

July 31, 2018

First Quarter Earnings Report for Fiscal Year 2018, Ending March 31, 2019 [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 13, 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 quarter of fiscal year 2018 (April 1, 2018 to June 30, 2018)

(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 Quarter, Fiscal Year 2018	63,560	7.9	1,240	(17.7)	616	(61.4)	413	(62.0)
First Quarter, Fiscal Year 2017	58,915	22.0	1,507	137.1	1,596	70.4	1,088	54.7

(Note) Comprehensive income

First Quarter, Fiscal Year 2018: 739 million yen (-43.0%)

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Quarter, Fiscal Year 2018	16.89	—
First Quarter, Fiscal Year 2017	39.03	—

(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, 2018	165,806	93,128	56.2	3,803.50
March 31, 2018	162,257	94,331	58.1	3,852.59

(Reference) Shareholders' equity

June 30, 2018: 93,128 million yen

March 31, 2018: 94,331 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 2017	—	75.00	—	75.00	150.00
Fiscal Year 2018	—				
Fiscal Year 2018 (Forecast)		75.00	—	75.00	150.00

(Note) Revision of dividend forecasts: None

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

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

Fiscal Year 2018 Interim dividend breakdown (forecast): 50 yen (ordinary), 25 yen (special) or more

Fiscal Year 2018 Year-end dividend breakdown (forecast): 50 yen (ordinary), 25 yen (special) or more

3. Forecast of results for the fiscal year 2018 (April 1, 2018 to March 31, 2019)

(% 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	127,500	3.1	2,700	(16.3)	2,500	(21.7)	1,800	(19.2)	73.51
Full Fiscal Year	258,000	1.5	6,000	5.9	5,600	(12.4)	4,000	(10.7)	163.36

(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, 2018 (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)

- Total number of shares issued and outstanding (including treasury shares) at the period-end:
- Total number of treasury shares at the period-end:
- Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)

June 30, 2018	25,000,000 shares	March 31, 2018	28,500,000 shares
June 30, 2018	514,948 shares	March 31, 2018	4,014,862 shares
First Quarter, Fiscal Year 2018	24,485,078 shares	First Quarter, Fiscal Year 2017	27,892,728 shares

This quarterly consolidated earnings report is not subject to the quarterly review by certified public accountants or auditing corporations.

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 may 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, 2018 to June 30, 2018), although the effects of trade friction caused anxiety, the global economy continued growing at a sluggish pace supported by steady investment and consumption levels. The U.S. maintained autonomous growth primarily driven by its own domestic demand, Europe experienced continuing strong economic expansion, 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, demand for FA equipment increased, in-vehicle electrical equipment stabilized, and the overall performance was strong.

In the midst of these circumstances, Ryosan issued the 10th Medium-Term Business Plan which will last for a 3-year period starting in this fiscal year. With "growth" and "speed" defining the fundamental attitude, the plan calls for achieving sustainable growth through quick responses to changes in the management environment and electronics systems coordination. Ryosan will pursue three different strategies to achieve this objective: the "growth strategy" will strengthen its revenue stream and reconstruct its business portfolio, the "capital strategy" will strive for ROE improvements, and the "infrastructure strategy" will institute qualitative enhancement of corporate governance and strengthen the management infrastructure, both of which are indispensable in securing continuous growth.

Due to factors such as the consolidation of Hong Kong's Edal Electronics Co., Ltd. ("Edal") as a subsidiary in this fiscal year following its acquisition in March 2017, net sales in the first quarter were 63,560 million yen (up 7.9% from the same period last fiscal year) and operating income was 1,240 million yen (down 17.7%). As a result of the revaluation of loans denominated in foreign currencies, ordinary income was 616 million yen (down 61.4%) and profit attributable to owners of parent was 413 million yen (down 62.0%).

2) Business Segment Information

a. Semiconductors

Ryosan sells system LSIs, discrete semiconductors and memory, and develops system LSIs on a contract basis. In this three-month consolidated period, due to the strong performance in the FA equipment and in-vehicle electrical equipment business, consolidation of Edal, and inventory evaluations, net sales were 38,688 million yen (up 10.6% from the same period last fiscal year) and operating income was 578 million yen (down 36.6%).

b. Electronic Components

Ryosan sells electromechanical components, display devices and power supplies. Since the performance of Ryosan's businesses for consumer and FA equipment was strong in this three-month consolidated period, net sales were 19,667 million yen (up 6.7% from the same period last fiscal year), and operating income was 691 million yen (up 11.5%).

c. Electronic Equipment

Ryosan sells systems equipment and facilities equipment. In this three-month consolidation period, due to factors such as the end of large-scale business projects, net sales were 5,204 million yen (down 5.5% from the same period last fiscal year), and operating income was 56 million yen (down 51.9%).

(2) Qualitative Information Concerning Consolidated Financial Position

As of the end of this first quarter, total assets increased by 3,548 million yen compared with the end of the previous fiscal year, to 165,806 million yen.

Also, net assets decreased by 1,202 million yen compared with the end of the previous fiscal year, to 93,128 million yen, with the ratio of net assets to total assets being 56.2%.

(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, 2019 (announced on May 11, 2018).

2. Consolidated Quarterly Financial Statements and Main Notes

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Fiscal Year Ended March 31, 2018 (As of March 31, 2018)	First Quarter of the Fiscal Year Ending March 31, 2019 (As of June 30, 2018)
ASSETS		
Current assets		
Cash and deposits	13,547	15,151
Notes and accounts receivable –trade	75,538	74,701
Inventories	44,015	50,188
Accounts receivable – other	10,249	6,913
Other	242	385
Allowance for doubtful accounts	(42)	(43)
Total current assets	143,550	147,297
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,168	3,138
Land	6,189	6,145
Leased assets, net	576	584
Other, net	155	159
Total property, plant and equipment	10,090	10,027
Intangible assets	903	1,424
Investments and other assets		
Investment securities	5,310	4,666
Deferred tax assets	296	299
Other	2,238	2,224
Allowance for doubtful accounts	(132)	(133)
Total investments and other assets	7,713	7,056
Total non-current assets	18,707	18,508
Total assets	162,257	165,806

(Millions of yen)

	Fiscal Year Ended March 31, 2018 (As of March 31, 2018)	First Quarter of the Fiscal Year Ending March 31, 2019 (As of June 30, 2018)
LIABILITIES		
Current liabilities		
Accounts payable - trade	36,355	38,917
Short-term loans payable	23,959	27,609
Lease obligations	164	170
Accounts payable - other	1,714	1,383
Accrued expenses	1,362	561
Income taxes payable	1,598	438
Provision for bonuses	-	395
Other	183	579
Total current liabilities	65,337	70,056
Non-current liabilities		
Lease obligations	475	478
Deferred tax liabilities	247	289
Net defined benefit liability	1,782	1,769
Asset retirement obligations	31	30
Other	52	52
Total non-current liabilities	2,589	2,620
Total liabilities	67,926	72,677
NET ASSETS		
Shareholders' equity		
Capital stock	17,690	17,690
Capital surplus	19,114	19,114
Retained earnings	72,740	56,271
Treasury shares	(17,215)	(2,274)
Total shareholders' equity	92,329	90,802
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,923	1,998
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	52	303
Remeasurements of defined benefit plans	25	23
Total accumulated other comprehensive income	2,001	2,326
Total net assets	94,331	93,128
Total liabilities and net assets	162,257	165,806

(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, 2018 (April 1, 2017 to June 30, 2017)	First Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 to June 30, 2018)
Net sales	58,915	63,560
Cost of Sales	53,727	58,319
Gross Profit	5,188	5,241
Selling, general and administrative expenses	3,681	4,000
Operating income	1,507	1,240
Non-operating income		
Interest income	12	5
Dividend income	35	48
Foreign exchange gains	92	-
Rent income	7	7
Miscellaneous income	16	59
Total non-operating income	164	120
Non-operating expenses		
Interest expenses	62	153
Share of loss of entities accounted for using equity method	-	10
Commission for purchase of treasury shares	9	-
Foreign exchange losses	-	574
Miscellaneous loss	3	7
Total non-operating expenses	75	744
Ordinary income	1,596	616
Extraordinary income		
Gain on sales of non-current assets	-	0
Gain on sales of investment securities	3	0
Total extraordinary income	3	0
Profit before income taxes	1,599	617
Income taxes	511	203
Profit	1,088	413
Profit attributable to owners of parent	1,088	413

(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, 2018 (April 1, 2017 to June 30, 2017)	First Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 to June 30, 2018)
Profit	1,088	413
Other comprehensive income		
Valuation difference on available-for-sale securities	134	75
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	79	251
Remeasurements of defined benefit plans, net of tax	(6)	(2)
Total other comprehensive income	208	325
Comprehensive income	1,296	739
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,296	739

(3) Notes Regarding Consolidated Quarterly Financial Statements

(Notes Regarding Going Concern)

None

(Notes Regarding Substantial Changes in Shareholders' Equity)

Based on a corporate resolution made at the Board Meeting on May 29, 2018, Ryosan retired 3,500,000 treasury shares effective as of June 11, 2018. As a result, retained earnings and treasury shares in this consolidated first quarter both decreased by 14,941 million yen respectively.

(Additional Information)

Application of "Partial Revisions to 'Accounting Standards for Tax-Effect Accounting'"

Due to changes such as "Partial Revisions to 'Accounting Standards for Tax-Effect Accounting'" (Corporate Accounting Standard No. 28, February 16, 2018) which have been applied as of the beginning of the consolidated first quarter of this fiscal year, deferred tax assets are classified as "investments and other assets" and deferred tax liabilities are classified as "non-current liabilities."

(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, 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 amount of minus 143 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 quarter of the fiscal year ending March 31, 2019

(April 1, 2018 to June 30, 2018)

(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	38,688	19,667	5,204	63,560	—	63,560
Internal sales or exchange between segments	—	—	—	—	—	—
Total	38,688	19,667	5,204	63,560	—	63,560
Segment income (loss)	578	691	56	1,326	(86)	1,240

(Notes)

1. The adjusted amount of minus 86 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 2017, first quarter of the fiscal year ended 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.

Fiscal Year 2018, first quarter of the fiscal year ending March 31, 2019
(April 1, 2018 to June 30, 2018)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	36,225	24,981	2,354	63,560	—	63,560
Internal sales or exchange between segments	4,617	24	0	4,641	(4,641)	—
Total	40,842	25,005	2,354	68,202	(4,641)	63,560
Segment income	228	815	67	1,111	129	1,240

(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 2017, first quarter of the fiscal year ended 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.

Fiscal Year 2018, first quarter of the fiscal year ending March 31, 2019
(April 1, 2018 to June 30, 2018)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	34,080	15,831	11,275	2,373	63,560
Ratio to consolidated net sales (%)	53.6	24.9	17.8	3.7	100.0

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