

January 26, 2021

Third Quarter Earnings Report for Fiscal Year 2020, Ending March 31, 2021 [Japanese Standards] (Consolidated)

Company name: Ryosan Company, Limited	Stock listing: First Section, Tokyo Stock Exchange
Securities code: 8140	URL https://www.ryosan.co.jp
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Scheduled filing date of quarterly earnings report:	February 12, 2021
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 2020 (April 1, 2020 to December 31, 2020)

(1) Consolidated operating results (Cumulative)

(% change compared with the same period of the 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 2020	158,467	(9.2)	2,915	(1.9)	3,821	30.7	3,146	89.7
First Three Quarters, Fiscal Year 2019	174,441	(9.3)	2,970	(31.4)	2,925	(7.3)	1,658	(24.6)

(Note) Comprehensive income

First Three Quarters, Fiscal Year 2020: 3,249 million yen (73.9%)

First Three Quarters, Fiscal Year 2019: 1,868 million yen (5.0%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Three Quarters, Fiscal Year 2020	134.30	—
First Three Quarters, Fiscal Year 2019	70.80	—

(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, 2020	143,108	86,778	60.6	3,703.93
March 31, 2020	137,746	84,935	61.7	3,625.21

(Reference) Shareholders' equity

December 31, 2020: 86,778 million yen

March 31, 2020: 84,935 million yen

2. Dividends

	Dividends per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2019	—	50.00	—	30.00	80.00
Fiscal Year 2020	—	30.00	—		
Fiscal Year 2020 (Forecast)				30.00	60.00

(Note) Revision of dividend forecasts: None

3. Forecast of results for the fiscal year 2020 (April 1, 2020 to March 31, 2021)

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

	Net sales		Operating income		Ordinary income		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Fiscal Year	215,000	(5.4)	3,600	15.8	4,500	54.3	3,500	193.1	149.39

(Note) Revision of financial results forecasts: Yes

* Notes

(1) Transfer of major subsidiaries during the scope of consolidation of these nine months ended December 31, 2020 (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, 2020	25,000,000 shares	March 31, 2020	25,000,000 shares
2. Total number of treasury shares at the period-end:	December 31, 2020	1,571,311 shares	March 31, 2020	1,570,850 shares
3. Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)	First Three Quarters, Fiscal Year 2020	23,428,919 shares	First Three Quarters, Fiscal Year 2019	23,429,528 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

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 the consolidated first three quarters of fiscal year 2020 (April 1 to December 31, 2020), the global economy deteriorated severely, as production activity slowed and personal consumption cooled due to the COVID-19 pandemic. Economic activity restarted in a phased manner and a trend toward recovery was recognized toward the end of year, although conditions in each country varied widely.

The electronics industry, Ryosan's main field, established a recovery keynote, despite disruptions in supply chains, and reduction in demand, particularly in the automotive business, as a result of the pandemic.

In the consolidated first three quarters under review, net sales, dragged down by their decline in the first half of the fiscal year, reached 158,467 million yen (down 9.2% from the same period of the previous fiscal year). Operating income dipped to 2,915 million yen (down only 1.9% thanks to counter measures for profitability enhancement that trimmed selling, general and administrative expenses). Ordinary income rose to 3,821 million yen (up 30.7%), boosted by factors such as foreign exchange gains, caused by the revaluation of foreign-currency-denominated liabilities, and a decline in interest expenses. Profit attributable to owners of parent, including income from sale of investment securities, increased to 3,146 million yen (up 89.7%).

2) Business Segment Information

a. Semiconductors

Ryosan sells system LSIs, discrete semiconductors and memory, and develops system LSIs on a contract basis. During the consolidated nine-month period under review, a downturn in Ryosan's automotive business in the first half contributed to a decline in net sales to 94,342 million yen (down 9.5% from the same period of the previous fiscal year). Operating income also declined, but less precipitously than net sales. This decline was softened by a reduction in selling, general and administrative expenses in the fiscal year under review, as well as by the absence of the disposition of immobile stock that had restrained operating income in the previous third quarter. Operating income retreated to 1,278 million yen (down 1.2%).

b. Electronic Components

Ryosan sells electromechanical components, display devices and power supplies. Although Ryosan's consumer business trended favorably during the consolidated nine-month period under review, it was unable to offset the effects of a slowdown in the automotive business in the first half. Net sales slipped to 55,090 million yen (down 2.9% from the same period of the previous fiscal year), while operating income retreated to 1,781 million yen (down 0.3%).

c. Electronic Equipment

Ryosan sells systems equipment and facilities equipment. In this consolidated nine-month period, large projects in the automotive business shrank considerably. Net sales fell to 9,033 million yen (down 32.9% from the same period of the previous fiscal year) and operating income more than halved to 120 million yen (down 54.2%).

(2) Qualitative Information Concerning Consolidated Financial Position

As of December 31, 2020, total assets increased by 5,362 million yen compared with the end of the previous fiscal year, to 143,108 million yen.

Also, net assets increased by 1,842 million yen compared with the end of the previous fiscal year, to 86,778 million yen, with the ratio of net assets to total assets being 60.6%.

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

In view of business results up to and including the consolidated nine-month period under review, Ryosan has revised its forecast of consolidated business results for the fiscal year ending March 31, 2021, which was announced on October 29, 2020.

For details, please refer to today's "Notice Concerning Revision of Business Results Forecast."

2. Consolidated Quarterly Financial Statements and Main Notes

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Fiscal Year Ended March 31, 2020 (As of March 31, 2020)	Third Quarter of the Fiscal Year Ending March 31, 2021 (As of December 31, 2020)
ASSETS		
Current assets		
Cash and deposits	24,501	17,160
Notes and accounts receivable –trade	53,687	69,204
Inventories	37,243	35,142
Accounts receivable – other	6,196	5,088
Other	322	868
Allowance for doubtful accounts	(152)	(194)
Total current assets	121,799	127,271
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,726	2,736
Land	5,758	5,315
Leased assets, net	545	434
Other, net	241	224
Total property, plant and equipment	9,271	8,711
Intangible assets	946	867
Investments and other assets		
Investment securities	3,517	3,868
Deferred tax assets	340	313
Other	2,241	2,146
Allowance for doubtful accounts	(68)	(70)
Allowance for investment loss	(301)	-
Total investments and other assets	5,729	6,257
Total non-current assets	15,947	15,837
Total assets	137,746	143,108

(Millions of yen)

	Fiscal Year Ended March 31, 2020 (As of March 31, 2020)	Third Quarter of the Fiscal Year Ending March 31, 2021 (As of December 31, 2020)
LIABILITIES		
Current liabilities		
Accounts payable - trade	28,475	29,153
Short-term loans payable	18,158	21,323
Lease obligations	229	225
Accounts payable - other	2,005	1,576
Accrued expenses	1,228	609
Provision for bonuses	-	412
Income taxes payable	454	389
Other	145	381
Total current liabilities	50,697	54,072
Non-current liabilities		
Lease obligations	369	255
Deferred tax liabilities	38	440
Net defined benefit liability	1,622	1,483
Asset retirement obligations	30	25
Other	52	52
Total non-current liabilities	2,113	2,258
Total liabilities	52,810	56,330
NET ASSETS		
Shareholders' equity		
Capital stock	17,690	17,690
Capital surplus	19,114	19,114
Retained earnings	53,857	55,598
Treasury shares	(6,532)	(6,533)
Total shareholders' equity	84,130	85,869
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,158	1,589
Deferred gains or losses on hedges	0	(2)
Foreign currency translation adjustment	(300)	(615)
Remeasurements of defined benefit plans	(52)	(62)
Total accumulated other comprehensive income	805	908
Total net assets	84,935	86,778
Total liabilities and net assets	137,746	143,108

(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, 2020 (April 1, 2019 to Dec. 31, 2019)	First Three Quarters of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to Dec. 31, 2020)
Net sales	174,441	158,467
Cost of Sales	160,508	145,106
Gross Profit	13,933	13,360
Selling, general and administrative expenses	10,962	10,445
Operating income	2,970	2,915
Non-operating income		
Interest income	42	27
Dividend income	75	65
Foreign exchange gains	184	680
Share of profit of entities accounted for using equity method	-	135
Rent income	42	40
Miscellaneous income	100	147
Total non-operating income	444	1,097
Non-operating expenses		
Interest expenses	463	160
Share of loss of entities accounted for using equity method	10	-
Miscellaneous loss	17	30
Total non-operating expenses	490	191
Ordinary income	2,925	3,821
Extraordinary income		
Gain on sales of non-current assets	1	53
Gain on sales of investment securities	-	254
Compensation for customs duty	-	106
Total extraordinary income	1	413
Extraordinary losses		
Impairment loss	433	-
Loss on valuation of investment securities	8	-
Loss on valuation of golf membership	-	1
Total extraordinary losses	442	1
Profit before income taxes	2,484	4,233
Income taxes	825	1,087
Profit	1,658	3,146
Profit attributable to owners of parent	1,658	3,146

(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, 2020 (April 1, 2019 to Dec. 31, 2019)	First Three Quarters of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to Dec. 31, 2020)
Profit	1,658	3,146
Other comprehensive income		
Valuation difference on available-for-sale securities	304	431
Deferred gains or losses on hedges	0	(2)
Foreign currency translation adjustment	(81)	(315)
Remeasurements of defined benefit plans, net of tax	(13)	(10)
Total other comprehensive income	209	102
Comprehensive income	1,868	3,249
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,868	3,249

(3) Notes Regarding Consolidated Quarterly Financial Statements

(Notes Regarding Going Concern)

None

(Notes Regarding Substantial Changes in Shareholders' Equity)

None

(Segment Information)

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

Consolidated first three quarters of the fiscal year ended March 31, 2020

(April 1, 2019 to December 31, 2019)

(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	104,252	56,736	13,453	174,441	—	174,441
Internal sales or exchange between segments	—	—	—	—	—	—
Total	104,252	56,736	13,453	174,441	—	174,441
Segment income (loss)	1,293	1,786	262	3,342	(371)	2,970

(Notes)

1. The adjusted amount of minus 371 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.

Consolidated first three quarters of the fiscal year ending March 31, 2021

(April 1, 2020 to December 31, 2020)

(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	94,342	55,090	9,033	158,467	—	158,467
Internal sales or exchange between segments	—	—	—	—	—	—
Total	94,342	55,090	9,033	158,467	—	158,467
Segment income (loss)	1,278	1,781	120	3,180	(265)	2,915

(Notes)

1. The adjusted amount of minus 265 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 2019, first three quarters of the fiscal year ended March 31, 2020
(April 1, 2019 to December 31, 2019)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	96,020	70,734	7,686	174,441	—	174,441
Internal sales or exchange between segments	14,381	169	13	14,564	(14,564)	—
Total	110,401	70,904	7,699	189,006	(14,564)	174,441
Segment income	76	2,140	282	2,499	471	2,970

(Notes)

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions covered:
Asia: Hong Kong, Thailand, China, South Korea, etc.
Other: United States, etc.

Fiscal year 2020, first three quarters of the fiscal year ending March 31, 2021
(April 1, 2020 to December 31, 2020)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	88,258	63,341	6,867	158,467	—	158,467
Internal sales or exchange between segments	12,212	187	18	12,418	(12,418)	—
Total	100,470	63,528	6,885	170,885	(12,418)	158,467
Segment income	661	1,670	110	2,441	473	2,915

(Notes)

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions covered:
Asia: Hong Kong, Thailand, China, South Korea, etc.
Other: United States, etc.

III. Information Concerning Sales by Region

Fiscal year 2019, first three quarters of the fiscal year ended March 31, 2020
(April 1, 2019 to December 31, 2019)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	91,214	42,239	33,112	7,874	174,441
Ratio to consolidated net sales (%)	52.3	24.2	19.0	4.5	100.0

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

Fiscal year 2020, first three quarters of the fiscal year ending March 31, 2021
(April 1, 2020 to December 31, 2020)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	81,356	43,756	25,846	7,506	158,467
Ratio to consolidated net sales (%)	51.3	27.6	16.3	4.7	100.0

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