of the President and representative director, with the aim of confirming and enhancing the effectiveness of the Board of Directors. Based on the result of the survey, the Board members discussed (in a meeting to exchange opinions) the effectiveness of the Board of Directors, together with Independent Outside Directors and Auditors.

Evaluation items

(1) Composition of the Board of Directors	(5) Time allocated for deliberation, explanation, etc. at meetings of the Board of Directors
(2) Operation and debate by the Board of Directors	(6) Matters relating to the execution of duties by individual Directors and Auditors
(3) Decisions, etc. on business strategy by the Board of Directors	(7) Measures to enhance the future effectiveness of the Board of Directors
(4) Content of agenda items, quality, volume, etc. of materials	(8) Points of improvement on issues and matters where there had been room for improvement last year

Summary of the evaluation results, and future initiatives

From the results of the survey, and opinions expressed by Independent Outside Directors and Auditors in discussions, the effectiveness of the Board of Directors was assessed to be secured and improved. There was room for improvement, or opinions were expressed, regarding the following three points, and it was confirmed that continuing efforts would be made to enhance the effectiveness of the Board of Directors.

- In business strategy briefings to the Board of Directors, further enhancement of information on risk assessment, etc. is desirable.
- Since the medium-term management plan cannot be sufficiently amended or monitored in cases where it diverges significantly from reality, the current medium-term management plan should enable a more flexible response.
- It is desirable that more time should be allotted to the consideration of meeting materials, and more opportunities available for sharing information.

Introduction of external perspectives

The Company currently has three 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 FY2019	
				Board of Directors	Audit & Supervisory Board
Outside Director	Masamitsu Miyagishi		Mr. Miyagishi serves as the General Manager of Market Planning & Administration Department, Corporate Marketing Group, Mitsubishi Electric Corporation, and is well versed in the industry related to the Company. He oversees the Company's management and provides effective advice on the Company's overall management, from an independent standpoint based on his wealth of experience and wide-ranging knowledge.	12 out of 14	—
	Yoshiko Shirata	●	Ms. Shirata has specialized knowledge about financial accounting and management gained through her research at universities. She oversees the Company's management and provides effective advice on the Company's overall management, based on her wealth of experience and wide-ranging knowledge as an accounting specialist.	14 out of 14	—
	Masahiro Muroi	●	Mr. Muroi has been serving as a Member of the Board of Nomura Research Institute, Ltd. He oversees the Company's management and provides effective advice on the Company's overall management, based on his wealth of experience and wide-ranging knowledge as a corporate manager.	14 out of 14	—
Outside Corporate Auditor	Hideyo Ishino	●	Mr. Ishino fulfilled various key positions at Board of Audit of Japan. He is expected to utilize his deep insight about accounting and finance for the audit system of the Company.	14 out of 14	6 out of 6
	Masato Suzuki	●	Mr. Suzuki has many years of experience in corporate law as an attorney, despite never having been involved in corporate management. He is expected to utilize his specialized knowledge and wide-ranging experience for the audit system of the Company.	—	—

*Attendance in FY2019 has not been shown for Auditor Masato Suzuki, who was newly appointed in June 2020.

Compensation for Directors and Auditors

Compensation for Directors (excluding Outside Directors)

Compensation for Directors (excluding Outside Directors) is composed of a fixed amount of compensation, which depends on rank, performance-linked compensation (bonuses), and stock-compensation-type stock options with the purpose of enhancing medium-term performance. The amount of fixed compensation is determined as a specific amount 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. The amount of performance-linked compensation (bonuses) is determined for each rank in accordance with the amount of profit attributable to owners of parent, also taking into account the level of the Company's overall financial results. The amount of stock-compensation-type stock options is determined for each rank in accordance with the amount of profit attributable to owners of parent, which is used to calculate the number of options to be granted (the number of shares) pursuant to the regulations. These amounts are determined by the Board of Directors through consultation with the Nomination & Compensation Advisory Committee, which was established in March 2019 and comprises a majority of Outside Directors, in order to ensure transparency and objectivity.

Compensation for Auditors (excluding Outside Corporate Auditors)

Compensation for Auditors (excluding Outside Corporate Auditors) consists of fixed compensation, and is determined through discussion among Auditors based on comprehensive consideration of the contribution made to Ryoden Corporation by each individual, and the degree of performance of roles and duties.

Compensation for Outside Officers

Compensation for Outside Officers consists of fixed compensation, and is determined through discussion among the Board of Directors in the case of Outside Directors, and through discussion among Auditors in the case of Outside Corporate Auditors, based on comprehensive consideration of each individual's social status, contribution made to Ryoden Corporation, circumstances of appointment, etc.

Compensation amounts for Directors and Auditors

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	Bonuses	Stock-compensation-type stock options	
Directors	7	108	21	21	151
(of which, Outside Directors)	2	14	—	—	14
Auditors	6	49	—	—	49
(of which, Outside Corporate Auditor)	2	12	—	—	12

*1 The number of officers and the amounts of compensation shown above include one Director and two Auditors who retired at the conclusion of the 79th Ordinary General Meeting of Shareholders held on June 27, 2019. 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 The Company abolished the retirement benefit plan for directors (and other officers) for Directors and Auditors at the conclusion of the 73rd Ordinary General Meeting of Shareholders held on June 27, 2013. It resolved to present Directors and Auditors continuing to serve after the conclusion of the 73rd Ordinary General Meeting of Shareholders with retirement benefits for directors (and other officers) at the time of their retirement, calculated in accordance with their length of service before the plan was abolished. Based on this resolution, retirement benefits for directors (and other officers) of ¥2 million was paid to one Director who retired during the fiscal year under review, in addition to the amounts shown above. This does not include the amount of provision for retirement benefits for directors (and other officers) included in officers' compensation in the business reports for previous fiscal years.

Training for Directors and Auditors

The Company requires newly-appointed Directors and Auditors to attend external seminars held within three months of their appointment, as well as undertake e-learning for listed companies provided by Tokyo Stock Exchange, Inc. In addition, the Company encourages Directors and Auditors to attend external seminars organized by consultants and bodies such as the Japan Auditors Association, and they actively participate in these. Moreover, the Company provides Directors and Auditors with information on other external seminars, in order to support more opportunities for them to undertake proactive training.

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.

Corporate Governance

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 Internal Control 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.

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 relationships are 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 fiscal 2019, 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. Shareholdings in four stocks were sold completely, and a shareholding in one stock was sold partially during the fiscal year under review.

■ 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	10	457
Shares other than unlisted shares	37	3,087

■ Stocks for which shareholdings increased in FY2019

	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	1	49	Shares were acquired for the purpose of strengthening partnerships to promote new businesses.
Shares other than unlisted shares	10	204	Increases due to additional purchases to further strengthen business relationships, and regular purchases by the business partner shareholding association.

■ Stocks for which shareholdings decreased in FY2019

	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	5	66

Human Resources Management

The Group strives to help each employee to develop, so that he or she can continue to grow with a feeling of fulfilment and play an active part in global society. At the same time, we respect employee diversity, 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 to enhance employee engagement, so that employees can maintain good mental and physical health, and make the maximum use of their abilities.

1 Initiatives for Working Style Transformation

We have implemented measures on both a personal and an organizational level, aiming to be an organization where all employees can play an active part, taking the challenge to transform their own working style, and deepen mutual understanding. We endeavor to “maximize the grand total of invigoration and output of our employees,” pursuing even higher value-added businesses, and the creation of new businesses.

Approach to individuals: new personnel system

In 2018, we amended the personnel system related to union members. For the new system, we established a vision for the Company in 10 years' time. Employees described the working styles necessary to realize that vision, and we reflected these working styles in the definitions of employee functions. We aim to achieve a “working style transformation,” by enabling each individual employee to increase their expertise in their own business areas, and expand the breadth of their business experience, without being constrained by conventional career paths.

Approach to organizations: team strengthening project

Towards a self-distribution network-type organization, each section, the smallest organizational unit in the Group, is working on a team strengthening project where employees clarify the section's vision, work together to brainstorm issues faced in achieving the vision and solutions to them, and work to transform the section. Under this project, we also implement a teamwork program, where employees strive to enhance the “quality of relationships” within each section, create an atmosphere where all members of the section can express their own ideas and accept the ideas of others, invigorate debate and create change from within.



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 take leave when necessary, and to concentrate on work at other times. All employees take at least the statutory five days of paid leave, and the rate of leave taken is higher than the average in Japan. We also allow employees to take paid leave in half-day or hourly units, and are working to create an environment where they can achieve harmony between work and private life. We engage in the management of appropriate working hours. 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

	Annual paid leave	
	Utilization rate	Consumption rate
FY2018	59.70%	31.64%
FY2019	62.50%	33.68%

*Eligibility: all employees of Ryoden Corporation
 *Utilization rate = Number of days of paid leave taken / days granted
 *Consumption rate = Number of days of paid leave taken / (days carried-over + days granted)
 *Number of days of paid leave taken includes leave taken simultaneously and leave taken in hourly units

Human Resources Management

2 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 the new 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 implemented off-the-job training programs in logical thinking and other areas for employees formerly on the clerical career track, in order to develop self-disciplined personnel who can "think and act" autonomously. By combining this with on-the-job training, we will support the active participation of female employees so that they can become core human resources in the company.

Supporting development of the next generation and supporting childcare

The Company has implemented systems that exceed those required by law, including paid maternity or paternity leave, 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 have increased the amount of subsidy for the purpose of day care for children, infertility treatment, etc. in our welfare initiative, "cafeteria plan."

The childcare leave utilization rate by female employees is 100% in most years. We are also endeavoring to create an environment facilitating the utilization of childcare leave by male employees, and the utilization rate in fiscal 2019 was 15.8%, exceeding the government target (13% by 2020).

Promoting active participation of senior citizens

We have introduced a new re-employment system, 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 desires 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.

3 Personnel Development and Education

We aim to bring about a paradigm shift in the way that we develop human resources, from developing personnel to produce results through existing working styles and habits, to developing personnel capable of adapting with the changing times and constantly produce results in a shifting environment.

Understanding the characteristics of each employee, and helping employees fulfill their potential

We produce individual development and utilization sheets for each employee. Employees participate in one-on-one interviews with their supervisors to discuss their medium-term development vision, and plan action goals to bring out their individual "strength." We create a culture where they can strive towards their aggressive goals each day.



Coordinating OJT and OFF-JT to acquire skills

Ryoden Corporation implements a variety of off-the-job programs to help employees acquire the knowledge necessary to think for themselves and overcome obstacles in their work. In addition to training programs linked to enhancing business skills, we also focus our efforts on programs such as business planning abilities that facilitate ways of thinking to create the next generation and generate new businesses. Employees share the content and practical goals of the training with their supervisors, engage in one-on-one interviews for each training, and utilize what they have learned through practical OJT, so that it solidifies into reliable skills. In this way, we promote the development of human resources capable of playing a part globally.



Developing local overseas employees

The Group, sustained by the trust and achievements built up in Japan, has developed businesses closely aligned with each local region around the world. We have implemented personnel evaluation systems and related rules, personnel development programs and management recruitment programs to match the local culture and customs of each region, and contribute globally by enhancing the motivation of local overseas employees and developing local human resources.

4 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 aim for 100% of our employees to 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." 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 mandatory consultation with an industry physician for employees whose working hours exceed a specified level.



Distributing 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 have commenced implementing 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

Ryoden Corporation 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.

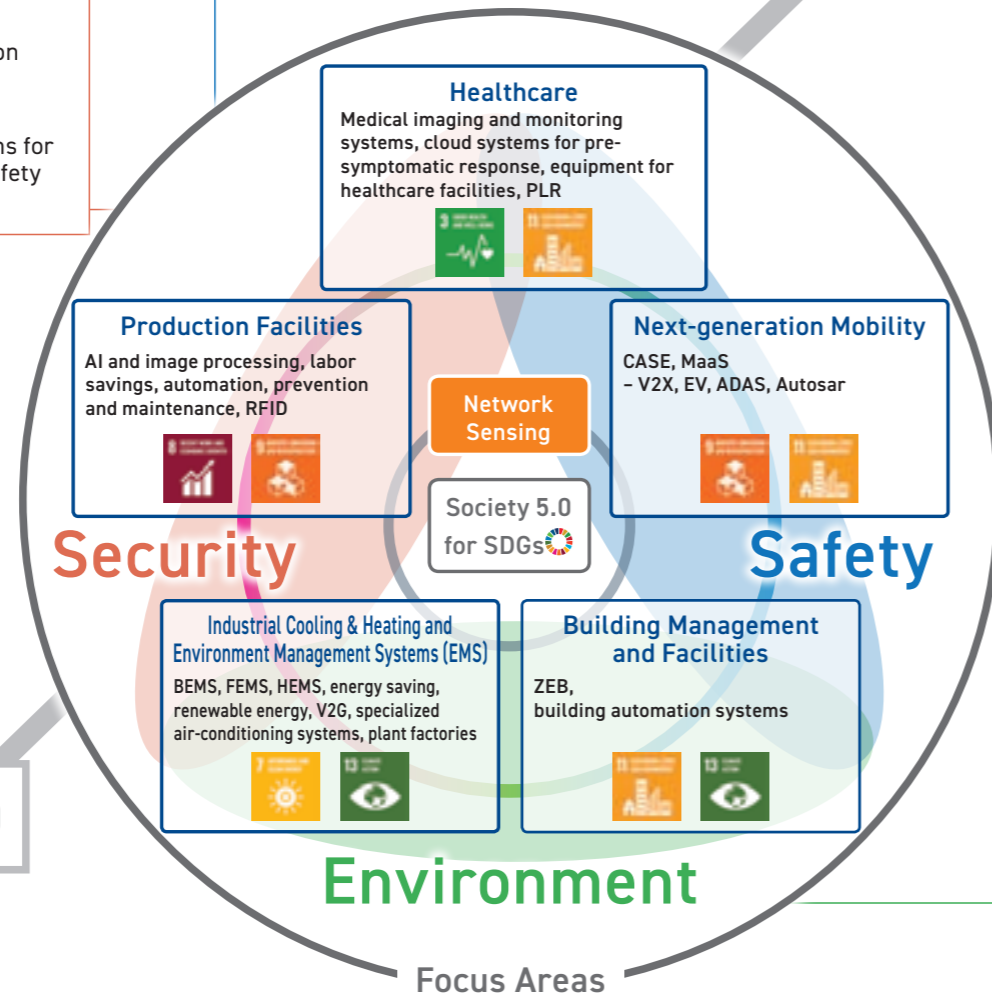
Safe & Secure Society

Safe Society

- Provide smartphone app for first-aid and health promotion
- Provide comfortable air environments
- Provide devices and solutions for autonomous vehicles and safety countermeasures

Secure Society

- Promote the ZEB business
- Accelerate service businesses utilizing sensing devices and communication technologies
- Realize comfortable living through air conditioning
- Provide devices and solutions for autonomous vehicles and safety countermeasures



2020

Management Principle Action Guidelines

2030

2050 Vision

As a 100-year company, the Ryoden Group will
Contribute to the achievement of a sustainable society through **environment**, **security** and **safety**

Ryoden Corporation Group's Environmental Vision

By 2030, the Ryoden Group will

Work towards realizing a sustainable society through environmentally-friendly business activities, to pass on a clean planet for the future

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



Smarter Environment

- Promote the ZEB business
- Promote sales of energy-saving solutions
- Achieve zero greenhouse gas emissions from electricity usage

Smarter Environment

Environmental Management

Processes to Establish and Achieve New Environmental Targets

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.

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

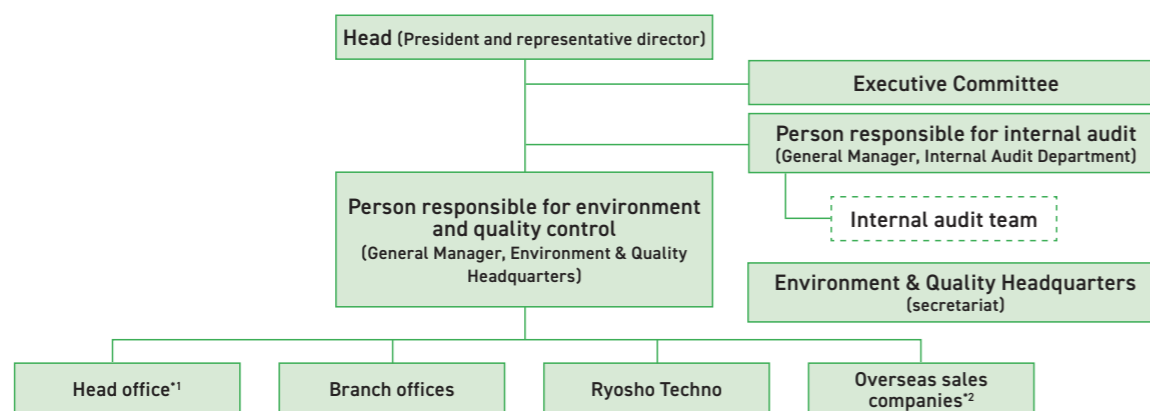
We have established Total Carbon Management, the Group's unique indicator, as part of an initiative for a decarbonized society. In addition, we have also established specific targets in areas such as the use of FSC certified paper, reduction in the amount of final waste disposal, and global environmental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

Environmental targets for FY2020

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
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.



*1 Head office
(1) Corporate Strategic Planning, (2) General Affairs Department, (3) Human Resources Department, (4) Accounting & Finance Department, (5) Data Processing & System Department, (6) Internal Audit Department, (7) New Business Promotion Department, (8) FA & Facilities System Business Headquarters, (9) ICT Solution Business Headquarters, (10) Device System Headquarters, (11) Overseas Business Promotion Headquarters

*2 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 Dalian Office, Guangzhou Office and Shenzhen Office, (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

The Japanese government has raised a bold target of reducing greenhouse gas (GHG) emissions by 80% by the year 2050, in order to realize a decarbonized society. The Group has introduced a unique indicator, Total Carbon Management (TCM) to accelerate the reduction of greenhouse gas emissions. From fiscal 2019, we have newly established targets for TCM associated with the figures in our business plans (net sales) and aim to integrate our management with environmental activities.

Total Carbon Management (TCM)

Total Carbon Management (TCM) is the Group's unique environmental activity aimed at ensuring that Ryoden Corporation's contribution to the reduction in GHG emissions exceeds the GHG emissions from its business activities. From fiscal 2018, when TCM was introduced, we have been able to achieve results that substantially exceed our targets, and have therefore raised our targets further for fiscal 2019. By linking TCM with sales growth rate on a planning basis, we have incorporated a mechanism to promote continuing initiatives to curb GHG emissions.

Scope 1, 2, and 3 GHG emissions in FY2019

		FY2017	FY2018		FY2019		
		GHG emissions (t-CO ₂)	GHG emissions (t-CO ₂)	Comparison with previous fiscal year	GHG emissions (t-CO ₂)	Proportion	Comparison with previous fiscal year
Total GHG emissions (Scope 1, 2, and 3 combined)		7,119,537	7,227,483	102%	7,146,547	100.00%	99%
Scope 1 and 2	Company cars, offices	1,787	1,773	99%	1,528	0.02%	86%
Scope 3		7,117,750	7,225,710	102%	7,145,019	99.98%	99%
	Cat.1 Products and services purchased	759,688	858,498	113%	813,970	11.39%	95%
	Cat.2 Capital goods	1,135	1,474	130%	955	0.01%	65%
	Cat.3 Fuel and energy-related activities not included in Scope 1 or 2	—	—	—	—	—	—
	Cat.4 Transport, distribution (upstream)	—	—	—	—	—	—
	Cat.5 Waste from business activities	4	4	100%	6	0.00%	151%
	Cat.6 Travel	518	522	101%	1,049	0.01%	201%
	Cat.7 Commuting by employees	269	257	96%	389	0.01%	151%
	Cat.8 Leased assets (upstream)	—	—	—	—	—	—
	Cat.9 Transport, distribution (downstream)	579	596	103%	623	0.01%	105%
	Cat.10 Processing of marketed products	—	—	—	—	—	—
	Cat.11 Use of marketed products	6,355,557	6,364,359	100%	6,328,026	88.55%	99%
	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/), 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.

* GHG: Greenhouse gases

Environmental Management

2 Initiatives for Creating a Circular Society

In addition to striving to curb the discharge of waste, all employees in the Group are united in promoting business activities that minimize the production of waste, and thoroughly engaging in the three R's (reduce, reuse and recycle), to create 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.

Aiming for the reduction of waste and the protection of forest resources

The Group has been engaged from early on in initiatives to create a circular society, such as reducing waste emissions, reducing the amount of copier paper, and the use of FSC certified paper. In 2018, we achieved zero emissions, with almost none of our waste disposed of through final waste disposal, and we are currently continuing to work to minimize our emissions. In addition to promoting paperless operations through initiatives such as the introduction of tablet computers at our offices, we are also endeavoring to protect forest resources through measures such as using only FSC certified paper as copier paper, which has been made from wood produced from appropriately-managed forests.

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.

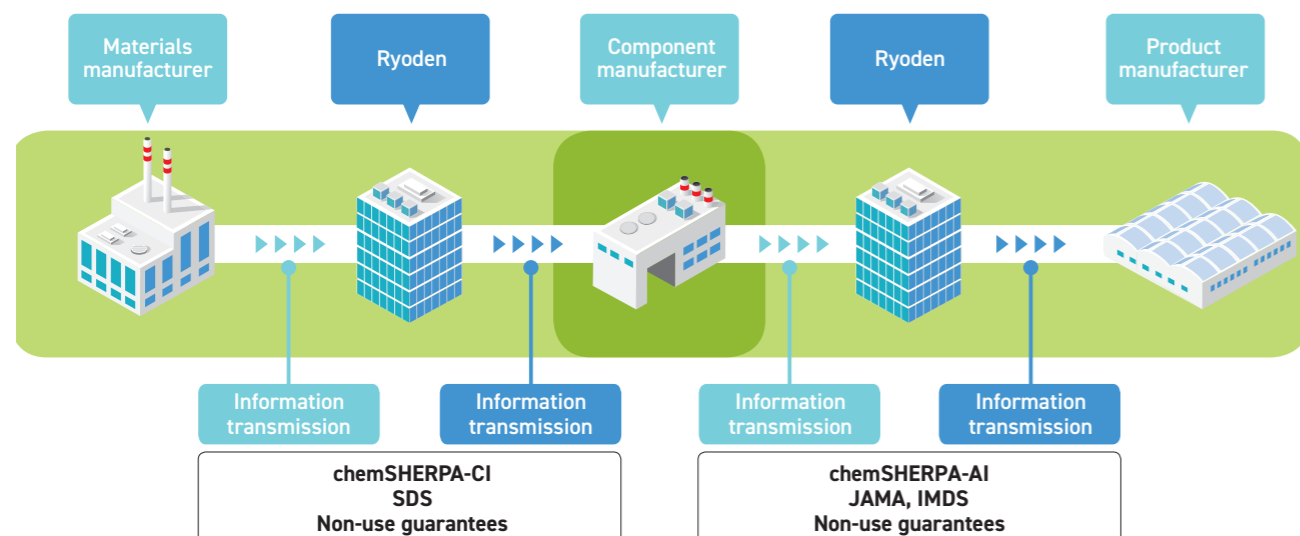
■ Towards enhanced management systems

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 JAMA sheets, ICP data and non-use guarantees, 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 16,000 pieces of information in fiscal 2019.

■ Process for managing and conveying information on chemical substances



3 Social Contribution Activities with Due Consideration to Biodiversity

The Group has a global business network of 30 operational sites in Japan and 17 operational sites overseas. With the understanding and cooperation of local communities, each operational site engages in social contribution activities with due consideration to biodiversity, such as the creation of habitats suitable for living creatures, and support for groups engaged in biodiversity conservation activities.

Action plan

We place importance on our communications with local communities, and make constant efforts to maintain close ties with them, while simultaneously paying due consideration to biodiversity through our activities. We practice the keywords "understand," "try" and "connect" through initiatives such as village forest conservation activities and sea turtle nesting area conservation activities in Japan, as well as mangrove and coral planting overseas.

■ Past activities

2007	Commenced activities at all branch offices to mark Ryoden's 60th anniversary
2013	Commenced activities at our overseas sales company in Singapore
2015	Commenced activities at our overseas sales companies in Thailand, Hong Kong, and China (Shanghai)
2016	Commenced activities at our overseas sales company in Taiwan
2018	Commenced activities at our overseas sales companies in the United States and South Korea

Overview of activities

Category	Purpose	Place	Achievements in FY2019	Number of participants
Environmental maintenance	Creating suitable habitats for living creatures	Ryosho Techno (Osaka Branch Office)	Cleanup of the roads around the Osaka Branch Office, and nearby Kawada Park	7
		RSH (Shanghai, China)	Cleanup of Hongqiao Road (Shanghai) around RSH	35
		RSH (Dalian, China)	Cleanup of Fujiazhuang Beach, Dalian	10
		RSH (Shenzhen and Guangzhou, China)	Weeding and picking up trash around trees and on the lawns of Dongguan Dapingzhang Forest Park, Guangzhou	22
		RTW (Taiwan)	Cleanup of Dunbei Park	8
		RKR (South Korea)	Cleanup of Hangang Park	6
Coordination with others	Coordinating with stakeholders Supporting groups engaged in biodiversity conservation activities (including participation in organized activities)	Kansai Branch Office	Participation in the Adopt-a-River Program of Osaka Prefecture	74
		Kansai Branch Office	Participation in the Kyoto Beautification Operation of Kyoto City	11
		Tohoku Branch Office	Participation in the Lake Inawashiro Cleanup Project 2019	11
		Kitakanto Branch Office	Maintenance of grounds (mowing) at the Shimotsuke Sanrakuen children's home in Koikemachi, Utsunomiya City	15
		Kitakanto Branch Office	Participation in the Mount Akagi Forest Regeneration Project	35
		Kanagawa Branch Office	Participation in a casual volunteer activity of the Naka Ward Volunteer Center, Yokohama City (cleanup and beautification work along the Yamashita Park Avenue coastal footpath)	7
		Hiroshima Branch Office	Participation in the Peace Memorial Park Reforestation Volunteer program of Hiroshima City	32
		Kyushu Branch Office	Participation in the Fukuoka Flower Festival	24
Protection and conservation of ecosystem services	Identifying and protecting endangered species Eliminating and suppressing outside species that disturb the ecosystem	Head Office, Tokyo Branch Office, and Ryosho Techno (Head Office)	Participation in the Tokyo Greenship Action	113
		Nagoya Branch Office	Participation in the Nagoya Higashiyama Forest Conservation Project	129
		Shizuoka Branch Office	Participation in the Sea Turtle Nesting Beach Cleanup of Hamamatsu City	18
		RTH (Thailand)	Coral planting activities and release of marine organisms at Sattahip Beach in Sattahip Naval Base, Chon Buri Province	38

Environmental Management


Environmental Maintenance Activities

RYOSHO ELECTRONICS (SHANGHAI) COMPANY, LIMITED Dalian Office

Held on Saturday, May 18, 2019, from 11:30 a.m. to 12:30 p.m. **Organized by** Independent project **Number of participants** 10

Description Beach cleanup **Place** Fujiazuang Beach, Dalian

We enjoyed good weather, and participated in a walking event. We then conducted a cleanup for around one hour, while enjoying the view over the ocean. We met a group of university student volunteers, and had fun working together. We gained a real appreciation for the increasing awareness of environmental protection in China as well. We also gained a deep understanding of the importance of environmental protection through the cleanup activity. We would like to continue to cooperate with each other to strengthen our company's environmental awareness.




RYOSHO KOREA COMPANY, LIMITED

Held on Monday, September 23, 2019, from 3:50 p.m. to 5:30 p.m. **Organized by** Independent project **Number of participants** 6

Description Trash pick-up in the park **Place** Hangang Park, Seoul

Hangang Park is a famous park in Seoul which is always crowded. We chose this park for our cleanup activity this time because people like to set up mats and tents in the park to picnic, and we expected that this would generate a lot of rubbish. The park was crowded on the day of our activity, as expected, and there was quite a lot of rubbish in unfrequented areas. We picked up a large number of bottles, plastic cups, lids, plastic bottles, and these filled the hemp sacks we had prepared for the purpose. Some passers-by helped out during the cleanup, and we earnestly felt how good it would be if more people could practice activities to help in global environmental conservation, even a little bit, through their everyday lives.




Coordination with others

Ryoden Corporation Hiroshima Branch Office

Held on Saturday, December 7, 2019, from 9:30 a.m. to 11:30 a.m. **Organized by** Greenery Policy Section, Greening Promotion Division, Urban Development Department, Municipal Government of Hiroshima **Number of participants** 32

Description Planting of tulip bulbs, placement of wood chips **Place** Hiroshima Peace Memorial Park

We continue to participate in the Peace Memorial Park Reforestation Volunteer program organized by Hiroshima City. This time, in addition to employees and their families from the Hiroshima Branch Office, employees from the Fukuyama Sales Office also took part, making a total of 32 participants. Together we planted tulip bulbs in the International Peace Garden, and placed wood chips (compost) around the trees in the green belt near the Memorial Cenotaph for Atomic Bomb Victims. The year 2020 marks 75 years since the atomic bomb was dropped. It was said that no plant or tree would grow at the site of the explosion for 75 years, but today, Hiroshima has made a remarkable recovery.




Ryoden Corporation Kyushu Branch Office

Held on Saturday, November 9, 2019, from 10:00 to 11:00 **Organized by** Fukuoka Municipal Government **Number of participants** 24

Description Planting tulip bulbs in the flowerbeds in the park **Place** Seiryu Park (Hakata Ward, Fukuoka City)

This fiscal year's activity consisted of planting tulip bulbs in the flowerbeds at Seiryu Park, which forms part of the "tulip road" for the Fukuoka Flower Festival, a flower event organized by the Fukuoka Municipal Government, and held in late March every year. The Fukuoka Municipal Government does not advertise prominently for volunteers, and for this year as well, the Kyushu Branch Office's 24 participants were the only volunteers who took part on that day. As a company, we will continue to contribute to the development of local communities.



Protection and Ecosystem Services Conservation Activities


Ryoden Corporation Head Office/Tokyo Branch Office/Ryosho Techno (Head Office)

Held on Saturday, November 9, 2019, from 9:30 to 12:30 **Organized by** Bureau of Environment, Tokyo Metropolitan Government, Kiyose Nature Protection Council, Environmental Study Association

Description Thinning, tidying and moving fallen branches, nature appreciation, bamboo grass trimming

Place Matsuyama Green Belt Conservation area in Kiyose (Kiyose City, Tokyo) **Number of participants** 44 (including 5 family members)

The Tokyo Greenship Action is aimed at conserving Tokyo's valuable natural environments. This was the 26th time we had participated in one of the Action programs, an activity to protect the natural environment in the Matsuyama Green Belt Conservation area in Kiyose. The entire area of the Green Belt was covered in fallen branches from the recent typhoon, but through thinning and tidying fallen branches, we were able not only to enhance the look of the Green Belt, but also to improve the surface environment on the ground, and contribute to developing diverse plants and keeping wasp numbers under control. We enjoyed the physical activity in close contact with nature, and in communication with each other. We aim to continue to be a company with high environmental awareness into the future.




Ryoden Corporation Nagoya Branch Office

Held on Saturday, May 18, 2019, from 10:00 a.m. to 1:30 p.m. **Organized by** Nagoya Higashiyama Forest Conservation Project NPO

Description Thinning of the woods and logging of bamboo thickets (tootsik bamboo) **Place** Nagoya Higashiyama Forest (Peace Park)

Number of participants 60 (including 10 family members)

We engaged in the thinning of woods and the logging of tootsik bamboo thickets, under the guidance of members of the Nagoya Higashiyama Forest Conservation Project. As a result, sunlight was able to penetrate down to ground level, creating an environment where plants could be expected to develop. The water and air necessary for our lives are products of the function of the natural environment. We gained an awareness of the necessity to continue these conservation activities in village forests, in order to preserve this function. Children who participated made craft creations from the bamboo and other materials left from the thinning activities in the woods, and we were able to enjoy the close contact with nature, together with our families.




Ryoden Corporation Shizuoka Branch Office (Hamamatsu Office)

Held on Sunday, May 12, 2019, from 9:00 a.m. to 11:00 a.m. **Organized by** Hamamatsu Municipal Government

Description Beach cleanup (Sea Turtle Nesting Beach Cleanup) **Place** Around the Nakatajima Sand Dunes on the Enshu-nada coast

Number of participants 18 (including 3 family members)

The Sea Turtle Nesting Beach Cleanup, organized by the Hamamatsu Municipal Government, aims to clean and maintain the Enshu-nada coast, a nesting ground for loggerhead turtles, to encourage the turtles to visit. Around three to four thousand people from 70 to 80 groups gather each year to collect roughly five tons of rubbish, on average, in this large-scale cleanup project. This year, a total of 18 people participated from Ryoden Corporation, including employees and their families, to collect the rubbish washed up on the beach. We would like to continue to participate in these activities into the future.




RYOSHO (THAILAND) CO., LTD.

Held on Saturday, October 19, 2019, from 10:40 a.m. to 11:45 a.m. **Organized by** Independent project

Description Coral planting activities, release of marine organisms **Place** Sattahip Beach, Chon Buri Province (inside Sattahip Naval Base)

Number of participants 38 (including 6 family members)

This was the second time, after 2017, that we engaged in coral planting activities. Sattahip Beach, where the activities were held, is located around 180 km southeast of Bangkok, Thailand, inside the Sattahip Naval Base on the southernmost tip of the Chon Buri Province. It is an extremely beautiful beach, which has been left in its natural state, without any tourism development. Following on from last year's mangrove planting activities, this year almost all staff members and their family members participated, totaling 38 people in all, and we planted a total of around 300 coral colonies. In the future, we hope that this coral will grow to form one of Thailand's beautiful coral reefs. We will continue to engage in social contribution and environmental conservation activities.





Performance Report

■ Overview of FY2019

In the global economy during fiscal 2019, the U.S. began to be over-shadowed by the impact of the U.S.-China trade friction after continued steady growth, while China struggled through a deceleration, and Europe also slid into a downturn.

Furthermore, from the turn of the year, the COVID-19 pandemic has created an air of uncertainty by stagnating the movement of people and things throughout the world and seriously damping economic activities without any sign of coming to an end.

The Japanese economy is now in the same boat. While it had been enjoying a gradual recovery based on an increase in capital investment and an improvement in the employment situation owing to steady growth in corporate earnings, a slowdown has surfaced as a result of a slump in exports stemming from the U.S.-China trade friction and a shrinking of capital investments. Toward the latter half of the fiscal year, the emerging impact of the COVID-19 pandemic have also plunged Japan into an unforeseeable future.

In the business sectors that affect the Group, facilities demand stayed strong in the construction industry, but semiconductor manufacturing equipment, machine tools and other FA-related demand continued to be subdued. Additionally, in the automotive industry, demand related

to ADAS (advanced driver assistance systems) was strong, but the industry experienced a downturn in response to a rapid deceleration in the automotive-related market due to the impact of the COVID-19 pandemic.

On the other hand, the now fully-established Smart Agriculture Business (Plant Factory) performed well, thanks to vigorous demand.

Under these conditions, the Group promoted business activities aimed at shifting to a high value added model in its existing core businesses, establishing a business model in its growth businesses, and creating new, next-generation businesses, based on its vision to improve profitability by accelerating the implementation of the customer value creation business model, adjusting to a changing business environment.

As a result, net sales for fiscal 2019 were ¥230,087 million, a decrease of 4.3% year on year. Operating profit was ¥5,559 million, a decrease of 1.2%, ordinary profit was ¥5,758 million, an increase of 1.9%, and profit attributable to owners of parent was ¥3,860 million, an increase of 3.4%. Despite a decline in sales, operating profit decreased slightly, and profit attributable to owners of parent increased to its highest level ever.

■ Business Strategy for FY2020

The impact of the COVID-19 pandemic was initially seen as a supply chain issue, primarily related to the manufacturing sector in China, but the impact has now spread to affect final demand in places such as Japan, Europe and the United States. What was a supply problem is now a demand problem.

In fiscal 2020, we expect final demand to be lost, and the level of economic activity around the world to fall, before the pandemic is brought under control. The subsequent pace of recovery is also expected to be sluggish.

This is a challenging environment for the Group. Our customers span a broad range of business sectors, including manufacturing, wholesale, construction-related, healthcare-related and service industries. The Group's financial performance may be affected significantly by factors such as a downturn in demand and reduction in capital investment in the sectors to which our customers belong. In addition, we may also experience the impact of changes in the business strategy, product marketing strategies, or product supply of our main suppliers.

Under these conditions, the Group has established a medium-term management plan beginning from fiscal 2020, "ICHIGAN2024," as a new growth strategy for the next five years. Under the plan, we aim to create new

value as a business creation company, transcending the bounds of an agency or trading company, based on the theme of "contributing to the achievement of a sustainable society through environment, security and safety."

Through the plan, the Group will engage in activities in its focus areas to contribute to a sustainable society, and proceed with initiatives to strengthen earning capacity.

In fiscal 2020, we will continue to engage in initiatives to secure earning capacity, such as accelerating business activities and cost-cutting, and we expect market conditions to recover gradually as economic activity resumes. Our forecast for performance in fiscal 2020 is consolidated net sales of ¥209.0 billion, operating profit of ¥3.1 billion, ordinary profit of ¥3.1 billion, and profit attributable to owners of parent of ¥2.2 billion.

Moreover, there is a possibility that our forecast may change in the event of an increased, prolonged economic impact from the COVID-19 pandemic.

Please see page 8 for details of the medium-term management plan "ICHIGAN2024" which commenced from fiscal 2020, including strategic themes, focus areas, and financial results targets for fiscal 2024, the final year of the plan.

Business Report

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Performance Reports by Business



FA Systems Business

Providing products and expertise to achieve high-value-added FA systems

We propose high-value-added FA systems to solve problems at customers' production sites and improve QCD. With our extensive product lineup, we meet all the needs of production sites, from FA controller products and a variety of drive products, to NC devices, robots, and processing machines.



Proportion of net sales
18.0%

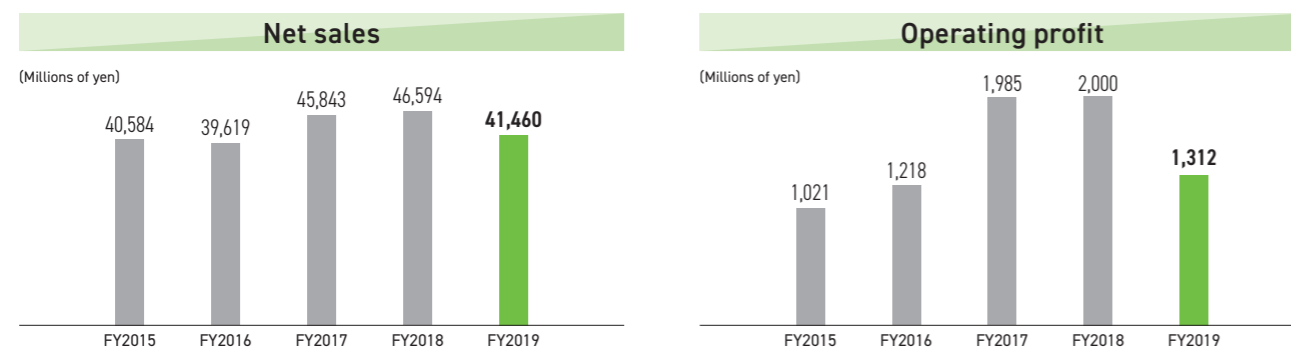
- We leverage our state-of-the-art FA devices, industrial mechatronics products and technologies, to propose optimal FA devices and solutions for production line issues.
- We thoroughly support FA on-site, providing not only products but also technical support based on our extensive experience and expertise, to help our customers improve their production efficiency and quality.

Main Products

Sequencers, servo systems, inverters, motors, programmable controllers, various display devices, sensors, circuit breakers for wiring, NC devices, industrial robots, laser processing machines, electric discharge processing machines, industrial sewing machines, machine vision systems, traceability systems, production management systems, automation systems

Overview of FY2019

Net sales in the FA Systems Business decreased significantly year on year, with sluggish sales of semiconductor and LCD-related manufacturing equipment, mounters and machine tools due to the U.S.-China trade friction and a prolonged downturn in smartphone and semiconductor demand, as well as a slowdown in automotive-related capital investment projects. Operating profit decreased significantly, due to the decline in net sales.



Business Strategy for FY2020

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 through stronger relationships with our alliance partners

Risks and Opportunities

- Expanding demand for automation due to a declining working population in Japan
- Rising IoT and automation needs
- Recovery in 5G-related investment

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 Systems Business

Providing comfortable air-conditioned environments in a range of locations to meet customer requirements

Ryoden Corporation's industrial cooling & heating systems create air-conditioned environments to match all of its customers' requirements. We provide total solutions, including air conditioning for buildings, cleanrooms, and energy-saving support, for a range of sites such as offices, production sites and logistics processes.



Proportion of net sales
13.7%

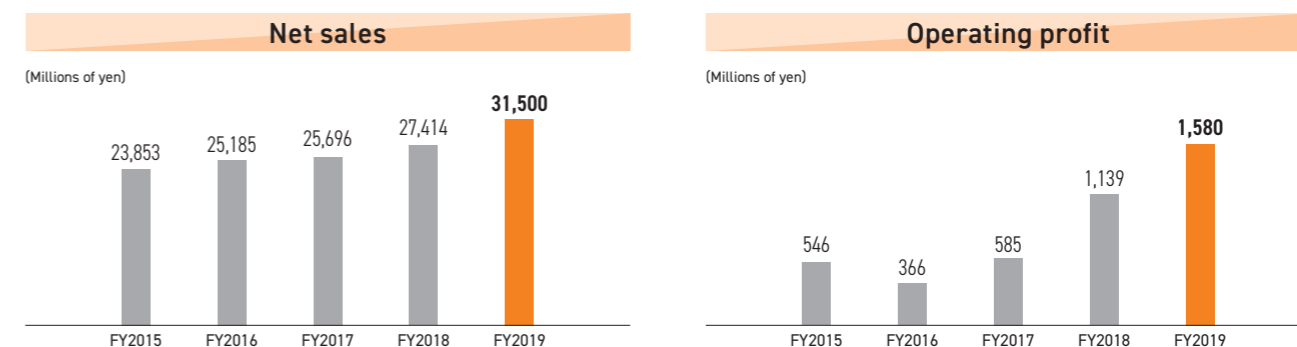
- In fiscal 2017, we completed large-scale environmental testing equipment for automated driving systems in Ibaraki Prefecture. We provided a one-stop service, from equipment design to construction and after-sales service.
- This environmental testing equipment is able to simulate a range of different weather conditions, and is used in the development of more durable, safe, and economical automobiles.

Main Products

Packaged air conditioners, room air conditioners, chilling units, EcoCute, low temperature devices, drinks coolers, cleanroom thermostatic and humidistatic systems, ventilation devices, heat countermeasure equipment

Overview of FY2019

Net sales increased significantly, as equipment sales to HVAC installation companies remained strong, due to the progress of redevelopment projects, primarily in major cities, and sales of freezer and refrigeration systems and sales to wholesalers were buoyant. Operating profit increased significantly, due to the rise in net sales.



Business Strategy for FY2020

Basic Policy

- Promote the solutions business pivoting on industrial cooling and heating, and enhance productivity in the core cooling and heating business
- 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
- Decreasing 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, and expand our partner alliances
- [Core businesses] Expand the scale for small- and medium-sized equipment, dealers and low-temperature businesses, and strengthen response to major local subcontractors over a broad area
- [Buildings business] Promote proposal activities for ZEB and building management systems

Performance Reports by Business

ICT & Facilities Systems Business

Proportion of net sales
4.8%

With security and safety as our motto, providing unique solutions utilizing IoT technology

With security and safety as our motto, we provide unique solutions utilizing IoT technology, across a broad range of fields from automobile and machinery to medical care. We leverage this expertise in the next generation of personnel-saving, labor-saving plant factory systems, which have been well received by many customers.

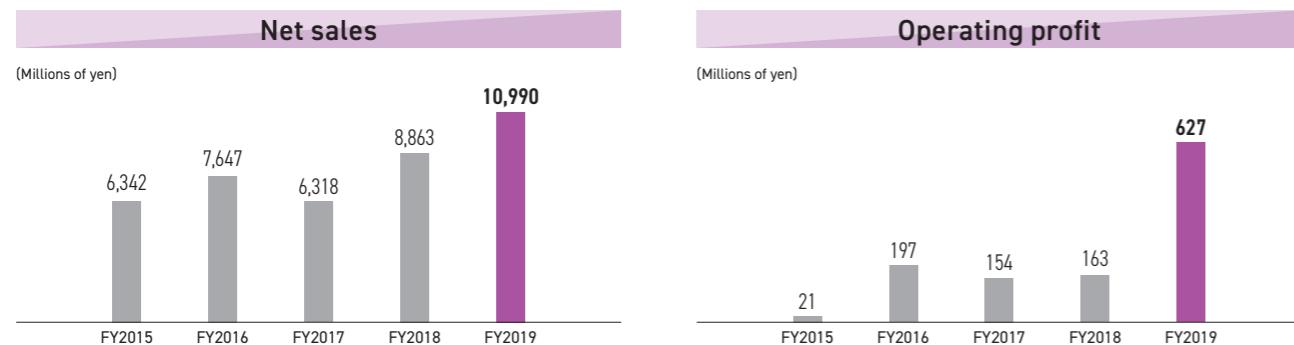


- ✓ We provide a combination of state-of-the-art products and technologies to match customers' business environments and needs, including ICT devices and security products. We build ICT environments that are safe and highly flexible, to continue to support business.
- ✓ We promote the development of specialized products and systems, with a focus on compatibility between markets and propagation methods, and equipment and systems, to provide next-generation plant factory systems with high operational efficiency.

Main Products Elevators, escalators, solar power generation systems, digital signage, PCs, servers, other information processing devices, video and image information systems, RFID devices and systems, surveillance cameras, computer peripheral devices, computer supplies, medical facilities, medical supplies, plant factory-related equipment

Overview of FY2019

Sales of ICT network-related devices performed strongly in the information and communications field and medical field, and sales of building equipment-related devices were robust in the building systems field, due to a buoyant construction market in large cities in particular. We also recorded large plant factory projects in the Smart Agriculture field. As a result, net sales increased significantly. Operating profit increased significantly, due to a rise in profit across all business fields.



Business Strategy for FY2020

- Basic Policy**
 - Create new business models for IoT businesses
- Risks and Opportunities**
 - Increasingly dynamic security countermeasures with the rise of cyber terrorism
 - Commercialization of 5G, and broadening utilization of IoT due to workforce shortages
- Major Initiatives**
 - Promote IoT, security, monitoring, IT solutions, and medical business and Healthcare Business
 - Continue to develop large plant factory projects, and expand the next-generation agriculture business model overseas

Electronics Business

Proportion of net sales
63.5%

Responding flexibly to customer requirements for semiconductor and device specifications and delivery

Providing ideal semiconductors and devices to suit our customers, at the forefront of the constantly-evolving electronics industry. We leverage the expertise cultivated over many years as a semiconductor trading company to respond flexibly to customer demands for semiconductor and device specifications and delivery.

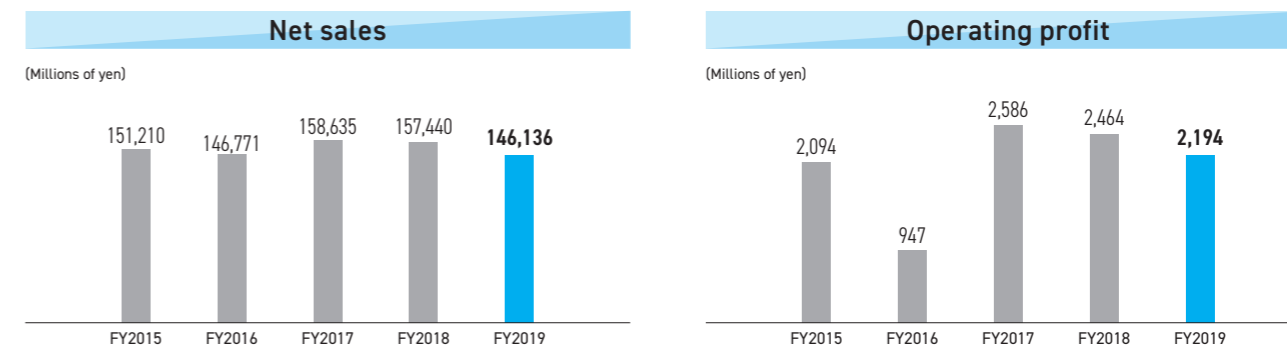


- ✓ We provide a broad lineup of semiconductors and devices from the world's foremost semiconductor and electronic device manufacturers. Our extensive experience and expertise enable us to propose the optimal manufacturer and device to match customer specifications, and to deliver the product on time.
- ✓ We provide total solutions, anticipating technological trends in the electronics industry and customers' set development trends, with a sales structure and technological and product lineup that always responds accurately to the latest needs.

Main Products Microcomputers, memory, logic, analog measurement, ASIC, power devices, optical elements, discrete systems, sensors, display devices (LCD, organic EL, LED), batteries, general electronic components (coils, capacitors, resistors, filters), connectors, printed circuit boards, other device components, materials (aluminum, high-performance resin materials, etc.), shaped materials (processed metals and molded plastics), equipment and machinery

Overview of FY2019

In Japan, production of automotive-related electronic products for Japan, Europe and the United States was weak, but the business related to ADAS (advanced driver assistance systems) performed robustly through the first half of the fiscal year. Sales of air conditioners, including home air conditioners, were buoyant during the first half of the fiscal year. However, with regard to industrial equipment-related electronic products, the FA-related business mainly for China remained subdued, including machine tools and semiconductor manufacturing equipment, due partly to the impact of the U.S.-China trade friction. As a result, net sales declined in the Electronics Business in Japan. At overseas subsidiaries, sales of products for air conditioner-related applications in China were brisk, but sales of industrial equipment-related electronic products were subdued. As a result, overseas subsidiaries recorded a decrease in net sales. Operating profit decreased significantly, due to the decline in net sales.



Business Strategy for FY2020

- Basic Policy**
 - Transform from a semiconductor trading company to a value creation-oriented electronics trading company. Contribute to secure and safe environmental society through electronics technology
- Risks and Opportunities**
 - Accelerating shift to IoT and automation due to personnel shortages
 - Advent of autonomous driving; commercialization and spread of 5G
- Major Initiatives**
 - Create new high-value-added businesses (focus on the automotive, industrial and IoT markets, and develop overseas businesses)
 - Promote the formulation of a business portfolio in the Electronics Business



Financial Policy for Sustainable Growth

■ Financial Policy

To enhance the medium- and long-term corporate value of the Ryoden Group, the Group will generate a stable cash flow by improving earning capacity and capital efficiency, and establish a sound and stable financial foundation, while investing in growth to enable the achievement of sustainable growth and implementing the appropriate return of profits to shareholders.

Strengthening earning capacity

We will proceed to strengthen earning capacity by building high-value-added businesses in our focus areas of “environment, security, and safety,” while maintaining and enhancing a stable earnings base through enhanced productivity in our mainstay core businesses. In this way, we will strengthen our ability to sustainably generate cash flow through our businesses.

Improving capital efficiency

We work to enhance capital efficiency by improving the cash conversion cycle (CCC) through measures such as expediting the collection of accounts receivable, and reducing inventory by improving the turnover rate, and also through the management of invested capital in each of our businesses.

■ Investing in Growth

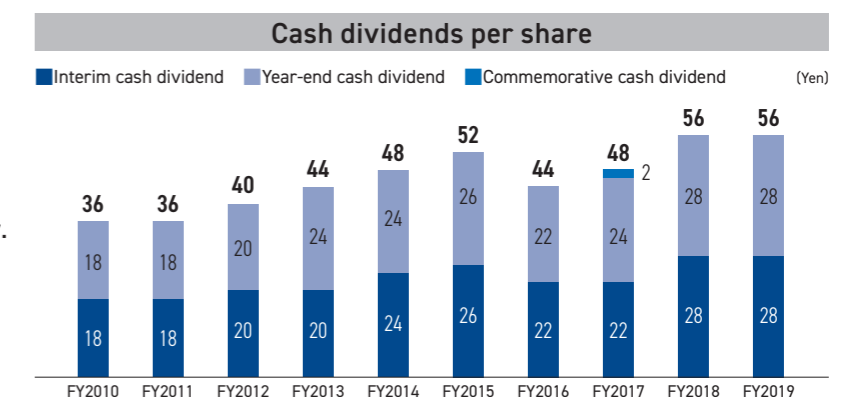
Under the medium-term management plan “ICHIGAN2024” (fiscal 2020 to fiscal 2024), we define the following as the pillars of our strategy and will accordingly make investments for sustainable growth: “Establish business models for growth businesses and create new, next-generation businesses,” “enhance the productivity of our mainstay core businesses” and “strengthen the foundation for business promotion.”

■ Financing

Our financing is based on the aims of pursuing enhanced business performance and stable financial position, securing a level of liquidity on hand that enables the smooth execution of business activities, and maintaining financial soundness and stability. The funds necessary for our business activities are supplied through cash flow generated from sales activities and funds on hand.

■ Shareholder Returns

We distribute profits to shareholders based on our policy of maintaining stable dividends in the medium and long term, after due consideration to factors such as consolidated financial results in each fiscal year, and the Group’s medium- to long-term strategy. In fiscal 2019, we paid dividends of surplus totaling ¥56 per share, representing a consolidated payout ratio of 31.5%.



Consolidated payout ratio (%)	33.3	35.3	30.4	26.9	36.0	61.0	68.7	29.0	32.6	31.5
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*A share consolidation (consolidation of two shares of common stock into one share) was conducted with the effective date of October 1, 2017. The amount of cash dividends per share shown reflects the number of shares after consolidation.

■ Stability

We engage in sound and efficient financial activities with the aim of pursuing enhanced business performance and stable financial position, and maintaining a degree of liquidity on hand in accordance with our demand for funds. The Group requires working capital mainly for the purchase of products, components and materials for our sales activities, as well as for operating expenses such as selling, general and administrative expenses. Operating expenses consist mainly of personnel expenses and freight and incidental costs.

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Financial and Non-financial Highlights

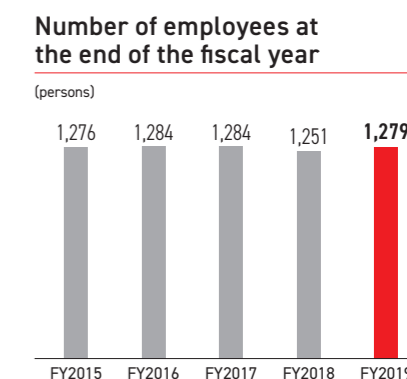
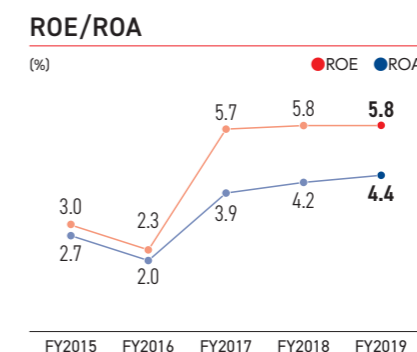
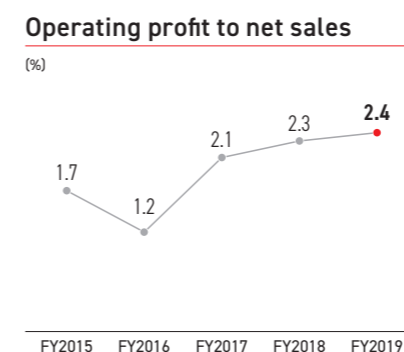
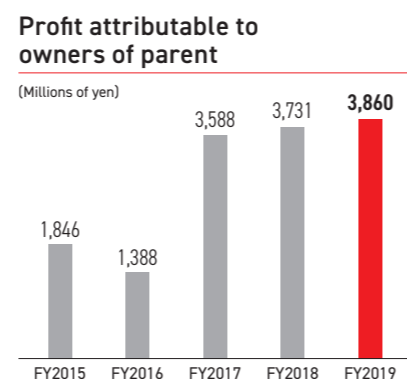
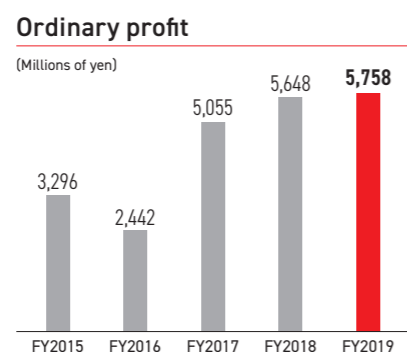
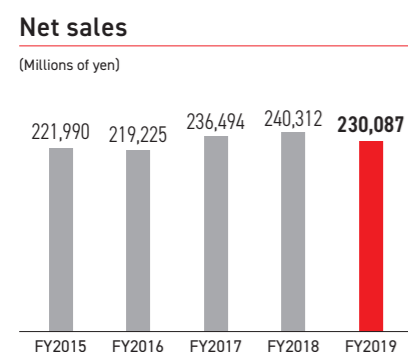
Financial data		(Millions of yen)										(Thousands of U.S. dollars)	
		71st term (FY2010)	72nd term (FY2011)	73rd term (FY2012)	74th term (FY2013)	75th term (FY2014)	76th term (FY2015)	77th term (FY2016)	78th term (FY2017)	79th term (FY2018)	80th term (FY2019)	80th term (FY2019)	
Results summary	Net sales	197,016	202,723	203,730	224,766	237,877	221,990	219,225	236,494	240,312	230,087	2,110,890	
	Overseas sales	39,113	36,981	49,177	63,857	66,342	54,439	48,919	50,111	45,826	42,645	391,239	
	Ratio of overseas sales (%)	19.9	18.2	24.1	28.4	27.9	24.5	22.3	21.2	19.1	18.5	18.5	
	Operating profit	4,084	4,003	4,414	5,278	4,992	3,673	2,730	5,078	5,624	5,559	51,000	
	Ordinary profit	4,015	3,984	4,662	5,641	4,505	3,296	2,442	5,055	5,648	5,758	52,826	
	Profit attributable to owners of parent	2,345	2,216	2,852	3,550	2,891	1,846	1,388	3,588	3,731	3,860	35,413	
Balance sheets summary	Total assets	105,083	107,179	107,872	117,936	125,121	119,382	122,763	133,710	132,729	128,304	1,177,101	
	Net assets	49,973	51,308	54,121	57,582	61,444	60,401	60,975	64,057	65,716	67,557	619,789	
	Short-term loans	2,566	1,986	3,113	3,603	3,685	3,158	1,849	1,909	2,428	1,221	11,202	
Cash flow summary	Cash flows from operating activities	(7,069)	528	11,124	778	(4,168)	3,747	4,601	(4,833)	4,479	5,938	54,477	
	Cash flows from investing activities	4,293	3,875	(269)	(1,920)	(1,230)	(777)	474	674	(686)	(518)	(4,752)	
	Cash flows from financing activities	802	(1,332)	(245)	(994)	(1,087)	(1,550)	(2,227)	(942)	(563)	(2,281)	(20,927)	
Financial indicators, etc.	Profit per share (¥)	108.07	102.12	131.47	163.68	133.40	85.22	64.04	165.44	171.98	177.77	1.63	
	Net assets per share (¥)	2,302.56	2,364.40	2,494.29	2,657.02	2,834.19	2,784.95	2,809.01	2,948.86	3,022.78	3,104.00	28.48	
	Cash dividends per share (¥)	36	36	40	44	48	52	44	48	56	56	0.51	
	Operating profit to net sales (%)	2.1	2.0	2.2	2.3	2.1	1.7	1.2	2.1	2.3	2.4	2.4	
	ROE (%)	4.8	4.4	5.4	6.4	4.9	3.0	2.3	5.7	5.8	5.8	5.8	
	ROA (%)	4.0	3.8	4.3	5.0	3.7	2.7	2.0	3.9	4.2	4.4	4.4	
	Equity ratio (%)	47.6	47.9	50.2	48.8	49.1	50.5	49.6	47.8	49.4	52.5	52.5	
Payout ratio (%)	33.3	35.3	30.4	26.9	36.0	61.0	68.7	29.0	32.6	31.5	31.5		

*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 include a commemorative cash dividend of ¥2 per share.
 *Amounts shown in U.S. dollars have been converted from yen, for convenience only, at the rate of ¥109 = U.S.\$1, the approximate rate of exchange prevailing on March 31, 2019 rounded to the nearest whole dollar.

Non-financial data		(Millions of yen)									
		71st term (FY2010)	72nd term (FY2011)	73rd term (FY2012)	74th term (FY2013)	75th term (FY2014)	76th term (FY2015)	77th term (FY2016)	78th term (FY2017)	79th term (FY2018)	80th term (FY2019)
Social	Number of employees at the end of the fiscal year (persons)	1,104	1,118	1,148	1,190	1,251	1,276	1,284	1,284	1,251	1,279
	Number of new graduates recruited (persons)	16	24	25	20	32	41	39	24	30	38
	Number of new mid-career recruits (persons)	1	6	8	26	43	20	13	7	8	24
	Number of participants in social contribution activities (persons)	555	489	530	551	669	744	696	751	704	599
Environmental	Total GHG emissions (Scope 1 and 2) (t-CO ₂)	1,837.0	1,626.6	1,503.3	1,648.0	1,766.1	1,792.7	1,832.1	1,787.0	1,773.0	1,527.5
Governance	Proportion of Outside Directors (%)	6.3	6.3	6.3	6.3	6.3	6.3	17.6	17.6	42.9	42.9
	Proportion of female managers (%)	0.0	0.0	0.0	0.0	0.0	1.7	2.0	2.0	2.0	2.1

*Number of employees at the end of the fiscal year includes contract employees and employees from outside the Group who are temporarily working within the Group. It does not include employees of the Group who are temporarily working outside the Group, or those on administrative leave.



Financial Analysis

Business Environment Surrounding the Company

During fiscal 2019, the global economy was overshadowed by a multitude of uncertainties, with the escalated U.S.-China trade friction at the forefront. From the second half of the fiscal year, the economy and employment slid into a significant downturn due to the COVID-19 pandemic, and the outlook remains unclear. It is anticipated that the post-COVID-19 world will bring significant changes in social and economic order of each country.

Ryoden's Initiatives and Performance

The Group engaged in business activities aimed at shifting to a high value added model in its existing core businesses, establishing a business model in its growth businesses, and creating new, next-generation businesses, based on its vision to improve profitability by accelerating the implementation of the customer value creation business model, adjusting to a changing business environment.

Net sales for fiscal 2019 were around ¥230.0 billion, a decrease of 4.3% year on year. Operating profit decreased by only 1.2% year on year, due to solid efforts in high-profit

Achievements

The expansion of revenue from businesses in new areas was an important achievement during fiscal 2019. We are developing our businesses in new areas – the Smart Agriculture Business, Healthcare Business and Network Business – across multiple business segments. Annual net

Financial Position

In fiscal 2019, total assets decreased by ¥4,424 million compared to the end of the previous fiscal year to ¥128,304 million, mainly due to decreases of ¥4,659 million in notes and accounts receivable – trade, and ¥2,927 million in merchandise and finished goods, despite an increase of ¥3,056 million in cash and deposits.

Total liabilities decreased by ¥6,266 million compared to the end of the previous fiscal year, to ¥60,746 million, mainly

Cash Flows

In fiscal 2019, cash and cash equivalents (hereinafter referred to as "cash") increased by ¥3,057 million compared to the end of the previous fiscal year to ¥20,165 million.

Cash flows from operating activities

Net cash provided by operating activities in fiscal 2019 totaled ¥5,938 million (an increase of ¥1,458 million from that provided in the previous fiscal year). Main inflows included profit before income taxes of ¥5,611 million, and a net increase in cash of ¥1,416 million due to decreases in trade receivables and inventories. Main outflows included income taxes paid of ¥1,825 million.

Cash flows from investing activities

Net cash used in investing activities in fiscal 2019 totaled

Segment changes

We have revised the composition of reportable segments in line with organizational changes, effective from the first quarter of fiscal 2020. The "Building Business," included in the ICT & Facilities Systems Business in this report, has been integrated into the Cooling & Heating Systems Business, and the names of the reportable segments have been changed from "Cooling & Heating Systems" to "Cooling & Heating and Building Systems," and from "ICT & Facilities Systems" to "ICT Systems."

In the business sectors that affect the Group, facilities demand stayed strong in the construction industry, but semiconductor manufacturing equipment, machine tools and other FA-related demand continued to be subdued. Additionally, in the automotive industry, demand related to ADAS (advanced driver assistance systems) was strong, but the industry experienced a downturn in response to a rapid deceleration in the automotive-related market due to the impact of the COVID-19 pandemic.

businesses in new areas, and profit attributable to owners of parent was the highest ever.

Regarding the financial results by segment, revenue and profit both declined for FA Systems and Electronics, due to U.S.-China trade friction and the persistence of the slump in demand for smartphones and semiconductors. On the other hand, revenue and profit both rose significantly for Cooling & Heating Systems and ICT & Facilities Systems, due to an increase in redevelopment projects and large plant factory projects recorded in the Smart Agriculture field.

sales from these three businesses reached a scale of ¥10.0 billion, representing growth of approximately 50% year on year. These are all high – value-added businesses, with high profit margins, and they provided a significant boost for our profits for the fiscal year under review.

due to decreases of ¥4,966 million in notes and accounts payable – trade, and ¥1,112 million in short-term loans payable.

Total net assets increased by ¥1,841 million compared to the end of the previous fiscal year, to ¥67,557 million, mainly due to the recording of profit attributable to owners of parent of ¥3,860 million, and cash dividends of ¥1,215 million. As a result, the equity ratio increased by 3.1 percentage points compared to the end of the previous fiscal year to 52.5%.

¥518 million (a decrease of ¥168 million from that used in the previous fiscal year). Main outflows included net outflows of ¥318 million from the purchase and sales of investment securities, including outflows of ¥367 million from the purchase of shares of non-consolidated subsidiaries, and outflows of ¥185 million from the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities in fiscal 2019 totaled ¥2,281 million (an increase of ¥1,718 million from that used in the previous fiscal year). Main outflows included cash dividends paid of ¥1,215 million, and a decrease in short-term loans payable of ¥1,065 million.

Corporate Data (As of March 31, 2020)

Trade name	Ryoden Corporation
Establishment	April 22, 1947
Capital	¥10,334,298,875
Stock exchange listing	First Section of the Tokyo Stock Exchange (Commercial)
Number of employees	Consolidated: 1,279 (Non-consolidated: 1,073)

Stock Information (As of March 31, 2020)

Total number of shares authorized	56,550,000 shares
Total number of shares issued	22,824,977 shares (including 1,105,965 shares of treasury stock)
Number of shareholders	13,026

Major shareholders (top 10)

Name of shareholders	Number of shares held (Thousand shares)	Shareholding ratio
Mitsubishi Electric Corporation	7,755	35.71%
The Master Trust Bank of Japan, Ltd. (trust account)	743	3.42%
BBH BOSTON FOR NOMURA JAPAN SMALLER CAPITALIZATION FUND 620065	695	3.20%
Citizen Watch Co., Ltd.	414	1.91%
Ryoden Employee Stock Ownership Plan	395	1.82%
DFA INTL SMALL CAP VALUE PORTFOLIO	370	1.70%
Japan Trustee Services Bank, Ltd. (trust account)	329	1.51%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	326	1.50%
Japan Trustee Services Bank, Ltd. (trust account 5)	295	1.36%
Japan Trustee Services Bank, Ltd. (trust account 9)	272	1.25%

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

Website

Please see our website for more details. We endeavor to provide useful information, and aim for timely disclosure.

Ryoden Corporation Search

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

Directors, Audit & Supervisory Board (As of June 25, 2020)

Name	Title	Responsibilities and significant concurrent positions
Nobuo Shogaki	Director of Board, President & CEO	
Hideharu Yamazaki	Director of Board Senior Executive Officer	In charge of supervising Business Divisions, General Manager, FA & Facilities System Business Headquarters
Shoji Kitai	Director of Board Senior Executive Officer	In charge of supervising Administrative Divisions, General Manager, Accounting & Finance Department
Osamu Tanaka	Director of Board Senior Executive Officer	In charge of supervising Strategic Divisions, General Manager, Corporate Strategic Planning
Masamitsu Miyagishi	Outside Director	(General Manager, Market Planning & Administration Department, Corporate Marketing Group, Mitsubishi Electric Corporation)
Yoshiko Shirata	Outside Director	(Outside Corporate Auditor, FamilyMart Co., Ltd.)
Masahiro Muroi	Outside Director	(Outside Director, MARUI GROUP CO., LTD.) (Auditor, The Norinchukin Bank)
Akira Sano	Corporate Auditor	
Reiichiro Kito	Corporate Auditor	
Hideyo Ishino	Outside Corporate Auditor	
#Masato Suzuki	Outside Corporate Auditor	(Attorney at law (Partner, Miyake & Partners))
Hitoshi Chihara	Senior Executive Officer	General Manager, Device System Headquarters
Masatoshi Nakamura	Senior Executive Officer	General Manager, Kansai Branch Office
Shunichi Higashi	Senior Executive Officer	General Manager, Tokyo Branch Office
Takahiro Ozawa	Senior Executive Officer	General Manager, Nagoya Branch Office
Akira Noda	Executive Officer	General Manager, Environment & Quality Headquarters
Kazumoto Yogosawa	Executive Officer	General Manager, ICT Solution Business Headquarters
Ko Oniwa	Executive Officer	General Manager, Device Division B, Device System Headquarters
Toshiaki Natsume	Executive Officer	General Manager, Shizuoka Branch Office
Yasumaru Tokiwa	Executive Officer	General Manager, Human Resources Department, and General Manager, New Business Promotion Department
Hiroshi Hiraide	Executive Officer	Deputy General Manager, Nagoya Branch Office
Yu Sugai	Executive Officer	General Manager, Data Processing & System Department

*Representative Director of Board

#Audit & Supervisory Board Member who was newly elected at the Ordinary General Meeting of Shareholders held on June 25, 2020





3-15-15, Higashi Ikebukuro, Toshima-ku,
Tokyo 170-8448

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



This report uses easy-to-read fonts based on the concept of Universal Design Font.