

January 30, 2015

Third Quarter Consolidated Earnings Report for Fiscal 2014, Ending March 31, 2015 [Japanese Standards] (Consolidated)

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Securities code: 8140	URL http://www.ryosan.co.jp
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Scheduled filing date of quarterly earnings report: February 13, 2015	
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 2014 (April 1, 2014 to December 31, 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 Three Quarters, Fiscal 2014	176,634	1.5	4,499	18.7	3,998	11.2	2,426	5.3
First Three Quarters, Fiscal 2013	174,034	11.6	3,790	36.7	3,595	10.1	2,303	15.8

(Note) Comprehensive income

First Three Quarters, Fiscal 2014: 5,781 million yen (22.0%)

First Three Quarters, Fiscal 2013: 4,738 million yen (81.0%)

	Net income per share	Net income per share after dilution
	Yen	Yen
First Three Quarters, Fiscal 2014	77.13	—
First Three Quarters, Fiscal 2013	72.70	—

(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, 2014	173,219	122,104	70.5	3,880.88
March 31, 2014	169,247	118,729	70.2	3,773.51

(Reference) Shareholders equity:

December 31, 2014: 122,104 million yen

March 31, 2014: 118,729 million yen

2. Dividends

	Dividends per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	Annual	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: No

*** Notes**

(1) Transfer of major subsidiaries during these nine months ended December 31, 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 estimate: No

4) Restatement: 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	December 31, 2014	31,500,000 shares	Fiscal 2013	31,500,000 shares
2. Total number of treasury stock at the period-end	December 31, 2014	36,893 shares	Fiscal 2013	36,209 shares
3. Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)	First three quarters, Fiscal 2014	31,463,500 shares	First three quarters, Fiscal 2013	31,689,605 shares

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)

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 2, “1. Qualitative Information Regarding these Quarterly Statements (3) Qualitative Information Concerning Consolidated Forecast and Other Future Predictions.”

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1. Qualitative Information Regarding these Quarterly Statements

(1) Qualitative Information Concerning Consolidated Operating Results

1) Overview

As to the global economy in these consolidated first three quarters (April 1, 2014 to December 31, 2014), the slow recovery was continued in general, though it varied among nations. In the U.S. economy, as consumer spending was brisk and housing market made a gradual recovery, favorable condition continued. However, in Europe, economic recovery has not gathered sufficient strength to burst out of the recession. Emerging economies such as China showed high growth compared to advanced economies, though they still remained on a slower track. Meanwhile, the Japanese economy shrank 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 and sustainable growth in response to structural changes in our operations 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 176,634 million yen (up 1.5% from the same period last year), operating income of 4,499 million yen (up 18.7%), ordinary income of 3,998 million yen (up 11.2%), and net income of 2,426 million yen (up 5.3%) for results of this consolidated first three-quarter period.

2) Business Segment Information

a. Semiconductors

We sell memories, system LSIs and discrete semiconductors, and develop system LSIs. In this consolidated first three-quarter period, sales including memories for smartphones decreased, with net sales of 115,994 million yen (down 1.0% from the same period last year) and yet an operating income of 2,746 million yen (up 11.6%).

b. Electronic Components

We sell display devices, power supplies and electromechanical components. In this consolidated first three-quarter period, sales including mechanism parts for in-vehicle electrical equipment increased, with net sales of 46,571 million yen (up 5.0% from the same period last year), and operating income of 1,207 million yen (up 13.9%).

c. Electronic Equipment

We sell systems equipment and facilities equipment. In this consolidated first three-quarter period, sales including color MFPs increased, with net sales of 14,068 million yen (up 12.4% from the same period last year), and operating income of 702 million yen (up 50.1%).

(Note) Effective from this nine-month consolidation 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) Qualitative Information Concerning Consolidated Financial Position

At the end of this third quarter, total assets had increased by 3,972 million yen, as compared with the level at the end of the previous fiscal year, and came to 173,219 million yen.

Also, net assets increased by 3,375 million yen, as compared with the level at the end of the previous fiscal year, and came to 122,104 million yen, with the ratio of net assets to total assets being 70.5%.

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

There is no change in forecasts for the first three quarters of fiscal 2014, ending March 31, 2015 (announced on October 29, 2014).

2. Items Regarding Summary Information (Notes)

(1) Transfer of Major Subsidiaries during the Scope of Consolidation of these First Three Quarters

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 the first consolidated quarter of current fiscal year on 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 reconsidered the accounting method for pension benefit obligations and service liability, and we have changed our method of attributing projected retirement benefits from a fixed amount standard to a payment calculation standard along with changing the method of discount determination to a method that uses single-weighted average discount rate reflecting amounts for each estimated period for payment of retirement benefits and other payments.

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 this consolidated first three-quarter period.

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 three-quarter period. There was only minor impact on operating income, ordinary income and quarterly net income before income taxes during this consolidated first three-quarter period.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2014 (As of March 31, 2014)	Third Quarter of the Fiscal Year Ending March 31, 2015 (As of December 31, 2014)
ASSETS		
Current assets		
Cash and deposits	49,913	44,858
Trade notes and accounts receivable	75,153	72,628
Marketable securities	—	9,999
Inventories	21,735	24,859
Accrued income	1,747	722
Deferred tax assets	271	251
Other current assets	213	525
Allowance for doubtful accounts	(126)	(56)
Total current assets	148,906	153,788
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	4,154	3,814
Land	8,121	7,354
Lease assets (net)	327	309
Other non-current assets (net)	567	179
Total property, plant and equipment	13,170	11,658
Intangible assets	1,026	1,007
Investments and other assets		
Investment securities	4,024	4,810
Deferred tax assets	309	114
Other	1,828	1,999
Allowance for doubtful accounts	(19)	(160)
Total investments and other assets	6,143	6,764
Total non-current assets	20,340	19,430
Total assets	169,247	173,219

(Millions of yen)

	Fiscal Year Ended March 31, 2014 (As of March 31, 2014)	Third Quarter of the Fiscal Year Ending March 31, 2015 (As of December 31, 2014)
LIABILITIES		
Current liabilities		
Trade accounts payable	30,308	29,223
Short-term bank loans	15,647	16,620
Lease obligations	122	130
Other payable	756	559
Accrued expenses	1,199	538
Accrued income taxes	220	778
Accrued bonuses	—	296
Other current liabilities	47	339
Total current liabilities	48,303	48,488
Long-term liabilities		
Lease obligations	248	222
Net defined benefit liabilities	1,844	2,028
Other long-term liabilities	121	374
Total long-term liabilities	2,213	2,625
Total liabilities	50,517	51,114
NET ASSETS		
Shareholders' equity		
Common stock	17,690	17,690
Additional paid-in capital	19,114	19,114
Retained earnings	80,918	80,940
Treasury stock	(73)	(75)
Total shareholders' equity	117,649	117,670
Other accumulated comprehensive incomes		
Net unrealized gain on other marketable securities	1,184	1,696
Gain (loss) on deferred hedges	3	5
Foreign currency translation adjustments	(220)	2,642
Remeasurements of defined benefit plans	111	90
Total other accumulated comprehensive incomes	1,079	4,434
Total net assets	118,729	122,104
Total liabilities and net assets	169,247	173,219

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Comprehensive Statements of Income
(Consolidated Quarterly Statements of Income)
(Scope of Consolidation of these First Three Quarters)

(Millions of yen)

	First Three Quarters of the Fiscal Year Ended March 31, 2014 (April 1, 2013 to December 31, 2013)	First Three Quarters of the Fiscal Year Ending March 31, 2015 (April 1, 2014 to December 31, 2014)
Net sales	174,034	176,634
Cost of Sales	159,971	162,020
Gross Profit	14,062	14,614
Selling, general and administrative expenses	10,272	10,114
Operating income	3,790	4,499
Non-operating income		
Interest income	29	37
Dividend income	51	56
Commission fee	135	77
Miscellaneous income	131	157
Total non-operating income	348	328
Non-operating expenses		
Interest expenses	120	130
Foreign currency transaction loss	408	675
Miscellaneous expenses	13	23
Total non-operating expenses	542	829
Ordinary income	3,595	3,998
Extraordinary gains		
Gain on sales of non-current assets	2	7
Gain on transfer of business	—	53
Total extraordinary gains	2	61
Extraordinary losses		
Loss on sales of non-current assets	—	3
Impairment loss	—	85
Loss on valuation of golf club membership	—	1
Total extraordinary losses	—	90
Income before income taxes	3,598	3,969
Income taxes	1,294	1,542
Income before minority interest	2,303	2,426
Net income	2,303	2,426

(Consolidated Quarterly Comprehensive Statements of Income)

(Scope of Consolidation of these First Three Quarters)

(Millions of yen)

	First Three Quarters of the Fiscal Year Ended March 31, 2014 (April 1, 2013 to December 31, 2013)	First Three Quarters of the Fiscal Year Ending March 31, 2015 (April 1, 2014 to December 31, 2014)
Income before minority interest	2,303	2,426
Other comprehensive income		
Net unrealized gain on other marketable securities	831	511
Gain (loss) on deferred hedges	13	1
Foreign currency translation adjustments	1,589	2,862
Remeasurements of defined benefit plans	—	(21)
Total other comprehensive income	2,434	3,354
Comprehensive Incomes	4,738	5,781
(Details)		
Comprehensive incomes relating to shareholders of parental company	4,738	5,781

(3) 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 three quarters of the fiscal year ended March 31, 2014

(April 1, 2013 to December 31, 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	117,185	44,336	12,511	174,034	—	174,034
Internal sales or exchange between segments	—	—	—	—	—	—
Total	117,185	44,336	12,511	174,034	—	174,034
Segment income (loss)	2,461	1,060	467	3,989	(199)	3,790

Notes:

1. The adjustment of -199 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 three quarters of the fiscal year ending March 31, 2015

(April 1, 2014 to December 31, 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	115,994	46,571	14,068	176,634	—	176,634
Internal sales or exchange between segments	—	—	—	—	—	—
Total	115,994	46,571	14,068	176,634	—	176,634
Segment income (loss)	2,746	1,207	702	4,656	(156)	4,499

Notes:

1. The adjustment of -156 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 the consolidated first half ended September 30, 2014, 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 consolidated first three quarters of the fiscal year ended March 31, 2014, 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 three quarters of the fiscal year ended March 31, 2014
(April 1, 2013 to December 31, 2013)

(Millions of yen)

	Japan	Asia	Other countries	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	104,549	64,484	4,999	174,034	—	174,034
Internal sales or exchange between segments	6,674	339	0	7,014	(7,014)	—
Total	111,224	64,823	5,000	181,048	(7,014)	174,034
Segment income	1,168	1,980	177	3,326	463	3,790

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

Fiscal 2014, first three quarters of the fiscal year ending March 31, 2015
(April 1, 2014 to December 31, 2014)

(Millions of yen)

	Japan	Asia	Other countries	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	106,333	64,963	5,337	176,634	—	176,634
Internal sales or exchange between segments	6,902	204	—	7,107	(7,107)	—
Total	113,235	65,168	5,337	183,741	(7,107)	176,634
Segment income	2,044	1,825	161	4,031	468	4,499

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 2013, first three quarters of the fiscal year ended March 31, 2014
(April 1, 2013 to December 31, 2013)

(Millions of yen)

	Asia	Other countries	Total
Overseas sales	75,347	5,875	81,223
Consolidated net sales	—	—	174,034
Ratio of overseas sales to consolidated net sales (%)	43.3	3.4	46.7

Notes:

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

Fiscal 2014, first three quarters of the fiscal year ending March 31, 2015
(April 1, 2014 to December 31, 2014)

(Millions of yen)

	Asia	Other countries	Total
Overseas sales	76,150	6,389	82,539
Consolidated net sales	—	—	176,634
Ratio of overseas sales to consolidated net sales (%)	43.1	3.6	46.7

Notes:

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