

First Half 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:	November 13, 2020
Scheduled payment date of dividend:	November 27, 2020
Supplementary materials for the quarterly financial results:	Yes
Investor conference for the quarterly financial results:	Yes

(Millions of yen rounded down)

1. Consolidated results for the first half of fiscal year 2020 (April 1, 2020 to September 30, 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 Half, Fiscal Year 2020	97,191	(16.5)	1,252	(33.7)	1,675	(10.8)	1,485	37.4
First Half, Fiscal Year 2019	116,445	(9.7)	1,888	(34.8)	1,877	15.9	1,081	2.3

(Note) Comprehensive income

First Half, Fiscal Year 2020: 1,329 million yen (290.0%)

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Half, Fiscal Year 2020	63.39	—
First Half, Fiscal Year 2019	46.15	—

(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, 2020	137,870	85,561	62.1	3,651.98
March 31, 2020	137,746	84,935	61.7	3,625.21

(Reference) Shareholders' equity

September 30, 2020: 85,561 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: Yes

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	200,000	(12.0)	2,200	(29.2)	2,600	(10.9)	2,200	84.3	93.90

(Note) Revision of financial results forecasts: Yes

* Notes

(1) Transfer of major subsidiaries during the scope of consolidation of these six months ended September 30, 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:	September 30, 2020	25,000,000 shares	March 31, 2020	25,000,000 shares
2. Total number of treasury shares at the period-end:	September 30, 2020	1,571,155 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 Half, Fiscal Year 2020	23,429,004 shares	First Half, Fiscal Year 2019	23,429,570 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."

○Table of contents of the appendix

1. Qualitative Information Regarding this Quarterly Statement.....	2
(1) Qualitative Information Concerning Consolidated Operating Results	2
(2) Qualitative Information Concerning Consolidated Financial Position.....	3
(3) Qualitative Information Concerning Consolidated Forecast and Other Future Predictions	3
(4) Basic Policy Regarding the Appropriation of Profits / Dividends for Fiscal Year 2020.....	4
2. Consolidated Quarterly Financial Statements and Main Notes.....	5
(1) Consolidated Quarterly Balance Sheet.....	5
(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income	7
Consolidated Quarterly Statement of Income	
Scope of Consolidation of this First Half Period	7
Consolidated Quarterly Statement of Comprehensive Income	
Scope of Consolidation of this First Half Period	8
(3) Consolidated Quarterly Statements of Cash Flows	9
(4) Notes Regarding Consolidated Quarterly Financial Statements.....	10
(Notes Regarding Going Concern).....	10
(Notes Regarding Substantial Changes in Shareholders' Equity).....	10
(Segment Information).....	10

1. Qualitative Information Regarding this Quarterly Statement

(1) Qualitative Information Concerning Consolidated Operating Results

1) Overview

During the consolidated first half of fiscal year 2020 (April 1 to September 30, 2020), corporate earnings and personal consumption deteriorated globally due to the COVID-19 pandemic.

The Japanese economy also struggled amid a state of emergency declared by the government in April 2020.

The electronics industry, which is Ryosan's main field, similarly suffered enormous impacts in terms of demand and supply chains, particularly in products for the automotive industry, as a result of the COVID-19 pandemic.

In the consolidated first half under review, amid the market deterioration described above, net sales declined to 97,191 million yen (down 16.5% from the same period of the previous fiscal year). Operating income fell to 1,252 million yen (down 33.7%), despite counter measures for profitability enhancement that trimmed selling, general and administrative expenses. Ordinary income dropped to 1,675 million yen (down 10.8%), a figure eased by factors such as foreign exchange gains caused by the revaluation of foreign-currency-denominated liabilities. Profit attributable to owners of parent, including income from sale of investment securities, increased to 1,485 million yen (up 37.4%).

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 first half under review, net sales fell to 57,256 million yen (down 17.3% from the same period of the previous fiscal year), due to a downturn in the automotive business. Operating income shrank to 461 million yen (down 42.7%), due to factors such as changes in supplier policy.

b. Electronic Components

Ryosan sells electromechanical components, display devices and power supplies. During the consolidated first half under review, a favorable trend in the consumer business was more than offset by a decline in the automotive business. Net sales retreated to 34,075 million yen (down 10.3% from the same period of the previous fiscal year), while operating income declined to 971 million yen (down 18.8%).

c. Electronic Equipment

Ryosan sells systems equipment and facilities equipment. During the consolidated first half under review, large projects in the automotive business declined significantly. Net sales fell to 5,858 million yen (down 36.5% from the same period of the previous fiscal year) and operating income shrank to 39 million yen (down 77.4%).

(2) 1) Qualitative Information Concerning Consolidated Financial Position

As of September 30, 2020, total assets increased by 124 million yen compared with the end of the previous fiscal year, to 137,870 million yen.

Also, net assets increased by 626 million yen compared with the end of the previous fiscal year, to 85,561 million yen, with the ratio of net assets to total assets being 62.1%.

2) Overview of Cash Flows

As of September 30, 2020, cash and cash equivalents decreased by 3,989 million yen compared with the end of the previous fiscal year, to 20,512 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 decreased by 6,313 million yen. Although profit before income taxes was 2,034 million yen, inventories increased by 3,532 million yen and notes and accounts receivable—trade increased by 1,966 million yen, while notes and accounts payable—trade declined by 2,187 million yen. For a comparison, in net cash from operating activities in the same period of the previous fiscal year, funds had increased by 13,020 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 increased by 351 million yen due to such factors as proceeds from sales of investment securities. For a comparison, in net cash from investing activities in the same period of the previous fiscal year, funds had decreased by 126 million yen.

Net cash provided by (used in) financing activities

In cash flow from financing activities in this consolidated first half period, funds in total increased by 2,030 million yen. Short-term loans payable increased by 2,823 million yen, while cash dividends paid amounted to 703 million yen. For a comparison, in net cash from financing activities in the same period of the previous fiscal year, funds had decreased by 6,141 million yen.

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

1) General Outlook on Business Results

The COVID-19 pandemic is depressing demand, particularly in the automotive sector, taking a significant toll on the business activities of the Ryosan Group. In the consolidated business results for the fiscal year ending March 31, 2021, Ryosan forecasts net sales of 200,000 million yen (down 12.0% against the previous fiscal year), operating income of 2,200 million yen (down 29.2%) and ordinary income of 2,600 million yen (down 10.9%). Profit attributable to owners of parent, on the other hand, is forecast to rise to 2,200 million yen (up 84.3%), due to the absence of incidents such as impairment losses from domestic branch restructuring and a transient extraordinary loss from implementation of voluntary retirement in the previous fiscal year.

2) Forecast of Business Results by Segment

a. Semiconductors

In the semiconductors business, Ryosan expects net sales in the automotive business in the second half of the current fiscal year to decline against the same period of the previous fiscal year, as it did in the first half of the current fiscal year. A decline of 13.0% against the previous fiscal year is anticipated, to 118,500 million yen. Operating income is forecast to fall to 500 million yen (down 57.0%), due to changes in supplier policies.

b. Electronic Components

Declines are forecast in electronic components as well, due to a slump in the automotive business. Net sales are expected to retreat to 69,000 million yen (down 7.0% against the previous fiscal year) and operating income is anticipated to fall to 1,900 million (down 11.3%).

c. Electronic Equipment

In the electronic equipment business, large projects in the automotive business are expected to continue to struggle. Net sales are forecast to drop to 12,500 million yen (down 26.2% against the previous fiscal year) and operating income is forecast to decrease to 150 million (down 60.9%).

(4) Basic Policy Regarding the Appropriation of Profits / Dividends for Fiscal Year 2020

Ryosan regards the return of earnings to shareholders as one of the most important elements of management and is making every effort to increase basic earnings per share. Ryosan's basic policy is to achieve a consolidated payout ratio of 50% or higher, to maintain a stable, high dividend.

At the October 29, 2020 Board Meeting, Ryosan resolved to issue an interim dividend of 30 yen per share. The annual dividend per share is expected to be 60 yen.

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)	First Half of the Fiscal Year Ending March 31, 2021 (As of September 30, 2020)
ASSETS		
Current assets		
Cash and deposits	24,501	20,512
Notes and accounts receivable –trade	53,687	55,506
Inventories	37,243	40,653
Accounts receivable – other	6,196	5,437
Other	322	412
Allowance for doubtful accounts	(152)	(198)
Total current assets	121,799	122,323
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,726	2,757
Land	5,758	5,653
Leased assets, net	545	468
Other, net	241	224
Total property, plant and equipment	9,271	9,103
Intangible assets	946	894
Investments and other assets		
Investment securities	3,517	3,239
Deferred tax assets	340	305
Other	2,241	2,072
Allowance for doubtful accounts	(68)	(69)
Allowance for investment loss	(301)	-
Total investments and other assets	5,729	5,548
Total non-current assets	15,947	15,547
Total assets	137,746	137,870

(Millions of yen)

	Fiscal Year Ended March 31, 2020 (As of March 31, 2020)	First Half of the Fiscal Year Ending March 31, 2021 (As of September 30, 2020)
LIABILITIES		
Current liabilities		
Accounts payable - trade	28,475	26,185
Short-term loans payable	18,158	20,477
Lease obligations	229	228
Accounts payable - other	2,005	1,555
Accrued expenses	1,228	1,227
Income taxes payable	454	438
Other	145	173
Total current liabilities	50,697	50,286
Non-current liabilities		
Lease obligations	369	286
Deferred tax liabilities	38	114
Net defined benefit liability	1,622	1,540
Asset retirement obligations	30	27
Other	52	52
Total non-current liabilities	2,113	2,022
Total liabilities	52,810	52,308
NET ASSETS		
Shareholders' equity		
Capital stock	17,690	17,690
Capital surplus	19,114	19,114
Retained earnings	53,857	54,640
Treasury shares	(6,532)	(6,533)
Total shareholders' equity	84,130	84,911
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,158	1,283
Deferred gains or losses on hedges	0	(1)
Foreign currency translation adjustment	(300)	(573)
Remeasurements of defined benefit plans	(52)	(59)
Total accumulated other comprehensive income	805	649
Total net assets	84,935	85,561
Total liabilities and net assets	137,746	137,870

(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, 2020 (April 1, 2019 to Sept. 30, 2019)	First Half of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to Sept. 30, 2020)
Net sales	116,445	97,191
Cost of Sales	107,195	89,032
Gross Profit	9,249	8,159
Selling, general and administrative expenses	7,360	6,907
Operating income	1,888	1,252
Non-operating income		
Interest income	30	23
Dividend income	40	36
Foreign exchange gains	168	435
Share of profit of entities accounted for using equity method	1	-
Rent income	28	27
Miscellaneous income	73	97
Total non-operating income	342	620
Non-operating expenses		
Interest expenses	341	116
Share of loss of entities accounted for using equity method	-	55
Miscellaneous loss	12	24
Total non-operating expenses	353	197
Ordinary income	1,877	1,675
Extraordinary income		
Gain on sales of non-current assets	1	-
Gain on sales of investment securities	-	254
Compensation for customs duty	-	106
Total extraordinary income	1	360
Extraordinary losses		
Impairment loss	249	-
Loss on valuation of investment securities	8	-
Loss on valuation of golf membership	-	1
Total extraordinary losses	258	1
Profit before income taxes	1,620	2,034
Income taxes	539	549
Profit	1,081	1,485
Profit attributable to owners of parent	1,081	1,485

(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, 2020 (April 1, 2019 to Sept. 30, 2019)	First Half of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to Sept. 30, 2020)
Profit	1,081	1,485
Other comprehensive income		
Valuation difference on available-for-sale securities	(130)	125
Deferred gains or losses on hedges	(0)	(1)
Foreign currency translation adjustment	(620)	(272)
Remeasurements of defined benefit plans, net of tax	10	(6)
Total other comprehensive income	(740)	(155)
Comprehensive income	340	1,329
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	340	1,329

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First Half of the Fiscal Year Ended March 31, 2020 (April 1, 2019 to Sept. 30, 2019)	First Half of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to Sept. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	1,620	2,034
Depreciation	301	306
Impairment loss	249	-
Increase (decrease) in allowance for doubtful accounts	14	51
Increase (decrease) in net defined benefit liability	(57)	(84)
Interest and dividend income	(70)	(59)
Interest expenses	341	116
Share of (profit) loss of entities accounted for using equity method	(1)	55
Loss (gain) on sales of investment securities	-	(254)
Decrease (increase) in notes and accounts receivable - trade	3,175	(1,966)
Decrease (increase) in inventories	4,901	(3,532)
Increase (decrease) in notes and accounts payable - trade	1,318	(2,187)
Decrease (increase) in accounts receivable - other	2,065	750
Other	(695)	(992)
Subtotal	13,163	(5,761)
Interest and dividend income received	70	59
Interest expenses paid	(348)	(121)
Income taxes (paid) refund	135	(490)
Net cash provided by (used in) operating activities	13,020	(6,313)
Cash flows from investing activities		
Purchases of property, plant and equipment	(72)	(157)
Proceeds from sales of property, plant and equipment	161	101
Purchase of intangible assets	(173)	(51)
Purchases of investment securities	(15)	(15)
Proceeds from sales of investment securities	0	340
Collection of investments in capital	8	3
Purchase of insurance funds	(101)	(108)
Proceeds from cancellation of insurance funds	65	239
Net cash provided by (used in) investing activities	(126)	351
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,287)	2,823
Repayments of lease obligations	(95)	(88)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,757)	(703)
Net cash provided by (used in) financing activities	(6,141)	2,030
Effect of exchange rate change on cash and cash equivalents	(221)	(58)
Net increase (decrease) in cash and cash equivalents	6,530	(3,989)
Cash and cash equivalents at the beginning of the period	14,580	24,501
Cash and cash equivalents at the end of the period	21,111	20,512

(4) 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 half of the fiscal year ended 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.

Consolidated first half of the fiscal year ending March 31, 2021

(April 1, 2020 to September 30, 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	57,256	34,075	5,858	97,191	—	97,191
Internal sales or exchange between segments	—	—	—	—	—	—
Total	57,256	34,075	5,858	97,191	—	97,191
Segment income (loss)	461	971	39	1,472	(220)	1,252

(Notes)

1. The adjusted amount of minus 220 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 half of the fiscal year ended 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.

Fiscal year 2020, first half of the fiscal year ending March 31, 2021
 (April 1, 2020 to September 30, 2020)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	54,665	38,847	3,679	97,191	—	97,191
Internal sales or exchange between segments	7,491	155	2	7,649	(7,649)	—
Total	62,156	39,002	3,681	104,840	(7,649)	97,191
Segment income	23	939	14	976	275	1,252

(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 half of the fiscal year ended 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.

Fiscal year 2020, first half of the fiscal year ending March 31, 2021
 (April 1, 2020 to September 30, 2020)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	49,918	27,587	15,461	4,223	97,191
Ratio to consolidated net sales (%)	51.4	28.4	15.9	4.3	100.0

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