

First Half 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 http://www.ryosan.co.jp
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Scheduled filing date of quarterly earnings report:	November 13, 2019
Scheduled payment date of dividend:	November 29, 2019
Supplementary materials for the quarterly financial results:	Yes
Investor conference for the quarterly financial results:	None

(Millions of yen rounded down)

1. Consolidated results for the first half of fiscal year 2019 (April 1, 2019 to September 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 Half, Fiscal Year 2019	116,445	(9.7)	1,888	(34.8)	1,877	15.9	1,081	2.3
First Half, Fiscal Year 2018	128,968	4.3	2,894	(10.2)	1,620	(49.2)	1,057	(52.5)

(Note) Comprehensive income

First Half, Fiscal Year 2019: 340 million yen (-81.7%)

First Half, Fiscal Year 2018: 1,864 million yen (-35.7%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Half, Fiscal Year 2019	46.15	—
First Half, Fiscal Year 2018	43.62	—

(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, 2019	141,409	86,464	61.1	3,690.43
March 31, 2019	146,588	87,861	59.9	3,750.01

(Reference) Shareholders' equity

September 30, 2019: 86,464 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	—	50.00	—	—	—
Fiscal Year 2019 (Forecast)	—	—	—	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: 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
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 six months ended September 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)

1. Total number of shares issued and outstanding (including treasury shares) at the period-end:	September 30, 2019	25,000,000 shares	March 31, 2019	25,000,000 shares
2. Total number of treasury shares at the period-end:	September 30, 2019	1,570,540 shares	March 31, 2019	1,570,290 shares
3. Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)	First Half, Fiscal Year 2019	23,429,570 shares	First Half, Fiscal Year 2018	24,236,702 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 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 the consolidated fiscal half-year under review (April 1 to September 30, 2019), the global economy continued on a decelerating keynote, impacted by trade friction between the United States and China. Influenced by the dip in the global economy, the Japanese economy continued to lack vigor, as weakness in exports and production lingered.

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

Against this economic background, the business results for Ryosan in the cumulative first half-year under review presented a mixed picture. Net sales declined to 116,445 million yen (down 9.7% from the same period of the previous fiscal year) and operating income fell to 1,888 million yen (down 34.8%). However, ordinary income rose to 1,877 million yen (up 15.9% YoY), buoyed by conversion of a foreign exchange loss appropriated in the same period of the previous fiscal year into a foreign-exchange gain, as a result of revaluation of foreign-currency-denominated liabilities. Profit attributable to owners of parent increased to 1,081 million yen (up 2.3%), affected by factors such as write-down expenses resulting from a decision to reorganize logistics.

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 fiscal half-year under review, Ryosan's business serving industrial equipment slumped, resulting in a decrease in sales incentives. As a result, net sales slipped to 69,219 million yen (down 10.1% from the same period of the previous fiscal year) and operating income decreased to 806 million yen (down 42.3%).

b. Electronic Components

Ryosan sells electromechanical components, display devices and power supplies. During the consolidated fiscal half-year under review, the consumer business enjoyed favorable results until the first half of fiscal year 2018, when it reversed course and declined, while sales of value-added products for industrial equipment also trended downward. As a result, net sales retreated to 38,001 million yen (down 6.0% from the same period of the previous fiscal year) and operating income dropped to 1,196 million yen (down 19.5%).

c. Electronic Equipment

Ryosan sells systems equipment and facilities equipment. In this consolidated first half period, Ryosan suffered the loss of a large business but also handled products of high added value. As a result, net sales were 9,223 million yen (down 20.1% from the same period of the previous fiscal year), while operating income was 173 million yen (up 1.2%).

(2) 1) Qualitative Information Concerning Consolidated Financial Position

As of September 30, 2019, total assets decreased by 5,179 million yen compared with the end of the previous fiscal year, to 141,409 million yen.

Also, net assets decreased by 1,396 million yen compared with the end of the previous fiscal year, to 86,464 million yen, with the ratio of net assets to total assets being 61.1%.

2) Overview of Cash Flows

As of September 30, 2019, cash and cash equivalents increased by 6,530 million yen compared with the end of the previous fiscal year, to 21,111 million yen.

Net cash provided by (used in) operating activities

Regarding cash flow from operating activities in this consolidated first half period, funds in total increased by 13,020 million yen. This increase resulted from profit before income taxes of 1,620 million yen, a decrease in inventories of 4,901 million yen, a decrease in notes and accounts receivable – trade of 3,175 million yen, and a decrease in accounts receivable – other of 2,065 million yen. For a comparison, in net cash from operating activities in the same period of the previous fiscal year, funds had increased by 9,021 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 decreased by 126 million yen due to such factors as the purchase of intangible assets. For a comparison, in net cash from investing activities in the same period of the previous fiscal year, funds had decreased by 273 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 6,141 million yen due to a decrease in short-term loans payable of 4,287 million yen and cash dividends paid of 1,757 million yen. For a comparison, in net cash from financing activities in the same period of the previous fiscal year, funds had decreased by 5,121 million yen.

(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 Half of the Fiscal Year Ending March 31, 2020 (As of September 30, 2019)
ASSETS		
Current assets		
Cash and deposits	14,580	21,111
Notes and accounts receivable –trade	62,109	58,350
Inventories	44,680	39,172
Accounts receivable – other	7,621	5,555
Other	373	376
Allowance for doubtful accounts	(34)	(47)
Total current assets	129,330	124,517
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,090	2,799
Land	6,145	5,994
Leased assets, net	551	577
Other, net	146	137
Total property, plant and equipment	9,934	9,509
Intangible assets	963	1,026
Investments and other assets		
Investment securities	4,043	3,873
Deferred tax assets	205	307
Other	2,221	2,281
Allowance for doubtful accounts	(109)	(106)
Total investments and other assets	6,360	6,356
Total non-current assets	17,258	16,891
Total assets	146,588	141,409

(Millions of yen)

	Fiscal Year Ended March 31, 2019 (As of March 31, 2019)	First Half of the Fiscal Year Ending March 31, 2020 (As of September 30, 2019)
LIABILITIES		
Current liabilities		
Accounts payable - trade	29,760	30,697
Short-term loans payable	23,268	18,068
Lease obligations	173	234
Accounts payable - other	1,172	1,428
Accrued expenses	1,348	1,266
Income taxes payable	201	593
Other	260	193
Total current liabilities	56,185	52,482
Non-current liabilities		
Lease obligations	439	396
Deferred tax liabilities	280	318
Net defined benefit liability	1,732	1,658
Asset retirement obligations	31	30
Other	57	58
Total non-current liabilities	2,541	2,462
Total liabilities	58,726	54,944
NET ASSETS		
Shareholders' equity		
Capital stock	17,690	17,690
Capital surplus	19,114	19,114
Retained earnings	55,572	54,916
Treasury shares	(6,531)	(6,531)
Total shareholders' equity	85,846	85,189
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,546	1,416
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	495	(124)
Remeasurements of defined benefit plans	(26)	(16)
Total accumulated other comprehensive income	2,015	1,274
Total net assets	87,861	86,464
Total liabilities and net assets	146,588	141,409

(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, 2019 (April 1, 2018 to Sept. 30, 2018)	First Half of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to Sept. 30, 2019)
Net sales	128,968	116,445
Cost of Sales	118,261	107,195
Gross Profit	10,706	9,249
Selling, general and administrative expenses	7,812	7,360
Operating income	2,894	1,888
Non-operating income		
Interest income	10	30
Dividend income	52	40
Foreign exchange gains	-	168
Share of profit of entities accounted for using equity method	-	1
Rent income	21	28
Miscellaneous income	102	73
Total non-operating income	187	342
Non-operating expenses		
Interest expenses	328	341
Foreign exchange losses	917	-
Share of loss of entities accounted for using equity method	198	-
Miscellaneous loss	17	12
Total non-operating expenses	1,461	353
Ordinary income	1,620	1,877
Extraordinary income		
Gain on sales of non-current assets	0	1
Gain on sales of investment securities	3	-
Total extraordinary income	3	1
Extraordinary losses		
Impairment loss	-	249
Loss on valuation of investment securities	-	8
Total extraordinary losses	-	258
Profit before income taxes	1,624	1,620
Income taxes	567	539
Profit	1,057	1,081
Profit attributable to owners of parent	1,057	1,081

(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, 2019 (April 1, 2018 to Sept. 30, 2018)	First Half of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to Sept. 30, 2019)
Profit	1,057	1,081
Other comprehensive income		
Valuation difference on available-for-sale securities	(61)	(130)
Deferred gains or losses on hedges	1	(0)
Foreign currency translation adjustment	880	(620)
Remeasurements of defined benefit plans, net of tax	(12)	10
Total other comprehensive income	807	(740)
Comprehensive income	1,864	340
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,864	340

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First Half of the Fiscal Year Ended March 31, 2019 (April 1, 2018 to Sept. 30, 2018)	First Half of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to Sept. 30, 2019)
Cash flows from operating activities		
Profit before income taxes	1,624	1,620
Depreciation	242	301
Impairment loss	-	249
Amortization of goodwill	100	-
Increase (decrease) in allowance for doubtful accounts	(19)	14
Increase (decrease) in net defined benefit liability	(41)	(57)
Interest and dividend income	(63)	(70)
Interest expenses	328	341
Share of (profit) loss of entities accounted for using equity method	198	(1)
Loss (gain) on sales of investment securities	(3)	-
Decrease (increase) in notes and accounts receivable - trade	8,797	3,175
Decrease (increase) in inventories	(2,932)	4,901
Increase (decrease) in notes and accounts payable - trade	(1,606)	1,318
Decrease (increase) in accounts receivable - other	3,077	2,065
Other	1,103	(695)
Subtotal	10,806	13,163
Interest and dividend income received	105	70
Interest expenses paid	(366)	(348)
Income taxes (paid) refund	(1,524)	135
Net cash provided by (used in) operating activities	9,021	13,020
Cash flows from investing activities		
Purchases of property, plant and equipment	(35)	(72)
Proceeds from sales of property, plant and equipment	45	161
Purchase of intangible assets	(86)	(173)
Purchase of shares of subsidiaries and associates	(200)	-
Purchases of investment securities	(30)	(15)
Proceeds from sales of investment securities	3	0
Payments for investments in capital	(2)	-
Collection of investments in capital	-	8
Proceeds from distribution of investment in partnerships	18	-
Purchase of insurance funds	(98)	(101)
Proceeds from cancellation of insurance funds	111	65
Net cash provided by (used in) investing activities	(273)	(126)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	671	(4,287)
Repayments of lease obligations	(88)	(95)
Purchase of treasury shares	(3,870)	(0)
Cash dividends paid	(1,833)	(1,757)
Net cash provided by (used in) financing activities	(5,121)	(6,141)
Effect of exchange rate change on cash and cash equivalents	50	(221)
Net increase (decrease) in cash and cash equivalents	3,677	6,530
Cash and cash equivalents at the beginning of the period	13,471	14,580
Increase in cash and cash equivalents from newly consolidated subsidiary	41	-
Cash and cash equivalents at the end of the period	17,190	21,111

(4) 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 the first quarter of the current fiscal year.

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 half of the fiscal year ended March 31, 2019

(April 1, 2018 to September 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	77,001	40,427	11,539	128,968	—	128,968
Internal sales or exchange between segments	—	—	—	—	—	—
Total	77,001	40,427	11,539	128,968	—	128,968
Segment income (loss)	1,396	1,487	171	3,054	(160)	2,894

(Notes)

1. The adjusted amount of minus 160 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 half of the fiscal year ending March 31, 2020

(April 1, 2019 to September 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	69,219	38,001	9,223	116,445	—	116,445
Internal sales or exchange between segments	—	—	—	—	—	—
Total	69,219	38,001	9,223	116,445	—	116,445
Segment income (loss)	806	1,196	173	2,175	(287)	1,888

(Notes)

1. The adjusted amount of minus 287 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 half of the fiscal year ended March 31, 2019
(April 1, 2018 to September 30, 2018)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	73,654	50,738	4,575	128,968	—	128,968
Internal sales or exchange between segments	9,482	112	0	9,595	(9,595)	—
Total	83,137	50,851	4,575	138,564	(9,595)	128,968
Segment income	864	1,649	131	2,645	249	2,894

(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 2019, first half of the fiscal year ending March 31, 2020
(April 1, 2019 to September 30, 2019)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	63,830	47,333	5,281	116,445	—	116,445
Internal sales or exchange between segments	9,890	91	5	9,987	(9,987)	—
Total	73,720	47,424	5,287	126,432	(9,987)	116,445
Segment income	(44)	1,485	206	1,647	240	1,888

(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 2018, first half of the fiscal year ended March 31, 2019
(April 1, 2018 to September 30, 2018)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	68,585	32,952	22,824	4,605	128,968
Ratio to consolidated net sales (%)	53.2	25.6	17.7	3.6	100.0

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

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

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	60,519	28,456	22,086	5,382	116,445
Ratio to consolidated net sales (%)	52.0	24.4	19.0	4.6	100.0

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