

October 29, 2014

First Half Consolidated Earnings Report for Fiscal 2014, Ending March 31, 2015 [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, 2014	
Scheduled payment date of dividend: December 2, 2014	
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 2014 (April 1, 2014 to September 30, 2014)

(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 2014	120,121	8.1	2,596	17.6	2,432	13.0	1,407	5.0
First Half, Fiscal 2013	111,092	4.6	2,208	4.2	2,152	(15.2)	1,340	(13.7)

(Note) Comprehensive income

First Half, Fiscal 2014: 3,190 million yen (36.2%)

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

	Net income per share	Net income per share after dilution
	Yen	Yen
First Half, Fiscal 2014	44.73	—
First Half, Fiscal 2013	42.16	—

(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, 2014	168,564	120,614	71.6	3,833.51
March 31, 2014	169,247	118,729	70.2	3,773.51

(Reference) Shareholders equity:

September 30, 2014: 120,614 million yen

March 31, 2014: 118,729 million yen

2. Dividends

	Dividends per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2013	—	30.00	—	30.00	60.00
Fiscal 2014	—	35.00	—	—	—
Fiscal 2014 (Forecast)	—	—	—	35.00	70.00

(Note) Revision of dividend forecasts: No

3. Forecast of results for the fiscal 2014 (April 1, 2014 to March 31, 2015)

(% 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	229,000	(3.9)	5,400	5.0	5,300	4.9	3,400	5.5	108.06

(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, 2014 (transfer of specified subsidiaries in line with changes in the consolidated range): No

New: — (Company name:) Excluded: — (Company name:)

(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: Yes

2) Changes in items of accounting principles other than 1) above: No

3) Changes in accounting estimates: No

4) Restatements of revisions: No

(4) Number of shares issued and outstanding (common stock)

1. Total number of shares issued and outstanding (including treasury stock) at the period-end

September 30, 2014	31,500,000 shares	Fiscal 2013	31,500,000 shares
September 30, 2014	36,652 shares	Fiscal 2013	36,209 shares
First half, Fiscal 2014	31,463,612 shares	First half, Fiscal 2013	31,802,990 shares

2. Total number of treasury stock at the period-end

3. Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)

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:

(Notes on 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 these Quarterly Statements (3) Qualitative Information Concerning Consolidated Forecast and Other Future Predictions.”

2. We will host Security Analyst and Institutional Investor Conference on Tuesday, November 18, 2014.

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 these Quarterly Statements

(1) Qualitative Information Concerning Consolidated Operating Results

1) Overview

In the global economy in the consolidated first half period (April 1, 2014 to September 30, 2014), moderate economic recovery continued mainly in the United States. Despite sluggish growth, the Asian economy remained robust. Also in Europe, although mild, overall economy showed signs of a comeback. Meanwhile, the Japanese economy experienced a temporary stagnation due to the reaction to the rush of demand caused by the consumption tax hike.

Within this economic environment, the electronics industry recorded a healthy growth in such fields as car electronics and FA.

Under such circumstances, the Ryosan Group pursues changing business model in response to structural changes in our operations, as well as sustainable growth, while setting the pursuit of “innovation” and “growth” as our basic stance of management for fiscal year 2014 being the starting year for our 9th Medium-Term Management Plan (fiscal years 2014 to 2016). To implement this basic stance, we focused on our three basic strategies - Growth Strategies, Segment Strategies, and Infrastructure Strategies.

As the result, the Ryosan Group reported net sales of 120,121 million yen (up 8.1% from the same period last year), operating income of 2,596 million yen (up 17.6%), ordinary income of 2,432 million yen (up 13.0%), and net income of 1,407 million yen (up 5.0%) for results of this consolidated first half.

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 including system LSIs for in-vehicle electrical components and memories for smartphones increased, with net sales of 80,092 million yen (up 7.7% from the same period last year) and operating income of 1,611 million yen (up 18.1%).

b. Electronic Components

We sell display devices, power supplies and electromechanical components. In this consolidated first half period, sales including mechanism parts for in-vehicle electrical equipment increased, with net sales of 30,452 million yen (up 6.9% from the same period last year), and operating income of 699 million yen (up 7.4%).

c. Electronic Equipment

We sell systems equipment and facilities equipment. In this consolidated first half period, sales including electronic component manufacturing devices increased, with net sales of 9,577 million yen (up 15.6% from the same period last year), and operating income of 435 million yen (up 41.7%).

(Note) Effective from this consolidated first half period, the Group has revised its business classification into three segments - "Semiconductors", "Electronic Components", and "Electronic Equipment" - after transferring its heat sink production business to Sankyo Thermotech Co., Ltd., as of September 1, 2014.

(2) 1) Qualitative Information Concerning Consolidated Financial Position

At the end of this second quarter, total assets had decreased by 682 million yen, as compared with the level at the end of the previous fiscal year, and came to 168,564 million yen.

Also, net assets increased by 1,885 million yen, as compared with the level at the end of the previous fiscal year, and came to 120,614 million yen, with the ratio of net assets to total assets being 71.6%.

2) Overview of Cash Flows

As of September 30, 2014, cash and cash equivalents had increased by 4,656 million yen, as compared with the level at the end of the previous fiscal year, and came to 54,568 million yen.

Net cash provided by (used in) operating activities

Regarding cash flow from operating activities in this consolidated first half period, in spite of a 2,802 million yen decrease in notes and accounts payable-trade, there was an overall increase of 6,063 million yen due to a

5,935 million yen decrease in notes and accounts receivable-trade, besides the amount of 2,406 million yen recorded in income before income taxes. For a comparison, in net cash from operating activities in the same period of previous year, funds had increased by 1,391 million yen.

Net cash provided by (used in) investing activities

Regarding cash flow from investing activities in this consolidated first half period, funds increased by 990 million yen due to 1,200 million yen in proceeds from transfer of business, etc. For a comparison, in net cash from investing activities in the same period of previous year, funds had decreased by 203 million yen.

Net cash provided by (used in) financing activities

Regarding cash flow from financing activities in this consolidated first half period, funds decreased by 2,784 million yen due to 1,763 million yen in decrease in short-term loans payable, and 946 million yen in payments of cash dividends, etc. For a comparison, in net cash from financing activities in the same period of previous year, funds had decreased by 2,733 million yen.

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

1) Revision of Consolidated Forecast for Fiscal 2014 (April 1, 2014 to March 31, 2015)

Based on the consolidated operating results of this consolidated first half period ended September 30, 2014, we have changed the forecasts of results for the fiscal year ending March 31, 2015, as follows. Please note that we have not revised dividend forecast associated with this revision of business forecast.

(Consolidated Forecast)

	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)	227,000	5,100	5,300	3,400	108.06
Revised forecast (B)	229,000	5,400	5,300	3,400	108.06
Change (B-A)	2,000	300	0	0	—
Change (%)	0.9	5.9	0.0	0.0	—
(Reference) Actual results for the fiscal year ended March 31, 2014	238,399	5,144	5,052	3,222	101.86

2) Estimates by Business Segment

a. Semiconductors

In this business, we expect a decrease in sales including memories for smartphones. Therefore, we are forecasting an operating income of 3,300 million yen (up 3.0% from the previous year), but net sales of 149,500 million yen (down 7.4%).

b. Electronic Components

In this business, we expect an increase in sales including mechanism parts for in-vehicle electrical equipment and large household appliances. Therefore, we are forecasting net sales of 61,000 million yen (up 2.7% from the previous year), and an operating income of 1,550 million yen (up 9.6%).

c. Electronic Equipment

In this business, we expect an increase in sales including server and color MFPs. Therefore, we are forecasting net sales of 18,500 million yen (up 5.7% from the previous year), and an operating income of 800 million yen (up 12.7%).

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

Changes in Items of Accounting Principles

Implementation of Accounting Standards for Retirement Benefits

We have adopted “Accounting Standards for Retirement Benefits” (Corporate Accounting Standards No. 26 of May 17, 2012, hereinafter referred to as “Retirement Benefits Accounting Standards”) and “Implementation Guidance on Accounting Standard for Retirement Benefits” (Corporate Accounting Standards No. 25 of May 17, 2012, hereinafter referred to as “Implementation Guidance on Retirement Benefits”) from consolidated first quarter under provisions stipulated in the texts of the Section 35 of the Retirement Benefits Accounting Standards and of the Section 67 of the Implementation Guidance on Retirement Benefits: we have revised the accounting method for retirement benefit obligations and service cost, and we have changed our method of attributing projected retirement benefits from a straight-line basis to a benefit formula basis along with changing the method of discount determination to a method that uses single-weighted average discount rate reflecting timing and amounts, either than the discount rate based on the average remaining years of service.

To apply the Retirement Benefits Accounting Standards, we comply with the transitional handling stipulated in the Section 37 of Retirement Benefits Accounting Standards, and effect of changes of accounting method for retirement benefit obligations and service cost, financial effects are added to or subtracted from retained gains, at the beginning of the consolidated first quarter.

As the result, net defined benefit liability increased by 441 million yen, while retained earnings decreased by 284 million yen, as of the beginning of this consolidated first half period. There was only minor impact on operating income, ordinary income and quarterly net income before income taxes during this consolidated first half period.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2014 (As of March 31, 2014)	First Half of the Fiscal Year Ending March 31, 2015 (As of September 30, 2014)
ASSETS		
Current assets		
Cash and deposits	49,913	44,568
Trade notes and accounts receivable	75,153	70,197
Marketable securities	—	9,999
Inventories	21,735	22,794
Accrued income	1,747	628
Deferred tax assets	271	355
Other current assets	213	442
Allowance for doubtful accounts	(126)	(122)
Total current assets	148,906	148,864
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	4,154	3,840
Land	8,121	7,441
Lease assets (net)	327	326
Other fixed assets (net)	567	174
Total property, plant and equipment	13,170	11,783
Intangible fixed assets	1,026	999
Investments and other assets		
Investment securities	4,024	4,909
Deferred tax assets	309	98
Other	1,828	1,988
Allowance for doubtful accounts	(19)	(78)
Total investments and other assets	6,143	6,917
Total fixed assets	20,340	19,699
Total assets	169,247	168,564

(Millions of yen)

	Fiscal Year Ended March 31, 2014 (As of March 31, 2014)	First Half of the Fiscal Year Ending March 31, 2015 (As of September 30, 2014)
LIABILITIES		
Current liabilities		
Trade accounts payable	30,308	27,948
Short-term bank loans	15,647	14,736
Lease obligations	122	125
Other payable	756	637
Accrued expenses	1,199	1,013
Accrued income taxes	220	738
Other current liabilities	47	103
Total current liabilities	48,303	45,303
Long-term liabilities		
Lease obligations	248	240
Net defined benefit liabilities	1,844	2,050
Other long-term liabilities	121	355
Total long-term liabilities	2,213	2,645
Total liabilities	50,517	47,949
NET ASSETS		
Shareholder's equity		
Common stock	17,690	17,690
Additional paid-in capital	19,114	19,114
Retained earnings	80,918	81,022
Treasury stock	(73)	(74)
Total shareholders' equity	117,649	117,752
Other accumulated comprehensive incomes		
Net unrealized gain on other marketable securities	1,184	1,762
Gain (loss) on deferred hedges	3	3
Foreign currency translation adjustments	(220)	999
Remeasurements of defined benefit plans	111	97
Total other accumulated comprehensive incomes	1,079	2,862
Total net assets	118,729	120,614
Total liabilities and net assets	169,247	168,564

(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, 2014 (Apr. 1, 2013 to Sept. 30, 2013)	First Half of the Fiscal Year Ending March 31, 2015 (Apr. 1, 2014 to Sept. 30, 2014)
Net sales	111,092	120,121
Cost of Sales	101,992	110,670
Gross Profit	9,100	9,450
Selling, general and administrative expenses	6,892	6,854
Operating income	2,208	2,596
Non-operating income		
Interest income	19	24
Dividend income	30	33
Commission fee	99	52
Miscellaneous income	89	77
Total non-operating income	238	188
Non-operating expenses		
Interest expenses	76	90
Foreign currency transaction loss	209	244
Miscellaneous expenses	9	18
Total non-operating expenses	294	352
Ordinary income	2,152	2,432
Extraordinary gains		
Gain on sales of noncurrent assets	2	5
Gain on transfer of business	—	53
Total extraordinary gains	2	59
Extraordinary losses		
Impairment loss	—	85
Total extraordinary losses	—	85
Income before income taxes	2,155	2,406
Income taxes	814	998
Income before minority interest	1,340	1,407
Net income	1,340	1,407

(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, 2014 (Apr. 1, 2013 to Sept. 30, 2013)	First Half of the Fiscal Year Ending March 31, 2015 (Apr. 1, 2014 to Sept. 30, 2014)
Income before minority interest	1,340	1,407
Other comprehensive income		
Net unrealized gain on other marketable securities	490	577
Gain (loss) on deferred hedges	(3)	(0)
Foreign currency translation adjustments	513	1,219
Remeasurements of defined benefit plans	—	(14)
Total other comprehensive income	1,000	1,782
Comprehensive Incomes	2,341	3,190
(Details)		
Comprehensive incomes relating to shareholders of parental company	2,341	3,190

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First Half of the Fiscal Year Ended March 31, 2014 (Apr. 1, 2013 to Sept. 30, 2013)	First Half of the Fiscal Year Ending March 31, 2015 (Apr. 1, 2014 to Sept. 30, 2014)
Operating activities		
Income before income taxes	2,155	2,406
Depreciation and amortization	397	328
Impairment loss	—	85
Increase (decrease) in allowance for doubtful accounts	153	48
Increase (decrease) in provision for retirement benefits	(94)	—
Increase (decrease) in net defined benefit liability	—	199
Interest and dividends income	(50)	(57)
Interest expenses	76	90
Loss (gain) on sales of property, plant and equipment	(2)	(5)
Decrease (increase) in notes and accounts receivable-trade	(882)	5,935
Decrease (increase) in inventories	(2,426)	(794)
Increase (decrease) in notes and accounts payable-trade	2,949	(2,802)
Other	(69)	805
Subtotal	2,206	6,238
Interest and dividends income received	49	55
Interest expenses paid	(69)	(90)
Income taxes (paid) refund	(794)	(140)
Net cash provided by (used in) operating activities	1,391	6,063
Investing activities		
Purchase of property, plant and equipment	(110)	(56)
Proceeds from sales of property, plant and equipment	3	6
Purchase of intangible assets	(101)	(33)
Proceeds from transfer of business	—	1,200
Payments for investments in capital	—	(7)
Proceeds from sales of investments in capital	5	—
Payments of loans receivable	—	(1)
Collection of loans receivable	0	0
Purchase of insurance funds	—	(218)
Proceeds from cancellation of insurance funds	—	100
Net cash provided by (used in) investing activities	(203)	990
Financing activities		
Net increase (decrease) in short-term loans payable	122	(1,763)
Repayments of lease obligations	(80)	(73)
Purchase of treasury stock	(1,799)	(0)
Cash dividends paid	(975)	(946)
Net cash provided by (used in) financing activities	(2,733)	(2,784)
Effect of exchange rate change on cash and cash equivalents	118	387
Net increase (decrease) in cash and cash equivalents	(1,426)	4,656
Cash and cash equivalents at the beginning of the period	50,463	49,911
Increase in cash and cash equivalents from newly consolidated subsidiary	415	—
Cash and cash equivalents at the end of the period	49,451	54,568

(4) Notes Regarding Consolidated Quarterly Financial Statements

(Notes Regarding Going Concern)

None

(Notes Regarding Substantial Changes in Shareholders' Equity)

None

(Segment Information)

I. For the consolidated first half of the fiscal year ended March 31, 2014

(April 1, 2013 to September 30, 2013)

Information Concerning Sales and Income or Loss Amount by Reporting Segment

(Millions of yen)

	Reporting Segment				Adjusted amount (Note 1)	Consolidated quarterly income statement amount (Note 2)
	Semiconductors	Electronic Components	Electronic Equipment	Total		
Net sales						
Sales to external customers	74,332	28,474	8,285	111,092	—	111,092
Internal sales or exchange between segments	—	—	—	—	—	—
Total	74,332	28,474	8,285	111,092	—	111,092
Segment income (loss)	1,364	651	307	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 reporting segment. Corporate expenses mainly refer to general and administrative expenses not belonging to any reporting segments.
2. Segment income has been adjusted with operating income in consolidated quarterly statements of income.

II. For the consolidated first half of the fiscal year ending March 31, 2015

(April 1, 2014 to September 30, 2014)

Information Concerning Sales and Income or Loss Amount by Reporting Segment

(Millions of yen)

	Reporting Segment				Adjusted amount (Note 1)	Consolidated quarterly income statement amount (Note 2)
	Semiconductors	Electronic Components	Electronic Equipment	Total		
Net sales						
Sales to external customers	80,092	30,452	9,577	120,121	—	120,121
Internal sales or exchange between segments	—	—	—	—	—	—
Total	80,092	30,452	9,577	120,121		120,121
Segment income (loss)	1,611	699	435	2,746	(150)	2,596

Notes:

1. The adjustment of -150 million yen to segment income represents corporate expenses that are not allocated to each reporting segment. Corporate expenses mainly refer to general and administrative expenses not belonging to any reporting segments.
2. Segment income has been adjusted with operating income in consolidated quarterly statements of income.

III. Notes on changes in reporting segments

Previously, the Group's business was divided into the following four reportable segments - "Semiconductors", "Electronic Components", "Electronic Equipment", and "Ryosan Products". However, effective from this consolidated first half period, the Group has revised its business classification into three segments - "Semiconductors", "Electronic Components", and "Electronic Equipment" - after transferring its heat sink production business to Sankyo Thermotech Co., Ltd., as of September 1, 2014.

In this regard, the segment information for the previous consolidated cumulative first quarter is prepared and disclosed pursuant to the reporting segment classification subsequent to the change described above.

4. Supplementary Information

(1) Geographical Segment Information

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

(Millions of yen)

	Japan	Asia	Other countries	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Sales to external customers	66,680	41,161	3,250	111,092	—	111,092
(2) Internal sales or exchange between segments	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:

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions:
 - Asia: Hong Kong, China, Thailand, South Korea, etc.
 - Other countries: United States, etc.

Fiscal 2014, first half of the fiscal year ending March 31, 2015
(April 1, 2014 to September 30, 2014)

(Millions of yen)

	Japan	Asia	Other countries	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Sales to external customers	74,219	42,432	3,469	120,121	—	120,121
(2) Internal sales or exchange between segments	4,325	156	0	4,482	(4,482)	—
Total	78,544	42,589	3,469	124,603	(4,482)	120,121
Segment income	1,054	1,218	97	2,369	226	2,596

Notes:

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions:
 - Asia: Hong Kong, China, Thailand, South Korea, etc.
 - Other countries: United States, etc.

(2) Overseas sales

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

(Millions of yen)

	Asia	Other countries	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:

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions:
Asia: China, South Korea, Hong Kong, Thailand, etc.
Other countries: United States, etc.
- 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 2014, first half of the fiscal year ending March 31, 2015
(April 1, 2014 to September 30, 2014)

(Millions of yen)

	Asia	Other countries	Total
Overseas sales	53,327	4,334	57,661
Consolidated net sales	—	—	120,121
Ratio of overseas sales to consolidated net sales (%)	44.4	3.6	48.0

Notes:

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