

First Half Consolidated Earnings Report for Fiscal 2013, Ending March 31, 2014 [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 14, 2013		
Scheduled payment date of dividend:	December 3, 2013		
Supplementary materials for the quarterly financial results:	Yes		
Investor conference for the quarterly financial results	Yes (for security analysts and institutional investors)		

(Millions of yen rounded down)

1. Consolidated results for the first half of fiscal 2013 (April 1, 2013 to September 30, 2013)

(1) Consolidated operating results (Cumulative)

(% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First Half, Fiscal 2013	111,092	4.6	2,208	4.2	2,152	(15.2)	1,340	(13.7)
First Half, Fiscal 2012	106,185	(0.8)	2,119	34.6	2,538	21.0	1,552	37.1

(Note) Comprehensive income

First Half, Fiscal 2013: 2,341 million yen (199.5%) First Half, Fiscal 2012: 781 million yen (- %)

	Net income per share	Net income per share after dilution
	Yen	Yen
First Half, Fiscal 2013	42.16	—
First Half, Fiscal 2012	46.40	—

(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, 2013	164,356	116,829	71.1	3,713.10
March 31, 2013	160,220	116,722	72.9	3,595.42

(Reference) Shareholders equity: September 30, 2013: 116,829 million yen, March 31, 2013: 116,722 million yen

2. Dividends

(Record date)	Dividends per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual
Fiscal 2012	—	30.00	—	30.00	60.00
Fiscal 2013	—	30.00	—	—	—
Fiscal 2013 (Forecast)	—	—	—	30.00	60.00

(Note) Revision of dividend forecasts: No

3. Forecast of results for the fiscal year ending March 31, 2014 (April 1, 2013 to March 31, 2014)

(% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Fiscal Year	225,000	8.9	5,000	36.1	5,000	21.6	3,100	10.1	98.00

(Note) Revision of financial results forecasts: Yes

※Notes

- (1) Transfer of major subsidiaries during the scope of consolidation of this quarter (transfer of specified subsidiaries in line with changes in the consolidated range): No
- (2) Applying accounting procedures specific to preparing quarterly financial statements: No
- (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: No
 2. Changes in items of accounting principles other than 1. above: No
 3. Changes in accounting estimate: No
 4. Restatement of revisions: No
- (4) Number of shares issued and outstanding (Common stock)
 1. Total number of shares issued and outstanding (including treasury stock) as of the period-end:

September 30, 2013: 31,500,000 shares	March 31, 2013: 34,500,000 shares
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 2. Total number of treasury stock as of the period-end:

September 30, 2013: 35,878 shares	March 31, 2013: 2,035,794 shares
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 3. Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)

First half, fiscal 2013: 31,802,990 shares	First half, fiscal 2012: 33,464,508 shares
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Indication regarding the implementation status of the quarterly review procedure

This quarterly consolidated earnings report is not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Act. As of the disclosure of this earnings report, the procedures for reviewing quarterly financial statements pursuant to the Financial Instruments and Exchange Act are in progress.

Caution with respect to forward-looking statements:

1. The estimates referred in this report were made based on the information available as of the date of this release. The Company does not promise the realization of the estimates in this report. The Actual results could 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.”

2. We will host Security Analyst and Institutional Investor Conference on Friday, November 15, 2013.

Presentation materials for results briefing for the conference will be posted on the company's homepage promptly after the conference.

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1. Qualitative Information Regarding this Quarterly Statement

(1) Qualitative Information Concerning Consolidated Operating Results

1) Overview

In this consolidated first half period (April 1, 2013 – September 30, 2013), economic growth of the emerging countries including China slowed down, while there were some signs in European economy to show that it had hit the bottom and U.S economy hovered at a steady level. Economy of Japan showed a gradual recovery that was firmly supported by the economy-boosting measures of the Japanese government.

Within this economic environment, the electronics industry continues to follow a recovery trend, including healthy growth in smartphones and car electronics.

Under such circumstances, Ryosan Group has worked on “cultivating businesses to serve as 2nd and 3rd pillars,” “enhancing actions as a technology training company,” “enhancing actions in each business segment” and “further reform of corporate structure” while setting “the pursuit of sustainable growth and sound management” as our basic stance of management for fiscal year 2013.

In this consolidated first half period, net sales increased to 111,092 million yen (up 4.6% from the same period previous year) and operating income increased to 2,208 million yen (up 4.2%), but ordinary income decreased to 2,152 million yen (down 15.2%) and net income decreased to 1,340 million yen (down 13.7%).

2) Business Segment Information

a. Semiconductors

We sell memories, system LSIs and discrete semiconductors, and develop system LSIs. In this consolidated first half period, sales of system LSIs for in-vehicle electrical components and memories for smartphones, etc. increased, with net sales of 74,332 million yen (up 10.8% from the same period previous year) and operating income of 1,364 million yen (up 16.7%).

b. Electronic Components

We sell display devices, power supplies and electromechanical components. In this consolidated first half period, sales of display devices for digital cameras, etc. decreased, with net sales of 25,895 million yen (down 3.7% from the same period previous year) and operating income of 654 million yen (down 0.9%).

c. Electronic Equipment

We sell systems equipment and facilities equipment. In this consolidated first half period, sales of system equipment for in-vehicle electrical components, etc. decreased, with net sales of 8,285 million yen (down 13.9% from the same period previous year) and operating income of 307 million yen (down 8.1%).

d. Ryosan Products

We produce and sell heat sinks (devices that dissipate the heat generated by semiconductors). In this consolidated first half period, sales of heat sinks for white goods, etc. increased, with net sales of 2,579 million (up 0.2% from the same period previous year), but an operating loss of 2 million yen was posted.

(2) 1) Qualitative Information Concerning Consolidated Financial Position

At the end of this first half period, total assets had increased by 4,136 million yen, as compared with the level at the end of the previous fiscal year, and came to 164,356 million yen.

Also, net assets increased by 106 million yen, as compared with the level at the end of the previous fiscal year, and came to 116,829 million yen, with the ratio of net assets to total assets being 71.1%.

2) An Overview of Cash Flows

As of the end of this consolidated first half period, cash and cash equivalent had decreased by 1,011 million yen as compared with the level at the end of the previous consolidated fiscal year, and came to 49,451 million yen.

(An overview of cash flow from operating activities)

Regarding cash flow from operating activities in this consolidated first half period, on the whole there was an increase of funds by 1,391 million yen, thanks to income before income taxes and minority interests of 2,155 million yen and an increase of 2,949 million yen in trade notes and accounts payable, in spite of increases of 882 million yen in trade notes and accounts receivable and of 2,426 million yen in inventories. For a comparison, in the net cash provided by (used in) operating activities of the corresponding quarter of the previous year, there was an increase of funds by 6,260 million yen.

(An overview of cash flow from investing activities)

Regarding cash flow from investing activities in this consolidated first half period, there was a decrease of funds by 203 million yen due mainly to purchase of fixed assets. For a comparison, in the net cash provided by (used in) investing activities of the corresponding quarter of the previous year, there was an increase of funds by 1,491 million yen.

(An overview of cash flow from financing activities)

Regarding cash flow from financing activities in this consolidated first half period, there was a decrease of funds by 2,733 million yen due mainly to purchase of treasury stock of 1,799 million yen and cash dividends paid of 975 million yen. For a comparison, in the net cash provided by (used in) financing activities of the corresponding quarter of the previous year, there was a decrease of funds by 1,249 million yen.

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

Revision of Consolidated Forecast for Fiscal 2013, Ending March 31, 2014 (from April 1, 2013 to March 31, 2014)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	215,000	4,600	4,800	3,000	92.41
Revised forecast (B)	225,000	5,000	5,000	3,100	98.00
Change (B-A)	10,000	400	200	100	—
Change (%)	4.7	8.7	4.2	3.3	—
(Reference)					
Actual results for the fiscal year ended March 31, 2013	206,534	3,673	4,111	2,814	84.40

Because it is expected that sales of system LSIs and memories for smartphones will exceed our initial projection, we have revised our consolidated business forecast for fiscal 2013 to net sales of 225,000 million yen (up 8.9% year-on-year), operating income of 5,000 million yen (up 36.1%), ordinary income of 5,000 million yen (up 21.6%) and net income of 3,100 million yen (up 10.1%). We have not revised dividend forecast associated with this revision of business forecast.

2. Items Regarding Summary Information (Notes)

(1) Transfer of major subsidiaries during the scope of consolidation of this quarter

None

(2) Applying accounting procedures specific to preparing quarterly financial statements

None

(3) Changes in accounting principles, changes in accounting estimates and restatements

None

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2013 (As of March 31, 2013)	First Half of the Fiscal Year Ending March 31, 2014 (As of September 30, 2013)
ASSETS		
Current assets		
Cash and deposits	50,464	46,453
Trade notes and accounts receivable	68,101	70,334
Marketable securities	-	2,999
Inventories	19,088	22,301
Accrued income	1,390	1,127
Deferred tax assets	514	243
Other current assets	243	353
Allowance for doubtful accounts	(106)	(240)
Total current assets	139,696	143,572
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	4,290	4,211
Land	8,121	8,120
Lease assets (net)	333	368
Other fixed assets (net)	526	576
Total property, plant and equipment	13,272	13,277
Intangible fixed assets	1,029	1,052
Investments and other assets		
Investment securities	3,286	3,729
Deferred tax assets	947	966
Other	3,132	2,827
Allowance for doubtful accounts	(1,045)	(1,070)
Allowance for loss on investments	(98)	-
Total investments and other assets	6,222	6,452
Total fixed assets	20,524	20,783
Total assets	160,220	164,356

(Millions of yen)

	Fiscal Year Ended March 31, 2013 (As of March 31, 2013)	First Half of the Fiscal Year Ending March 31, 2014 (As of September 30, 2013)
LIABILITIES		
Current liabilities		
Trade accounts payable	25,261	29,065
Short-term bank loans	12,850	13,600
Lease obligations	138	139
Other payable	841	644
Accrued expenses	1,069	1,149
Accrued income taxes	689	442
Other current liabilities	178	44
Total current liabilities	41,028	45,087
Long-term liabilities		
Lease obligations	242	280
Employees' retirement benefits	2,149	2,086
Other long-term liabilities	76	73
Total long-term liabilities	2,469	2,440
Total liabilities	43,498	47,527
NET ASSETS		
Shareholder's equity		
Common stock	17,690	17,690
Additional paid-in capital	19,114	19,114
Retained earnings	84,590	79,980
Treasury stock	(3,789)	(73)
Total shareholders' equity	117,606	116,712
Other accumulated comprehensive incomes		
Net unrealized gain on other marketable securities	484	974
Gain (loss) on deferred hedges	0	(3)
Foreign currency translation adjustments	(1,368)	(855)
Total other accumulated comprehensive incomes	(883)	116
Total net assets	116,722	116,829
Total liabilities and net assets	160,220	164,356

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Comprehensive Statements of Income

(Consolidated Quarterly Statements of Income)

(Scope of Consolidation of this First Half Period)

(Millions of yen)

	First Half of the Fiscal Year Ended March 31, 2013 (Apr. 1, 2012 to Sep. 30,2012)	First Half of the Fiscal Year Ending March 31, 2014 (Apr. 1, 2013 to Sep. 30, 2013)
Net sales	106,185	111,092
Cost of Sales	97,569	101,992
Gross Profit	8,615	9,100
Selling, general and administrative expenses	6,496	6,892
Operating income	2,119	2,208
Non-operating income		
Interest income	44	19
Dividend income	94	30
Gain on foreign exchange	5	-
Commission fee	277	99
Miscellaneous income	108	89
Total non-operating income	530	238
Non-operating expenses		
Interest expense	92	76
Foreign currency transaction loss	-	209
Miscellaneous expenses	18	9
Total non-operating expenses	111	294
Ordinary income	2,538	2,152
Extraordinary gains		
Gain on sales of noncurrent assets	33	2
Gain on reversal of allowance for doubtful accounts	12	-
Total extraordinary gains	46	2
Extraordinary losses		
Impairment loss	3	-
Loss on valuation of investment securities	35	-
Loss on valuation of golf club membership	1	-
Total extraordinary losses	39	-
Income before income taxes and minority interests	2,544	2,155
Income taxes	991	814
Income before Minority interest in income	1,552	1,340
Net income	1,552	1,340

(Consolidated Quarterly Comprehensive Statements of Income)

(Scope of Consolidation of this First Half Period)

(Millions of yen)

	First Half of the Fiscal Year Ended March 31, 2013 (Apr. 1, 2012 to Sep. 30, 2012)	First Half of the Fiscal Year Ending March 31, 2014 (Apr. 1, 2013 to Sep. 30, 2013)
Income before Minority interest in income	1,552	1,340
Other comprehensive income		
Net unrealized gain on other marketable securities	(182)	490
Gain (loss) on deferred hedges	(4)	(3)
Foreign currency translation adjustments	(584)	513
Total other comprehensive income	(771)	1,000
Comprehensive Incomes	781	2,341
(Details)		
Comprehensive incomes relating to shareholders of parental company	781	2,341

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First Half of the Fiscal Year Ended March 31, 2013 (Apr. 1, 2012 to Sep. 30, 2012)	First Half of the Fiscal Year Ending March 31, 2014 (Apr. 1, 2013 to Sep. 30, 2013)
Operating activities		
Quarterly income before income taxes	2,544	2,155
Depreciation and amortization	307	397
Impairment loss	3	-
Increase (decrease) in allowance for doubtful accounts	(41)	153
Increase (decrease) in provision for retirement benefits	(55)	(94)
Increase (decrease) in allowance for loss on investments	(12)	-
Interest and dividends income	(138)	(50)
Interest expenses	92	76
Loss (gain) on valuation of investment securities	35	-
Loss (gain) on sales of property, plant and equipment	(33)	(2)
Decrease (increase) in notes and accounts receivable-trade	6,928	(882)
Decrease (increase) in inventories	1,476	(2,426)
Increase (decrease) in notes and accounts payable-trade	(5,311)	2,949
Other	857	(66)
Subtotal	6,651	2,206
Interest and dividends income received	144	49
Interest expenses paid	(93)	(69)
Income taxes (paid) refund	(441)	(794)
Net cash provided by (used in) operating activities	6,260	1,391
Investing activities		
Proceeds from withdrawal of time deposits	1,500	-
Purchase of property, plant and equipment	(50)	(110)
Proceeds from sales of property, plant and equipment	73	3
Purchase of intangible assets	(17)	(101)
Payments of loans receivable	(2)	-
Collection of loans receivable	0	0
Proceeds from sales of investments in capital	-	5
Purchase of insurance funds	(111)	-
Proceeds from cancellation of insurance funds	99	-
Net cash provided by (used in) investing activities	1,491	(203)
Financing activities		
Net increase (decrease) in short-term loans payable	(516)	122
Repayments of lease obligations	(63)	(80)
Purchase of treasury stock	(0)	(1,799)
Cash dividends paid	(669)	(975)
Net cash provided by (used in) financing activities	(1,249)	(2,733)
Effect of exchange rate change on cash and cash equivalents	(228)	118
Net increase (decrease) in cash and cash equivalents	6,274	(1,426)
Cash and cash equivalents at the beginning of the period	34,113	50,463
Increase in cash and cash equivalents from newly consolidated subsidiary	-	415
Cash and cash equivalents at the end of the period	40,387	49,451

(4) Notes Regarding Consolidated Quarterly Financial Statements

(Notes Regarding Going Concern)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

I. For the consolidated first half period of the fiscal year ended March 31, 2013
(April 1, 2012 to September 30, 2012)

1. Overview of our Reporting Segments

Information Concerning Sales and Income or Loss Amount by Reporting Segment

(Millions of yen)

	Reportable Segment					Adjusted amount (Note) 1	Consolidated quarterly income statement amount (Note) 2
	Semi-conductors	Electronic components	Electronic equipment	Ryosan products	Total		
Sales and operating income							
Sales:							
Sales to external Customers	67,106	26,884	9,620	2,573	106,185	—	106,185
Internal sales between segments, or exchange	—	—	—	—	—	—	—
Total	67,106	26,884	9,620	2,573	106,185	—	106,185
Segment income	1,169	660	334	39	2,202	(83)	2,119

(Notes)

1. The adjustment of -83 million yen to segment income represents corporate expenses that are not allocated to each reportable segment.
2. Segment income has been adjusted with operating income in consolidated quarterly statements of income.

II. For the consolidated first half period of the fiscal year ending March 31, 2014
(April 1, 2013 to September 30, 2013)

Information Concerning Sales and Income or Loss Amount by Reporting Segment

(Millions of yen)

	Reportable Segment					Adjusted amount (Note) 1	Consolidated quarterly income statement amount (Note) 2
	Semi-conductors	Electronic components	Electronic equipment	Ryosan products	Total		
Sales and operating income							
Sales:							
Sales to external Customers	74,332	25,895	8,285	2,579	111,092	—	111,092
Internal sales between segments, or exchange	—	—	—	—	—	—	—
Total	74,332	25,895	8,285	2,579	111,092	—	111,092
Segment income (loss)	1,364	654	307	(2)	2,323	(115)	2,208

(Notes)

1. The adjustment of -115 million yen to segment income represents corporate expenses that are not allocated to each reportable segment.
2. Segment income has been adjusted with operating income in consolidated quarterly statements of income.

III. Beginning from the current first quarter consolidated accounting period, we revised the allocation method for company-wide expenses, etc. A portion of company-wide expenses, etc. for which allocation was previously not possible are now allocated to each reporting segment according to applicable allocation standards. Segment information for the previous consolidated cumulative first half period shows numbers which were calculated based on the allocation method for company-wide expenses, etc. after the change described above.

4. Supplementary Information

(1) Geographical Segment Information

Fiscal 2012, first half period of the fiscal year ended March 31, 2013
(April 1, 2012 to September 30, 2012)

(Millions of yen)

	Japan	Asia	Total	Eliminations or corporate	Consolidated
I Sales and operating income					
Sales:					
(1) Sales to external Customers	72,137	34,047	106,185	—	106,185
(2) Internal sales between segments, or exchange	2,731	236	2,967	(2,967)	—
Total	74,869	34,283	109,152	(2,967)	106,185
Segment income	964	1,042	2,006	112	2,119

Notes:

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

2. Principal countries and regions:

Asia: Hong Kong, China, Thailand, Korea and others

Fiscal 2013, first half period of the fiscal year ending March 31, 2014
(April 1, 2013 to September 30, 2013)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
I Sales and operating income						
Sales:						
(1) Sales to external Customers	66,680	41,161	3,250	111,092	—	111,092
(2) Internal sales between segments, or exchange	4,257	261	0	4,520	(4,520)	—
Total	70,938	41,422	3,251	115,613	(4,520)	111,092
Segment income	484	1,275	111	1,871	337	2,208

Notes:

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

2. Principal countries and regions:

Asia: Hong Kong, China, Thailand, Korea and others

Other: United States and others

(2) Overseas Sales

Fiscal 2012, first half period of the fiscal year ended March 31, 2013
(April 1, 2012 to September 30, 2012)

(Millions of yen)

	Asia	Total
Overseas sales	37,411	37,411
Consolidated net sales	—	106,185
Ratio of overseas sales to consolidated net sales (%)	35.2	35.2

Notes:

1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal countries and regions:
Asia: China, Hong Kong, Thailand, Korea and others
3. Overseas sales represent the total of export sales of the parent company and sales of its consolidated subsidiaries outside Japan (excluding intra-group sales).

Fiscal 2013, first half period of the fiscal year ending March 31, 2014
(April 1, 2013 to September 30, 2013)

(Millions of yen)

	Asia	Other	Total
Overseas sales	47,753	3,852	51,606
Consolidated net sales	—	—	111,092
Ratio of overseas sales to consolidated net sales (%)	43.0	3.5	46.5

Notes:

1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal countries and regions:
Asia: China, Korea, Hong Kong, Thailand and others
Other: United States and others
3. Overseas sales represent the total of export sales of the parent company and sales of its consolidated subsidiaries outside Japan (excluding intra-group sales).