

## First Quarter Earnings Report for Fiscal 2017, Ending March 31, 2018 [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>
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Scheduled filing date of quarterly earnings report:	August 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 quarter of fiscal 2017 (April 1, 2017 to June 30, 2017)

#### (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 Quarter, Fiscal 2017	58,915	22.0	1,507	137.1	1,596	70.4	1,088	54.7
First Quarter, Fiscal 2016	48,301	(15.3)	635	(57.3)	936	(36.1)	703	(34.3)

(Note) Comprehensive income

First Quarter, Fiscal 2017: 1,296 million yen (—%)

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Quarter, Fiscal 2017	39.03	—
First Quarter, Fiscal 2016	23.88	—

#### (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, 2017	161,187	103,778	64.4	3,861.93
March 31, 2017	161,620	109,519	67.8	3,897.82

(Reference) Shareholders' equity

June 30, 2017: 103,778 million yen

March 31, 2017: 109,519 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 2016	—	70.00	—	70.00	140.00
Fiscal 2017	—	—	—	—	—
Fiscal 2017 (Forecast)	—	75.00	—	75.00	150.00

(Note) Revision of dividend forecasts: None

Fiscal 2016 Interim dividend breakdown: 45 yen (ordinary), 25 yen (special)

Fiscal 2016 Year-end dividend breakdown: 45 yen (ordinary), 25 yen (special)

Fiscal 2017 Interim dividend breakdown (forecast): 50 yen (ordinary), 25 yen (special) or more

Fiscal 2017 Year-end dividend breakdown (forecast): 50 yen (ordinary), 25 yen (special) or more

### 3. Forecast of results for the fiscal 2017 (April 1, 2017 to March 31, 2018)

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

	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
Interim period	112,000	9.9	2,500	33.2	2,500	6.6	1,800	5.6	64.06
Full Fiscal Year	230,000	5.5	5,600	20.2	5,600	15.9	4,000	18.8	142.36

(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: None

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, 2017	28,500,000 shares	March 31, 2017	31,500,000 shares
2. Total number of treasury shares at the period-end:	June 30, 2017	1,627,760 shares	March 31, 2017	3,402,428 shares
3. Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)	First Quarter, Fiscal 2017	27,892,728 shares	First Quarter, Fiscal 2016	29,466,495 shares

**This quarterly consolidated earnings report is not subject to the quarterly review.**

#### 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 Company Limited (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 consolidated first quarter (April 1, 2017 to June 30, 2017), the global economy as a whole continued to show a gradual recovery. The U.S. maintained growth backed by strong consumer spending in spite of stagnant trend in automobile sales, while gradual recovery continued in Europe and emerging countries including China remained steady. Also in Japan, signs of improvement were seen in corporate earnings in line with recovery trends in consumer spending.

In the electronics industry, although shrinking trend of PCs and tablets market continued, products for smartphones, automobiles and FA equipment remained robust.

FY2017 is the final 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 striving for growth in a sustainable manner. To realize this plan, Ryosan is focusing on reestablishing a growth path and improving capital efficiency.

As the result, Ryosan reported net sales of 58,915 million yen (up 22.0% from the same period last fiscal year), operating income of 1,507 million yen (up 137.1%), ordinary income of 1,596 million yen (up 70.4%), and profit attributable to owners of parent of 1,088 million yen (up 54.7%) for this three-month consolidation period.

#### 2) Business Segment Information

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

Ryosan sells memories, system LSIs and discrete semiconductors, and develops system LSIs on a contract basis. In this three-month consolidation period, our business for in-vehicle electrical equipment and FA equipment remained brisk, and net sales were 34,970 million yen (up 20.7% from the same period last fiscal year), and operating income was 912 million yen (up 102.5%).

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

Ryosan sells display devices, power supplies and electromechanical components. In this three-month consolidation period, there was an increase in sales of electromechanical components for consumers, in addition to business for in-vehicle electrical equipment and FA equipment which remained brisk, and net sales were 18,436 million yen (up 19.6% from the same period last fiscal year), and operating income was 620 million yen (up 101.2%).

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

Ryosan sells systems equipment and facilities equipment. In this three-month consolidation period, mainly due to expansion in the in-vehicle electrical equipment business, net sales were 5,509 million yen (up 41.0% from the same period last fiscal year), and operating income was 118 million yen (up 89.2%).

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

As of the end of this first quarter, total assets decreased by 432 million yen compared with the end of the previous fiscal year, to 161,187 million yen.

Also, net assets decreased by 5,740 million yen compared with the end of the previous fiscal year, to 103,778 million yen, with the ratio of net assets to total assets being 64.4%.

### **(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, 2018 (announced on May 12, 2017).

## 2. Consolidated Quarterly Financial Statements and Main Notes

### (1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Fiscal Year Ended March 31, 2017 (As of March 31, 2017)	First Quarter of the Fiscal Year Ending March 31, 2018 (As of June 30, 2017)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	38,845	27,447
Notes and accounts receivable –trade	68,499	70,953
Securities	300	2,000
Inventories	27,766	33,258
Accounts receivable – other	6,974	8,784
Deferred tax assets	348	318
Other	205	252
Allowance for doubtful accounts	(64)	(92)
<b>Total current assets</b>	<b>142,876</b>	<b>142,921</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	3,398	3,362
Land	6,428	6,428
Leased assets, net	539	570
Other, net	158	155
<b>Total property, plant and equipment</b>	<b>10,525</b>	<b>10,517</b>
<b>Intangible assets</b>	<b>1,110</b>	<b>1,054</b>
<b>Investments and other assets</b>		
Investment securities	4,983	4,468
Deferred tax assets	163	163
Other	2,095	2,263
Allowance for doubtful accounts	(136)	(201)
<b>Total investments and other assets</b>	<b>7,107</b>	<b>6,694</b>
<b>Total non-current assets</b>	<b>18,743</b>	<b>18,266</b>
<b>Total assets</b>	<b>161,620</b>	<b>161,187</b>

(Millions of yen)

	Fiscal Year Ended March 31, 2017 (As of March 31, 2017)	First Quarter of the Fiscal Year Ending March 31, 2018 (As of June 30, 2017)
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable - trade	34,458	35,437
Short-term loans payable	11,419	15,408
Lease obligations	148	152
Accounts payable - other	1,499	1,501
Accrued expenses	1,047	457
Income taxes payable	390	637
Provision for bonuses	-	309
Other	131	376
<b>Total current liabilities</b>	<b>49,095</b>	<b>54,281</b>
<b>Non-current liabilities</b>		
Lease obligations	450	480
Deferred tax liabilities	505	623
Net defined benefit liability	1,890	1,863
Asset retirement obligations	34	34
Other	125	125
<b>Total non-current liabilities</b>	<b>3,005</b>	<b>3,127</b>
<b>Total liabilities</b>	<b>52,101</b>	<b>57,408</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	17,690	17,690
Capital surplus	19,114	19,114
Retained earnings	81,219	71,205
Treasury shares	(10,498)	(6,433)
<b>Total shareholders' equity</b>	<b>107,525</b>	<b>101,576</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,540	1,675
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	416	496
Remeasurements of defined benefit plans	36	30
<b>Total accumulated other comprehensive income</b>	<b>1,993</b>	<b>2,201</b>
<b>Total net assets</b>	<b>109,519</b>	<b>103,778</b>
<b>Total liabilities and net assets</b>	<b>161,620</b>	<b>161,187</b>

**(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, 2017 (April 1, 2016 to June 30, 2016)	First Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to June 30, 2017)
<b>Net sales</b>	48,301	58,915
<b>Cost of Sales</b>	44,215	53,727
Gross Profit	4,085	5,188
<b>Selling, general and administrative expenses</b>	3,450	3,681
<b>Operating income</b>	635	1,507
<b>Non-operating income</b>		
Interest income	14	12
Dividend income	38	35
Foreign exchange gains	250	92
Rent income	8	7
Miscellaneous income	24	16
Total non-operating income	335	164
<b>Non-operating expenses</b>		
Interest expenses	31	62
Commission for purchase of treasury shares	0	9
Miscellaneous loss	2	3
Total non-operating expenses	34	75
<b>Ordinary income</b>	936	1,596
<b>Extraordinary income</b>		
Gain on sales of investment securities	-	3
Total extraordinary income	-	3
<b>Profit before income taxes</b>	936	1,599
<b>Income taxes</b>	233	511
<b>Profit</b>	703	1,088
<b>Profit attributable to owners of parent</b>	703	1,088

(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, 2017 (April 1, 2016 to June 30, 2016)	First Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to June 30, 2017)
<b>Profit</b>	703	1,088
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(411)	134
Deferred gains or losses on hedges	(4)	0
Foreign currency translation adjustment	(1,892)	79
Remeasurements of defined benefit plans, net of tax	(3)	(6)
Total other comprehensive income	(2,312)	208
<b>Comprehensive income</b>	(1,608)	1,296
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(1,608)	1,296

### (3) Notes Regarding Consolidated Quarterly Financial Statements

#### (Notes Regarding Going Concern)

None

#### (Notes Regarding Substantial Changes in Shareholders' Equity)

None

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

None

#### (Segment Information)

##### I. Information Concerning Sales and Income or Loss Amount by Reporting Segment

For the consolidated first quarter of the fiscal year ended March 31, 2017

(April 1, 2016 to June 30, 2016)

(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 adjusted segment loss of 185 million yen represents corporate expenses (mainly general and administrative expenses).
2. Segment income has been adjusted with operating income in consolidated quarterly statement of income.

For the consolidated first quarter of the fiscal year ending March 31, 2018

(April 1, 2017 to June 30, 2017)

(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	34,970	18,436	5,509	58,915	—	58,915
Internal sales or exchange between segments	—	—	—	—	—	—
Total	34,970	18,436	5,509	58,915	—	58,915
Segment income (loss)	912	620	118	1,651	(143)	1,507

(Notes)

1. The adjusted segment loss of 143 million yen represents corporate expenses (mainly general and administrative expenses).
2. Segment income has been adjusted with operating income in consolidated quarterly statement of income.

II. Information Concerning Sales and Income or Loss Amount by Regional Segment  
Fiscal 2016, first quarter of the fiscal year ended 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.

Fiscal 2017, first quarter of the fiscal year ending March 31, 2018  
(April 1, 2017 to June 30, 2017)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	36,168	20,745	2,001	58,915	—	58,915
Internal sales or exchange between segments	4,025	31	2	4,059	(4,059)	—
Total	40,194	20,776	2,004	62,974	(4,059)	58,915
Segment income	607	758	45	1,411	96	1,507

(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.

III. Information Concerning Sales by Region  
Fiscal 2016, first quarter of the fiscal year ended March 31, 2017  
(April 1, 2016 to June 30, 2016)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	28,243	8,805	9,334	1,918	48,301
Ratio to consolidated net sales (%)	58.5	18.2	19.3	4.0	100.0

(Note) Net sales are on the basis of customer location and classified by country or region.

Fiscal 2017, first quarter of the fiscal year ending March 31, 2018  
(April 1, 2017 to June 30, 2017)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	34,812	11,838	10,239	2,025	58,915
Ratio to consolidated net sales (%)	59.1	20.1	17.4	3.4	100.0

(Note) Net sales are on the basis of customer location and classified by country or region.