

Consolidated Financial Statements for the Interim Period Ended September 30, 2003

Results for the six months ended September 30, 2003

Company name: Ryosan Company, Limited

Code number: 8140

Stock listings: Tokyo Stock Exchange (First Section)

Location of head office: Tokyo

(URL <http://www.ryosan.co.jp>)

Representative director: Mr. Tatsuo Ui, President

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Date of the meeting of the Board of Directors to settle the interim consolidated accounts: November 20, 2003

U.S. GAAP not applied

1. Consolidated results for the interim period (April 1, 2003 to September 30, 2003)

(1) Consolidated 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	%
Interim period	135,067	8.7	3,592	3.4	4,094	10.6
Previous interim period	124,202	4.9	3,472	4.0	3,703	0.2
Previous fiscal year	255,545		6,678		7,593	

	Net income		Net income per share		Net income per share after dilution	
	Millions of yen	%	Yen		Yen	
Interim period	2,111	13.7	55.55		—	
Previous interim period	1,857	6.3	46.96		—	
Previous fiscal year	3,724		93.21		—	

Notes:

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

Interim period: - Millions of yen Previous interim period: - Millions of yen

Previous fiscal year: - Millions of yen

2. Average number of shares issued and outstanding (consolidated):

Interim period: 38,013,557 shares Previous interim period: 39,551,287 shares

Previous fiscal year: 39,313,078 shares

3. Changes in accounting methods: None

4. Year-on-year changes in net sales, operating income, ordinary income and net income are based on the previous period.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Interim period	159,124	105,550	66.3	2,834.64
Previous interim period	147,265	105,902	71.9	2,677.68
Previous fiscal year	156,579	105,737	67.5	2,734.36

Note:

Number of shares issued and outstanding at end of period (consolidated):

Interim period: 37,235,794 shares Previous interim period: 39,550,136 shares

Previous fiscal year: 38,647,994 shares

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim period	568	1,562	1,736	31,025
Previous interim period	3,422	1,178	752	32,682
Previous fiscal year	477	1,058	2,322	34,841

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 10

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

Affiliates accounted for by the equity method: —

(5) Changes in scope of consolidation and application of the equity method

Consolidated subsidiaries: New 3 Eliminated —

Affiliates accounted for by the equity method: New — Eliminated —

2. Consolidated forecasts for fiscal year ending March 31, 2004

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ending March 31, 2004	275,000	7,500	8,200	4,500

(Reference) Projected net income per share for the year ending March 31, 2004 is ¥120.85

Note:

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

1. The Ryosan Group

The Ryosan Group comprises Ryosan Company, Limited, ten consolidated subsidiaries, seven non-consolidated subsidiaries and one affiliated company.

Ryosan operates as a trading firm that specializes in semiconductors, electronic components and equipment, which it sells to manufacturers of electronic equipment and other customers both domestically and overseas. Ryosan also develops, manufactures and sells its own-brand products.

The following table provides an overview of industry segments and the activities of Ryosan and its consolidated subsidiaries.

Segment	Main Products	Sales Companies	Development and Manufacturing Companies
Semiconductors	Memories System LSIs Discrete semiconductors	Ryosan Company, Limited Hong Kong Ryosan Limited Singapore Ryosan Private Limited	Road Company, Limited
Electronic Components	Display devices Power supplies Mechanical components	Ryotai Corporation Ryosan (Malaysia) Sdn. Bhd. Ryosan IPC (Malaysia) Sdn. Bhd.	
Electronic Equipment	Information equipment Production equipment	Korea Ryosan Corporation Zhong Ling International Trading (Shanghai) Co., Ltd.	
Ryosan Products	Heat sinks (for semiconductor circuit elements)		Ryosan Company, Limited Ryosan Engineering (Malaysia) Sdn. Bhd. Ryosan Engineering (Thailand) Co., Ltd.

Information about Ryosan's main non-consolidated subsidiaries is as follows:

Non-consolidated subsidiaries

Name of Company	Business Area
Will Business Service Company, Limited	Insurance agent and building maintenance
EC Ryosan Company, Limited	Sales agent for electronic components
Ryosan Technologies USA Inc.	Semiconductor and electronic component sales and servicing
Ryosan (Thailand) Co., Ltd.	Sales of and sales agent for semiconductors and electronic components
Dalian F.T.Z. Ryosan International Trading Co., Ltd.	Sales of semiconductors and electronic components

2. Management Policies

(1) Basic management policy

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 have been adopted in order to pursue greater returns on invested capital, preserve its financial health by maintaining a shareholders' equity ratio of at least 50%, and further improve corporate value (shareholder value).

Furthermore, we aim to achieve ROE of at least 5% and a full-year 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 most recent 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 further improving operations

(5) Expand business in Chinese market

(Local market)

- Focus resources and expand business, mainly focusing on such business categories 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 higher 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

- Create an impressive organization whose actions are guided by clear thinking
- 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 four 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’s 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. Management Results and Financial Condition

(1) Outline of Consolidated Operating Results for the Six Months Ended September 30, 2003

1. Overview

During the interim period ended September 30, 2003, the global economy, especially the U.S. economy, revealed signs of a recovery despite strong sentiments of uncertainty due to the Iraq conflict and SARS epidemic. The Japanese economy also showed traces of optimism against a background of a recovering stock market. Meanwhile, Ryosan's main operating environment—the electronics industry—benefited from improved market sentiment worldwide with conditions remaining comparatively healthy overall, particularly in the field of digital home electronic appliances.

Under these conditions, the Ryosan Group worked to separate its domestic sales network into smaller units, with the aim of reducing business expenses and improving customer satisfaction by forging close customer relationships. Ryosan also made progress with its growth strategy, acquiring new marketing licenses from overseas semiconductor makers, including Philips Electronics. As a result, Ryosan recorded increases in both sales and earnings. Consolidated net sales totaled ¥135,067 million, up 8.7% from the previous year. Operating income totaled ¥3,592 million, rising 3.4%, while ordinary income totaled ¥4,094 million, up 10.6%. Net income increased 13.7% to ¥2,111 million.

2. Segment information

a. Semiconductors

The Ryosan Group sells memory chips, system LSIs and discrete semiconductors. We also design and develop system LSIs. In the interim period, sales rose for digital home electronic appliance ASICs, semiconductors for LCDs, and other products. As a result, net sales in this segment increased 2.3% to ¥68,081 million, while operating income fell 5.2% to ¥2,746 million.

b. Electronic components

The Ryosan Group sells display devices, switching power supplies and mechanical components in this segment. Sales for LCDs for cellphones, digital still cameras and other products rose during the period. Net sales in the electronic components segment rose 16.5% to ¥53,789 million and operating income rose 39.4% to ¥1,503 million.

c. Electronic equipment

The electronic equipment segment comprises information and production equipment. The interim period saw higher sales of printer terminal systems and information equipment for PHS (mobile phone) base stations and POS systems. Net segment sales rose 23.6% to ¥10,052 million while operating income increased 47.6% to ¥304 million.

d. Ryosan products

The Ryosan Group manufactures and sells heat sinks for semiconductor circuit elements. During the period under review, overseas sales decreased for audio and visual appliance heat sinks. As a result, sales in this segment fell 5.8% to ¥3,144 million. Operating income also declined, dropping 10.6% to ¥429 million.

3. Interim dividend

At its November 20, 2003 meeting, the Board of Directors approved an interim ordinary dividend payment of ¥15 per share.

(2) Outlook for the Fiscal Year Ending March 31, 2004

1. Projected operating results

Despite increasing hopes for a U.S.-led recovery of the global economy, business conditions are expected to remain difficult in Japan due to the possible effect of the yen's rapid appreciation on corporate business performance and other concerns.

Under these circumstances, the Ryosan Group intends to achieve higher earnings by continuing to pursue the fundamental themes inscribed in its fifth medium-term management plan, namely our growth strategy, segment strategy, and establishing a strong management infrastructure. Moreover, we will improve our business results by following the two key policies of pursuing profits on the domestic front and rigorously bolstering our strong defenses overseas.

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

Consolidated	Billions of yen	Change (%)
Net sales	275.0	7.6
Operating income	7.5	12.3
Ordinary income	8.2	8.0
Net income	4.5	20.8

Non-consolidated	Billions of yen	Change (%)
Net sales	215.0	9.4
Operating income	6.1	3.3
Ordinary income	7.9	5.8
Net income	4.4	6.2

(Y-o-Y % change)

2. Projected operating results by business segment

a. Semiconductors

Ryosan projects higher sales of cellphone ASICs, semiconductors used in LCD displays and memories used in digital home electronics. Net sales in this segment are thus forecast to rise 6.2% to ¥142,600 million and operating income will rise 5.5% to ¥6,000 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 19.8% to ¥2,800 million.

c. Electronic equipment

Projected sales increases in printer terminal systems and PHS base-station equipment are forecast. Consequently, net sales in this segment are expected to increase 5.6% to ¥21,000 million, while operating income is projected to rise 32.9% to ¥600 million.

d. Ryosan products

Stronger demand is expected for heat sinks for industrial equipment. Accordingly, consolidated net sales are expected to rise 0.6% to ¥6,400 million, with operating income expected to rise to ¥700 million, a year-on-year increase of 2.1%.

These forecasts represent projected figures subject to certain risks and uncertainties. Thus there may be a significant discrepancy between the forecasts and actual results, depending on such factors as:

- Economic trends in major markets (Japan, other Asian markets, 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

In November 2003, Ryosan celebrated the 50th anniversary of its founding. Accordingly, Ryosan plans to pay a year-end dividend of ¥25 per share, consisting of a commemorative dividend of ¥10 per share in addition to the projected ordinary dividend of ¥15 per share. This will increase the projected dividend payment for the full year to ¥40 per share.

(3) Cash flows

Cash and cash equivalents as of September 30, 2003 had decreased to ¥31,025 million, ¥3,816 million less than at the previous fiscal year-end.

Cash flows from operating activities

Net cash used in operating activities totaled ¥568 million. This mainly reflected a drastic increase of ¥3,294 million in income taxes paid, despite income before income taxes of ¥4,105 million.

Cash flows from investing activities

Net cash used by investing activities was ¥1,562 million. This was mainly attributable to an expenditure of ¥1,004 million for purchases of investment securities.

Cash flows from financing activities

Net cash used in financing activities was ¥1,736 million, mainly due to an expenditure of ¥2,206 to acquire treasury stock.

Key indices of the financial condition of the Ryosan Group are as follows:

	Interim period ended Sept. 30, 2003	Fiscal year ended March 31, 2003	Previous interim period ended Sept. 30, 2002
Shareholders' equity ratio (%)	66.3	67.5	71.9
Shareholders' equity ratio using fair value (%)	38.9	29.6	34.8
Average debt repayment period (years)	-	2.0	-
Interest coverage ratio (times)	-	23.4	-

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio using fair value: Market capitalization / Total assets

Average debt repayment period: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest expenses

All indicators have been calculated from consolidated financial figures.

Market capitalization was calculated as the product of the stock's closing price at the fiscal year-end and the number of shares issued and outstanding at the fiscal year-end.

Operating cash flow uses the cash flows from operating activities in the consolidated statements of cash flows.

Interest-bearing debt comprises all debt on which interest was paid in the liabilities section of the consolidated balance sheets.

Interest expenses represent the interest paid as shown on the consolidated statements of cash flows.

The average debt repayment period and interest coverage ratio are presented with a "--" sign when operating cash flows are negative.

CONSOLIDATED BALANCE SHEETS

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

ITEM	As of September 30, 2003		As of March 31, 2003		Increase/ (Decrease)	As of September 30, 2002	
		%		%			%
ASSETS							
Current assets:	132,203	83.1	131,216	83.8	986	121,158	82.3
Cash and cash deposits	7,134		10,855		3,720	6,791	
Trade notes and accounts receivable	86,089		82,041		4,048	75,666	
Marketable securities	23,983		23,986		3	25,983	
Inventories	13,106		11,579		1,526	10,991	
Accrued income	1,141		1,786		644	1,154	
Deferred tax assets	388		748		360	373	
Other current assets	497		324		172	309	
Allowance for doubtful accounts	137		105		31	110	
Fixed assets:	26,920	16.9	25,363	16.2	1,557	26,106	17.7
Property, plant and equipment	16,032	10.1	16,151	10.3	119	16,374	11.1
Buildings and structures	6,853		7,073		220	7,294	
Land	8,205		8,205		0	8,213	
Other fixed assets	972		872		100	865	
Intangible fixed assets	676	0.4	519	0.3	157	498	0.3
Investments and other assets	10,212	6.4	8,692	5.6	1,519	9,233	6.3
Investment securities	7,720		5,836		1,883	6,624	
Long-term loans	-		33		33	186	
Deferred tax assets	1,002		1,392		389	1,130	
Other	1,690		1,656		33	1,591	
Allowance for doubtful accounts	168		185		16	206	
Allowance for loss on investments	32		42		10	93	
Total assets	159,124	100.0	156,579	100.0	2,544	147,265	100.0

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

ITEM	As of September 30, 2003		As of March 31, 2003		Increase/ (Decrease)	As of September 30, 2002	
		%		%			%
LIABILITIES							
Current liabilities:							
Trade notes and accounts Payable	51,561	32.4	48,845	31.2	2,715	39,468	26.8
Short-term bank loans	46,370		42,192		4,177	34,826	
Convertible bonds due within one year	1,992		951		1,041	936	
Accrued income taxes	1,606		3,202		1,596	2,103	
Accrued expenses	736		1,367		631	735	
Other current liabilities	855		1,130		274	866	
Long-term liabilities:	1,820	1.2	1,767	1.1	53	1,656	1.1
Employees' retirement benefits	1,379		1,328		50	1,251	
Directors' and corporate auditors' severance payments	342		341		1	308	
Other long-term liabilities	98		97		0	97	
Total liabilities	53,382	33.6	50,613	32.3	2,769	41,124	27.9
Minority interests							
Shareholders' equity	192	0.1	229	0.2	37	238	0.2
Common stock	17,690	11.1	17,690	11.3	-	17,690	12.0
Additional paid-in capital	19,114	12.0	19,114	12.2	-	19,114	13.0
Consolidated retained earnings	69,381	43.6	69,944	44.7	563	70,848	48.1
Valuation gain on other marketable securities	578	0.4	33	0.0	612	267	0.2
Foreign currency translation adjustments	584	0.4	342	0.3	241	225	0.2
Treasury stock	629	0.4	635	0.4	5	1,793	1.2
Total shareholders' equity	105,550	66.3	105,737	67.5	187	105,902	71.9
Total liabilities, minority interests and shareholders' equity	159,124	100.0	156,579	100.0	2,544	147,265	100.0

CONSOLIDATED STATEMENTS OF INCOME

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

ITEM	Six months ended September 30, 2003		Six months ended September 30, 2002		Increase/ (Decrease)	Year ended March 31, 2003	
		%		%			%
Net sales	135,067	100.0	124,202	100.0	10,865	255,545	100.0
Cost of sales	124,513	92.2	113,199	91.1	11,313	233,784	91.5
Gross profit	10,554	7.8	11,003	8.9	448	21,761	8.5
Selling, general and administrative expenses	6,961	5.2	7,530	6.1	568	15,082	5.9
Operating income	3,592	2.6	3,472	2.8	119	6,678	2.6
Other income:	561	0.4	448	0.4	112	1,082	0.4
Interest income	110		134		24	273	
Dividend income	25		48		23	66	
Purchase discounts	28		76		48	108	
Exchange gain	257		-		257	94	
Other	138		188		49	540	
Other expenses:	58	0.0	217	0.2	158	167	0.0
Interest expense	14		13		1	21	
Exchange loss	-		130		130	-	
Other	44		74		30	146	
Ordinary income	4,094	3.0	3,703	3.0	391	7,593	3.0
Extraordinary gains:	22	0.0	126	0.1	103	216	0.1
Gain on sales of property, plant and equipment	1		-		1	33	
Gain on sales of investment securities	11		89		78	124	
Gain on reversal of allowance for doubtful accounts	-		36		36	54	
Gain on reversal of allowance for loss on investments	10		-		10	-	
Other	-		-		-	3	
Extraordinary losses:	12	0.0	116	0.1	104	451	0.2
Loss on sales and disposal of property, plant and equipment	7		1		5	26	
Loss on sales of investment Securities	-		7		7	360	
Loss on devaluation of golf memberships	5		37		32	45	
Transfer to allowance for loss on investments	-		51		51	-	
Other	-		18		18	18	
Income before income taxes and other items	4,105	3.0	3,713	3.0	392	7,357	2.9
Income taxes – current	1,678	1.2	2,218	1.8	539	4,420	1.7
Income taxes – deferred	334	0.2	379	0.3	713	805	0.3
Minority interests in earnings (losses) of consolidated subsidiaries	19	0.0	17	0.0	36	19	0.0
Net income	2,111	1.6	1,857	1.5	254	3,724	1.5

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

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

	Six months ended September 30, 2003	Six months ended September 30, 2002	Year ended March 31, 2003
(Additional Paid-in Capital)			
Balance at beginning of period	19,114	19,114	19,114
Balance at end of period	19,114	19,114	19,114
(Retained Earnings)			
Balance at beginning of period	69,944	69,584	69,584
Increase in retained earnings	2,288	1,857	3,724
Increase in retained earnings due to increase in number of consolidated subsidiaries	177	-	-
Net income	2,111	1,857	3,724
Decrease in retained earnings	2,852	593	3,363
Cash dividends	579	593	1,186
Bonuses to directors	59	-	-
Retirement of treasury stock	2,212	-	2,177
Balance at end of period	69,381	70,848	69,944

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Six months ended September 30, 2003	Six months ended September 30, 2002	Year ended March 31, 2003
Operating activities:			
Income before income taxes	4,105	3,713	7,357
Depreciation and amortization	416	407	832
Increase in provision for employees' severance payments	46	63	140
(Decrease) increase in provision for directors' retirement benefits	1	81	48
Decrease in allowance for doubtful accounts	18	60	82
Interest and dividend income	136	183	339
Interest expense	14	13	21
Gain on sales of property, plant and equipment	1	-	33
Loss on sales and disposal of property, plant and equipment	7	1	26
Gain on sales of investment securities	11	89	124
Loss on devaluation of marketable and investment securities	-	7	360
(Increase) decrease in trade receivables	3,988	7,257	13,893
(Increase) decrease in inventories	1,631	1,180	1,825
Increase (decrease) in trade payables	4,233	771	8,368
Directors' bonuses paid	59	-	-
Other – net	410	126	82
Subtotal	2,605	4,001	844
Interest and dividend income	135	179	336
Interest paid	14	12	20
Income taxes refunded	-	676	676
Income taxes paid	3,294	264	1,358
Net cash (used in) provided by operating activities	568	3,422	477
Investing activities:			
Net change (increase) in time deposits	91	37	126
Purchases of property, plant and equipment	249	85	269
Proceeds from sales of property, plant and equipment	4	-	41
Purchases of intangible assets	232	285	391
Increase in investment securities	1,004	210	353
Proceeds from sales of investment securities	36	210	254
Payment of loans	86	289	422
Proceeds from collection of loans	56	210	443
Increase from changes in the scope of consolidation due to the sale of subsidiaries	-	1,594	1,594
Other – net	4	4	34
Net cash provided by (used in) investing activities	1,562	1,178	1,058
Financing activities:			
Net increase (decrease) in short-term bank loans	1,053	162	109
Purchases of treasury stock	2,206	2	1,021
Purchases of treasury stock for the purpose of returning profits to shareholders	579	593	1,186
Other – net	3	4	5
Net cash used in financing activities	1,736	752	2,322
Effect of foreign currency translation adjustments on cash and cash equivalents	129	154	205
Net (decrease) increase in cash and cash equivalents	3,997	3,151	992
Cash and cash equivalents, beginning of the period	34,841	35,834	35,834
Net increase in cash and cash equivalents of newly consolidated subsidiaries, beginning of the period	181	-	-
Cash and cash equivalents, end of the period	31,025	32,682	34,841

SEGMENT INFORMATION

1. Segment information by business type

Six months ended September 30, 2003

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

	Semiconductors	Electronic components	Electronic equipment	Ryosan products	Total	Eliminations or corporate	Consolidated
Sales and operating income							
Sales:							
(1) Outside customers	68,081	53,789	10,052	3,144	135,067	-	135,067
(2) Interarea	-	-	-	-	-	-	-
Total	68,081	53,789	10,052	3,144	135,067	-	135,067
Operating expenses	65,335	52,285	9,747	2,714	130,083	1,391	131,475
Operating income	2,746	1,503	304	429	4,984	(1,391)	3,592

Six months ended September 30, 2002

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

	Semiconductors	Electronic components	Electronic equipment	Ryosan products	Total	Eliminations or corporate	Consolidated
Sales and operating income							
Sales:							
(1) Outside customers	66,578	46,152	8,134	3,337	124,202	-	124,202
(2) Interarea	-	-	-	-	-	-	-
Total	66,578	46,152	8,134	3,337	124,202	-	124,202
Operating expenses	63,680	45,073	7,927	2,856	119,538	1,191	120,729
Operating income	2,898	1,078	206	480	4,664	(1,191)	3,472

Fiscal year ended March 31, 2003

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

	Semiconductors	Electronic components	Electronic equipment	Ryosan products	Total	Eliminations or corporate	Consolidated
Sales and operating income							
Sales:							
(1) Outside customers	134,243	95,057	19,880	6,363	255,545	-	255,545
(2) Interarea	-	-	-	-	-	-	-
Total	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

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: Memory chips, system LSIs, discrete semiconductors

Electronic components: Display devices, power supplies, mechanical components

Equipment: Information equipment, production equipment

Ryosan products: Heat sinks (for semiconductor circuit elements)

2. Unallocated operating expenses for the six months ended September 30, 2003 included in "Eliminations or corporate" totaled ¥1,391 million, compared with ¥1,191 million for the same six months in the previous year and ¥2,620 million for the fiscal year ended March 31, 2003. These expenses consisted principally of expenses related to the parent company's planning, administration, personnel and accounting departments.

2. Geographical segment information

Six months ended September 30, 2003

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

	Japan	Asia	Total	Eliminations or corporate	Consolidated
Sales and operating income					
Sales:					
(1) Outside customers	103,889	31,178	135,067	-	135,067
(2) Interarea	3,463	253	3,716	(3,716)	-
Total	107,352	31,431	138,784	(3,716)	135,067
Operating expenses	104,336	30,646	134,982	(3,507)	131,475
Operating income	3,016	785	3,801	(209)	3,592

Six months ended September 30, 2002

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

	Japan	Asia	Total	Eliminations or corporate	Consolidated
Sales and operating income					
Sales:					
(1) Outside customers	91,195	33,006	124,202	-	124,202
(2) Interarea	2,833	179	3,013	(3,013)	-
Total	94,029	33,186	127,215	(3,013)	124,202
Operating expenses	91,345	32,478	123,823	(3,093)	120,729
Operating income	2,684	707	3,392	80	3,472

Fiscal year ended March 31, 2003

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

	Japan	Asia	Total	Eliminations or corporate	Consolidated
Sales and operating income					
Sales:					
(1) Outside customers	194,371	61,174	255,545	-	255,545
(2) Interarea	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

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. Each segment contributed to operating costs.

3. Overseas sales

Six months ended September 30, 2003

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

	Asia	Total
Overseas sales	41,228	41,228
Consolidated net sales		135,067
Ratio of overseas sales to consolidated net sales (%)	30.5	30.5

Six months ended September 30, 2002

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

	Asia	Total
Overseas sales	35,809	35,809
Consolidated net sales		124,202
Ratio of overseas sales to consolidated net sales (%)	28.8	28.8

Fiscal year ended March 31, 2003

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

	Asia	Total
Overseas sales	70,908	70,908
Consolidated net sales		255,545
Ratio of overseas sales to consolidated net sales (%)	27.7	27.7

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. Overseas sales represent the total of export sales of the parent company and sales of its consolidated subsidiaries outside Japan (excluding inter-group sales).

MANUFACTURING, NEW ORDERS AND SALES

1. Manufacturing

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

	Six months ended September 30, 2003	Six months ended September 30, 2002	Fiscal year ended March 31, 2003
Heat sinks	2,695	2,887	5,442

2. New Orders

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

	Six months ended September 30, 2003	Six months ended September 30, 2002	Fiscal year ended March 31, 2003
Semiconductors	70,304	72,046	140,821
Electronic components	58,941	52,690	105,134
Electronic equipment	11,366	10,014	22,447
Ryosan products	3,608	4,014	7,296
Total	144,220	138,765	275,699

3. Sales

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

	Six months ended September 30, 2003	Six months ended September 30, 2002	Fiscal year ended March 31, 2003
Semiconductors			
Japan	46,606	45,200	93,644
Asia	21,475	21,378	40,598
Subtotal	68,081	66,578	134,243
Electronic components			
Japan	44,731	35,882	76,467
Asia	9,057	10,269	18,589
Subtotal	53,789	46,152	95,057
Electronic equipment			
Japan	9,995	7,525	19,144
Asia	56	608	735
Subtotal	10,052	8,134	19,880
Ryosan products			
Japan	2,555	2,587	5,114
Asia	588	749	1,249
Subtotal	3,144	3,337	6,363
Total	135,067	124,202	255,545