

Third Quarter Earnings Report for Fiscal Year 2017, Ending March 31, 2018 [Japanese Standards] (Consolidated)

Company name:	Ryosan Company, Limited	Stock listing:	First Section, Tokyo Stock Exchange
Securities code:	8140	URL	http://www.ryosan.co.jp
Representative:	Hiroyuki Kurihara, Representative Director, President		
Inquiries:	Masahide Nishiura, Director, Senior Executive Officer, General Manager, Finance and Accounting Headquarters		TEL: +81-3-3862-2591
Scheduled filing date of quarterly earnings report:	February 14, 2018		
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 year 2017 (April 1, 2017 to December 31, 2017)

(1) Consolidated operating results (Cumulative)

(% change compared with the 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 Year 2017	189,911	19.2	4,916	36.4	4,875	40.8	3,408	43.8
First Three Quarters, Fiscal Year 2016	159,299	(9.5)	3,604	(19.0)	3,464	(19.0)	2,370	(22.5)

(Note) Comprehensive income

First Three Quarters, Fiscal Year 2017: 4,717 million yen (68.8%)

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Three Quarters, Fiscal Year 2017	130.22	—
First Three Quarters, Fiscal Year 2016	81.58	—

(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, 2017	167,361	94,560	56.5	3,861.94
March 31, 2017	161,620	109,519	67.8	3,897.82

(Reference) Shareholders' equity

December 31, 2017: 94,560 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 Year 2016	—	70.00	—	70.00	140.00
Fiscal Year 2017	—	75.00	—		
Fiscal Year 2017 (Forecast)				75.00	150.00

(Note) Revision of dividend forecasts: None

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

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

Fiscal Year 2017 Interim dividend breakdown: 50 yen (ordinary), 25 yen (special)

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

3. Forecast of results for the fiscal year 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: None

* Notes

(1) Transfer of major subsidiaries during the scope of consolidation of these nine months ended December 31, 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:	December 31, 2017	28,500,000 shares	March 31, 2017	31,500,000 shares
2. Total number of treasury shares at the period-end:	December 31, 2017	4,014,806 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 Three Quarters, Fiscal Year 2017	26,174,456 shares	First Three Quarters, Fiscal Year 2016	29,058,375 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.

○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. Consolidated Quarterly Financial Statements and Main Notes	3
(1) Consolidated Quarterly Balance Sheet.....	3
(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income	5
Consolidated Quarterly Statement of Income	
Scope of Consolidation of these First Three Quarters	5
Consolidated Quarterly Statement of Comprehensive Income	
Scope of Consolidation of these First Three Quarters	6
(3) Notes Regarding Consolidated Quarterly Financial Statements.....	7
(Notes Regarding Going Concern).....	7
(Notes Regarding Substantial Changes in Shareholders' Equity).....	7
(Segment Information).....	7

1. Qualitative Information Regarding this Quarterly Statement

(1) Qualitative Information Concerning Consolidated Operating Results

1) Overview

During this nine-month consolidated period (April 1, 2017 to December 31, 2017), the global economy on the whole continued to grow at a sluggish pace.

The U.S. maintained autonomous growth primarily driven by its own domestic demand, strong economic expansion continued in Europe, and emerging countries including China also remained steady. Also in Japan, there were a number of favorable signs including the recovery trends in consumer spending due to improvements in the employment and income environment and the increase of corporate earnings, etc., all showing that the economy continued on a moderate growth track.

In the electronics industry, information and communication equipment, in-vehicle electrical equipment, and FA equipment remained solid.

Fiscal Year 2017 is the final fiscal year for the 9th Medium-Term Business Plan (Fiscal Year 2014- Fiscal Year 2017) 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 189,911 million yen (up 19.2% from the same period last fiscal year), operating income of 4,916 million yen (up 36.4%), ordinary income of 4,875 million yen (up 40.8%), and profit attributable to owners of parent of 3,408 million yen (up 43.8%) for this nine-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 nine-month consolidation period, Ryosan's businesses for in-vehicle electrical equipment and FA equipment remained brisk and, with an increase in Ryosan's business for information and communication, net sales were 109,928 million yen (up 19.5% from the same period last fiscal year), and operating income was 2,578 million yen (up 32.8%).

b. Electronic Components

Ryosan sells display devices, power supplies and electromechanical components. In this nine-month consolidation period, Ryosan's businesses for consumers, in-vehicle electrical equipment, and FA equipment remained brisk, net sales were 61,487 million yen (up 21.5% from the same period last fiscal year), and operating income was 2,171 million yen (up 48.0%).

c. Electronic Equipment

Ryosan sells systems equipment and facilities equipment. In this nine-month consolidation period, thanks to the acquisition of large orders by the in-vehicle electrical equipment business, net sales were 18,495 million yen (up 10.7% from the same period last fiscal year), and operating income was 387 million yen (down 21.2%) due to changes in the product mix.

(2) Qualitative Information Concerning Consolidated Financial Position

As of the end of this third quarter, total assets increased by 5,740 million yen compared with the end of the previous fiscal year, to 167,361 million yen.

Also, net assets decreased by 14,958 million yen compared with the end of the previous fiscal year, to 94,560 million yen, with the ratio of net assets to total assets being 56.5%.

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

There is no change in forecasts for the full fiscal year ending March 31, 2018 (announced on October 31, 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)	Third Quarter of the Fiscal Year Ending March 31, 2018 (As of December 31, 2017)
ASSETS		
Current assets		
Cash and deposits	38,845	11,327
Notes and accounts receivable - trade	68,499	79,803
Securities	300	-
Inventories	27,766	43,553
Accounts receivable - other	6,974	12,712
Deferred tax assets	348	463
Other	205	284
Allowance for doubtful accounts	(64)	(62)
Total current assets	142,876	148,081
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,398	3,234
Land	6,428	6,189
Leased assets, net	539	601
Other, net	158	167
Total property, plant and equipment	10,525	10,194
Intangible assets	1,110	990
Investments and other assets		
Investment securities	4,983	5,492
Deferred tax assets	163	188
Other	2,095	2,551
Allowance for doubtful accounts	(136)	(138)
Total investments and other assets	7,107	8,094
Total non-current assets	18,743	19,280
Total assets	161,620	167,361

(Millions of yen)

	Fiscal Year Ended March 31, 2017 (As of March 31, 2017)	Third Quarter of the Fiscal Year Ending March 31, 2018 (As of December 31, 2017)
LIABILITIES		
Current liabilities		
Accounts payable - trade	34,458	40,252
Short-term loans payable	11,419	24,502
Lease obligations	148	166
Accounts payable - other	1,499	2,004
Accrued expenses	1,047	551
Income taxes payable	390	1,085
Provision for bonuses	-	333
Other	131	444
Total current liabilities	49,095	69,341
Non-current liabilities		
Lease obligations	450	502
Deferred tax liabilities	505	970
Net defined benefit liability	1,890	1,829
Asset retirement obligations	34	30
Other	125	125
Total non-current liabilities	3,005	3,459
Total liabilities	52,101	72,801
NET ASSETS		
Shareholders' equity		
Capital stock	17,690	17,690
Capital surplus	19,114	19,114
Retained earnings	81,219	71,667
Treasury shares	(10,498)	(17,215)
Total shareholders' equity	107,525	91,257
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,540	2,221
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	416	1,057
Remeasurements of defined benefit plans	36	23
Total accumulated other comprehensive income	1,993	3,302
Total net assets	109,519	94,560
Total liabilities and net assets	161,620	167,361

(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, 2017 (Apr. 1, 2016 to Dec. 31, 2016)	First Three Quarters of the Fiscal Year Ending March 31, 2018 (Apr. 1, 2017 to Dec. 31, 2017)
Net sales	159,299	189,911
Cost of Sales	145,689	174,173
Gross Profit	13,609	15,737
Selling, general and administrative expenses	10,005	10,821
Operating income	3,604	4,916
Non-operating income		
Interest income	43	28
Dividend income	69	70
Foreign exchange gains	-	80
Rent income	24	23
Miscellaneous income	128	82
Total non-operating income	265	285
Non-operating expenses		
Interest expenses	100	263
Foreign exchange losses	271	-
Commission for purchase of treasury shares	12	31
Miscellaneous loss	20	30
Total non-operating expenses	405	325
Ordinary income	3,464	4,875
Extraordinary income		
Gain on sales of non-current assets	-	65
Gain on sales of investment securities	-	5
Total extraordinary income	-	70
Extraordinary losses		
Loss on sales of investment securities	1	-
Loss on valuation of golf membership	-	0
Loss on quality compensation	57	-
Total extraordinary losses	59	0
Profit before income taxes	3,404	4,946
Income taxes	1,034	1,537
Profit	2,370	3,408
Profit attributable to owners of parent	2,370	3,408

(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, 2017 (Apr. 1, 2016 to Dec. 31, 2016)	First Three Quarters of the Fiscal Year Ending March 31, 2018 (Apr. 1, 2017 to Dec. 31, 2017)
Profit	2,370	3,408
Other comprehensive income		
Valuation difference on available-for-sale securities	171	680
Deferred gains or losses on hedges	4	0
Foreign currency translation adjustment	258	641
Remeasurements of defined benefit plans, net of tax	(10)	(13)
Total other comprehensive income	423	1,309
Comprehensive income	2,794	4,717
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,794	4,717

(3) 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 3,612,000 treasury shares. As a result, treasury shares increased by 15,850 million yen in these consolidated first three quarters.

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 these consolidated first three quarters 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 three quarters of the fiscal year ended March 31, 2017

(April 1, 2016 to December 31, 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	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 adjusted amount of minus 296 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 three quarters of the fiscal year ending March 31, 2018

(April 1, 2017 to December 31, 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	109,928	61,487	18,495	189,911	—	189,911
Internal sales or exchange between segments	—	—	—	—	—	—
Total	109,928	61,487	18,495	189,911	—	189,911
Segment income (loss)	2,578	2,171	387	5,137	(221)	4,916

(Notes)

1. The adjusted amount of minus 221 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 year 2016, first three quarters of the fiscal year ended 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.

Fiscal year 2017, first three quarters of the fiscal year ending March 31, 2018
(April 1, 2017 to December 31, 2017)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	115,906	67,489	6,515	189,911	—	189,911
Internal sales or exchange between segments	14,019	113	3	14,136	(14,136)	—
Total	129,926	67,602	6,519	204,048	(14,136)	189,911
Segment income	1,979	2,367	188	4,536	379	4,916

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

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	95,459	29,777	28,528	5,533	159,299
Ratio to consolidated net sales (%)	59.9	18.7	17.9	3.5	100.0

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

Fiscal year 2017, first three quarters of the fiscal year ending March 31, 2018
(April 1, 2017 to December 31, 2017)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	108,074	42,862	32,364	6,609	189,911
Ratio to consolidated net sales (%)	56.9	22.6	17.0	3.5	100.0

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