

## First Half 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:	November 14, 2017		
Scheduled payment date of dividend:	December 1, 2017		
Supplementary materials for the quarterly financial results:	Yes		
Investor conference for the quarterly financial results:	Yes (for security analysts and institutional investors)		

(Millions of yen rounded down)

### 1. Consolidated results for the first half of fiscal 2017 (April 1, 2017 to September 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 Half, Fiscal 2017	123,629	21.3	3,224	71.8	3,191	36.0	2,227	30.7
First Half, Fiscal 2016	101,884	(12.7)	1,877	(34.0)	2,345	(11.8)	1,703	(7.4)

(Note) Comprehensive income

First Half, Fiscal 2017: 2,898 million yen (—%)

First Half, Fiscal 2016: (695) million yen (—%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Half, Fiscal 2017	82.66	—
First Half, Fiscal 2016	58.13	—

#### (2) Consolidated financial position

	Total assets	Net assets	Net assets to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2017	161,712	95,866	59.3	3,869.80
March 31, 2017	161,620	109,519	67.8	3,897.82

(Reference) Shareholders' equity

September 30, 2017: 95,866 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	—	75.00	—	—	—
Fiscal 2017 (Forecast)	—	—	—	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: 50 yen (ordinary), 25 yen (special)

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
Full Fiscal Year	240,000	10.1	5,800	24.5	5,700	17.9	4,100	21.7	158.55

(Note) Revision of financial results forecasts: Yes

#### \* Notes

(1) Transfer of major subsidiaries during the scope of consolidation of these six months ended September 30, 2017 (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:	September 30, 2017	28,500,000 shares	March 31, 2017	31,500,000 shares
2. Total number of treasury shares at the period-end:	September 30, 2017	3,727,098 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 Half, Fiscal 2017	26,940,644 shares	First Half, Fiscal 2016	29,309,292 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 3, "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 half period (April 1, 2017 to September 30, 2017), the global economy as a whole continued to show a gradual recovery. The U.S. maintained self-sustaining growth in spite of a stagnant trend in automobile sales, while strong economic expansion continued in Europe and emerging countries including China remained steady. Also, in Japan, there were favorable signs such as improved 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 123,629 million yen (up 21.3% from the same period last fiscal year), operating income of 3,224 million yen (up 71.8%), ordinary income of 3,191 million yen (up 36.0%), and profit attributable to owners of parent of 2,227 million yen (up 30.7%) for this six-month consolidation period.

#### 2) Business Segment Information

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

Ryosan sells memory, system LSIs and discrete semiconductors, and develops system LSIs on a contract basis. In this consolidated first half period, Ryosan's businesses for in-vehicle electrical equipment and FA equipment remained brisk and, with an increase in the sales of Ryosan's business for information and communication, net sales were 72,060 million yen (up 22.5% from the same period last fiscal year), and operating income was 1,828 million yen (up 68.6%).

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

Ryosan sells display devices, power supplies and electromechanical components. In this consolidated first half period, Ryosan's businesses for consumers, in-vehicle electrical equipment, and FA equipment remained brisk, net sales were 39,531 million yen (up 22.2% from the same period last fiscal year), and operating income was 1,322 million yen (up 61.5%).

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

Ryosan sells systems equipment and facilities equipment. In this consolidated first half period, thanks to the acquisition of large orders by the in-vehicle electrical equipment business, net sales were 12,037 million yen (up 12.6% from the same period last fiscal year), and operating income was 272 million yen (down 13.8%) in connection with a decline in profitability.

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

As of the end of this second quarter, total assets increased by 91 million yen compared with the end of the previous fiscal year, to 161,712 million yen.

Also, net assets decreased by 13,653 million yen compared with the end of the previous fiscal year, to 95,866 million yen, with the ratio of net assets to total assets being 59.3%.

### 2) Overview of Cash Flows

As of September 30, 2017, cash and cash equivalents decreased by 23,210 million yen compared with the end of the previous fiscal year, to 15,482 million yen.

#### *Net cash provided by (used in) operating activities*

Regarding cash flow from operating activities in this consolidated first half period, although profit before income taxes was 3,194 million yen, as inventories and notes and accounts receivable-trade increased by 9,941 million yen and 8,650 million yen respectively, funds in total decreased by 15,896 million yen. For a comparison, in net cash from operating activities in the same period of previous year, funds had increased by 2,447 million yen.

#### *Net cash provided by (used in) investing activities*

Regarding cash flow from investing activities in this consolidated first half period, funds in total increased by 625 million yen due to such factors as proceeds from sales of investment securities. For a comparison, in net cash from investing activities in the same period of previous year, funds had increased by 62 million yen.

#### *Net cash provided by (used in) financing activities*

Regarding cash flow from financing activities in this consolidated first half period, funds in total decreased by 8,056 million yen due to the purchase of treasury shares of 14,584 million yen, even though short-term loans payable increased by 8,584 million yen. For a comparison, in net cash from financing activities in the same period of previous year, funds had decreased by 5,491 million yen.

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

### 1) Revision of Consolidated Forecast for Fiscal 2017 (April 1, 2017 to March 31, 2018)

In consideration of the business results of this consolidated first half period, Ryosan has revised the consolidated earnings forecast for the period ending March 31, 2018 as follows. This revision of the earnings forecast does not affect the dividend forecast.

(Consolidated Forecast)

	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
Previous forecast (A)	230,000	5,600	5,600	4,000	142.36
Revised forecast (B)	240,000	5,800	5,700	4,100	158.55
Change (B-A)	10,000	200	100	100	—
Change (%)	4.3	3.6	1.8	2.5	—
(Reference) Actual results for the fiscal year ended March 31, 2017	218,003	4,659	4,833	3,367	116.54

## 2) Estimates by Business Segment

### **a. Semiconductors**

As in-vehicle electrical equipment, FA equipment, and information and communication businesses are expected to remain brisk, Ryosan expects net sales of 138,000 million yen (up 10.1% from the previous year), and operating income of 3,250 million yen (up 30.6%).

### **b. Electronic Components**

Ryosan's businesses for consumers, in-vehicle electrical equipment, and FA equipment are expected to remain brisk. Ryosan expects net sales of 76,000 million yen (up 9.9% from the previous year), and operating income of 2,450 million yen (up 25.9%).

### **c. Electronic Equipment**

Ryosan expects the large orders it has acquired in the in-vehicle electrical equipment business to make a substantial contribution to the results with net sales at 26,000 million yen (up 10.5% from the previous year), and operating income at 600 million yen (down 13.6%) due to a decline in profitability.

## 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 Half of the Fiscal Year Ending March 31, 2018 (As of September 30, 2017)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	38,845	13,635
Notes and accounts receivable - trade	68,499	77,447
Securities	300	2,000
Inventories	27,766	37,953
Accounts receivable - other	6,974	11,291
Deferred tax assets	348	452
Other	205	233
Allowance for doubtful accounts	(64)	(82)
<b>Total current assets</b>	<b>142,876</b>	<b>142,932</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	3,398	3,371
Land	6,428	6,428
Leased assets, net	539	619
Other, net	158	142
<b>Total property, plant and equipment</b>	<b>10,525</b>	<b>10,562</b>
<b>Intangible assets</b>	<b>1,110</b>	<b>1,017</b>
<b>Investments and other assets</b>		
Investment securities	4,983	4,931
Deferred tax assets	163	163
Other	2,095	2,241
Allowance for doubtful accounts	(136)	(136)
<b>Total investments and other assets</b>	<b>7,107</b>	<b>7,200</b>
<b>Total non-current assets</b>	<b>18,743</b>	<b>18,779</b>
<b>Total assets</b>	<b>161,620</b>	<b>161,712</b>

(Millions of yen)

	Fiscal Year Ended March 31, 2017 (As of March 31, 2017)	First Half of the Fiscal Year Ending March 31, 2018 (As of September 30, 2017)
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable - trade	34,458	38,176
Short-term loans payable	11,419	20,146
Lease obligations	148	167
Accounts payable - other	1,499	1,697
Accrued expenses	1,047	1,227
Income taxes payable	390	997
Other	131	169
<b>Total current liabilities</b>	<b>49,095</b>	<b>62,583</b>
<b>Non-current liabilities</b>		
Lease obligations	450	520
Deferred tax liabilities	505	746
Net defined benefit liability	1,890	1,834
Asset retirement obligations	34	34
Other	125	126
<b>Total non-current liabilities</b>	<b>3,005</b>	<b>3,262</b>
<b>Total liabilities</b>	<b>52,101</b>	<b>65,846</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	72,344
Treasury shares	(10,498)	(15,948)
<b>Total shareholders' equity</b>	<b>107,525</b>	<b>93,201</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,540	1,862
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	416	774
Remeasurements of defined benefit plans	36	27
<b>Total accumulated other comprehensive income</b>	<b>1,993</b>	<b>2,664</b>
<b>Total net assets</b>	<b>109,519</b>	<b>95,866</b>
<b>Total liabilities and net assets</b>	<b>161,620</b>	<b>161,712</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 Half Period)

(Millions of yen)

	First Half of the Fiscal Year Ended March 31, 2017 (April 1, 2016 to Sept. 30, 2016)	First Half of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to Sept. 30, 2017)
<b>Net sales</b>	101,884	123,629
<b>Cost of Sales</b>	93,291	113,143
Gross Profit	8,592	10,486
<b>Selling, general and administrative expenses</b>	6,715	7,262
<b>Operating income</b>	1,877	3,224
<b>Non-operating income</b>		
Interest income	28	21
Dividend income	40	39
Foreign exchange gains	382	39
Rent income	16	15
Miscellaneous income	80	47
Total non-operating income	547	164
<b>Non-operating expenses</b>		
Interest expenses	62	154
Commission for purchase of treasury shares	5	28
Miscellaneous loss	10	13
Total non-operating expenses	78	196
<b>Ordinary income</b>	2,345	3,191
<b>Extraordinary income</b>		
Gain on sales of investment securities	-	3
Total extraordinary income	-	3
<b>Profit before income taxes</b>	2,345	3,194
<b>Income taxes</b>	642	967
<b>Profit</b>	1,703	2,227
<b>Profit attributable to owners of parent</b>	1,703	2,227

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

(Scope of Consolidation of this First Half Period)

(Millions of yen)

	First Half of the Fiscal Year Ended March 31, 2017 (April 1, 2016 to Sept. 30, 2016)	First Half of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to Sept. 30, 2017)
<b>Profit</b>	1,703	2,227
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(248)	321
Deferred gains or losses on hedges	3	0
Foreign currency translation adjustment	(2,146)	358
Remeasurements of defined benefit plans, net of tax	(7)	(8)
Total other comprehensive income	(2,398)	671
<b>Comprehensive income</b>	(695)	2,898
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(695)	2,898

### (3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First Half of the Fiscal Year Ended March 31, 2017 (April 1, 2016 to Sept. 30, 2016)	First Half of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to Sept. 30, 2017)
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,345	3,194
Depreciation	291	304
Increase (decrease) in allowance for doubtful accounts	27	18
Increase (decrease) in net defined benefit liability	(21)	(56)
Interest and dividend income	(68)	(61)
Interest expenses	62	154
Decrease (increase) in notes and accounts receivable - trade	(624)	(8,650)
Decrease (increase) in inventories	(319)	(9,941)
Increase (decrease) in notes and accounts payable - trade	3,992	3,528
Loss (gain) on sales of investment securities	-	(3)
Decrease (increase) in accounts receivable - other	(2,180)	(4,284)
Other	13	150
Subtotal	3,520	(15,645)
Interest and dividend income received	66	71
Interest expenses paid	(64)	(153)
Income taxes (paid) refund	(1,074)	(168)
Net cash provided by (used in) operating activities	2,447	(15,896)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(42)	(58)
Proceeds from sales of property, plant and equipment	62	-
Purchase of intangible assets	(177)	(19)
Purchase of shares of subsidiaries and associates	-	(200)
Proceeds from sales of investment securities	-	1,003
Payments for investments in capital	-	(8)
Purchase of insurance funds	(91)	(91)
Proceeds from cancellation of insurance funds	312	-
Net cash provided by (used in) investing activities	62	625
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(647)	8,584
Repayments of lease obligations	(123)	(90)
Purchase of treasury shares	(1,928)	(14,584)
Cash dividends paid	(2,791)	(1,965)
Net cash provided by (used in) financing activities	(5,491)	(8,056)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(1,108)	117
<b>Net increase (decrease) in cash and cash equivalents</b>	(4,088)	(23,210)
<b>Cash and cash equivalents at the beginning of the period</b>	50,768	38,692
<b>Cash and cash equivalents at the end of the period</b>	46,679	15,482

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

##### (Notes Regarding Going Concern)

None

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

###### I. Purchase of treasury shares

Based on a corporate resolution made at the Board Meeting on May 12, 2017, Ryosan purchased 3,324,400 treasury shares. As a result, treasury shares increased by 14,583 million yen in this consolidated first half period.

###### II. Retirement of treasury shares

Based on a corporate resolution made at the Board Meeting on May 12, 2017, Ryosan retired 3,000,000 treasury shares effective as of May 31, 2017. As a result, retained earnings and treasury shares in this consolidated first half period both decreased by 9,134 million yen respectively.

##### (Segment Information)

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

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

(April 1, 2016 to September 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	58,841	32,352	10,690	101,884	—	101,884
Internal sales or exchange between segments	—	—	—	—	—	—
Total	58,841	32,352	10,690	101,884	—	101,884
Segment income (loss)	1,084	818	316	2,219	(342)	1,877

(Notes)

1. The adjusted amount of minus 342 million yen represents corporate expenses (mainly general and administrative expenses) which are not allocated to the reporting segment.
2. Segment income has been adjusted with operating income in consolidated quarterly statement of income.

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

(April 1, 2017 to September 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	72,060	39,531	12,037	123,629	—	123,629
Internal sales or exchange between segments	—	—	—	—	—	—
Total	72,060	39,531	12,037	123,629	—	123,629
Segment income (loss)	1,828	1,322	272	3,423	(199)	3,224

(Notes)

1. The adjusted amount of minus 199 million yen represents corporate expenses (mainly general and administrative expenses) which are not allocated to the reporting segment.
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 Sales Destination  
Fiscal 2016, first half of the fiscal year ended March 31, 2017  
(April 1, 2016 to September 30, 2016)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	61,010	37,249	3,624	101,884	—	101,884
Internal sales or exchange between segments	5,303	205	2	5,512	(5,512)	—
Total	66,314	37,454	3,627	107,396	(5,512)	101,884
Segment income	635	1,033	130	1,798	78	1,877

(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 half of the fiscal year ending March 31, 2018  
(April 1, 2017 to September 30, 2017)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	75,460	43,906	4,262	123,629	—	123,629
Internal sales or exchange between segments	8,869	74	3	8,947	(8,947)	—
Total	84,330	43,981	4,265	132,577	(8,947)	123,629
Segment income	1,370	1,563	115	3,049	174	3,224

(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 half of the fiscal year ended March 31, 2017  
(April 1, 2016 to September 30, 2016)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	61,312	18,575	18,341	3,654	101,884
Ratio to consolidated net sales (%)	60.2	18.2	18.0	3.6	100.0

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

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

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	70,990	26,654	21,675	4,309	123,629
Ratio to consolidated net sales (%)	57.4	21.6	17.5	3.5	100.0

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