

February 3, 2012

Third Quarter 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	February 13, 2012
Scheduled payment date of dividend:	—
Supplementary materials for the quarterly financial results:	No
Investor conference for the quarterly financial results	No

(Millions of yen rounded down)

1. Consolidated results for the first three quarters of fiscal 2011 (April 1, 2011 to December 31, 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 Three Quarters, Fiscal 2011	160,119	1.5	2,411	(49.9)	3,177	(40.9)	1,429	(56.7)
First Three Quarters, Fiscal 2010	157,684	11.9	4,815	49.3	5,376	47.4	3,301	72.7

(Note) Comprehensive income

First Three Quarters, Fiscal 2011: 408 million yen (-79.9%) First Three Quarters, Fiscal 2010: 2,030 million yen (- %)

	Net income per share	Net income per share after dilution
	Yen	Yen
First Three Quarters, Fiscal 2011	41.87	—
First Three Quarters, Fiscal 2010	95.79	—

(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, 2011	160,975	114,405	71.0	3,415.59
March 31, 2011	163,479	117,780	72.0	3,413.87

(Reference) Shareholders equity: December 31, 2011: 114,301 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:

December 31, 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:

December 31, 2011: 1,035,279 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 three quarters fiscal 2011: 34,153,234 shares	First three quarters fiscal 2010: 34,465,799 shares
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Indication regarding the implementation status of the quarterly review procedure

Earnings report for this first three quarters 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”.

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1. Qualitative Information Regarding this Quarterly Statement

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

1) Overview

The global economy in the third quarter (April 1 – December 31, 2011) remained in the balance due to slowing of strong economic growth in emerging countries such as China in addition to the financial crisis in Europe. Moreover, the electronics industry, in which we are engaged, experienced difficult conditions due to a worldwide decline in demand for semiconductors and electronic components and a slowdown in production activities triggered by the flooding in Thailand.

To increase sales under these circumstances, the Ryosan Group has powerfully promoted growth strategies with our Eighth Medium-Term Management Plan; “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.)”, which helps move us forward towards “improving profitability.”

As a result of the above, as with the contribution made by the expansion of commercial rights of the Renesas Electronics business being quite substantial, the Ryosan Group reported an increase in revenues and a decrease in earnings for results of the third quarter under review, with net sales of 160,119 million yen (up 1.5% from the same period in the previous year). At the same time operating income came to 2,411 million yen (down 49.9%), ordinary income was 3,177 million yen (down 40.9%) due to the increase in business costs that were required in order to strengthen the above Renesas Electronics business. Net income was 1,429 million yen (down 56.7%) due to an increase in tax expense resulting from disposal of differed tax asset, accompanied by the corporate tax reforms.

2) Business Segment Information

a. Semiconductors

We sell memories, system LSIs and discrete semiconductors, and develop system LSIs. In this consolidated first three quarters, sales of system LSIs for in-vehicle electrical components, etc. increased, with net sales of 96,970 million yen (up 7.9% from the same period previous year), but operating income came to 1,669 million yen (down 51.8%).

b. Electronic Components

We sell display devices, power supplies and electromechanical components. In this consolidated first three quarters, sales of electromechanical components for game console, etc. decreased, with net sales of 41,687 million yen (down 7.3% from the same period previous year) and operating income of 1,502 million yen (down 19.7%).

c. Electronic Equipment

We sell systems equipment and facilities equipment. In this consolidated first three quarters, sales of system equipment for in-vehicle electrical components, etc. decreased, with net sales of 17,260 million yen (down 3.8% from the same period previous year) and operating income of 507 million yen (down 13.5%).

d. Ryosan Products

We produce and sell heat sinks (devices that dissipate the heat generated by semiconductors). In this consolidated first three quarters, sales of heat sinks for flat screen TVs etc. decreased, with net sales of 4,201 million yen (down 14.2% from the same period previous year) and operating income of 210 million yen (down 51.8%).

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

At the end of this first three quarters, total assets had decreased by 2,503 million yen, as compared with the level at the end of the previous fiscal year, and came to 160,975 million yen.

Also, net assets decreased by 3,375 million yen, as compared with the level at the end of the previous fiscal year,

and came to 114,405 million yen, with the ratio of net assets to total assets being 71.0%.

(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 financial crisis in Europe and the prolonged appreciation of the yen. Against the backdrop of this forecasted operating environment, the Ryosan Group will continue to promote and pursue two key initiatives of our Eighth Medium-Term Management Plan: "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 our consolidated earnings forecast for the term ending March, 2012 that was announced on June 14, 2011, Ryosan Group is currently analyzing the effects on our consolidated earnings which may have been caused by the recent economic trends and the flooding in the Thailand, and we will announce them promptly as need.

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)	Third Quarter of the Fiscal Year Ending March 31, 2012 (As of December 31, 2011)
ASSETS		
Current assets		
Cash and deposits	43,240	29,252
Trade notes and accounts receivable	68,709	76,944
Inventories	22,963	27,829
Accrued income	4,483	3,618
Deferred tax assets	400	158
Other current assets	288	419
Allowance for doubtful accounts	(63)	(97)
Total current assets	140,021	138,124
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	4,645	4,487
Land	8,126	8,118
Lease assets (net)	255	197
Other fixed assets (net)	654	540
Total property, plant and equipment	13,682	13,343
Intangible fixed assets	701	836
Investments and other assets		
Investment securities	3,156	2,770
Long-term deposits	3,000	3,000
Deferred tax assets	1,571	1,358
Other	2,447	2,601
Allowance for doubtful accounts	(975)	(911)
Allowance for loss on investments	(127)	(148)
Total Investments and other assets	9,072	8,671
Total fixed assets	23,457	22,850
Total assets	163,479	160,975

(Millions of yen)

	Fiscal Year Ended March 31, 2011 (As of March 31, 2011)	Third Quarter of the Fiscal Year Ending March 31, 2012 (As of December 31, 2011)
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	31,219	30,206
Short-term bank loans	7,621	10,768
Lease obligations	116	105
Accrued expenses	995	537
Accrued income taxes	1,402	137
Reserve for bonuses	—	346
Other current liabilities	1,745	1,970
Total current liabilities	43,100	44,072
Long-term liabilities		
Lease obligations	194	134
Employees' retirement benefits	2,327	2,289
Other long-term liabilities	76	74
Total long-term liabilities	2,597	2,498
Total liabilities	45,698	46,570
NET ASSETS		
Shareholder's equity		
Common stock	17,690	17,690
Additional paid-in capital	19,114	19,114
Retained earnings	83,606	82,979
Treasury stock	(85)	(1,805)
Total shareholders' equity	120,325	117,978
Other accumulated comprehensive incomes		
Net unrealized gain on other marketable securities	295	124
Gain (loss) on deferred hedges	(6)	(3)
Foreign currency translation adjustments	(2,954)	(3,797)
Total other accumulated comprehensive incomes	(2,665)	(3,676)
Minority interests	120	103
Total net assets	117,780	114,405
Total liabilities and net assets	163,479	160,975

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

(Consolidated Quarterly Statements of Income)

(Scope of Consolidation of this First Three Quarters)

(Millions of yen)

	First Three Quarters of the Fiscal Year Ended March 31, 2011 (Apr. 1, 2010 to Dec. 31, 2010)	First Three Quarters of the Fiscal Year Ending March 31, 2012 (Apr. 1, 2011 to Dec. 31, 2011)
Net sales	157,684	160,119
Cost of Sales	143,389	147,758
Gross Profit	14,295	12,361
Selling, general and administrative expenses	9,479	9,949
Operating income	4,815	2,411
Non-operating income		
Interest income	80	68
Dividend income	149	147
Gain on foreign exchange	202	103
Commission fee	—	412
Miscellaneous income	195	173
Total non-operating income	628	904
Non-operating expenses		
Interest expense	57	125
Miscellaneous expenses	9	14
Total non-operating expenses	67	139
Ordinary income	5,376	3,177
Extraordinary gains		
Gain on sales of noncurrent assets	1	0
Gain on reversal of allowance for doubtful accounts	175	—
Total extraordinary gains	176	0
Extraordinary losses		
Loss on sales and disposal of property, plant and equipment	6	4
Loss on valuation of investment securities	—	138
Provision of allowance for investment loss	23	20
Total extraordinary losses	29	164
Income before income taxes and minority interests	5,523	3,013
Income taxes	2,217	1,581
Income before Minority interest in income	3,305	1,432
Minority interests in income	4	2
Net income	3,301	1,429

(Consolidated Quarterly Comprehensive Statements of Income)

(Scope of Consolidation of this First Three Quarters)

(Millions of yen)

	First Three Quarters of the Fiscal Year Ended March 31, 2011 (Apr. 1, 2010 to Dec. 31, 2010)	First Three Quarters of the Fiscal Year Ending March 31, 2012 (Apr. 1, 2011 to Dec. 31, 2011)
Income before Minority interest in income	3,305	1,432
Other comprehensive income		
Net unrealized gain on other marketable securities	(141)	(170)
Gain (loss) on deferred hedges	(18)	2
Foreign currency translation adjustments	(1,115)	(855)
Total other comprehensive income	(1,275)	(1,023)
Comprehensive Incomes	2,030	408
(Details)		
Comprehensive incomes relating to shareholders of parental company	2,035	418
Comprehensive incomes relating to minority shareholders	(4)	(9)

(3) Notes Regarding Going Concern

Not applicable.

(4) Segment Information

I. For the consolidated first three quarters of the fiscal year ended March 31, 2011
(April 1, 2010 to December 31, 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	89,859	44,991	17,937	4,895	157,684	—	157,684
Internal sales between segments, or exchange	—	—	—	—	—	—	—
Total	89,859	44,991	17,937	4,895	157,684	—	157,684
Segment income (loss)	3,462	1,871	586	435	6,355	(1,540)	4,815

(Notes)

1. The adjustment of -1,540 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 consolidated first three quarters of the fiscal year ending March 31, 2012

(April 1, 2011 to December 31, 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	96,970	41,687	17,260	4,201	160,119	—	160,119
Internal sales between segments, or exchange	—	—	—	—	—	—	—
Total	96,970	41,687	17,260	4,201	160,119	—	160,119
Segment income (loss)	1,669	1,502	507	210	3,890	(1,478)	2,411

(Notes)

1. The adjustment of -1,478 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 three quarters of the fiscal year ended March 31, 2011
(April 1, 2010 to December 31, 2010)

(Millions of yen)

	Japan	Asia	Total	Eliminations or corporate	Consolidated
I Sales and operating income					
Sales:					
(1) Sales to external Customers	110,560	47,124	157,684	—	157,684
(2) Internal sales between segments, or exchange	8,931	311	9,242	(9,242)	—
Total	119,491	47,435	166,927	(9,242)	157,684
Operating income	3,358	1,341	4,700	115	4,815

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 three quarters of the fiscal year ending March 31, 2012
(April 1, 2011 to December 31, 2011)

(Millions of yen)

	Japan	Asia	Total	Eliminations or corporate	Consolidated
I Sales and operating income					
Sales:					
(1) Sales to external Customers	112,261	47,858	160,119	—	160,119
(2) Internal sales between segments, or exchange	5,947	1,119	7,067	(7,067)	—
Total	118,209	48,978	167,187	(7,067)	160,119
Operating income	1,463	718	2,182	229	2,411

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 three quarters of the fiscal year ended March 31, 2011
(April 1, 2010 to December 31, 2010)

(Millions of yen)

	Asia	Total
Overseas sales	54,247	54,247
Consolidated net sales	—	157,684
Ratio of overseas sales to consolidated net sales (%)	34.4	34.4

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).

Fiscal 2011, first three quarters of the fiscal year ending March 31, 2012
(April 1, 2011 to December 31, 2011)

(Millions of yen)

	Asia	Total
Overseas sales	51,330	51,330
Consolidated net sales	—	160,119
Ratio of overseas sales to consolidated net sales (%)	32.1	32.1

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).