

July 30, 2019

## First Quarter Earnings Report for Fiscal Year 2019, Ending March 31, 2020 [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 13, 2019	
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 2019 (April 1, 2019 to June 30, 2019)

#### (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 Quarter, Fiscal Year 2019	57,943	(8.8)	821	(33.8)	917	48.8	665	60.8
First Quarter, Fiscal Year 2018	63,560	7.9	1,240	(17.7)	616	(61.4)	413	(62.0)

(Note) Comprehensive income

First Quarter, Fiscal Year 2019: (93) million yen (—%)

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Quarter, Fiscal Year 2019	28.40	—
First Quarter, Fiscal Year 2018	16.89	—

#### (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, 2019	145,319	86,010	59.2	3,671.02
March 31, 2019	146,588	87,861	59.9	3,750.01

(Reference) Shareholders' equity

June 30, 2019: 86,010 million yen

March 31, 2019: 87,861 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 2018	—	75.00	—	75.00	150.00
Fiscal Year 2019	—				
Fiscal Year 2019 (Forecast)		50.00	—	50.00	100.00

(Note) Revision of dividend forecasts: None

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

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

Fiscal Year 2019 Interim dividend breakdown (forecast): 50 yen (ordinary)

Fiscal Year 2019 Year-end dividend breakdown (forecast): 50 yen (ordinary)

### 3. Forecast of results for the fiscal year 2019 (April 1, 2019 to March 31, 2020)

(% 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	115,000	(10.8)	1,700	(41.3)	1,400	(13.6)	1,000	(5.4)	42.68
Full Fiscal Year	235,000	(5.9)	4,200	(19.8)	3,600	(9.4)	1,900	28.4	81.09

(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, 2019 (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: Yes

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, 2019	25,000,000 shares	March 31, 2019	25,000,000 shares
June 30, 2019	1,570,508 shares	March 31, 2019	1,570,290 shares
First Quarter, Fiscal Year 2019	23,429,679 shares	First Quarter, Fiscal Year 2018	24,485,078 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

The global economy was on a decelerating footing during this consolidated fiscal quarter (April 1 to June 30, 2019), paced by factors such as trade friction between the United States and China. Affected by the downshift in the global economy, Japan's exports declined, causing the nation's economy to lose momentum.

The electronics industry in which Ryosan conducts business was also impacted by the slowdown in the Chinese economy. Demand remained lackluster, particularly in industrial machinery.

In the first quarter amid the market downturn described above, net sales declined to 57,943 million yen (down 8.8% from the same period of the previous fiscal year). Operating income fell to 821 million yen (down 33.8%). Free from the foreign exchange losses that occurred in the previous fiscal year, ordinary income rose to 917 million yen (up 48.8%). Profit attributable to owners of parent increased to 665 million yen (up 60.8%).

#### 2) Business Segment Information

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

Ryosan sells system LSIs, discrete semiconductors and memory, and develops system LSIs on a contract basis. During the first quarter Ryosan was challenged by a slackening of business related to industrial machinery. Net sales waned to 34,465 million yen (down 10.9% from the same period of the previous fiscal year), while operating income fell to 414 million yen (down 28.4%).

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

Ryosan sells electromechanical components, display devices and power supplies. Mitigating a favorable trend up to the first half of the fiscal year 2018, sales of electronic components for consumers retreated in the consolidated first quarter under review. Net sales declined to 18,741 million yen (down 4.7% from the same period of the previous fiscal year), while operating income decreased to 555 million (down 19.6%).

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

Ryosan sells systems equipment and facilities equipment. In this consolidated quarter, Ryosan suffered the loss of a large business but also handled products of high added value. Net sales were 4,736 million yen (down 9.0% from the same period of the previous fiscal year), while operating income was 69 million yen (up 22.8%).

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

As of the end of this first quarter, total assets decreased by 1,268 million yen compared with the end of the previous fiscal year, to 145,319 million yen.

Also, net assets decreased by 1,851 million yen compared with the end of the previous fiscal year, to 86,010 million yen, with the ratio of net assets to total assets being 59.2%.

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

There is no change in forecasts for the consolidated operating results (announced on May 14, 2019).

## 2. Consolidated Quarterly Financial Statements and Main Notes

### (1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Fiscal Year Ended March 31, 2019 (As of March 31, 2019)	First Quarter of the Fiscal Year Ending March 31, 2020 (As of June 30, 2019)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	14,580	22,761
Notes and accounts receivable –trade	62,109	56,965
Inventories	44,680	42,177
Accounts receivable – other	7,621	6,003
Other	373	527
Allowance for doubtful accounts	(34)	(37)
<b>Total current assets</b>	<b>129,330</b>	<b>128,397</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	3,090	3,011
Land	6,145	6,021
Leased assets, net	551	613
Other, net	146	145
<b>Total property, plant and equipment</b>	<b>9,934</b>	<b>9,792</b>
<b>Intangible assets</b>	<b>963</b>	<b>960</b>
<b>Investments and other assets</b>		
Investment securities	4,043	3,776
Deferred tax assets	205	238
Other	2,221	2,260
Allowance for doubtful accounts	(109)	(106)
<b>Total investments and other assets</b>	<b>6,360</b>	<b>6,169</b>
<b>Total non-current assets</b>	<b>17,258</b>	<b>16,921</b>
<b>Total assets</b>	<b>146,588</b>	<b>145,319</b>

(Millions of yen)

	Fiscal Year Ended March 31, 2019 (As of March 31, 2019)	First Quarter of the Fiscal Year Ending March 31, 2020 (As of June 30, 2019)
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable - trade	29,760	30,643
Short-term loans payable	23,268	21,193
Lease obligations	173	235
Accounts payable - other	1,172	1,227
Accrued expenses	1,348	596
Income taxes payable	201	246
Provision for bonuses	-	401
Other	260	2,257
<b>Total current liabilities</b>	<b>56,185</b>	<b>56,802</b>
<b>Non-current liabilities</b>		
Lease obligations	439	437
Deferred tax liabilities	280	286
Net defined benefit liability	1,732	1,695
Asset retirement obligations	31	30
Other	57	57
<b>Total non-current liabilities</b>	<b>2,541</b>	<b>2,507</b>
<b>Total liabilities</b>	<b>58,726</b>	<b>59,309</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	17,690	17,690
Capital surplus	19,114	19,114
Retained earnings	55,572	54,480
Treasury shares	(6,531)	(6,531)
<b>Total shareholders' equity</b>	<b>85,846</b>	<b>84,753</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,546	1,370
Deferred gains or losses on hedges	0	(0)
Foreign currency translation adjustment	495	(92)
Remeasurements of defined benefit plans	(26)	(22)
<b>Total accumulated other comprehensive income</b>	<b>2,015</b>	<b>1,256</b>
<b>Total net assets</b>	<b>87,861</b>	<b>86,010</b>
<b>Total liabilities and net assets</b>	<b>146,588</b>	<b>145,319</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, 2019 (April 1, 2018 to June 30, 2018)	First Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to June 30, 2019)
<b>Net sales</b>	63,560	57,943
<b>Cost of Sales</b>	58,319	53,323
Gross Profit	5,241	4,620
<b>Selling, general and administrative expenses</b>	4,000	3,798
<b>Operating income</b>	1,240	821
<b>Non-operating income</b>		
Interest income	5	10
Dividend income	48	38
Share of profit of entities accounted for using equity method	-	0
Foreign exchange gains	-	183
Rent income	7	14
Miscellaneous income	59	37
Total non-operating income	120	285
<b>Non-operating expenses</b>		
Interest expenses	153	183
Share of loss of entities accounted for using equity method	10	-
Foreign exchange losses	574	-
Miscellaneous loss	7	6
Total non-operating expenses	744	189
<b>Ordinary income</b>	616	917
<b>Extraordinary income</b>		
Gain on sales of non-current assets	0	1
Gain on sales of investment securities	0	-
Total extraordinary income	0	1
<b>Extraordinary losses</b>		
Loss on valuation of investment securities	-	8
Total extraordinary losses	-	8
<b>Profit before income taxes</b>	617	910
<b>Income taxes</b>	203	245
<b>Profit</b>	413	665
<b>Profit attributable to owners of parent</b>	413	665

**(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, 2019 (April 1, 2018 to June 30, 2018)	First Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to June 30, 2019)
<b>Profit</b>	413	665
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	75	(175)
Deferred gains or losses on hedges	0	(0)
Foreign currency translation adjustment	251	(587)
Remeasurements of defined benefit plans, net of tax	(2)	4
Total other comprehensive income	325	(759)
<b>Comprehensive income</b>	739	(93)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	739	(93)

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

#### (Notes Regarding Going Concern)

None

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

None

#### (Changes in Accounting Principles)

##### Adoption of IFRS 16, "Leases"

In overseas consolidated subsidiaries that have adopted the International Financial Reporting Standards (IFRS), Ryosan adopts IFRS 16, "Leases" (published January 13, 2016; hereinafter "IFRS 16") beginning with this consolidated first quarter.

With the application of IFRS 16, in principle all leases are recognized as the assets and liabilities of the lessee. In applying IFRS 16, Ryosan adopts the practice of recognizing the cumulative effect of application of this accounting standard on the starting date of application, in accordance with the transitional treatment.

The effect of application of this accounting standard on the consolidated quarterly financial statements is negligible.

#### (Segment Information)

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

Consolidated first quarter of the fiscal year ended 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.

Consolidated first quarter of the fiscal year ending March 31, 2020

(April 1, 2019 to June 30, 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	34,465	18,741	4,736	57,943	—	57,943
Internal sales or exchange between segments	—	—	—	—	—	—
Total	34,465	18,741	4,736	57,943	—	57,943
Segment income (loss)	414	555	69	1,039	(218)	821

(Notes)

1. The adjusted amount of minus 218 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 2018, first quarter of the fiscal year ended 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	1,204

(Notes)

1. Country and regional segments are classified on the basis of geographic proximity.

2. Principal countries and regions:

Asia: Hong Kong, Thailand, China, South Korea, etc.

Other: United States, etc.

Fiscal Year 2019, first quarter of the fiscal year ending March 31, 2020  
(April 1, 2019 to June 30, 2020)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	31,612	23,455	2,875	57,943	—	57,943
Internal sales or exchange between segments	5,054	60	4	5,120	(5,120)	—
Total	36,667	23,516	2,880	63,063	(5,120)	57,943
Segment income	(59)	651	115	708	113	821

(Notes)

1. Country and regional segments are classified on the basis of geographic proximity.

2. Principal countries and regions:

Asia: Hong Kong, Thailand, China, South Korea, etc.

Other: United States, etc.

III. Information Concerning Sales by Region  
Fiscal Year 2018, first quarter of the fiscal year ended 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.

Fiscal Year 2019, first quarter of the fiscal year ending March 31, 2020  
(April 1, 2019 to June 30, 2019)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	30,335	13,845	10,846	2,915	57,943
Ratio to consolidated net sales (%)	52.4	23.9	18.7	5.0	100.0

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