

January 28, 2020

## Third 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>
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, 2020
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 2019 (April 1, 2019 to December 31, 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 Three Quarters, Fiscal Year 2019	174,441	(9.3)	2,970	(31.4)	2,925	(7.3)	1,658	(24.6)
First Three Quarters, Fiscal Year 2018	192,248	1.2	4,330	(11.9)	3,155	(35.3)	2,198	(35.5)

(Note) Comprehensive income

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

First Three Quarters, Fiscal Year 2018: 1,778 million yen (-62.3%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Three Quarters, Fiscal Year 2019	70.80	—
First Three Quarters, Fiscal Year 2018	91.69	—

#### (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, 2019	144,336	86,820	60.2	3,705.62
March 31, 2019	146,588	87,861	59.9	3,750.01

(Reference) Shareholders' equity

December 31, 2019: 86,820 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 nine months ended December 31, 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:	December 31, 2019	25,000,000 shares	March 31, 2019	25,000,000 shares
2. Total number of treasury shares at the period-end:	December 31, 2019	1,570,644 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 Three Quarters, Fiscal Year 2019	23,429,528 shares	First Three Quarters, Fiscal Year 2018	23,981,920 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 nine-month period (April 1 to December 31, 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 world economy, the Japanese economy continued to lack vigor, as weakness exports lingered.

The electronics industry in which Ryosan conducts business also continued to have weak demand, particularly in industrial equipment and automobiles.

Against this economic background, the business results for Ryosan in the cumulative third quarter under review were as follows. Net sales declined to 174,441 million yen (down 9.3% from the same period of the previous fiscal year) and operating income fell to 2,970 million yen (down 31.4%). Ordinary income declined to 2,925 million yen (down 7.3% YoY), impacted 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 declined to 1,658 million yen (down 24.6%), affected by factors such as impairment loss 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 nine-month period under review, a slump in Ryosan's business serving industrial equipment and in-vehicle electrical equipment, combined with a decrease in sales incentives, contributed to a decline in net sales to 104,252 million yen (down 9.4% from the same period of the previous fiscal year) and a drop in operating income to 1,293 million yen (down 40.0%).

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

Ryosan sells electromechanical components, display devices and power supplies. During the consolidated nine-month period under review, sales of value-added products for industrial equipment trended downward. As a result, net sales fell to 56,736 million yen (down 5.2% from the same period of the previous fiscal year) and operating income dropped to 1,786 million yen (down 20.0%).

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

Ryosan sells systems equipment and facilities equipment. In this consolidated nine-month period, large projects for in-vehicle electrical equipment stagnated. As a result, net sales were 13,453 million yen (down 22.2% from the same period of the previous fiscal year), while operating income was 262 million yen (down 4.2%).

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

As of December 31, 2019, total assets decreased by 2,252 million yen compared with the end of the previous fiscal year, to 144,336 million yen.

Also, net assets decreased by 1,041 million yen compared with the end of the previous fiscal year, to 86,820 million yen, with the ratio of net assets to total assets being 60.2%.

### **(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)	Third Quarter of the Fiscal Year Ending March 31, 2020 (As of December 31, 2019)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	14,580	22,366
Notes and accounts receivable –trade	62,109	59,265
Inventories	44,680	38,925
Accounts receivable – other	7,621	6,158
Other	373	237
Allowance for doubtful accounts	(34)	(63)
<b>Total current assets</b>	<b>129,330</b>	<b>126,889</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	3,090	2,765
Land	6,145	5,822
Leased assets, net	551	584
Other, net	146	183
<b>Total property, plant and equipment</b>	<b>9,934</b>	<b>9,355</b>
<b>Intangible assets</b>	<b>963</b>	<b>977</b>
<b>Investments and other assets</b>		
Investment securities	4,043	4,481
Deferred tax assets	205	343
Other	2,221	2,395
Allowance for doubtful accounts	(109)	(105)
<b>Total investments and other assets</b>	<b>6,360</b>	<b>7,114</b>
<b>Total non-current assets</b>	<b>17,258</b>	<b>17,446</b>
<b>Total assets</b>	<b>146,588</b>	<b>144,336</b>

(Millions of yen)

	Fiscal Year Ended March 31, 2019 (As of March 31, 2019)	Third Quarter of the Fiscal Year Ending March 31, 2020 (As of December 31, 2019)
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable - trade	29,760	31,696
Short-term loans payable	23,268	19,645
Lease obligations	173	241
Accounts payable - other	1,172	1,297
Accrued expenses	1,348	600
Income taxes payable	201	369
Provision for bonuses	-	432
Other	260	356
<b>Total current liabilities</b>	<b>56,185</b>	<b>54,640</b>
<b>Non-current liabilities</b>		
Lease obligations	439	400
Deferred tax liabilities	280	710
Net defined benefit liability	1,732	1,678
Asset retirement obligations	31	30
Other	57	55
<b>Total non-current liabilities</b>	<b>2,541</b>	<b>2,875</b>
<b>Total liabilities</b>	<b>58,726</b>	<b>57,515</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	54,322
Treasury shares	(6,531)	(6,532)
<b>Total shareholders' equity</b>	<b>85,846</b>	<b>84,595</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,546	1,850
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	495	414
Remeasurements of defined benefit plans	(26)	(40)
<b>Total accumulated other comprehensive income</b>	<b>2,015</b>	<b>2,224</b>
<b>Total net assets</b>	<b>87,861</b>	<b>86,820</b>
<b>Total liabilities and net assets</b>	<b>146,588</b>	<b>144,336</b>

**(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, 2019 (April 1, 2018 to Dec. 31, 2018)	First Three Quarters of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to Dec. 31, 2019)
<b>Net sales</b>	192,248	174,441
<b>Cost of Sales</b>	176,286	160,508
Gross Profit	15,962	13,933
<b>Selling, general and administrative expenses</b>	11,631	10,962
<b>Operating income</b>	4,330	2,970
<b>Non-operating income</b>		
Interest income	17	42
Dividend income	81	75
Foreign exchange gains	-	184
Rent income	35	42
Miscellaneous income	132	100
Total non-operating income	266	444
<b>Non-operating expenses</b>		
Interest expenses	521	463
Foreign exchange losses	703	-
Share of loss of entities accounted for using equity method	196	10
Miscellaneous loss	20	17
Total non-operating expenses	1,440	490
<b>Ordinary income</b>	3,155	2,925
<b>Extraordinary income</b>		
Gain on sales of non-current assets	0	1
Gain on sales of investment securities	44	-
Total extraordinary income	45	1
<b>Extraordinary losses</b>		
Impairment loss	-	433
Loss on valuation of investment securities	-	8
Total extraordinary losses	-	442
<b>Profit before income taxes</b>	3,201	2,484
<b>Income taxes</b>	1,002	825
<b>Profit</b>	2,198	1,658
<b>Profit attributable to owners of parent</b>	2,198	1,658

**(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, 2019 (April 1, 2018 to Dec. 31, 2018)	First Three Quarters of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to Dec. 31, 2019)
<b>Profit</b>	2,198	1,658
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(680)	304
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	281	(81)
Remeasurements of defined benefit plans, net of tax	(22)	(13)
Total other comprehensive income	(420)	209
<b>Comprehensive income</b>	1,778	1,868
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,778	1,868

### (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 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 three quarters of the fiscal year ended March 31, 2019

(April 1, 2018 to December 31, 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	115,116	59,836	17,295	192,248	—	192,248
Internal sales or exchange between segments	—	—	—	—	—	—
Total	115,116	59,836	17,295	192,248	—	192,248
Segment income (loss)	2,155	2,233	273	4,662	(332)	4,330

(Notes)

1. The adjusted amount of minus 332 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, 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.

II. Information Concerning Sales and Income or Loss Amount by Sales Destination  
Fiscal Year 2018, first three quarters of the fiscal year ended March 31, 2019  
(April 1, 2018 to December 31, 2018)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	108,239	76,948	7,060	192,248	—	192,248
Internal sales or exchange between segments	15,395	195	0	15,592	(15,592)	—
Total	123,635	77,144	7,060	207,840	(15,592)	192,248
Segment income	1,408	2,274	206	3,889	440	4,330

(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 three quarters of the fiscal year ending 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.

III. Information Concerning Sales by Region  
Fiscal Year 2018, first three quarters of the fiscal year ended March 31, 2019  
(April 1, 2018 to December 31, 2018)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	102,241	48,123	34,768	7,114	192,248
Ratio to consolidated net sales (%)	53.2	25.0	18.1	3.7	100.0

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

Fiscal Year 2019, first three quarters of the fiscal year ending 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.