

First Half Consolidated Earnings Report for Fiscal 2011, Ending March 31, 2012 [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, 2011		
Scheduled payment date of dividend:	December 1, 2011		
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 2011 (April 1, 2011 to September 30, 2011)

(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 2011	106,987	0.4	1,574	(55.9)	2,097	(47.2)	1,132	(55.4)
First half, Fiscal 2010	106,543	21.6	3,567	131.4	3,970	111.9	2,541	174.9

(Note) Comprehensive income

First half, Fiscal 2011: -1 million yen (-%) First half, Fiscal 2010: 1,354 million yen (- %)

	Net income per share	Net income per share after dilution
	Yen	Yen
First half, Fiscal 2011	32.94	—
First half, Fiscal 2010	73.74	—

(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, 2011	161,308	115,439	71.5	3,400.78
March 31, 2011	163,479	117,780	72.0	3,413.87

(Reference) Shareholders equity:

September 30, 2011: 115,338 million yen, March 31, 2011: 117,660 million yen

2. Dividends

(Record date)	Dividends per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual
Fiscal 2010	—	40.00	—	40.00	80.00
Fiscal 2011	—	20.00	—	—	—
Fiscal 2011 (Forecast)	—	—	—	40.00	60.00

(Note) Revision of dividend forecasts: No

3. Forecast of results for the fiscal year ending March 31, 2012 (April 1, 2011 to March 31, 2012)

(% 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	230,000	6.4	3,500	(42.4)	4,200	(39.0)	2,500	(39.5)	72.54

(Note) Revision of financial results forecasts: No

4. Other

- (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) Restatement of changes in accounting principles/changes and revisions in accounting estimate
 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, 2011: 34,500,000 shares	March 31, 2011: 34,500,000 shares
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 2. Total number of treasury stock as of the period-end:

September 30, 2011: 584,823 shares	March 31, 2011: 34,704 shares
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 3. Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)

First half fiscal, 2011: 34,393,386 shares	First half fiscal, 2010: 34,465,885 shares
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Indication regarding the implementation status of the quarterly review procedure

Earnings report for this first half is not the subject of a quarterly review procedure based on the Financial Instruments and Exchange Act, and at the point in time when these earnings report was disclosed, review procedures for quarterly financial statements based on the Financial Instruments and Exchange Act had not been completed.

Caution with respect to forward-looking statements:

The estimates referred in this report were made based on the information available as of the date of this release. 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, “(3) Qualitative information and Other Matters Concerning Consolidated Forecasts for the Fiscal Year Ending March 31, 2012”.

○Table of contents of the appendix

1. Qualitative Information Regarding this Quarterly Statement.....	2
(1) Qualitative Information and Other Matters Concerning Consolidated Operating Results for the First Half of Fiscal 2011.....	2
(2) Qualitative Information and Other Matters Concerning Consolidated Financial Position for the End of the First Half of Fiscal 2011.....	3
(3) Qualitative Information and Other Matters Concerning Consolidated Forecasts for the Fiscal Year Ending March 31, 2012.....	4
2. Items Regarding Summary Information (Others).....	4
(1) Transfer of Major Subsidiaries during the Scope of Consolidation of this Quarter	4
(2) Applying Accounting Procedures Specific to Preparing Quarterly Financial Statements.....	4
(3) Restatement of Changes in Accounting Principles/Changes and Revisions in Accounting Estimate.....	4
3. Consolidated Quarterly Financial Statements	5
(1) Consolidated Quarterly Balance Sheets	5
(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.....	7
Consolidated Quarterly Comprehensive Statements of Income	
Scope of Consolidation of this first half period.....	8
(3) Consolidated Quarterly Statements of cash flows.....	9
(4) Notes Regarding Going Concern	10
(5) Segment Information	10
(6) Notes Regarding Substantial Changes in Shareholders' Equity.....	10
4. Supplementary Information.....	11
(1) Geographical Segment Information	11
(2) Overseas Sales	11

1. Qualitative Information Regarding this Quarterly Statement

(1) Qualitative Information and Other Matters Concerning Consolidated Operating Results for the First Half of Fiscal 2011

1) Overview

The global economy in the first half period (April 1-September 30, 2011), although there was steady growth in the economies of emerging countries such as China, as the feeling that European economy is plagued with stagnation grew, economic growth of all countries fell into disarray, leaving the future even more uncertain. On the other hand, the electronics industry, in which we are engaged, showed comparatively robust results due to the expansion of new product groups such as smartphones and tablet PCs and the steady movement of the FA market in addition to market expansion in emerging countries.

To increase sales under such circumstances, the Ryosan Group has powerfully promoted the main directions we have set for our progress, that is, “strengthening our approach to developing countries with rapid growth (China and India)”, “strengthening our business with globalizing Japanese customers” and “strengthening our presence in growth fields (car electronics, social infrastructure, etc.)”, and has also strived towards “improving profitability.” As a result of the above, although there has been a temporary decrease of production due to the Great East Japan Earthquake, as the contribution made by the expansion of commercial rights of the Renesas Electronics business was quite substantial, the Ryosan Group reported increases in revenues and decreases in earnings, with net sales of 106,987 million yen (up 0.4% from the same period previous year). At the same time, in terms of income, operating income came to 1,574 million yen (down 55.9%), ordinary income to 2,097 million yen (down 47.2%) and net income to 1,132 million yen (down 55.4%) for results of the first half period under review due to the increase in business costs that were required in order to strengthen the Renesas Electronics business during its initial phase.

2) Business Segment Information

a. Semiconductors

We sell memories, system LSIs and discrete semiconductors, and develop system LSIs. In this first half period, sales of system LSIs for in-vehicle electrical components, etc. increased, with net sales of 64,914 million yen (up 5.1% from the same period previous year), but operating income came to 1,114 million yen (down 58.8%).

b. Electronic Components

We sell display devices, power supplies and electromechanical components. In this first half period, sales of electromechanical components for game console, etc. decreased, with net sales of 27,848 million yen (down 7.6% from the same period previous year) and operating income of 1,092 million yen (down 14.3%).

c. Electronic Equipment

We sell systems equipment and facilities equipment. In this first half period, sales of system equipment for in-vehicle electrical components, etc. decreased, with net sales of 11,155 million yen (down 2.1% from the same period previous year) and operating income of 289 million yen (down 21.5%).

d. Ryosan Products

We produce and sell heat sinks (devices that dissipate the heat generated by semiconductors). In this first half period, sales of heat sinks for flat screen TVs etc. decreased, with net sales of 3,070 million yen (down 6.1% from the same period previous year) and operating income of 196 million yen (down 32.9%).

(2) Qualitative Information and Other Matters Concerning Consolidated Financial Position for the End of the First Half of Fiscal 2011

1) An Overview of Financial Position

At the end of this first half period, total assets had decreased by 2,170 million yen, as compared with the level at the end of the previous fiscal year, and came to 161,308 million yen.

Also, net assets decreased by 2,341 million yen, as compared with the level at the end of the previous fiscal year, and came to 115,439 million yen, with the ratio of net assets to total assets being 71.5%.

2) An Overview of Cash Flows

As of the end of this consolidated first half period, cash and cash equivalent had decreased by 5,055 million yen as compared with the level at the end of the previous consolidated fiscal year, and came to 38,183 million yen.

(Cash flow from operating activities)

Regarding cash flow from operating activities in this consolidated first half period, on the whole there was a decrease of funds of 4,712 million yen, since although the quarterly net income before tax and other adjustments was 1,940 million yen, there has also been an increase of 3,416 million yen in note and account receivable, and an increase of 3,236 million yen in inventories, etc. For a comparison, in the net cash provided by (used in) operating activities of the corresponding quarter of the previous year, there was a decrease of funds by 4,869 million yen.

(Cash flow from investing activities)

Regarding cash flow from investing activities in this consolidated first half period, there was a decrease of funds by 382 million yen due to purchases of intangible assets, etc. For a comparison, in the net cash provided by (used in) investment activities of the corresponding quarter of the previous year, there was a decrease of funds by 106 million yen.

(Cash flow from financing activities)

Regarding cash flow from financial activities in this consolidated first half period, there was an increase of funds by 407 million yen, although there was a payment dividend of 1,378 million yen and a purchase of treasury stock of 955 million yen, etc. made, there was also an increase of the short-term loans payable by 2,798 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 an increase of funds by 1,494 million yen.

(3) Qualitative Information and Other Matters Concerning Consolidated Forecasts for the Fiscal Year Ending March 31, 2012

1) Overall Business Performance Forecast

Looking ahead, the uncertainty surrounding the global economy will most probably further increase due to the slowdown of the pace of economic recovery in the developed countries, aggravation of fiscal problems, etc., while the currently increasing damages inflicted by the flood in Thailand are expected to affect many industries. Against the backdrop of this forecast operating environment, Ryosan Group will continue to promote and pursue two key initiatives: "Construction of a management structure strong enough to survive in the global age" and "Exploitation of emerging markets to support future growth."

Although at the present point no modifications have been made to the consolidated earnings forecast for the term ending March, 2012 that was announced on June 14, 2011, Ryosan Group shall analyze the future trends in business results in the view of various aspects including the impact of the flood in Thailand on our company group, and announce them promptly as needed.

2. Items Regarding Summary Information (Others)

(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) Restatement of changes in accounting principles/changes and revisions in accounting estimate

None

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2011 (As of March 31, 2011)	First Half of the Fiscal Year Ending March 31, 2012 (As of September 30, 2011)
ASSETS		
Current assets		
Cash and deposits	43,240	38,185
Trade notes and accounts receivable	68,709	70,962
Inventories	22,963	25,589
Accrued income	4,483	2,994
Deferred tax assets	400	374
Other current assets	288	173
Allowance for doubtful accounts	(63)	(76)
Total current assets	140,021	138,202
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	4,645	4,543
Land	8,126	8,121
Lease assets (net)	255	214
Other fixed assets (net)	654	587
Total property, plant and equipment	13,682	13,466
Intangible fixed assets	701	826
Investments and other assets		
Investment securities	3,156	2,858
Long-term deposits	3,000	3,000
Deferred tax assets	1,571	1,656
Other	2,447	2,353
Allowance for doubtful accounts	(975)	(902)
Allowance for loss on investments	(127)	(152)
Total Investments and other assets	9,072	8,813
Total fixed assets	23,457	23,105
Total assets	163,479	161,308

(Millions of yen)

	Fiscal Year Ended March 31, 2011 (As of March 31, 2011)	First Half of the Fiscal Year Ending March 31, 2012 (As of September 30, 2011)
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	31,219	29,528
Short-term bank loans	7,621	9,721
Lease obligations	116	108
Accrued expenses	995	1,039
Accrued income taxes	1,402	678
Other current liabilities	1,745	2,213
Total current liabilities	43,100	43,290
Long-term liabilities		
Lease obligations	194	152
Employees' retirement benefits	2,327	2,351
Other long-term liabilities	76	75
Total long-term liabilities	2,597	2,578
Total liabilities	45,698	45,869
NET ASSETS		
Shareholder's equity		
Common stock	17,690	17,690
Additional paid-in capital	19,114	19,114
Retained earnings	83,606	83,360
Treasury stock	(85)	(1,040)
Total shareholders' equity	120,325	119,124
Other accumulated comprehensive incomes		
Net unrealized gain on other marketable securities	295	161
Gain (loss) on deferred hedges	(6)	(9)
Foreign currency translation adjustments	(2,954)	(3,939)
Total other accumulated comprehensive incomes	(2,665)	(3,786)
Minority interests	120	101
Total net assets	117,780	115,439
Total liabilities and net assets	163,479	161,308

(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, 2011 (Apr. 1, 2010 to Sep. 30, 2010)	First Half of the Fiscal Year Ending March 31, 2012 (Apr. 1, 2011 to Sep. 30, 2011)
Net sales	106,543	106,987
Cost of Sales	96,548	98,724
Gross Profit	9,994	8,262
Selling, general and administrative expenses	6,427	6,688
Operating income	3,567	1,574
Non-operating income		
Interest income	56	46
Dividend income	135	136
Gain on foreign exchange	116	36
Commission fee	—	276
Miscellaneous income	134	118
Total non-operating income	443	613
Non-operating expenses		
Interest expense	33	80
Miscellaneous expenses	6	10
Total non-operating expenses	40	90
Ordinary income	3,970	2,097
Extraordinary gains		
Gain on sales of noncurrent assets	0	0
Gain on reversal of allowance for doubtful accounts	157	—
Total extraordinary gains	157	0
Extraordinary losses		
Loss on sales and disposal of property, plant and equipment	3	2
Loss on valuation of investment securities	—	129
Provision of allowance for investment loss	23	25
Total extraordinary losses	27	157
Income before income taxes and minority interests	4,100	1,940
Income taxes	1,556	805
Income before Minority interest in income	2,543	1,134
Minority interests in income	2	1
Net income	2,541	1,132

(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, 2012 (Apr. 1, 2010 to Sep. 30, 2010)	First Half of the Fiscal Year Ending March 31, 2012 (Apr. 1, 2011 to Sep. 30, 2011)
Income before Minority interest in income	2,543	1,134
Other comprehensive income		
Net unrealized gain on other marketable securities	(307)	(134)
Gain (loss) on deferred hedges	(53)	(2)
Foreign currency translation adjustments	(829)	(999)
Total other comprehensive income	(1,189)	(1,135)
Comprehensive Incomes	1,354	(1)
(Details)		
Comprehensive incomes relating to shareholders of parental company	1,356	11
Comprehensive incomes relating to minority shareholders	(2)	(12)

(3) Consolidated Quarterly Statements of cash flows

(Millions of yen)

	First Half of the Fiscal Year Ended March 31, 2012 (Apr. 1, 2010 to Sep. 30, 2010)	First Half of the Fiscal Year Ending March 31, 2012 (Apr. 1, 2011 to Sep. 30, 2011)
Operating activities		
Quarterly Income before income taxes	4,100	1,940
Depreciation and amortization	387	337
Increase (decrease) in allowance for doubtful accounts	(158)	(52)
Increase (decrease) in provision for retirement benefits)	59	30
Interest and dividends income	(191)	(182)
Interest expenses	33	80
Loss (gain) on sales of investment securities	—	129
Loss (gain) on sales of property, plant and equipment	3	2
Decrease (increase) in notes and accounts receivable-trade	(611)	(3,416)
Decrease (increase) in inventories	(3,740)	(3,236)
Increase (decrease) in notes and accounts payable-trade	(2,998)	(942)
Other	(703)	1,960
Subtotal	(3,819)	(3,351)
Interest and dividends income received	195	183
Interest expenses paid	(33)	(77)
Income taxes (paid) refund	(1,211)	(1,466)
Net cash provided by (used in) operating activities	(4,869)	(4,712)
Investing activities		
Payments into time deposits	—	(0)
Purchase of property, plant and equipment	(95)	(105)
Proceeds from sales of property, plant and equipment	0	0
Purchase of intangible assets	(11)	(219)
Purchase of investment securities	—	(57)
Payments of loans receivable	(0)	(1)
Collection of loans receivable	1	1
Net cash provided by (used in) investment activities	(106)	(382)
Financing activities		
Net increase (decrease) in short-term loans payable	2,944	2,798
Repayments of lease obligations	(68)	(50)
Purchase of treasury stock	(0)	(955)
Cash dividends paid	(1,378)	(1,378)
Cash dividends paid to minority shareholders	(2)	(6)
Net cash provided by (used in) financing activities	1,494	407
Effect of exchange rate change on cash and cash equivalents	(311)	(368)
Net increase (decrease) in cash and cash equivalents	(3,792)	(5,055)
Cash and cash equivalents at the beginning of the period	50,458	43,239
Increase in cash and cash equivalents from newly consolidated subsidiary	414	—
Cash and cash equivalents at the end of the period	47,080	38,183

(4) Notes Regarding Going Concern

Not applicable.

(5) Segment Information

I. For the first half period of the fiscal year ended March 31, 2011
(April 1, 2010 to September 30, 2010)

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	61,743	30,138	11,391	3,269	106,543	—	106,543
Internal sales between segments, or exchange	—	—	—	—	—	—	—
Total	61,743	30,138	11,391	3,269	106,543	—	106,543
Segment income (loss)	2,709	1,274	368	293	4,646	(1,079)	3,567

(Notes)

1. The adjustment of -1,079 million yen to segment earnings 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 first half period of the fiscal year ending March 31, 2012

(April 1, 2011 to September 30, 2011)

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	64,914	27,848	11,155	3,070	106,987	—	106,987
Internal sales between segments, or exchange	—	—	—	—	—	—	—
Total	64,914	27,848	11,155	3,070	106,987	—	106,987
Segment income (loss)	1,114	1,092	289	196	2,693	(1,119)	1,574

(Notes)

1. The adjustment of -1,119 million yen to segment earnings 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.

(5) Notes Regarding Substantial Changes in Shareholders' Equity

Not applicable.

4. Supplementary Information

(1) Geographical Segment Information

Fiscal 2010, first half period of the fiscal year ended March 31, 2011
(April 1, 2010 to September 30, 2010)

(Millions of yen)

	Japan	Asia	Total	Eliminations or corporate	Consolidated
I Sales and operating income					
Sales:					
(1) Sales to external Customers	74,704	31,838	106,543	—	106,543
(2) Internal sales between segments, or exchange	6,846	156	7,003	(7,003)	—
Total	81,550	31,995	113,546	(7,003)	106,543
Operating income	2,527	954	3,482	85	3,567

Notes:

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions:
Asia : Hong Kong, China, Taiwan, Thailand , Singapore and others

Fiscal 2011, first half period of the fiscal year ending March 31, 2012
(April 1, 2011 to September 30, 2011)

(Millions of yen)

	Japan	Asia	Total	Eliminations or corporate	Consolidated
I Sales and operating income					
Sales:					
(1) Sales to external Customers	74,133	32,854	106,987	—	106,987
(2) Internal sales between segments, or exchange	4,476	372	4,848	(4,848)	—
Total	78,609	33,226	111,835	(4,848)	106,987
Operating income	930	520	1,451	122	1,574

Notes:

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions:
Asia : Hong Kong, China, Taiwan, Thailand , Singapore and others

(2) Overseas Sales

Fiscal 2010, first half period of the fiscal year ended March 31, 2011
(April 1, 2010 to September 30, 2010)

(Millions of yen)

	Asia	Total
Overseas sales	37,215	37,215
Consolidated net sales	—	106,543
Ratio of overseas sales to consolidated net sales (%)	34.9	34.9

Notes:

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions:
Asia: China, Hong Kong, Korea, and Thailand and others
- 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 2011, first half period of the fiscal year ending March 31, 2012
(April 1, 2011 to September 30, 2011)

(Millions of yen)

	Asia	Total
Overseas sales	35,070	35,070
Consolidated net sales	—	106,987
Ratio of overseas sales to consolidated net sales (%)	32.8	32.8

Notes:

1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal countries and regions:
Asia: China, Hong Kong, Korea, and Thailand 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).