

January 30, 2017

## Third 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	<a href="http://www.ryosan.co.jp">http://www.ryosan.co.jp</a>
Representative:	Naoto Mimatsu, President and Representative Director		
Inquiries:	Masahide Nishiura, Director and Senior Executive Officer		TEL:
	General Manager, Finance and Accounting Headquarters		+81-3-3862-2591
Scheduled filing date of quarterly earnings report:	February 14, 2017		
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 three quarters of fiscal 2016 (April 1, 2016 to December 31, 2016)

#### (1) Consolidated operating results (Cumulative)

(% change compared with same period of previous fiscal year (YoY))

	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 Three Quarters, Fiscal 2016	159,299	(9.5)	3,604	(19.0)	3,464	(19.0)	2,370	(22.5)
First Three Quarters, Fiscal 2015	175,947	(0.4)	4,447	(1.1)	4,278	7.0	3,059	26.1

(Note) Comprehensive income

First Three Quarters, Fiscal 2016: 2,794 million yen (24.8%)

First Three Quarters, Fiscal 2015: 2,239 million yen (-61.3%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Three Quarters, Fiscal 2016	81.58	—
First Three Quarters, Fiscal 2015	98.86	—

#### (2) Consolidated financial position

	Total assets	Net assets	Net assets to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2016	161,663	109,173	67.5	3,877.05
March 31, 2016	157,011	115,362	73.5	3,915.04

(Reference) Shareholders' equity

December 31, 2016: 109,173 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	—	70.00	—		
Fiscal 2016 (Forecast)				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 an ordinary dividend of 90 yen per share and a special dividend of 50 yen or more per share, 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: 45 yen (ordinary), 25 yen (special)  
 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)

Full Fiscal Year	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	215,000	(5.8)	4,400	(20.6)	4,900	(12.4)	3,600	(1.9)	123.78

(Note) Revision of financial results forecasts: None

#### \* Notes

(1) Transfer of major subsidiaries during the scope of consolidation of these nine months ended December 31, 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:	December 31, 2016	31,500,000 shares	March 31, 2016	31,500,000 shares
2. Total number of treasury shares at the period-end:	December 31, 2016	3,341,008 shares	March 31, 2016	2,033,462 shares
3. Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)	First three quarters, Fiscal 2016	29,058,375 shares	First three quarters, Fiscal 2015	30,942,613 shares

#### 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. Ryosan 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."

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## **1. Qualitative Information Regarding this Quarterly Statement**

### **(1) Qualitative Information Concerning Consolidated Operating Results**

#### 1) Overview

During this nine-month consolidated period (April 1, 2016 to December 31, 2016), the global economy on the whole grew at a sluggish pace; a gradual recovery continued in the United States, but uncertainty surrounding the European economy intensified, and growth slowed in China and other emerging countries. In Japan, indices such as capital investment and personal consumption did not show signs of robust recovery in spite of economic policies by the government and a negative interest rate policy by the Bank of Japan, and as the result, economic recovery continued to be at the state of standstill.

The electronics industry lacked momentum for growth as a whole, due to shrinking of the PC and tablet market and deceleration of growth in the smartphone market, even though it continued to see strong sales in the fields of the products for automobiles and FA equipment.

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, the results were adversely affected by the recent strong yen rates and the aggravation of the balance of demand and supply of the electronics market on the whole.

As the result, Ryosan reported net sales of 159,299 million yen (down 9.5% from the same period last fiscal year), operating income of 3,604 million yen (down 19.0%), ordinary income of 3,464 million yen (down 19.0%), and profit attributable to owners of parent of 2,370 million yen (down 22.5%) for this nine-month consolidation period.

#### 2) Business Segment Information

##### **a. Semiconductors**

Ryosan sells memories, system LSIs and discrete semiconductors, and develops system LSIs. In this nine-month consolidation period, sales decreased, with net sales of 91,994 million yen (down 9.6% from the same period last fiscal year), and operating income of 1,942 million yen (down 12.5%), mainly because of the appreciation of yen, slowdown of the information and communication equipment business, and sluggish sales of car-navigation systems and car-audios.

##### **b. Electronic Components**

Ryosan sells display devices, power supplies and electromechanical components. In this nine-month consolidation period, sales increased, with net sales of 50,597 million yen (up 2.9% from the same period last fiscal year), and operating income of 1,467 million yen (up 16.2%) despite of the appreciation of yen, thanks to strong performance in the in-vehicle electrical equipment business.

##### **c. Electronic Equipment**

Ryosan sells systems equipment and facilities equipment. In this nine-month consolidated period, sales decreased, with net sales of 16,707 million yen (down 33.1% from the same period last fiscal year), and operating income of 491 million yen (down 58.0%), mainly due to reaction after the conclusion of Multi Function Peripheral business.

### **(2) Qualitative Information Concerning Consolidated Financial Position**

As of the end of this third quarter, total assets increased by 4,652 million yen, as compared with the level at the end of the previous fiscal year, and came to 161,663 million yen.

Also, net assets decreased by 6,188 million yen, as compared with the level at the end of the previous fiscal year, and came to 109,173 million yen, with the ratio of net assets to total assets being 67.5%.

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

There is no change in forecasts for the full fiscal year ending March 31, 2017 (announced on October 31, 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 nine-month consolidation period.

### 3. Consolidated Quarterly Financial Statements

#### (1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Fiscal Year Ended March 31, 2016 (As of March 31, 2016)	Third Quarter of the Fiscal Year Ending March 31, 2017 (As of December 31, 2016)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	50,768	37,173
Notes and accounts receivable–trade	64,654	72,070
Securities	-	3,300
Inventories	22,227	24,074
Accounts receivable–other	736	6,126
Deferred tax assets	578	246
Other	261	672
Allowance for doubtful accounts	(41)	(71)
<b>Total current assets</b>	<b>139,185</b>	<b>143,592</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	3,506	3,429
Land	6,489	6,428
Leased assets, net	272	568
Other, net	167	146
<b>Total property, plant and equipment</b>	<b>10,436</b>	<b>10,572</b>
<b>Intangible assets</b>	<b>1,086</b>	<b>1,160</b>
<b>Investments and other assets</b>		
Investment securities	4,335	4,527
Deferred tax assets	141	154
Other	1,950	1,794
Allowance for doubtful accounts	(124)	(138)
<b>Total investments and other assets</b>	<b>6,302</b>	<b>6,338</b>
<b>Total non-current assets</b>	<b>17,826</b>	<b>18,071</b>
<b>Total assets</b>	<b>157,011</b>	<b>161,663</b>

(Millions of yen)

	Fiscal Year Ended March 31, 2016 (As of March 31, 2016)	Third Quarter of the Fiscal Year Ending March 31, 2017 (As of December 31, 2016)
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable - trade	24,886	32,910
Short-term loans payable	10,785	13,249
Lease obligations	124	161
Accounts payable - other	770	1,685
Accrued expenses	1,130	502
Income taxes payable	951	130
Provision for bonuses	-	334
Other	419	534
<b>Total current liabilities</b>	<b>39,070</b>	<b>49,509</b>
<b>Non-current liabilities</b>		
Lease obligations	188	473
Deferred tax liabilities	282	439
Net defined benefit liability	2,020	1,980
Asset retirement obligations	33	34
Other	53	53
<b>Total non-current liabilities</b>	<b>2,578</b>	<b>2,980</b>
<b>Total liabilities</b>	<b>41,648</b>	<b>52,489</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	17,690	17,690
Capital surplus	19,114	19,114
Retained earnings	82,669	80,221
Treasury shares	(6,119)	(10,284)
<b>Total shareholders' equity</b>	<b>113,354</b>	<b>106,742</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,375	1,546
Deferred gains or losses on hedges	(3)	0
Foreign currency translation adjustment	646	904
Remeasurements of defined benefit plans	(9)	(20)
<b>Total accumulated other comprehensive income</b>	<b>2,008</b>	<b>2,431</b>
<b>Total net assets</b>	<b>115,362</b>	<b>109,173</b>
<b>Total liabilities and net assets</b>	<b>157,011</b>	<b>161,663</b>

**(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income****(Consolidated Quarterly Statement of Income)**

(Scope of Consolidation of these First Three Quarters)

(Millions of yen)

	First Three Quarters of the Fiscal Year Ended March 31, 2016 (Apr. 1, 2015 to Dec. 31, 2015)	First Three Quarters of the Fiscal Year Ending March 31, 2017 (Apr. 1, 2016 to Dec. 31, 2016)
<b>Net sales</b>	175,947	159,299
<b>Cost of Sales</b>	161,274	145,689
Gross Profit	14,673	13,609
<b>Selling, general and administrative expenses</b>	10,225	10,005
<b>Operating income</b>	4,447	3,604
<b>Non-operating income</b>		
Interest income	44	43
Dividend income	68	69
Miscellaneous income	119	152
Total non-operating income	232	265
<b>Non-operating expenses</b>		
Interest expenses	101	100
Foreign exchange losses	181	271
Miscellaneous loss	119	33
Total non-operating expenses	402	405
<b>Ordinary income</b>	4,278	3,464
<b>Extraordinary income</b>		
Gain on sales of non-current assets	137	-
Total extraordinary income	137	-
<b>Extraordinary losses</b>		
Impairment loss	122	-
Loss on sales of investment securities	-	1
Loss on valuation of golf membership	24	-
Loss on quality compensation	-	57
Total extraordinary losses	146	59
<b>Profit before income taxes</b>	4,268	3,404
<b>Income taxes</b>	1,209	1,034
<b>Profit</b>	3,059	2,370
<b>Profit attributable to owners of parent</b>	3,059	2,370



**(Consolidated Quarterly Statement of Comprehensive Income)**

(Scope of Consolidation of these First Three Quarters)

(Millions of yen)

	First Three Quarters of the Fiscal Year Ended March 31, 2016 (Apr. 1, 2015 to Dec. 31, 2015)	First Three Quarters of the Fiscal Year Ending March 31, 2017 (Apr. 1, 2016 to Dec. 31, 2016)
<b>Profit</b>	3,059	2,370
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(53)	171
Deferred gains or losses on hedges	(1)	4
Foreign currency translation adjustment	(737)	258
Reassessments of defined benefit plans, net of tax	(26)	(10)
Total other comprehensive income	(819)	423
<b>Comprehensive income</b>	2,239	2,794
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,239	2,794

### (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 three quarters of the fiscal year ended March 31, 2016  
(April 1, 2015 to December 31, 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 quarterly statement of income (Note 2)
	Semiconductors	Electronic Components	Electronic Equipment	Total		
Net sales						
Sales to external customers	101,800	49,183	24,963	175,947	—	175,947
Internal sales or exchange between segments	—	—	—	—	—	—
Total	101,800	49,183	24,963	175,947	—	175,947
Segment income (loss)	2,219	1,263	1,169	4,652	(204)	4,447

(Notes)

1. The adjustment of -204 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 statement of income.

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

(April 1, 2016 to December 31, 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 quarterly statement of income (Note 2)
	Semiconductors	Electronic Components	Electronic Equipment	Total		
Net sales						
Sales to external customers	91,994	50,597	16,707	159,299	—	159,299
Internal sales or exchange between segments	—	—	—	—	—	—
Total	91,994	50,597	16,707	159,299	—	159,299
Segment income (loss)	1,942	1,467	491	3,900	(296)	3,604

(Notes)

1. The adjustment of -296 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 statement of income.

## 4. Supplementary Information

### (1) Geographical Segment Information

Fiscal 2015, first three quarters of the fiscal year ended March 31, 2016  
(April 1, 2015 to December 31, 2015)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	104,444	65,569	5,933	175,947	—	175,947
Internal sales or exchange between segments	8,838	162	3	9,004	(9,004)	—
Total	113,282	65,731	5,937	184,951	(9,004)	175,947
Segment income	2,120	1,613	190	3,924	523	4,447

(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 three quarters of the fiscal year ending March 31, 2017  
(April 1, 2016 to December 31, 2016)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	95,885	57,967	5,446	159,299	—	159,299
Internal sales or exchange between segments	8,104	369	3	8,477	(8,477)	—
Total	103,990	58,336	5,449	167,776	(8,477)	159,299
Segment income	1,413	1,705	173	3,292	312	3,604

(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 three quarters of the fiscal year ended March 31, 2016  
(April 1, 2015 to December 31, 2015)

(Millions of yen)

	Asia	Other	Total
Overseas sales	65,993	6,035	72,028
Consolidated net sales	—	—	175,947
Ratio of overseas sales to consolidated net sales (%)	37.5	3.4	40.9

(Notes)

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions:
  - Asia: China, Thailand, Hong Kong, South Korea, etc.
  - Other: United States, etc.
- Overseas sales consist of the net sales of the parent company and its consolidated subsidiaries in countries and regions other than Japan (excluding intra-group sales).

Fiscal 2016, first three quarters of the fiscal year ending March 31, 2017  
(April 1, 2016 to December 31, 2016)

(Millions of yen)

	Asia	Other	Total
Overseas sales	58,306	5,533	63,839
Consolidated net sales	—	—	159,299
Ratio of overseas sales to consolidated net sales (%)	36.6	3.5	40.1

(Notes)

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions:
  - Asia: China, Thailand, Hong Kong, South Korea, etc.
  - Other: United States and others
- Overseas sales consist of the net sales of the parent company and its consolidated subsidiaries in countries and regions other than Japan (excluding intra-group sales).