

First Half Earnings Report for Fiscal 2015, Ending March 31, 2016 [Japanese Standards] (Consolidated)

Company name:	Ryosan Company, Limited	Stock listing:	First Section, Tokyo Stock Exchange
Securities code:	8140	URL	http://www.ryosan.co.jp
Representative	Naoto Mimatsu, President and Representative Director		
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Scheduled filing date of quarterly earnings report:	November 13, 2015		
Scheduled payment date of dividend:	December 1, 2015		
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 2015 (April 1, 2015 to September 30, 2015)

(1) Consolidated operating results (Cumulative)

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parental company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First Half, Fiscal 2015	116,770	(2.8)	2,845	9.6	2,658	9.3	1,839	30.7
First Half, Fiscal 2014	120,121	8.1	2,596	17.6	2,432	13.0	1,407	5.0

(Note) Comprehensive income

First Half, Fiscal 2015: 669 million yen (-79.0%)

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

	Net income per share	Net income per share after dilution
	Yen	Yen
First Half, Fiscal 2015	59.30	—
First Half, Fiscal 2014	44.73	—

(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, 2015	168,153	121,137	72.0	3,905.56
March 31, 2015	168,865	121,852	72.2	3,928.52

(Reference) Shareholders' equity:

September 30, 2015: 121,137 million yen

March 31, 2015: 121,852 million yen

2. Dividends

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Annual	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2014	—	35.00	—	45.00	80.00
Fiscal 2015	—	45.00	—	—	—
Fiscal 2015 (Forecast)	—	—	—	45.00	90.00

(Note) Revision of dividend forecasts: No

3. Forecast of results for the fiscal 2015 (April 1, 2015 to March 31, 2016)

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

Full Fiscal Year	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parental company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	235,000	0.6	5,700	(3.8)	5,700	4.2	3,800	18.7	122.51

(Note) Revision of financial results forecasts: No

* Notes

(1) Transfer of major subsidiaries during the scope of consolidation of these six months ended September 30, 2015 (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: 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, 2015	31,500,000 shares	March 31, 2015	31,500,000 shares
2. Total number of treasury stock at the period-end	September 30, 2015	483,272 shares	March 31, 2015	482,500 shares
3. Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)	First Half, Fiscal 2015	31,017,123 shares	First Half, Fiscal 2014	31,463,612 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)

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 Wednesday, November 18, 2015.

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

During this consolidated first half period (April 1, 2015 to September 30, 2015), the global economy continued to recover gradually. By region, the U.S. economy recorded a healthy growth mainly in consumer spending, while Europe sustained a moderate recovery. In Asia, the economic growth showed signs of a slowdown, whereas in Japan the economy recovered at a gradual pace, as the consumer spending remained robust.

In the electronics industry, the demand for car electronics and mobile devices such as smartphones remained robust.

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 2015 being the second year for our 9th Medium-Term Management Plan (fiscal years 2014 to 2017). To implement this basic stance, we focused on rebuilding our growth path and enhancing capital efficiency as follows.

As a result, the Ryosan Group reported net sales of 116,770 million yen (down 2.8% from the same period last year), operating income of 2,845 million yen (up 9.6%), ordinary income of 2,658 million yen (up 9.3%), and net income attributable to shareholders of parental company of 1,839 million yen (up 30.7%) for this first six-month consolidation period under review.

2) Business Segment Information

a. Semiconductors

We sell memories, system LSIs and discrete semiconductors, and develop system LSIs. In this six-month consolidation period, sales including memories for smartphones decreased, with net sales of 67,780 million yen (down 15.4% from the same period last year) and an operating income of 1,423 million yen (down 11.7%).

b. Electronic Components

We sell display devices, power supplies and electromechanical components. In this six-month consolidation period, sales including liquid crystal for in-vehicle electrical equipment increased, with net sales of 33,295 million yen (up 9.3% from the same period last year), and an operating income of 901 million yen (up 28.9%).

c. Electronic Equipment

We sell systems equipment and facilities equipment. In this six-month consolidation period, sales including system equipment for MFPs increased, with net sales of 15,694 million yen (up 63.9% from the same period last year), and an operating income of 735 million yen (up 68.9%).

(2) 1) Qualitative Information Concerning Consolidated Financial Position

At the end of this second quarter, total assets had decreased by 712 million yen, as compared with the level at the end of the previous fiscal year, and came to 168,153 million yen.

Also, net assets decreased by 715 million yen, as compared with the level at the end of the previous fiscal year, and came to 121,137 million yen, with the ratio of net assets to total assets being 72%.

2) Overview of Cash Flows

As of September 30, 2015, cash and cash equivalents had increased by 2,983 million yen, as compared with the level at the end of the previous fiscal year, and came to 52,923 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 1,874 million yen increase in notes and accounts payable-trade, in addition to 2,663 million yen in income before income taxes, we recorded an overall decrease of 205 million yen. This was due to a 2,691 million yen increase in notes and accounts receivable-trade and a 1,035 million yen increase in inventories, but also to a 1,245 million yen payment of income taxes. For a comparison, in net cash from investing activities in the same period of previous year, funds had increased by 6,603 million yen.

Net cash provided by (used in) investing activities

Regarding cash flow from investing activities in this consolidated first half period, funds decreased by 164 million yen due to such factors as purchase of intangible assets, etc. For a comparison, in net cash from investing activities in the same period of previous year, funds had increased by 990 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 2,107 million yen due to a 1,392 million yen worth dividend payment and a 624 million yen decrease in short-term loans payable, among other factors. For a comparison, in net cash from financing activities in the same period of previous year, funds had decreased by 2,784 million yen.

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

There is no change in forecasts for the first half and full fiscal year ending March 31, 2016 (announced on May 12, 2015).

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 Business Combinations

We have adopted the “Accounting Standards for Business Combinations” (Corporate Accounting Standards No. 21 of September 13, 2013), the “Accounting Standards for Consolidated Financial Statements” (Corporate Accounting Standards No. 22 of September 13, 2013), and the “Accounting Standards for Business Divestitures” (Corporate Accounting Standards No. 7 of September 13, 2013), effective from the consolidated first quarter of current term, and accordingly made modifications to the presentation of the net income. Also, consolidated financial statements for both the first six-month consolidation period last year and the previous fiscal year have been restated in order to reflect these changes in presentation.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2015 (As of March 31, 2015)	First Half of the Fiscal Year Ending March 31, 2016 (As of September 30, 2015)
ASSETS		
Current assets		
Cash and deposits	55,907	46,924
Trade notes and accounts receivable	69,061	70,935
Marketable securities	—	5,999
Inventories	23,215	23,762
Accrued income	680	585
Deferred tax assets	290	435
Other current assets	179	345
Allowance for doubtful accounts	(50)	(48)
Total current assets	149,283	148,939
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	3,820	3,656
Land	7,350	7,299
Leased assets (net)	295	263
Other non-current assets (net)	195	166
Total property, plant and equipment	11,661	11,386
Intangible assets	1,009	1,258
Investments and other assets		
Investment securities	5,014	4,619
Deferred tax assets	109	109
Other	1,944	1,988
Allowance for doubtful accounts	(157)	(149)
Total investments and other assets	6,911	6,568
Total non-current assets	19,581	19,214
Total assets	168,865	168,153

(Millions of yen)

	Fiscal Year Ended March 31, 2015 (As of March 31, 2015)	First Half of the Fiscal Year Ending March 31, 2016 (As of September 30, 2015)
LIABILITIES		
Current liabilities		
Trade accounts payable	27,588	28,906
Short-term bank loans	13,662	12,868
Lease obligations	126	121
Other payable	620	692
Accrued expenses	1,177	1,001
Accrued income taxes	1,179	734
Other current liabilities	127	239
Total current liabilities	44,482	44,564
Non-current liabilities		
Lease obligations	207	175
Deferred tax liabilities	403	400
Net defined benefit liabilities	1,811	1,785
Asset retirement obligations	44	36
Other long-term liabilities	63	53
Total long-term liabilities	2,530	2,451
Total liabilities	47,012	47,016
NET ASSETS		
Shareholder's equity		
Capital stock	17,690	17,690
Additional paid-in capital	19,114	19,114
Retained earnings	81,789	82,246
Treasury stock	(1,413)	(1,415)
Total shareholders' equity	117,180	117,635
Accumulated other comprehensive income		
Net unrealized gain on other marketable securities	1,894	1,577
Gain (loss) on deferred hedges	0	(1)
Foreign currency translation adjustments	2,555	1,722
Remeasurements of defined benefit plans	220	202
Total accumulated other comprehensive income	4,671	3,502
Total net assets	121,852	121,137
Total liabilities and net assets	168,865	168,153

(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, 2015 (Apr. 1, 2014 to Sept. 30, 2014)	First Half of the Fiscal Year Ending March 31, 2016 (Apr. 1, 2015 to Sept. 30, 2015)
Net sales	120,121	116,770
Cost of Sales	110,670	107,047
Gross Profit	9,450	9,723
Selling, general and administrative expenses	6,854	6,877
Operating income	2,596	2,845
Non-operating income		
Interest income	24	30
Dividend income	33	39
Commission fee	52	2
Miscellaneous income	77	74
Total non-operating income	188	147
Non-operating expenses		
Interest expenses	90	65
Foreign currency transaction loss	244	232
Miscellaneous expenses	18	36
Total non-operating expenses	352	334
Ordinary income	2,432	2,658
Extraordinary gains		
Gain on sales of non-current assets	5	70
Gain on transfer of business	53	—
Total extraordinary gains	59	70
Extraordinary losses		
Impairment loss	85	64
Loss on valuation of golf club membership	—	0
Total extraordinary losses	85	65
Income before income taxes	2,406	2,663
Income taxes	998	824
Net income	1,407	1,839
Net income attributable to shareholders of parental company	1,407	1,839

(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, 2015 (Apr. 1, 2014 to Sept. 30, 2014)	First Half of the Fiscal Year Ending March 31, 2016 (Apr. 1, 2015 to Sept. 30, 2015)
Net income	1,407	1,839
Other comprehensive income		
Net unrealized gain on other marketable securities	577	(317)
Gain (loss) on deferred hedges	(0)	(1)
Foreign currency translation adjustments	1,219	(832)
Remeasurements of defined benefit plans	(14)	(17)
Total other comprehensive income	1,782	(1,169)
Comprehensive income	3,190	669
(Details)		
Comprehensive income attributable to shareholders of parental company	3,190	669

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First Half of the Fiscal Year Ended March 31, 2015 (Apr. 1, 2014 to Sept. 30, 2014)	First Half of the Fiscal Year Ending March 31, 2016 (Apr. 1, 2015 to Sept. 30, 2015)
Operating activities		
Income before income taxes	2,406	2,663
Depreciation and amortization	328	261
Impairment loss	85	64
Increase (decrease) in allowance for doubtful accounts	48	(4)
Increase (decrease) in net defined benefit liability	199	(14)
Interest and dividend income	(57)	(70)
Interest expenses	90	65
Loss (gain) on sales of property, plant and equipment	(5)	(70)
Decrease (increase) in notes and accounts receivable-trade	5,935	(2,691)
Decrease (increase) in inventories	(794)	(1,035)
Increase (decrease) in notes and accounts payable-trade	(2,802)	1,874
Other	805	(8)
Subtotal	6,238	1,036
Interest and dividend income received	55	67
Interest expenses paid	(90)	(63)
Income taxes (paid) refund	(140)	(1,245)
Net cash provided by (used in) operating activities	6,063	(205)
Investing activities		
Purchase of property, plant and equipment	(56)	(64)
Proceeds from sales of property, plant and equipment	6	164
Purchase of intangible assets	(33)	(222)
Proceeds from transfer of business	1,200	—
Payments of loans receivable	(1)	—
Collection of loans receivable	0	0
Payments for investments in capital	(7)	—
Purchase of insurance funds	(218)	(224)
Proceeds from cancellation of insurance funds	100	182
Net cash provided by (used in) investing activities	990	(164)
Financing activities		
Net increase (decrease) in short-term loans payable	(1,763)	(624)
Repayments of lease obligations	(73)	(88)
Purchase of treasury stock	(0)	(2)
Cash dividends paid	(946)	(1,392)
Net cash provided by (used in) financing activities	(2,784)	(2,107)
Effect of exchange rate change on cash and cash equivalents	387	(506)
Net increase (decrease) in cash and cash equivalents	4,656	(2,983)
Cash and cash equivalents at the beginning of the period	49,911	55,907
Cash and cash equivalents at the end of the period	54,568	52,923

(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, 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.

II. For the consolidated first half of the fiscal year ending March 31, 2016

(April 1, 2015 to September 30, 2015)

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	67,780	33,295	15,694	116,770	—	116,770
Internal sales or exchange between segments	—	—	—	—	—	—
Total	67,780	33,295	15,694	116,770	—	116,770
Segment income (loss)	1,423	901	735	3,061	(215)	2,845

Notes:

1. The adjustment of -215 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.

4. Supplementary Information

(1) Geographical Segment Information

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

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	74,219	42,432	3,469	120,121	—	120,121
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, Thailand, China, South Korea, and others
 - Other countries: United States, etc.

Fiscal 2015, first half of the fiscal year ending March 31, 2016
(April 1, 2015 to September 30, 2015)

(Millions of yen)

	Japan	Asia	Other	Total	Eliminations or corporate	Consolidated
Net sales						
Sales to external customers	68,888	43,855	4,026	116,770	—	116,770
Internal sales or exchange between segments	5,897	112	—	6,009	(6,009)	—
Total	74,786	43,968	4,026	122,780	(6,009)	116,770
Segment income	1,267	1,202	126	2,596	249	2,845

Notes:

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

(2) Overseas sales

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

(Millions of yen)

	Asia	Other	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:

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 countries: United States, etc.
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 2015, first half of the fiscal year ending March 31, 2016
(April 1, 2015 to September 30, 2015)

(Millions of yen)

	Asia	Other	Total
Overseas sales	44,299	4,108	48,408
Consolidated net sales	—	—	116,770
Ratio of overseas sales to consolidated net sales (%)	37.9	3.5	41.5

Notes:

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