

**Consolidated Earnings Report for Fiscal 2003, Ended March 31, 2003**
**May 22, 2003**

Company name: Ryosan Co., Ltd.

Stock listings: Tokyo Stock Exchange (First Section)

Code number: 8140

Location of head office: Tokyo

(URL://www.ryosan.co.jp)

Representative director: Tatsuo Ui, President

Inquiries: Naoto Mimatsu, General Manager, Corporate Planning Dept. and

Investor Relations and Publicity Office Tel: (03) 3862-2591

Date of the Board of Directors meeting to settle the year-end consolidated accounts: May 22, 2003

U.S. GAAP not applied

**1. Results for the Fiscal Year Ended March 31, 2003**
**(1) Operating results**

Figures less than ¥1 million have been omitted

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2003	255,545	4.7	6,678	8.6	7,593	20.2
Fiscal 2002	244,091	25.5	6,147	47.4	6,319	48.3

	Net income		Net income per share	Net income per share after dilution	Return on equity	Ordinary income-to-equity ratio	Ordinary income-to-net sales ratio
	Millions of yen	%	Yen	Yen	%	%	%
Fiscal 2003	3,724	29.1	93.21	-	3.5	5.0	3.0
Fiscal 2002	2,885	60.7	71.62	68.05	2.7	3.9	2.6

Notes: ① Equity in earnings of non-consolidated subsidiaries and affiliates

FY2003 Million of yen FY2002 Million of yen

② Average number of outstanding shares:

FY2003: 39,313,078 shares FY2002: 40,289,153 shares

③ Changes in accounting methods: None

④ Year-on-year changes for net sales, operating income, ordinary income, net income are based on the previous year

**(2) Financial Position**

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2003	156,579	105,737	67.5	2,734.36
Fiscal 2002	147,074	105,251	71.6	2,661.11

Note: Number of shares issued and outstanding at fiscal year-end: FY2003 38,647,994 shares

FY2002 39,551,710 shares

**(3) Cash Flows**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2003	477	1,058	2,322	34,841
Fiscal 2002	24,843	4,418	12,202	35,834

**(4) Number of Subsidiaries and Affiliates**

Consolidated subsidiaries: 7

Non-consolidated subsidiaries accounted for by the equity method: 0

Equity-method affiliates: 0

**(5) Changes in Scope of Consolidation and Application of Equity Method**

Consolidated subsidiaries (New): 0 Consolidated subsidiaries (Eliminated): 1

Equity-method affiliates (New): 0 Equity-method affiliates (Eliminated): 0

**2. Forecast for the Fiscal Year Ending March 31, 2004 (From April 1, 2003 to March 31, 2004)**

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim period	130,000	3,500	3,700	1,900
Fiscal year-end	270,000	7,500	8,000	4,400

(Reference) The estimated net income per share for the year ending March 31, 2004 is ¥113.85

The above estimates were made based on the information available as of the date of this release. Actual results could significantly differ from the above estimates due to a variety of factors. Please refer to Section 3—Management Results on page 8 of the attached materials for more information related to the estimates.

## 1. Group Enterprise

The Ryosan Group consists of Ryosan Company, Limited, seven consolidated subsidiaries, ten non-consolidated subsidiaries and an affiliated company. The group operates primarily as a trading firm that specializes in semiconductors, electronic components and equipment, which it sells to electronic equipment manufacturers both domestically and overseas. It also develops, manufactures and sells its own and other products.

Information about industry segments of the group for the fiscal year ended March 31, 2003 was as follows:

Segment	Main Products	Sales Companies	Development and Manufacturing Companies
Semiconductors	Memories System LSIs Discrete semiconductors	Ryosan Company, Limited	Road Company, Limited
Electronic Components	Display devices Power supplies Mechanical components	HONG KONG RYOSAN LIMITED	
Electronic Equipment	Information equipment Production equipment	SINGAPORE RYOSAN LIMITED RYOTAI CORPORATION	
Ryosan Products	Heat sinks (for semiconductor components)	RYOSAN(MALAYSIA) SDN.BHD.	Ryosan Company, Limited RYOSAN ENGINEERING (MALAYSIA) SDN.BHD. RYOSAN ENGINEERING (THAILAND) CO., LTD.

Information about non-consolidated subsidiaries for the fiscal year ended March 31, 2003 was as follows:

Company Name	Business Area
Will Business Services Company, Limited	Insurance agent and building maintenance
EC Ryosan Company, Limited	Sales agent for electronic components
ZHONG LING INTERNATIONAL TRADING (SHANGHAI) CO. LTD.	Sales of semiconductors and electronic components
DALIAN F.T.Z RYOSAN INTERNATIONAL TRADING CO., LTD.	Sales of semiconductors and electronic components
KOREA RYOSAN CORPORATION	Sales agent for semiconductors and electronic components
RYOSAN IPC (MALAYSIA) SDN. BHD.	Sales of semiconductors, electronic components and heat sinks
RYOSAN (THAILAND) CO., LTD.	Sales and sales agent for semiconductors and electronic components
RYOSAN TECHNOLOGIES USA INC.	Semiconductor and electronic component sales and servicing

Note: FA Ryosan Co., Ltd. was sold to Omron Corporation on September 1, 2002. The results of FA Ryosan through September 30, 2002 were included in Ryosan Co., Ltd.'s consolidated accounts.

## **2. Management Policies**

### **(1) Fundamental Management Policies**

Ever since Ryosan was established, we have always been highly conscious of the fact that the corporation is a public institution. In addition, we now no longer see ourselves simply as a trading company, but as an electronics systems coordinator, providing a vital link between our customers' needs and electronics technology. We aim to achieve consistent long-term growth by stressing this social consciousness and our new role as a systems coordinator.

Three functions are vital to fulfilling our ambition of becoming an electronics system coordinator—the information function (i.e., the provision of information), the solution function (i.e., the provision of technology), and the distribution function (i.e., the provision of distribution channels). By constantly enhancing these three functions, Ryosan will raise customer satisfaction and increase its corporate value.

### **(2) Basic policy regarding the allocation of profits**

Ryosan's basic policy on allocating profits is to maintain a healthy balance between ensuring a solid return on investment for our shareholders and retaining sufficient earnings with which to foster stable growth and secure a strong operating base.

Ryosan's fundamental dividend policy is to maintain consistent growth in dividend payments, with the view to increasing real dividend payments. In addition, we plan to buy back and retire treasury stock when appropriate, with the aim of increasing net income per share and returns to shareholders.

In line with this policy, we employ retained earnings for investment and loan financing, and for investments in technical development, and plants and facilities.

### **(3) Targeted management indicators**

Ryosan has adopted ROE and net income per share as key management indicators. These in order to preserve its financial health, pursue greater returns on equity, and further improve corporate value (shareholder value).

Furthermore, we aim to achieve net income per share of at least ¥100.

### **(4) Medium- and long-term management strategies**

Ryosan's fifth mid-term management plan covers the period from fiscal 2002 through to fiscal 2004,

and has guided the Company's efforts to vigorously pursue a range of business activities. During the final year of the plan, which ends on March 31, 2004, Ryosan targets "analyzing management practices and promoting management reform in order to achieve improved performance." We will use this approach to conduct fair and transparent management and carry out creative and resourceful business activities.

To realize these concepts, Ryosan is forcefully pushing ahead with the following three basic strategies.

1. System coordinator growth strategy: establish 5 new business models
2. System coordinator segment strategy: Qualitatively strengthen individual strategies for 4 product segments
3. Establish a strong business infrastructure that underpins growth and reinforces operations: implement 5 management reforms

Specific measures to be implemented in the fiscal year ending March 31, 2004 are as follows:

#### Growth strategy

##### 1. Commercialization of fabless semiconductor business

- Develop businesses mainly focused on wireless, DVR, and ASIC fields
- Upgrade product development technologies to achieve a higher level of professionalism

##### 2. Business expansion in new-resource semiconductor products

- Cultivate new demand and establish a "flawless follow-up system" for marketing licenses from Philips Electronics, a new business partner
- Establish a framework of three specialized product groups to expand sales
- Commercialize products developed by companies in which Ryosan has made forward investments

##### 3. Commercialization of purchasing-agency business

Ryosan has resolved to withdraw from the purchasing-agency business in stages, with the consent of its customers. This decision came after an assessment of the profitability of this business at the fiscal year-end, which showed that unsteady business volume and terms of service dictated largely by the

customer, given the high level of expertise in purchasing, technologies and production management required, would make it difficult to achieve sufficient profitability.

(4) Establish low cost business management

- Review Ryosan's performance-linked compensation program, the foundation of its low-cost operations
- Consider the transfer of additional products to EC Ryosan
- Reassess the significance of EC Ryosan, with the aim of improving operations

(5) Expand business in Chinese market

(Local market)

- Focus resources and expand business, mainly focusing on such business categories such as boards/modules, reference boards, and devices
- Strengthen solutions-based sales capabilities by establishing a design center and working effectively with business partners (third parties)

(Shift market)

- Expand business and establish a "flawless follow-up system" by upgrading the skills of human resources

Segment strategy

1. Semiconductor business strategy: strategic core business

- Shift focus from the seven growth fields to the five systems fields
- Tackle fields where technologies surpass those of manufacturers (establish technical, marketing, and service capabilities)
- Bolster technical support capabilities

2. Electronic components business strategy: a stable foundation

- Focus on market expansion, in line with individual product characteristics
- Expand business by cultivating new resource products

3. Electronic equipment business strategy: capture synergies

(Information equipment)

- Expand business by providing board and server solutions that accurately address customer needs
- Deliver high value-added products by improving design capabilities for distinctive proprietary systems

(Production equipment)

- Expand business by mining existing markets and creating new sources of demand
- Extend product lineup (hardware, software) to facilitate sales of systems, centered on Anelva products

(4) Production strategy (Ryosan's signature business as a trading company)

- Promote the comprehensive thermal management business
- Expand sales of new wave cooler products

Establish a strong management infrastructure

1. Establish a socially responsible corporate governance system

- Enhance financial strategy, with the aim of increasing shareholder value
- Start reporting business results on a quarterly basis
- Continue to improve IR activities
- Obtain ISO14001 certification

2. Ingrain Ryosan's new personnel system into its culture

- Analyze and solve problems using new personnel system
- Implement personnel/employment plan based on medium- to long-term outlooks

3. Promote the Ryosan Group's BPR Project

- Prepare to develop next-generation computer systems

4. Establish new business framework (project name changed from fiscal 2003: formerly "Reform business cost structure")

- Transition from a single-vendor system to multiple-vendor system

- Establish a proprietary business framework to address changes at NEC Electronics

Construct a “system for satisfying any customer request” to improve business cost structure

#### 5. Reinforce the RS (Ryosan Spirit) culture

- Continually review and improve RS
- Improve the Round-up System

#### **(5) Issues to be addressed**

The semiconductor industry, Ryosan’s primary industry, has undergone realignment at a heightened pace in recent years. However, these events are now nearly complete, with M&As and corporate spin-offs appearing to have peaked out. Semiconductor makers are now focusing on formulating business strategies aimed at forging new avenues of growth. As part of those strategies, Ryosan is likely to see semiconductor manufacturers accelerate efforts to improve their sales-channel strategies. This is expected to prompt a wave of consolidation among semiconductor trading companies.

In this climate, Ryosan is prepared to advance effective business activities that leverage its defining strengths—its clearly defined corporate philosophy and strong financial structure. In addition, Ryosan will harness its advanced technical support capabilities and strong marketing skills to realize its fundamental strategy, which consists of two parts: our growth strategy and segment strategy. The growth strategy aims to establish five business models for higher growth. The segment strategy will see Ryosan qualitatively strengthen individual strategies for each of its 4 product segments.

Ryosan’s guiding principles for its day-to-day operations are to carve out even more distinctive niches for its businesses, and adopt a market-driven approach to business expansion. By forming close ties with customers, we plan to further differentiate ourselves from the competition as a company that grasps customer needs precisely and that possesses superior design capabilities as well as the ability to meet sales targets for a wide variety of semiconductors.

#### **(6) Corporate governance—fundamental philosophy and policies**

(Fundamental corporate governance philosophy)

Ryosan has established the following three management principles in line with its objective of being an electronics systems coordinator.

1. Corporate growth as a mission-oriented company: (Defining growth as “the increase in the extent of Mission-realization”)

2. Creation of corporate value: (Defining growth as “the increase in shareholder value”)
3. Increase in the extent of value exchange: (Defining growth as the “increase in the extent of value-exchange with shareholders”)

Based on these management principles, Ryosan is exploring ways of ensuring transparent and accountable management.

#### Corporate governance policies

(1) Corporate governance framework—organizational structure for management decision-making, operational execution, auditing and other procedures

- Ryosan has clarified the roles and responsibilities of the representative director and president with respect to corporate governance and management of day-to-day operations (management strategy and business execution). In respect to management procedures, the Board of Directors’ role is to advise on, approve, and oversee management strategy as well as corporate governance, whereas the Management Committee’ role is to deliberate and decide on management strategy. In this manner, Ryosan is working to strengthen the three functions of corporate governance, management strategy, and business execution.
- To establish a distinctive management style at Ryosan, Board members concurrently assume roles and responsibilities in the three functions of corporate governance, management strategy, and business execution. To ensure adequate supervision, Ryosan adopts a corporate auditor system, with one auditor appointed from outside the company.

The company receives timely advice from legal counsel when it is necessary to make decisions from a legal standpoint. Also, the company receives proposals for improving management of operations from independent auditor Deloitte Touche Tohmatsu during financial audits.

(2) Overview of personal relationships of outside board members and auditors with company, equity relationships, business relationships, and other ties with related parties

Ryosan currently does not appoint outside directors. The company’s outside auditor is not a former employee of the Ryosan group.

(3) Actions taken over the past year to improve corporate governance

In the fiscal year ended March 31, 2003, the Board of Directors convened 14 times. In addition, the

Management Committee convened 12 times. In principle, Board members and auditors attend all Management Committee meetings. This requirement is aimed at further strengthening corporate governance.

The Audit Committee convened 12 times during the fiscal year.

### **3. Results of Operations**

(1) Consolidated results for the fiscal year ended March 31, 2003

#### **1. Overview**

During the fiscal year ended March 31, 2003, the Japanese economy started off comparatively healthy and moved on a recovery track, led by exports. Midway through the year, however, exports slowed abruptly in line with a sharp fall in share prices in the United States. This triggered slowdowns in Japan and elsewhere in Asia. Notably, the Japanese economy is caught in a deflationary spiral, the first such instance among the world's major economies. Meanwhile, Ryosan's main operating environment—the electronics industry—was comparatively healthy from the beginning of last year until around June, but demand softened from summer onward, mirroring macroeconomic conditions. In particular, telecommunications-related demand remains in a global slump, and key PC-related demand has run out of steam. Consequently, electronics industry didn't see any major applications capable of driving the market forward.

Under these conditions, the Ryosan Group sold its stake in consolidated subsidiary FA Ryosan Co., Ltd. and consolidated its domestic sales network, with the aim of focusing resources on key areas. Ryosan also made progress with its growth strategy, strengthening its hand in China by establishing a subsidiary in the Dalian region, and acquiring new marketing licenses from overseas semiconductor makers, including Philips Electronics. Ryosan also worked to increase profits on shipments from domestic and overseas plants and restrain selling, general and administrative (SG&A) expenses, as part of policies aimed at increasing earnings. As a result, Ryosan recorded increases in both sales and earnings. Consolidated net sales totaled ¥255,545 million, up 4.7% from the previous year. Operating income totaled ¥6,678 million, rising 8.6%, while ordinary income totaled ¥7,593 million, up 20.2%. Net income increased 29.1% to ¥3,724 million.

In the fiscal year under review, 4 consolidated subsidiaries changed their fiscal year-end from December 31 to March 31. Consequently, Ryosan's consolidated accounts for the current fiscal years include results from these 4 subsidiaries for 15 months. This added ¥9,800 million to sales and ¥100 million to operating income.

## 2. Segment information

### a. Semiconductors

The Ryosan group markets memories, system LSIs, and discrete semiconductors and plans and develops system LSIs. In the year under review, sales rose on higher demand for PC memories and ASICs mainly for digital still cameras and pachinko machines. The change in the accounting period for four consolidated subsidiaries (resulting in accounting periods of 15 months rather than 12 months) added roughly ¥7,600 million to sales. As a result of the aforementioned factors, consolidated net sales in the segment rose 9.9% to ¥134,243 million and operating income rose 10.7% to ¥5,705 million.

### b. Electronic components

The Ryosan group markets display devices, power supplies, and mechanical components. The year under review mainly saw higher sales of LCDs for cellphones and digital still cameras, PDPs for televisions, and power supplies for base stations. The change in the accounting period for four consolidated subsidiaries (resulting in accounting periods of 15 months rather than 12 months) added roughly ¥1,900 million to sales. Net sales in the electronic components segment rose 4.5% to ¥95,057 million and operating income rose 0.6% to ¥2,337 million.

### c. Electronic equipment

The Ryosan group markets systems equipment and production equipment. Sales of system boards used in office automation equipment and production equipment declined in the fiscal year ended March 31, 2003. The change in the accounting period for four consolidated subsidiaries (resulting in accounting periods of 15 months rather than 12 months) added roughly ¥30 million to sales on a net basis. Consolidated net sales in this segment declined 20.7% to ¥19,880 million and operating income fell 44.7% to ¥489 million.

### d. Ryosan products

The Ryosan group produces and markets heat sinks, which are devices that dissipate the heat generated by semiconductors. Sales of heat sinks used in measuring equipment and consumer electronics increased in the year under review. The change in the accounting period for four consolidated subsidiaries (resulting in accounting periods of 15 months rather than 12 months) added roughly ¥200 million to sales. Consolidated net sales in this segment rose 8.5% to ¥6,363 million and operating income rose 58.5% to ¥764 million.

### 3. Year-end dividend for the fiscal year ending March 31, 2003

Ryosan plans to pay a yearly dividend of ¥30 per share, comprising an interim dividend of ¥15 per share and a year-end ordinary dividend of ¥15 per share.

### (2) Outlook for the fiscal year ending March 31, 2004

#### 1. Projected operating results

Ryosan expects its business environment to remain challenging, due to increased uncertainty in the global economy, exacerbated by the repercussions of the war in Iraq and the outbreak of severe acute respiratory syndrome (SARS).

Under these circumstances, the Ryosan Group intends to achieve higher earnings by continuing to pursue the fundamental themes outlined in its fifth medium-term management plan, namely its growth strategy, segment strategy, and establishing a strong management infrastructure.

Forecasts for the fiscal year ending March 31, 2004 are as follows:

#### Consolidated

		(Y-o-Y % change)
Net sales	¥270 billion	5.7%
Operating income	¥7.5 billion	12.3%
Ordinary income	¥8.0 billion	5.4%
Net income	¥4.4 billion	18.2%

#### Non-consolidated

Net sales	¥210 billion	6.8%
Operating income	¥6.0 billion	1.6%
Ordinary income	¥7.7 billion	3.1%
Net income	¥4.3 billion	3.8%

### 2. Projected operating results by business segment

#### a. Semiconductors

Ryosan projects higher sales of ICs used in LCD displays and memories used in digital home electronics. Net sales in this segment are thus forecast to rise 3.0% to ¥138,300 million and operating income will rise 8.7% to ¥6,200 million.

#### b. Electronic components

Ryosan projects higher sales of LCD displays used in cellphones and digital still cameras. Taking this into account, net sales in this segment are projected to increase 10.5% to ¥105,000 million, while operating income is expected to rise 11.3% to ¥2,600 million.

#### C. Electronic equipment

Projected sales increases in printer terminal systems and PHS base-station equipment are forecast to be partly offset by lower sales of production equipment. Consequently, net sales in this segment are expected to increase 4.1% to ¥20,700 million, while operating income will rise 2.2% to ¥500 million.

#### d. Ryosan products

Lower sales of heat sinks for inverters and other production equipment are projected. As a result, segment sales are projected to decline 5.7% to ¥6,000 million and net income will fall 21.5% to ¥600 million.

These forecasts represent projected figures subject to certain risks and uncertainties. Actual results may thus differ materially from forecasts, depending on such factors as:

- Economic trends in major markets (Japan, Asia, etc.); rapid changes in consumer trends and sudden shifts in supply and demand dynamics
- Large fluctuations in the dollar/yen exchange rate
- Rapid technological innovations
- Major shifts in capital markets

### 3. Projected dividend for the year

Based on the non-consolidated forecasts above, Ryosan forecasts an ordinary dividend for the fiscal year ending March 31, 2004 of ¥30 per share, comprising an interim dividend of ¥15 per share and a year-end dividend of ¥15 per share.

### 4. Financial condition

#### (1) Cash flows

Cash and cash equivalents on March 31, 2003 were ¥34,841 million, ¥992 million, or 2.8% less than at previous fiscal year-end. The main reason was an increase in accounts receivable of ¥13,893 million in line with sales growth. This was partly offset by an increase in income before income taxes to ¥7,357 million.

#### Cash flows from operating activities

Net cash provided by operating activities totaled ¥477 million, ¥24,366 million less than in the previous fiscal year. The main factors behind this decrease were an increase in accounts receivable of ¥13,893 million in tandem with higher sales, and an increase in inventories of ¥1,825 million. These factors were partly offset by an increase in income before income taxes to ¥7,357 million and an increase in accounts payable of ¥8,368 million.

#### Cash flows from investing activities

Net cash provided by investing activities totaled ¥1,058 million, compared with ¥4,418 million in net cash used in investing activities in the preceding year, for a net difference of ¥5,476 million. This was mainly attributable to a decline in purchases of investment securities and a ¥1,594 million cash inflow from the sale of stock in a subsidiary due to a change in the scope of consolidation.

#### Cash flows from financing activities

Net cash used in financing activities totaled ¥2,322 million. The main components were dividend payments and the buyback of ¥1,021 million in treasury stock.

## CONSOLIDATED BALANCE SHEETS

(¥ million, figures less than ¥1 million have been omitted)

Item	March 31, 2003		March 31, 2002		Change
	Amount	%	Amount	%	Amount
<b>ASSETS</b>					
<b>I</b>					
<b>Current assets</b>	131,216	83.8	120,465	81.9	10,751
1. Cash and deposits	10,855		26,978		16,123
2. Trade notes and accounts receivable	82,041		71,728		10,312
3. Marketable securities	23,986		8,995		14,991
4. Inventories	11,579		10,053		1,526
5. Accrued income	1,786		1,932		145
6. Deferred tax assets	748		132		616
7. Other current assets	324		818		494
8. Allowance for doubtful accounts	105		173		67
<b>II</b>					
<b>Fixed assets</b>	25,363	16.2	26,609	18.1	1,246
1. Property, plant and equipment	16,151	10.3	16,731	11.4	579
(1) Buildings and structures	7,073		7,563		490
(2) Land	8,205		8,216		10
(3) Other fixed assets	872		951		79
2. Intangible fixed assets	519	0.3	290	0.2	228
3. Investments and other assets	8,692	5.6	9,587	6.5	895
(1) Investment securities	5,836		6,865		1,029
(2) Long-term loans	33		184		151
(3) Deferred tax assets	1,392		968		424
(4) Other	1,656		1,902		245
(5) Allowance for doubtful accounts	185		291		106
(6) Allowance for loss on investments	42		42		-
<b>Total assets</b>	156,579	100.0	147,074	100.0	9,504

(¥ million, figures less than ¥1 million have been omitted)

Item	March 31, 2003		March 31, 2002		Change	
	Amount	%	Amount	%	Amount	
<b>LIABILITIES</b>						
<b>I</b>	<b>Current liabilities</b>	48,845	31.2	39,447	26.8	9,397
	1. Trade notes and accounts payable	42,192		35,430		6,762
	2. Short-term bank loans	951		1,127		175
	3. Accrued income taxes	3,202		176		3,026
	4. Accrued expenses	1,367		995		371
	5. Other current liabilities	1,130		1,718		587
<b>II</b>	<b>Long-term liabilities</b>	1,767	1.1	1,905	1.3	137
	1. Employees' retirement benefits	1,328		1,251		76
	2. Directors' severance payments	341		389		48
	3. Other long-term liabilities	97		263		166
<b>Total liabilities</b>		50,613	32.3	41,352	28.1	9,260
<b>(MINORITY INTERESTS)</b>						
	Minority interests	229	0.2	470	0.3	241
<b>SHAREHOLDERS' EQUITY</b>						
<b>I</b>	Common stock	17,690	11.3	17,690	12.0	-
<b>II</b>	Additional paid-in capital	19,114	12.2	19,114	13.0	-
<b>III</b>	Retained earnings	69,944	44.7	69,584	47.3	360
<b>IV</b>	Net unrealized gain on other marketable securities	33	0.0	455	0.3	489
<b>V</b>	Foreign currency translation adjustments	342	0.3	197	0.2	540
<b>VI</b>	Treasury stock	635	0.4	1,791	1.2	1,155
<b>Total shareholders' equity</b>		105,737	67.5	105,251	71.6	485
<b>Total liabilities, Minority interest, and shareholders' equity</b>		156,579	100.0	147,074	100.0	9,504

## CONSOLIDATED STATEMENTS OF INCOME

(¥ million, figures less than ¥1 million have been omitted)

Item		Year Ended March 31, 2003		Year Ended March 31, 2002		Change
		Amount	%	Amount	%	Amount
I	Net sales	255,545	100.0	244,091	100.0	11,453
II	Cost of sales	233,784	91.5	222,144	91.0	11,640
	Gross profit	21,761	8.5	21,947	9.0	186
III	Selling, general and administrative expenses	15,082	5.9	15,800	6.5	717
	1. Packaging and freight expenses	768		717		51
	2. Directors' remuneration	481		617		136
	3. Employees' salaries	3,528		3,909		381
	4. Bonuses	1,223		1,262		38
	5. Retirement benefit expense	574		651		76
	6. Provision to allowance for directors' severance payments	59		62		2
	7. Employee benefits	745		546		198
	8. Depreciation and amortization	685		670		15
	9. Others	7,015		7,360		345
	Operating income	6,678	2.6	6,147	2.5	530
IV	Non-operating income	1,082	0.4	755	0.3	327
	1. Interest income	273		105		167
	2. Dividend income	66		38		27
	3. Discounts on purchases	108		173		64
	4. Foreign exchange gains	94		—		94
	5. Gain on transfer of marketing license	176		-		176
	6. Others	364		437		74
V	Non-operating expenses	167	0.0	583	0.2	415
	1. Interest expense	21		181		160
	2. Foreign exchange loss	-		263		263
	3. Others	146		137		8
	Ordinary income	7,593	3.0	6,319	2.6	1,273
VI	Extraordinary gains	216	0.1	173	0.0	42
	1. Gain on sales of property, plant and equipment	33		—		33
	2. Gain on sales of investment securities	124		4		120
	3. Gain on reversal of allowance for doubtful accounts	54		169		114
	4. Others	3		-		3
VII	Extraordinary losses	451	0.2	782	0.3	330
	1. Loss on sale and disposal of property, plant and equipment	26		30		3
	2. Loss on devaluation of investment securities	360		573		212
	3. Provision for allowance for loss on investments	-		42		42
	4. Special retirement benefit	-		89		89
	5. Others	64		47		16
	Income before income taxes and minority interests	7,357	2.9	5,711	2.3	1,646
	Income taxes, current	4,420	1.7	2,463	1.0	1,956
	Deferred income taxes	805	0.3	292	0.1	1,098
	Minority interests	19	0.0	70	0.0	50
	Net income	3,724	1.5	2,885	2.2	838

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(¥ million, figures less than ¥1 million have been omitted)

	Year ended March 31, 2003	Year ended March 31, 2002	Change
<b>(Additional Paid-in Capital)</b>			
<b>I Balance at beginning of period</b>	<b>19,114</b>	<b>19,114</b>	
<b>II Balance at end of period</b>	<b>19,114</b>	<b>19,114</b>	
<b>(Retained Earnings)</b>			
<b>I Balance at beginning of period</b>	<b>69,584</b>	<b>68,377</b>	<b>1,207</b>
<b>II Increase in retained earnings</b>	<b>3,724</b>	<b>2,885</b>	<b>838</b>
Net income	<b>3,724</b>	<b>2,885</b>	<b>838</b>
<b>III Decrease in retained earnings</b>	<b>3,363</b>	<b>1,677</b>	<b>1,685</b>
1. Decrease in retained earnings due to increase in number of consolidated subsidiaries	-	<b>174</b>	<b>174</b>
2. Cash dividends	<b>1,186</b>	<b>1,217</b>	<b>31</b>
3. Bonuses to directors	-	<b>101</b>	<b>101</b>
4. Retirement of treasury stock	<b>2,177</b>	<b>184</b>	<b>1,993</b>
<b>IV Balance at end of period</b>	<b>69,944</b>	<b>69,584</b>	<b>360</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ million, figures less than ¥1 million have been omitted)

	Year Ended March 31, 2003	Year Ended March 31, 2002
Item	Amount	Amount
<b>I Operating activities:</b>		
Income before income taxes	7,357	5,711
Depreciation and amortization	832	837
Reversal of allowance for doubtful accounts	82	502
Increase (decrease) increase in severance allowance for employees	140	35
(Decrease) increase in retirement allowances for directors	48	51
Interest and dividend income	339	144
Interest expense	21	181
Gains on sales of property, plant and equipment	33	—
Loss on sale and disposal of property, plant and equipment	26	30
Gains on sales of investment securities	105	4
Loss on devaluation of investment securities	360	573
Other expenses	72	72
(Increase) decrease in notes and accounts receivable	13,893	28,384
(Increase) decrease in inventories	1,825	8,280
Increase (decrease) increase in accounts payable	8,368	11,401
Directors' bonuses paid	-	101
(Decrease) increase in other assets and liabilities	9	496
Subtotal	844	31,437
Interest and dividends received	336	144
Interest paid	20	181
Income taxes refunded	676	-
Income taxes paid	1,358	6,556
Net cash provided by operating activities	477	24,843
<b>II Investing activities:</b>		
Decrease (increase) in time deposits	126	54
Purchases of property, plant and equipment	269	313
Proceeds from sales of property, plant and equipment	41	5
Purchases of intangible fixed assets	391	230
Purchases of investment securities	326	3,411
Proceeds from sales of investment securities	262	104
Purchases of equity in affiliated companies	26	223
Increase in loans	422	113
Proceeds from collection of loans	443	2
<b>Increase from changes in the scope of consolidation due to sale of subsidiary</b>	1,594	-
Increase (decrease) in investments and other assets	26	185
Net cash provided by (used in) investing activities	1,058	4,418
<b>III Financing activities:</b>		
(Decrease) increase in short-term borrowings, net	109	109
Redemption of bonds	-	9,118
Repurchase of treasury stock	1,021	1,145
Purchases of treasury stock for earnings adjustment purposes	-	184
Purchases of treasury stock for stock options	-	646
Cash dividends paid	1,186	1,217
Cash dividends paid to minority shareholders	5	-
Net cash used in financing activities	2,322	12,202
<b>IV Effect of foreign currency translation adjustments on cash and cash equivalents</b>	205	387
<b>V Net (decrease) increase in cash and cash equivalents</b>	992	8,610
<b>VI Cash and cash equivalents, beginning of year</b>	35,834	27,177
<b>VII Cash and cash equivalents of newly consolidated subsidiary</b>	-	46
<b>VIII Cash and cash equivalents, end of year</b>	34,841	35,834

## 5 — (6) SEGMENT INFORMATION

### 1. Segment information by business type

Year ended March 31, 2003

(¥ million, figures less than ¥1 million have been omitted)

	Semiconductors	Electronic Components	Electronic Equipment	Ryosan Products	Total	Eliminations or Corporate	Consolidated	
I	Sales and operating results							
	Sales:							
(1)	Outside customers	134,243	95,057	19,880	6,363	255,545	—	255,545
(2)	Inter-segment	—	—	—	—	—	—	—
	Total sales	134,243	95,057	19,880	6,363	255,545	—	255,545
	Operating expenses	128,537	92,719	19,391	5,598	246,246	2,620	248,867
	Operating income	5,705	2,337	489	764	9,298	(2,620)	6,678
II	Assets, depreciation and capital expenditures:							
	Total assets	60,489	41,076	12,880	4,297	118,743	37,835	156,579
	Depreciation	390	245	60	115	812	20	832
	Capital expenditures	500	87	22	51	661	—	661

Year ended March 31, 2002

(¥ million, figures less than ¥1 million have been omitted)

	Semiconductors	Electronic Components	Electronic Equipment	Ryosan Products	Total	Eliminations or Corporate	Consolidated	
I	Sales and operating results							
	Sales:							
(1)	Outside customers	122,153	90,993	25,077	5,867	244,091	—	244,091
(2)	Inter-segment	—	—	—	—	—	—	—
	Total sales	122,153	90,993	25,077	5,867	244,091	—	244,091
	Operating expenses	116,998	88,669	24,193	5,385	235,246	2,697	237,944
	Operating income	5,154	2,324	884	482	8,844	(2,697)	6,147
II	Assets, depreciation and capital expenditures:							
	Total assets	51,410	38,718	13,731	3,940	107,801	39,273	147,074
	Depreciation	376	268	72	96	814	22	837
	Capital expenditures	142	309	25	61	539	—	539

Notes:

1. Methods of determining business segments and main products classified under each business segment

(1) Business segments are classified on the basis of organization, product type and sales structure.

(2) Main products of each business segment:

Semiconductors: memories, system LSIs, discrete semiconductors

Electronic components: display devices, power supplies, mechanical components

Electronic equipment: information equipment, production equipment

Ryosan products: heat sinks (for semiconductors)

2. Unallocated operating expenses included in "Eliminations or corporate" totaled ¥2,620 million in the fiscal year ended March 31, 2003 and ¥2,697 million in the fiscal year ended March 31, 2002. These expenses consisted principally of expenses related to the planning, general affairs, personnel and accounting departments of the parent company.
3. Total assets included in "Eliminations or corporate" were ¥37,835 million at March 31, 2003 and ¥39,273 million at March 31, 2002. These assets mainly include an excess fund for investment at the parent company (marketable securities), long-term investment funds (investment and marketable securities) and assets related to the administration department.

## 2. Geographical segment information

Year ended March 31, 2003

(¥ million, figures less than ¥1 million have been omitted)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
I Sales and operating income					
Sales:					
Outside customers	194,371	61,174	255,545	—	255,545
Inter-area	5,373	295	5,668	( 5,668)	—
Total	199,745	61,469	261,214	( 5,668)	255,545
Operating expenses	194,168	60,297	254,465	( 5,598)	248,867
Operating income	5,577	1,171	6,748	( 70)	6,678
II Assets	142,501	14,077	156,579	—	156,579

Year ended March 31, 2002

(¥ million, figures less than ¥1 million have been omitted)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
I Sales and operating results					
Sales:					
Outside customers	184,194	59,897	244,091	—	244,091
Inter-area	3,753	367	4,120	(4,120)	—
Total	187,947	60,264	248,212	(4,120)	244,091
Operating expenses	183,828	58,489	242,318	(4,374)	237,944
Operating income	4,118	1,775	5,893	253	6,147
II Assets	132,262	14,812	147,074	—	147,074

Notes:

1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal countries and regions:  
Asia Hong Kong, Singapore, Taiwan, Malaysia and others
3. Operating expenses are allocated to each geographical segment.

### 3. Overseas sales

Year ended March 31, 2003

(¥ million, figures less than ¥1 million have been omitted)

	Asia	Total
I Overseas sales	70,908	70,908
II Consolidated net sales		255,545
III Ratio of overseas sales to consolidated net sales	27.7	27.7

Year ended March 31, 2002

(¥ million, figures less than ¥1 million have been omitted)

	Asia	Total
I Overseas sales	63,657	63,657
II Consolidated net sales		244,091
III Ratio of overseas sales to consolidated net sales	26.1	26.1

Notes:

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

## 9. MANUFACTURING, NEW ORDERS AND SALES

### (1) Manufacturing

(¥ million, figures less than ¥1 million have been omitted)

	Year ended March 31, 2003	Year ended March 31, 2002
Heat sinks	5,442	4,945

### (2) New Orders

(¥ million, figures less than ¥1 million have been omitted)

	Year ended March 31, 2003	Year ended March 31, 2002
Semiconductors	140,821	119,516
Electronic components	105,134	93,205
Electronic equipment	22,447	23,085
Ryosan Products	7,296	6,159
Total	275,699	241,966

### (3) Sales

(¥ million, figures less than ¥1 million have been omitted)

	Year ended March 31, 2003	Year ended March 31, 2002
Semiconductors		
Japan	93,644	86,568
Asia	40,598	35,584
Sub Total	134,243	122,153
Electronic components		
Japan	76,467	68,219
Asia	18,589	22,774
Sub Total	95,057	90,993
Electronic Equipment		
Japan	19,144	24,690
Asia	735	386
Sub Total	19,880	25,077
Ryosan Products		
Japan	5,114	4,715
Asia	1,249	1,152
Sub Total	6,363	5,867
Total	255,545	244,091