

First Quarter Earnings Report for Fiscal 2016, Ending March 31, 2017 [Japanese Standards] (Consolidated)

Company name:	Ryosan Company, Limited	Stock listing:	First Section, Tokyo Stock Exchange
Securities code:	8140	URL	http://www.ryosan.co.jp
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Scheduled filing date of quarterly earnings report:	August 12, 2016		
Scheduled payment date of dividend:	—		
Supplementary materials for the quarterly financial results:	None		
Investor conference for the quarterly financial results:	None		

(Millions of yen rounded down)

1. Consolidated results for the first quarter of fiscal 2016 (April 1, 2016 to June 30, 2016)

(1) Consolidated operating results (Cumulative)

(% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First Quarter, Fiscal 2016	48,301	(15.3)	635	(57.3)	936	(36.1)	703	(34.3)
First Quarter, Fiscal 2015	57,010	(6.1)	1,490	23.8	1,466	11.0	1,071	31.8

(Note) Comprehensive income

First Quarter, Fiscal 2016: -1,608 million yen (—%)

First Quarter, Fiscal 2015: 1,474 million yen (65.0%)

	Profit per share	Profit per share after dilution
	Yen	Yen
First Quarter, Fiscal 2016	23.88	—
First Quarter, Fiscal 2015	34.54	—

(2) Consolidated financial position

	Total assets	Net assets	Net assets to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2016	149,827	110,954	74.1	3,765.45
March 31, 2016	157,011	115,362	73.5	3,915.04

(Reference) Shareholders' equity

June 30, 2016: 110,954 million yen

March 31, 2016: 115,362 million yen

2. Dividends

	Dividends per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	Annual	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2015	—	45.00	—	95.00	140.00
Fiscal 2016	—				
Fiscal 2016 (Forecast)		70.00	—	70.00	140.00

(Note) Revision of dividend forecasts: None

As stated in the "Notice Concerning Revision of Dividend Forecast" released on July 11, 2016, Ryosan Company Limited (Ryosan)'s basic dividend policy is to pay ordinary and special dividends of 90 yen and 50 yen or more per share, respectively, resulting in a total dividend of 140 yen or more per share for the fiscal year ending March 31, 2017.

Fiscal 2015 Year-end dividend breakdown: 45 yen (ordinary), 50 yen (special)
 Fiscal 2016 Interim dividend breakdown (forecast): 45 yen (ordinary), 25 yen (special) or more
 Fiscal 2016 Year-end dividend breakdown (forecast): 45 yen (ordinary), 25 yen (special) or more

3. Forecast of results for the fiscal 2016 (April 1, 2016 to March 31, 2017)

(% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	110,000	(5.8)	2,300	(19.2)	2,300	(13.5)	1,500	(18.4)	50.91
Full Fiscal Year	230,000	0.8	5,600	1.1	5,600	0.1	3,700	0.8	125.57

(Note) Revision of financial results forecasts: None

* Notes

(1) Transfer of major subsidiaries during the scope of consolidation of these three months ended June 30, 2016 (transfer of specified subsidiaries in line with changes in the consolidated range): None

New: — (Company name:) Excluded: — (Company name:)

(2) Application of accounting procedures specific to preparing quarterly financial statements: None

(3) Changes in accounting principles, changes in accounting estimates, and restatements

1) Changes in accordance with revisions to accounting standards and related practices of accounting principles: Yes

2) Changes in items of accounting principles other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares issued and outstanding (common shares)

1. Total number of shares issued and outstanding (including treasury shares) at the period-end:

June 30, 2016	31,500,000 shares	March 31, 2016	31,500,000 shares
June 30, 2016	2,033,524 shares	March 31, 2016	2,033,462 shares
First Quarter, Fiscal 2016	29,466,495 shares	First Quarter, Fiscal 2015	31,017,351 shares

2. Total number of treasury shares at the period-end:

3. Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)

Indication regarding the implementation status of the quarterly review procedure

This quarterly consolidated earnings report is not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Act. As of the disclosure of this earnings report, the procedures for reviewing quarterly financial statements pursuant to the Financial Instruments and Exchange Act are in progress.

Caution with respect to forward-looking statements:

(Notes on forward-looking statements)

The estimates referred in this report are based on the information available as of the date of this release. The Company does not promise the realization of the estimates in this report. The Actual results could significantly differ from the estimates due to a variety of factors. For details on the conditions that form the assumptions used for earnings forecasts and notes on using earnings forecasts, please refer to appendix page 2, "1. Qualitative Information Regarding this Quarterly Statement (3) Qualitative Information Concerning Consolidated Forecast and Other Future Predictions."

○Table of contents of the appendix

1. Qualitative Information Regarding this Quarterly Statement.....	2
(1) Qualitative Information Concerning Consolidated Operating Results	2
(2) Qualitative Information Concerning Consolidated Financial Position.....	2
(3) Qualitative Information Concerning Consolidated Forecast and Other Future Predictions	2
2. Items Regarding Summary Information (Notes).....	3
(1) Transfer of Major Subsidiaries during the Scope of Consolidation of this Quarter.....	3
(2) Applying Accounting Procedures Specific to Preparing Quarterly Financial Statements.....	3
(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Restatements.....	3
3. Consolidated Quarterly Financial Statements	4
(1) Consolidated Quarterly Balance Sheet.....	4
(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income	6
Consolidated Quarterly Statement of Income	
Scope of Consolidation of this First Quarter	6
Consolidated Quarterly Statement of Comprehensive Income	
Scope of Consolidation of this First Quarter	7
(3) Notes Regarding Consolidated Quarterly Financial Statements.....	8
(Notes Regarding Going Concern).....	8
(Notes Regarding Substantial Changes in Shareholders' Equity).....	8
(Segment Information).....	8
4. Supplementary Information.....	9
(1) Geographical Segment Information	9
(2) Overseas Sales.....	10

1. Qualitative Information Regarding this Quarterly Statement

(1) Qualitative Information Concerning Consolidated Operating Results

1) Overview

During this consolidated first quarter (April 1, 2016 to June 30, 2016), the global economy continued to show a slow recovery in America and Europe, while a slowdown continued in China and other emerging countries. Meanwhile, in Japan, the economy recovered at a gradual pace, due to ongoing improvement in corporate earnings and employment conditions. However, future prospects remained uncertain due to weak consumer spending and the impact of Kumamoto Earthquake.

The electronics industry appeared rather sluggish as a whole, with a stagnating demand in the information and communications field that play a leading role in the market.

FY2016 is the third fiscal year for the 9th Medium-Term Business Plan (FY2014-FY2017) through which Ryosan is pursuing business model shifts, by coping with changes in its business environment and pursuing growth in a sustainable manner. To realize this plan, Ryosan is focusing on rebuilding its growth path and enhancing capital efficiency. However, during the period under review, Ryosan was strongly affected by the sluggish market conditions.

As the result, Ryosan reported net sales of 48,301 million yen (down 15.3% from the same period last fiscal year), operating income of 635 million yen (down 57.3%), ordinary income of 936 million yen (down 36.1%), and profit attributable to owners of parent of 703 million yen (down 34.3%) for this three-month consolidation period.

2) Business Segment Information

a. Semiconductors

Ryosan sells memories, system LSIs and discrete semiconductors, and develops system LSIs. In this three-month consolidation period, sales including system LSIs for car-navigation and car-audio systems decreased, with net sales of 28,978 million yen (down 14.0% from the same period last fiscal year), and operating income of 450 million yen (down 46.6%).

b. Electronic Components

Ryosan sells display devices, power supplies and electromechanical components. In this three-month consolidation period, sales including liquid crystal for digital cameras decreased, with net sales of 15,415 million yen (down 5.4% from the same period last fiscal year), and operating income of 308 million yen (down 26.9%).

c. Electronic Equipment

Ryosan sells systems equipment and facilities equipment. In this three-month consolidation period, sales including system equipment for Multi Function Peripherals decreased, with net sales of 3,907 million yen (down 44.3% from the same period last fiscal year), and operating income of 62 million yen (down 79.1%).

(2) Qualitative Information Concerning Consolidated Financial Position

At the end of this first quarter, total assets decreased by 7,183 million yen, as compared with the level at the end of the previous fiscal year, and came to 149,827 million yen.

Also, net assets decreased by 4,408 million yen, as compared with the level at the end of the previous fiscal year, and came to 110,954 million yen, with the ratio of net assets to total assets being 74.1%.

(3) Qualitative Information Concerning Consolidated Forecast and Other Future Predictions

There is no change in forecasts for the first half and full fiscal year ending March 31, 2017 (announced on May 13, 2016).

2. Items Regarding Summary Information (Notes)

(1) Transfer of Major Subsidiaries during the Scope of Consolidation of this Quarter

None

(2) Applying Accounting Procedures Specific to Preparing Quarterly Financial Statements

None

(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Restatements

Changes in Items of Accounting Principles

Implementation of Practical Solutions on Accounting for Changes in the Depreciation Method Associated With Revisions to the FY2016 Tax Law

In accordance with revisions to the Corporate Tax Law, Ryosan has adopted the “Practical Solutions on Accounting for Changes in the Depreciation Method Associated With Revisions to the FY2016 Tax Law” (Practical Issues Task Force No. 32 issued on June 17, 2016), effective from the consolidated first quarter of current term, and accordingly changed the depreciation method for facilities attached to buildings and for structures acquired on or after April 1, 2016, from the declining balance method to the straight-line method.

There was only minor impact on operating income, ordinary income and quarterly profit before income taxes during this first quarter.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Fiscal Year Ended March 31, 2016 (As of March 31, 2016)	First Quarter of the Fiscal Year Ending March 31, 2017 (As of June 30, 2016)
ASSETS		
Current assets		
Cash and deposits	50,768	46,712
Notes and accounts receivable –trade	64,654	58,838
Securities	-	3,194
Inventories	22,227	21,887
Accounts receivable – other	736	1,082
Deferred tax assets	578	494
Other	261	203
Allowance for doubtful accounts	(41)	(39)
Total current assets	139,185	132,373
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,506	3,466
Land	6,489	6,425
Leased assets, net	272	626
Other, net	167	152
Total property, plant and equipment	10,436	10,670
Intangible assets	1,086	1,069
Investments and other assets		
Investment securities	4,335	3,756
Deferred tax assets	141	142
Other	1,950	1,938
Allowance for doubtful accounts	(124)	(122)
Total investments and other assets	6,302	5,714
Total non-current assets	17,826	17,454
Total assets	157,011	149,827

(Millions of yen)

	Fiscal Year Ended March 31, 2016 (As of March 31, 2016)	First Quarter of the Fiscal Year Ending March 31, 2017 (As of June 30, 2016)
LIABILITIES		
Current liabilities		
Accounts payable - trade	24,886	24,414
Short-term loans payable	10,785	8,922
Lease obligations	124	170
Accounts payable - other	770	1,081
Accrued expenses	1,130	452
Income taxes payable	951	177
Provision for bonuses	-	304
Other	419	587
Total current liabilities	39,070	36,110
Non-current liabilities		
Lease obligations	188	525
Deferred tax liabilities	282	152
Net defined benefit liability	2,020	1,995
Asset retirement obligations	33	33
Other	53	53
Total non-current liabilities	2,578	2,761
Total liabilities	41,648	38,872
NET ASSETS		
Shareholders' equity		
Capital stock	17,690	17,690
Capital surplus	19,114	19,114
Retained earnings	82,669	80,573
Treasury shares	(6,119)	(6,119)
Total shareholders' equity	113,354	111,258
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,375	963
Deferred gains or losses on hedges	(3)	(8)
Foreign currency translation adjustment	646	(1,245)
Remeasurements of defined benefit plans	(9)	(13)
Total accumulated other comprehensive income	2,008	(303)
Total net assets	115,362	110,954
Total liabilities and net assets	157,011	149,827

(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income
(Consolidated Quarterly Statement of Income)
(Scope of Consolidation of this First Quarter)

(Millions of yen)

	First Quarter of the Fiscal Year Ended March 31, 2016 (April 1, 2015 to June 30, 2015)	First Quarter of the Fiscal Year Ending March 31, 2017 (April 1, 2016 to June 30, 2016)
Net sales	57,010	48,301
Cost of Sales	52,034	44,215
Gross Profit	4,975	4,085
Selling, general and administrative expenses	3,485	3,450
Operating income	1,490	635
Non-operating income		
Interest income	15	14
Dividend income	36	38
Gain on foreign exchange	-	250
Miscellaneous income	31	32
Total non-operating income	82	335
Non-operating expenses		
Interest expenses	32	31
Foreign exchange losses	71	-
Miscellaneous loss	2	2
Total non-operating expenses	106	34
Ordinary income	1,466	936
Extraordinary income		
Gain on sales of non-current assets	70	-
Total extraordinary income	70	-
Extraordinary losses		
Impairment loss	56	-
Total extraordinary losses	56	-
Profit before income taxes	1,480	936
Income taxes	408	233
Profit	1,071	703
Profit attributable to owners of parent	1,071	703

(Consolidated Quarterly Statement of Comprehensive Income)

(Scope of Consolidation of this First Quarter)

(Millions of yen)

	First Quarter of the Fiscal Year Ended March 31, 2016 (April 1, 2015 to June 30, 2015)	First Quarter of the Fiscal Year Ending March 31, 2017 (April 1, 2016 to June 30, 2016)
Profit	1,071	703
Other comprehensive income		
Valuation difference on available-for-sale securities	204	(411)
Deferred gains or losses on hedges	1	(4)
Foreign currency translation adjustment	210	(1,892)
Remeasurements of defined benefit plans, net of tax	(12)	(3)
Total other comprehensive income	403	(2,312)
Comprehensive income	1,474	(1,608)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,474	(1,608)

(3) Notes Regarding Consolidated Quarterly Financial Statements

(Notes Regarding Going Concern)

None

(Notes Regarding Substantial Changes in Shareholders' Equity)

None

(Segment Information)

I. For the consolidated first quarter of the fiscal year ended March 31, 2016

(April 1, 2015 to June 30, 2015)

Information Concerning Sales and Income or Loss Amount by Reporting Segment

(Millions of yen)

	Reporting Segment				Adjusted amount (Note 1)	Amounts shown on consolidated statement of income (Note 2)
	Semiconductors	Electronic Components	Electronic Equipment	Total		
Net sales						
Sales to external customers	33,701	16,298	7,010	57,010	—	57,010
Internal sales or exchange between segments	—	—	—	—	—	—
Total	33,701	16,298	7,010	57,010	—	57,010
Segment income (loss)	843	421	299	1,565	(74)	1,490

(Notes)

1. The adjustment of -74 million yen to segment income represents corporate expenses that are not allocated to each reporting segment. Corporate expenses mainly refer to general and administrative expenses not belonging to any reporting segments.

2. Segment income has been adjusted with operating income in consolidated quarterly statements of income.

II. For the consolidated first quarter of the fiscal year ending March 31, 2017

(April 1, 2016 to June 30, 2016)

Information Concerning Sales and Income or Loss Amount by Reporting Segment

(Millions of yen)

	Reporting Segment				Adjusted amount (Note 1)	Amounts shown on consolidated statement of income (Note 2)
	Semiconductors	Electronic Components	Electronic Equipment	Total		
Net sales						
Sales to external customers	28,978	15,415	3,907	48,301	—	48,301
Internal sales or exchange between segments	—	—	—	—	—	—
Total	28,978	15,415	3,907	48,301	—	48,301
Segment income (loss)	450	308	62	821	(185)	635

(Notes)

1. The adjustment of -185 million yen to segment income represents corporate expenses that are not allocated to each reporting segment. Corporate expenses mainly refer to general and administrative expenses not belonging to any reporting segments.

2. Segment income has been adjusted with operating income in consolidated quarterly statements of income.

4. Supplementary Information

(1) Geographical Segment Information

Fiscal 2015, first quarter of the fiscal year ended March 31, 2016
(April 1, 2015 to June 30, 2015)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	33,003	21,859	2,147	57,010	—	57,010
Internal sales or exchange between segments	3,007	85	-	3,093	(3,093)	—
Total	36,011	21,945	2,147	60,103	(3,093)	57,010
Segment income	684	588	69	1,341	148	1,490

(Notes)

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions:
Asia: Hong Kong, Thailand, China, South Korea, etc.
Other: United States, etc.

Fiscal 2016, first quarter of the fiscal year ending March 31, 2017
(April 1, 2016 to June 30, 2016)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	28,028	18,366	1,906	48,301	—	48,301
Internal sales or exchange between segments	2,692	105	2	2,800	(2,800)	—
Total	30,721	18,472	1,908	51,102	(2,800)	48,301
Segment income	91	455	75	623	12	635

(Notes)

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions:
Asia: Hong Kong, Thailand, China, South Korea, etc.
Other: United States, etc.

(2) Overseas sales

Fiscal 2015, first quarter of the fiscal year ended March 31, 2016
(April 1, 2015 to June 30, 2015)

(Millions of yen)

	Asia	Other	Total
Overseas sales	22,041	2,191	24,233
Consolidated net sales	—	—	57,010
Ratio of overseas sales to consolidated net sales (%)	38.7	3.8	42.5

(Notes)

1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal countries and regions:
Asia: China, Thailand, Hong Kong, South Korea, etc.
Other: United States, etc.
3. Overseas sales represent the total of export sales of the parent company and sales of its consolidated subsidiaries outside Japan (excluding intra-group sales).

Fiscal 2016, first quarter of the fiscal year ending March 31, 2017
(April 1, 2016 to June 30, 2016)

(Millions of yen)

	Asia	Other	Total
Overseas sales	18,139	1,918	20,057
Consolidated net sales	—	—	48,301
Ratio of overseas sales to consolidated net sales (%)	37.6	4.0	41.5

(Notes)

1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal countries and regions:
Asia: China, Thailand, South Korea, Hong Kong, etc.
Other: United States and others
3. Overseas sales represent the total of export sales of the parent company and sales of its consolidated subsidiaries outside Japan (excluding intra-group sales).