

January 28, 2022

Third Quarter Earnings Report for Fiscal Year 2021, Ending March 31, 2022 [Japanese Standards] (Consolidated)

Company name: Ryosan Company, Limited	Stock listing: First Section, Tokyo Stock Exchange
Securities code: 8140	URL https://www.ryosan.co.jp/
Representative: Kazuhiko Inaba, Representative Director, President	
Inquiries: Hideo Yuasa, Executive Officer, General Manager, Finance and Accounting Headquarters	TEL: +81-3-3862-2591
Scheduled filing date of quarterly earnings report: February 14, 2022	
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 2021 (April 1, 2021 to December 31, 2021)

(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 2021	193,481	22.1	6,623	127.2	6,446	68.7	4,674	48.6
First Three Quarters, Fiscal Year 2020	158,467	(9.2)	2,915	(1.9)	3,821	30.7	3,146	89.7

(Note) Comprehensive income

First Three Quarters, Fiscal Year 2021: 5,286 million yen (62.7%)

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Three Quarters, Fiscal Year 2021	199.51	—
First Three Quarters, Fiscal Year 2020	134.30	—

(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, 2021	172,832	92,084	53.3	3,930.50
March 31, 2021	148,087	89,609	60.5	3,824.82

(Reference) Shareholders' equity

December 31, 2021: 92,084 million yen

March 31, 2021: 89,609 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 2020	—	30.00	—	70.00	100.00
Fiscal Year 2021	—	50.00	—		
Fiscal Year 2021 (Forecast)				70.00	120.00

(Note) Revision of dividend forecasts: Yes

Fiscal Year 2020 Interim dividend breakdown: 30 yen (ordinary)
 Fiscal Year 2020 Year-end dividend breakdown: 30 yen (ordinary), 40 yen (special)
 Fiscal Year 2021 Interim dividend breakdown: 50 yen (ordinary)
 Fiscal Year 2021 Year-end dividend breakdown (forecast): 70 yen (ordinary)

3. Forecast of results for the fiscal year 2021 (April 1, 2021 to March 31, 2022)

(% 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	260,000	18.2	7,600	64.2	7,400	44.5	5,200	13.4	222.03

(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, 2021 (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, 2021	25,000,000 shares	March 31, 2021	25,000,000 shares
2. Total number of treasury shares at the period-end:	December 31, 2021	1,571,701 shares	March 31, 2021	1,571,434 shares
3. Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)	First Three Quarters, Fiscal Year 2021	23,428,409 shares	First Three Quarters, Fiscal Year 2020	23,428,919 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 2021 (April 1 to December 31, 2021), the global economy followed a recovery keynote. Although the COVID-19 pandemic continued to have an impact, progress in vaccination and relaxation of restrictions on activity contributed to the upturn.

With this global economic recovery in the background, the Japanese economy similarly rebounded as exports rose, while capital investment in the manufacturing sector overall remained on a solid footing.

The electronics industry, Ryosan's main field, suffered a significant contraction in the first half of the previous consolidated fiscal year, particularly in sales to the automotive sector, but rebounded in a wide range of fields from the second half onward. Despite headwinds such as production adjustments prompted by shortages of semiconductors and electronic components, as well as a drop in demand from consumers staying home during the pandemic, overall demand persisted at a high level.

In the consolidated first three quarters under review, net sales advanced to 193,481 million yen (up 22.1% from the same period of the previous fiscal year). Operating income more than doubled to 6,623 million yen (up 127.2%), buoyed by factors such as net sales growth, favorable sales of high-value-added products for industrial machinery and depreciation of the Japanese yen. Ordinary income improved to 6,446 million yen (up 68.7%). Profit attributable to owners of parent rose to 4,674 million yen (up 48.6%).

The impact on business results of the application of the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) of the Japanese generally accepted accounting principles (J-GAAP) is negligible.

2) Business Segment Information

Ryosan has changed its classification of reporting segments, beginning in the consolidated first quarter of this fiscal year. The comparisons with the previous consolidated first three quarters are based on the classification after the change. For details, please refer to "Notice Concerning Changes in Reporting Segments," published June 25, 2021.

a. Devices

Demand recovered in a wide range of applications, with sales volumes increasing year-on-year, lifting net sales to 170,933 million yen (up 23.3% from the same period of the previous fiscal year). Operating income more than doubled to 5,572 million yen (up 105.0%), lifted by factors such as favorable sales of high-value-added products.

b. Solutions

Sales expanded over the same period of the previous fiscal year, paced by results in the automotive sector. Major projects related to facility equipment and communications also contributed. Net sales grew to 22,547 million yen (up 13.4% from the same period of the previous fiscal year), while operating income surged to 1,105 million yen (up 138.7%).

(2) Qualitative Information Concerning Consolidated Financial Position

As of December 31, 2021, total assets increased by 24,745 million yen compared with the end of the previous fiscal year, to 172,832 million yen.

Also, net assets increased by 2,474 million yen compared with the end of the previous fiscal year, to 92,084 million yen, with the ratio of net assets to total assets being 53.3%.

The impact on Ryosan's financial condition of the application of the Accounting Standard for Revenue Recognition is negligible.

(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, 2022, which was announced on July 28, 2021.

For details, please refer to "Notice Concerning Revision of Business Results Forecast and Dividend Forecast" as of today.

2. Consolidated Quarterly Financial Statements and Main Notes

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Fiscal Year Ended March 31, 2021 (As of March 31, 2021)	Third Quarter of the Fiscal Year Ending March 31, 2022 (As of December 31, 2021)
ASSETS		
Current assets		
Cash and deposits	20,685	12,358
Notes and accounts receivable –trade	71,088	81,140
Inventories	35,701	53,901
Accounts receivable – other	4,571	10,000
Other	720	737
Allowance for doubtful accounts	(278)	(90)
Total current assets	132,488	158,047
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,713	2,568
Land	5,299	5,178
Leased assets, net	471	440
Other, net	224	199
Total property, plant and equipment	8,707	8,386
Intangible assets	881	890
Investments and other assets		
Investment securities	3,587	3,102
Deferred tax assets	330	248
Other	2,154	2,208
Allowance for doubtful accounts	(63)	(51)
Total investments and other assets	6,009	5,508
Total non-current assets	15,598	14,785
Total assets	148,087	172,832

(Millions of yen)

	Fiscal Year Ended March 31, 2021 (As of March 31, 2021)	Third Quarter of the Fiscal Year Ending March 31, 2022 (As of December 31, 2021)
LIABILITIES		
Current liabilities		
Accounts payable - trade	32,984	39,795
Short-term loans payable	18,551	33,879
Lease obligations	226	241
Accounts payable - other	1,985	1,818
Accrued expenses	1,439	689
Income taxes payable	844	982
Provision for bonuses	-	441
Other	205	773
Total current liabilities	56,236	78,621
Non-current liabilities		
Lease obligations	285	236
Deferred tax liabilities	485	647
Net defined benefit liability	1,409	1,186
Asset retirement obligations	25	23
Other	33	32
Total non-current liabilities	2,240	2,126
Total liabilities	58,477	80,747
NET ASSETS		
Shareholders' equity		
Capital stock	17,690	17,690
Capital surplus	19,114	19,114
Retained earnings	57,039	58,901
Treasury shares	(6,533)	(6,534)
Total shareholders' equity	87,310	89,172
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,526	1,274
Deferred gains or losses on hedges	1	5
Foreign currency translation adjustment	824	1,695
Remeasurements of defined benefit plans	(52)	(62)
Total accumulated other comprehensive income	2,299	2,912
Total net assets	89,609	92,084
Total liabilities and net assets	148,087	172,832

(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, 2021 (April 1, 2020 to Dec. 31, 2020)	First Three Quarters of the Fiscal Year Ending March 31, 2022 (April 1, 2021 to Dec. 31, 2021)
Net sales	158,467	193,481
Cost of Sales	145,106	175,609
Gross Profit	13,360	17,871
Selling, general and administrative expenses	10,445	11,247
Operating income	2,915	6,623
Non-operating income		
Interest income	27	22
Dividend income	65	68
Foreign exchange gains	680	-
Share of profit of entities accounted for using equity method	135	-
Commission fee	15	23
Rent income	40	39
Miscellaneous income	132	77
Total non-operating income	1,097	232
Non-operating expenses		
Interest expenses	160	121
Foreign exchange losses	-	200
Share of loss of entities accounted for using equity method	-	71
Miscellaneous loss	30	16
Total non-operating expenses	191	409
Ordinary income	3,821	6,446
Extraordinary income		
Gain on sales of non-current assets	53	0
Gain on sales of investment securities	254	57
Gain on sales of golf memberships	-	1
Compensation for customs duty	106	-
Total extraordinary income	413	59
Extraordinary losses		
Impairment loss	-	19
Loss on valuation of golf membership	1	-
Total extraordinary losses	1	19
Profit before income taxes	4,233	6,486
Income taxes	1,087	1,812
Profit	3,146	4,674
Profit attributable to owners of parent	3,146	4,674

(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, 2021 (April 1, 2020 to Dec. 31, 2020)	First Three Quarters of the Fiscal Year Ending March 31, 2022 (April 1, 2021 to Dec. 31, 2021)
Profit	3,146	4,674
Other comprehensive income		
Valuation difference on available-for-sale securities	431	(252)
Deferred gains or losses on hedges	(2)	4
Foreign currency translation adjustment	(315)	870
Remeasurements of defined benefit plans, net of tax	(10)	(9)
Total other comprehensive income	102	612
Comprehensive income	3,249	5,286
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,249	5,286

(3) Notes Regarding Consolidated Quarterly Financial Statements

(Notes Regarding Going Concern)

None

(Notes Regarding Substantial Changes in Shareholders' Equity)

None

(Changes in Accounting Principles)

Accounting Standard for Revenue Recognition

Beginning in the consolidated first quarter of this fiscal year, Ryosan applies the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) of the Japanese generally accepted accounting principles (J-GAAP) (hereinafter referred to as “the Accounting Standard for Revenue Recognition”). Under this standard, revenue is recognized when Ryosan transfers control of a promised good or service to the customer, in the amount Ryosan expects to receive in exchange for said good or service.

In the past, a part of the amount paid to the customer was appropriated as cost of sales. With the adoption of the Accounting Standard for Revenue Recognition, the accounting method is changed so that this amount is subtracted from net sales.

In applying the Accounting Standard for Revenue Recognition, Ryosan follows the transitional handling stipulated in the proviso in Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative financial effect of applying the new accounting principle retroactively to events before the beginning of the consolidated first quarter of this fiscal year is added to or subtracted from the retained earnings at the beginning of the quarter, and the new accounting principle is applied from the balance at the beginning of the quarter onward.

As a result, the impact of the application of the Accounting Standard for Revenue Recognition on the quarterly financial statements for the consolidated first three quarters under review is negligible.

In accordance with the transitional handling stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (March 31, 2020), a breakdown of the revenue generated from contracts with customers with respect to the previous consolidated first three quarters is not provided.

(Segment Information)

Segment Information

I. Consolidated First Three Quarters of the Fiscal Year Ended March 31, 2021

(April 1, 2020 to December 31, 2020)

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

(Millions of yen)

	Reporting Segment			Adjusted amount (Note 1)	Amounts shown on consolidated quarterly statement of income (Note 2)
	Devices	Solutions	Total		
Net sales					
Sales to external customers	138,588	19,879	158,467	—	158,467
Internal sales or exchange between segments	—	—	—	—	—
Total	138,588	19,879	158,467	—	158,467
Segment income (loss)	2,717	462	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. Consolidated First Three Quarters of the Fiscal Year Ending March 31, 2022

(April 1, 2021 to December 31, 2021)

1. Information Concerning Sales and Income or Loss Amount by Reporting Segment and Breakdown of Revenues

(Millions of yen)

	Reporting Segment			Adjusted amount (Note 1)	Amounts shown on consolidated quarterly statement of income (Note 2)
	Devices	Solutions	Total		
Net sales					
Goods transferred at a point in time	170,933	22,547	193,481	—	193,481
Revenue from contracts with customers	170,933	22,547	193,481	—	193,481
Sales to external customers	170,933	22,547	193,481	—	193,481
Internal sales or exchange between segments	—	—	—	—	—
Total	170,933	22,547	193,481	—	193,481
Segment income (loss)	5,572	1,105	6,677	(54)	6,623

(Notes)

1. The adjusted amount of minus 54 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.

2. Information Concerning Changes in Reporting Segments

Beginning in the consolidated first quarter of this fiscal year, in tandem with the reorganization of its business headquarters, Ryosan has revised the classification of its business segments. The reporting segments are changed from the previous Semiconductor Business, Electronic-component Business and Electronic-equipment Business to Device Business and Solution Business.

Segment information regarding the previous consolidated first three quarters is prepared and listed in accordance with the classifications after the change in reporting segments.

Related Information

I. Information Concerning Sales and Income or Loss Amount by Sales Destination

Fiscal year 2020, first three quarters of the fiscal year ended 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)

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

2. Principal countries and regions covered:

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

Other: United States, etc.

Fiscal year 2021, first three quarters of the fiscal year ending March 31, 2022

(April 1, 2021 to December 31, 2021)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	103,853	81,518	8,109	193,481	—	193,481
Internal sales or exchange between segments	17,350	482	31	17,865	(17,865)	—
Total	121,204	82,000	8,141	211,346	(17,865)	193,481
Segment income	2,671	3,440	198	6,311	312	6,623

(Notes)

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

2. Principal countries and regions covered:

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

Other: United States, etc.

II. Information Concerning Sales by Region

Fiscal year 2020, first three quarters of the fiscal year ended 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.

Fiscal year 2021, first three quarters of the fiscal year ending March 31, 2022

(April 1, 2021 to December 31, 2021)

(Millions of yen)

	Japan	China	Asia	Other	Consolidated
Net sales	99,445	51,394	34,016	8,624	193,481
Ratio to consolidated net sales (%)	51.4	26.6	17.6	4.5	100.0

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

(Related to Recognition of Revenue)

The breakdown of revenue from contracts with customers is as listed in “Notes (Segment Information).”