

First-Quarter Consolidated Earnings Report for Fiscal 2005, Ending March 31, 2005

August 6, 2004

Company name: Ryosan Co., Ltd.

Stock listings: Tokyo Stock Exchange (First Section)

Code number: 8140

Location of head office: Tokyo

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

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1. Notes on Presentation of Quarterly Operating Results

(1) Application of simplified accounting methods: Yes

Simplified accounting methods have been applied to certain financial accounts, with a negligible effect on their presentation.

(2) Changes in recognition methods from most-recent fiscal year: None

(3) Changes in scope of consolidation and application of equity method:

Consolidated subsidiaries: New —; Excluded 2; Affiliates accounted for under equity method: New —; Excluded —

2. First-Quarter Consolidated Operating Results (April 1, 2004 – June 30, 2004)

(1) Consolidated Operating Results (Figures less than ¥1 million have been omitted)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2005 First Quarter	76,025	17.5	2,551	60.2	2,800	66.9	1,792	117.8
Fiscal 2004 First Quarter	64,684	-	1,592	-	1,678	-	823	-
(Ref) Fiscal 2004	288,240	12.8	7,964	19.3	8,930	17.6	5,705	53.2

	Net income per share	Net income per share after dilution
	Yen	Yen
Fiscal 2005 First Quarter	49.16	-
Fiscal 2004 First Quarter	21.39	-
(Ref) Fiscal 2004	150.27	-

(Note) The percentage figures accompanying net sales, operating income, etc. indicate year-on-year changes.

[Qualitative Information and Other Matters Concerning First-Quarter Consolidated Operating Results]

Overview

During the first quarter of fiscal 2005 (April 1 to June 30, 2004), the macroeconomic environment steadily recovered as the U.S. and Asian economies remained on a growth track and the Japanese economy was boosted by increased corporate exports and investments in property, plant and equipment. Products in the electronics industry performed well, especially PCs, cellphones and digital home appliances.

Against this backdrop, the Ryosan Group reported firm operating results thanks to increasing demand for semiconductor products and electric components for such uses as in cellphones for the domestic and Asian markets and in digital home appliances. As a result, Ryosan posted consolidated net sales of ¥76,025 million, a 17.5% increase from the previous fiscal year. Consolidated operating income rose 60.2% to ¥2,551 million, ordinary income climbed 66.9% to ¥2,800 million, and net income soared 117.8% to ¥1,792 million.

Segment information

a. Semiconductors

The Ryosan Group markets memories, system LSIs, and discrete semiconductors, and plans and develops system LSIs. In the first quarter, sales rose for ASICs for cellphones, ICs used in LCD displays and memories used in PCs,

cellphones and digital still cameras. As a result, consolidated net sales in the segment increased 21.5% to ¥40,725 million.

b. Electronic components

The Ryosan Group markets display devices, power supplies, and mechanical components. The first quarter mainly saw higher sales of LCDs for cellphones and digital still cameras. Net sales in the electronic components segment rose 16.1% to ¥29,165 million.

c. Electronic equipment

The Ryosan Group markets systems equipment and facilities equipment. Sales of PHS systems equipment and other products decreased in the first quarter. Consolidated net sales in this segment declined 8.7% to ¥4,103 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 increased in the first quarter. Consolidated net sales in this segment rose 30.1% to ¥2,030 million.

(2) Consolidated financial position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2005 First Qtr.	167,670	108,267	64.5	2,975.92
Fiscal 2004 First Qtr.	-	-	-	-
(Ref.) Fiscal 2004	172,321	107,610	62.5	2,934.68

(2) Consolidated cash flows

	Operating Activities	Investing Activities	Financing Activities	End of Year Cash and Cash Equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2005 First Qtr.	9,794	2,616	885	22,656
Fiscal 2004 First Qtr.	-	-	-	-
(Ref.) Fiscal 2004	1,511	2,421	3,596	30,663

(Qualitative information about financial position)

Total assets on June 30, 2004 were ¥167,670 million, ¥4,651 million less than at the previous fiscal year-end. Shareholders' equity increased ¥657 million to ¥108,267 million and the shareholders' equity ratio rose 2.1% to 64.6%.

Cash flows from operating activities

Net cash used in operating activities amounted to ¥9,794 million. This was primarily due to an increase in inventories of ¥4,393 million and a decrease in notes and accounts payable of ¥5,419 million, which was partly offset by income before income taxes amounting to ¥2,813 million.

Cash flows from investing activities

Net cash provided by investing activities totaled ¥2,616 million. This was mainly attributable to proceeds of ¥3,031

million from the redemption of investment securities.

Cash flows from financing activities

Net cash used in financing activities was ¥885 million. The main components were the repurchase of ¥624 million in treasury stock and cash dividends paid of ¥916 million.

3. Consolidated Forecasts for Fiscal 2005 (April 1, 2004 - March 31, 2005)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Interim	147,000	4,200	4,600	2,700	74.21
Full year	310,000	9,400	10,200	6,100	167.67

[Qualitative Information and Other Matters Concerning Consolidated Forecasts]

Ryosan has not revised its consolidated forecasts for the fiscal year ending March 31, 2005 that were announced on May 20, 2004. Looking ahead, Ryosan will promptly disclose any revisions to forecasts based on a careful assessment of trends in its operating results.

[Caution About Using Forecasts]

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.

1. CONSOLIDATED BALANCE SHEETS

(¥ million)

Item	June 30, 2004		March 31, 2004		
	Amount	%	Amount	%	
ASSETS					
I	Current assets				
	142,638	85.1	147,672	85.7	
1.	Cash and deposits	5,925	9,813		
2.	Trade notes and accounts receivable	98,507	96,476		
3.	Marketable securities	16,998	24,008		
4.	Inventories	18,763	14,301		
5.	Accrued income	1,669	1,766		
6.	Deferred tax assets	498	928		
7.	Other current assets	431	529		
8.	Allowance for doubtful accounts	156	152		
II	Fixed assets				
	25,032	14.9	24,648	14.3	
1.	Property, plant and equipment	15,590	15,696	9.1	
(1)	Buildings and structures	6,537	6,628		
(2)	Land	8,206	8,203		
(3)	Other fixed assets	846	863		
2.	Intangible fixed assets	687	639	0.4	
3.	Investments and other assets	8,755	8,313	4.8	
(1)	Investment securities	6,620	6,028		
(2)	Deferred tax assets	583	768		
(3)	Other	1,747	1,718		
(4)	Allowance for doubtful accounts	186	186		
(5)	Allowance for loss on investments	9	16		
Total assets		167,670	100.0	172,321	100.0

(¥ million)

Item	June 30, 2004		March 31, 2004		
	Amount	%	Amount	%	
LIABILITIES					
I	Current liabilities	57,413	34.3	62,607	36.3
	1. Trade notes and accounts payable	51,958		56,994	
	2. Short-term bank loans	2,353		1,669	
	3. Accrued income taxes	822		1,198	
	4. Accrued expenses	769		1,657	
	5. Other current liabilities	1,508		1,086	
II	Long-term liabilities	1,891	1.1	1,917	1.1
	1. Employees' retirement benefits	1,480		1,452	
	2. Directors' severance payments	309		365	
	3. Other long-term liabilities	101		99	
Total liabilities		59,304	35.4	64,524	37.4
(MINORITY INTERESTS)					
	Minority interests	98	0.1	186	0.1
SHAREHOLDERS' EQUITY					
I	Common stock	17,690	10.5	17,690	10.3
II	Additional paid-in capital	19,114	11.4	19,114	11.1
III	Retained earnings	72,122	43.0	71,328	41.4
IV	Net unrealized gain on other marketable securities	1,193	0.7	960	0.6
V	Foreign currency translation adjustments	571	0.3	827	0.5
VI	Treasury stock	1,281	0.8	656	0.4
Total shareholders' equity		108,267	64.5	107,610	62.5
Total liabilities, minority interests, and shareholders' equity		167,670	100.0	172,321	100.0

2. CONSOLIDATED STATEMENTS OF INCOME

(¥ million)

Item		First Quarter of Year Ending March 31, 2005		Year Ended March 31, 2004	
		Amount	%	Amount	%
I	Net sales	76,025	100.0	288,240	100.0
II	Cost of sales	69,723	91.7	265,721	92.2
	Gross profit	6,301	8.3	22,519	7.8
III	Selling, general and administrative expenses	3,750	4.9	14,554	5.0
	Operating income	2,551	3.4	7,964	2.8
IV	Non-operating income	284	0.4	1,132	0.4
1.	Interest and dividend income	99		231	
2.	Discounts on purchases	14		58	
3.	Foreign exchange gains	91		494	
4.	Others	79		349	
V	Non-operating expenses	35	0.1	166	0.1
1.	Interest expense	7		33	
2.	Others	27		133	
	Ordinary income	2,800	3.7	8,930	3.1
VI	Extraordinary gains	33	0.0	154	0.1
1.	Gain on sales of property, plant and equipment	22		1	
2.	Gain on reversal of allowance for doubtful accounts	4		-	
3.	Gain on reversal of allowance for loss on investments	6		26	
4.	Others	0		127	
VII	Extraordinary losses	19	0.0	200	0.1
1.	Loss on sale and disposal of property, plant and equipment	19		74	
2.	Loss on devaluation of investment securities	-		121	
3.	Others	0		4	
	Income before income taxes and minority interests	2,813	3.7	8,884	3.1
	Income taxes	1,087	1.4	3,189	1.1
	Minority interests (losses)	66	0.1	10	0.0
	Net income	1,792	2.4	5,705	2.0

3. CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ million)

Item	First Quarter of Year	Year Ended March
	Ending March 31, 2005	31, 2004
	Amount	Amount
I Operating activities:		
Income before income taxes	2,813	8,884
Depreciation and amortization	212	844
Reversal of allowance for doubtful accounts	0	57
Increase (decrease) increase in severance allowance for employees	29	123
(Decrease) increase in retirement allowances for directors	56	24
Interest and dividend income	99	231
Interest expense	7	33
Gains on sales of property, plant and equipment	22	1
Loss on sale and disposal of property, plant and equipment	19	74
Gains on sales of investment securities	-	127
Loss on devaluation of investment securities	-	121
(Increase) decrease in notes and accounts receivable	1,646	14,920
(Increase) decrease in inventories	4,393	2,917
Increase (decrease) increase in accounts payable	5,419	15,277
Directors' bonuses paid	69	59
Other expenses	296	430
Subtotal	8,919	6,753
Interest and dividends received	114	229
Interest paid	7	33
Income taxes paid	981	5,438
Net cash (used in) provided by operating activities	9,794	1,511
II Investing activities:		
Decrease (increase) in time deposits	115	51
Purchases of property, plant and equipment	66	382
Proceeds from sales of property, plant and equipment	44	5
Purchases of intangible fixed assets	101	310
Proceeds from redemption of investment securities	3,031	-
Purchases of investment securities	200	1,882
Proceeds from sales of investment securities	-	246
Purchases of equity in affiliated companies	-	6
Increase in loans	6	117
Proceeds from collection of loans	29	90
Other expenses	1	14
Net cash provided by (used in) investing activities	2,616	2,421
III Financing activities:		
(Decrease) increase in short-term borrowings, net	663	868
Repurchase of treasury stock	624	3,321
Cash dividends paid	916	1,138
Cash dividends paid to minority shareholders	7	4
Net cash used in financing activities	885	3,596
IV Effect of foreign currency translation adjustments on cash and cash equivalents	123	147
V Net (decrease) increase in cash and cash equivalents	7,940	4,359
VI Cash and cash equivalents, beginning of year	30,663	34,841
VII Cash and cash equivalents of newly consolidated subsidiary	-	181
VIII Cash and cash equivalents of subsidiary excluded from consolidation	66	-
IX Cash and cash equivalents, end of year	22,656	30,663

4. NEW ORDERS AND SALES

(1) New Orders

(¥ million)

Segment	Fiscal 2005, First Quarter	Fiscal 2004, First Quarter	Change		Fiscal 2004
	Amount	Amount	Amount	(%)	Amount
Semiconductors	42,909	34,463	8,445	24.5	152,692
Electronic components	28,891	28,281	610	2.2	124,667
Electronic equipment	5,304	5,873	569	9.7	20,957
Ryosan products	2,114	1,780	334	18.8	7,872
Total	79,220	70,398	8,821	12.5	306,189

(2) Sales

(¥ million)

Segment	Fiscal 2005, First Quarter	Fiscal 2004, First Quarter	Change		Fiscal 2004
	Amount	Amount	Amount	(%)	Amount
Semiconductors	40,725	33,512	7,213	21.5	145,274
Electronic components	29,165	25,116	4,049	16.1	114,070
Electronic equipment	4,103	4,495	391	8.7	21,912
Ryosan products	2,030	1,560	469	30.1	6,983
Total	76,025	64,684	11,340	17.5	288,240

Note: 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: systems equipment, facilities equipment

Ryosan products: heat sinks (for semiconductors)