

Consolidated Financial Statements for the Interim Period Ended September 30, 2004

Results for the six months ended September 30, 2004

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 18, 2004

U.S. GAAP not applied

1. Consolidated results for the interim period (April 1, 2004 to September 30, 2004)

(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	158,620	17.4	5,416	50.8	5,743	40.3
Previous interim period	135,067	8.7	3,592	3.4	4,094	10.6
Previous fiscal year	288,240		7,964		8,930	

	Net income		Net income per share	Net income per share after dilution
	Millions of yen	%	Yen	Yen
Interim period	3,413	61.7	93.53	—
Previous interim period	2,111	13.7	55.55	—
Previous fiscal year	5,705		150.27	—

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: 36,499,655 shares Previous interim period: 38,013,557 shares

Previous fiscal year: 37,508,731 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	170,806	109,766	64.3	3,001.60
Previous interim period	159,124	105,550	66.3	2,834.64
Previous fiscal year	172,321	107,610	62.5	2,934.68

Note:

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

Interim period: 36,569,204 shares Previous interim period: 37,235,794 shares

Previous fiscal year: 36,644,940 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	(13,012)	2,659	1,181	21,465
Previous interim period	(568)	(1,562)	(1,736)	31,025
Previous fiscal year	1,511	(2,421)	(3,596)	30,663

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

Consolidated subsidiaries: 8

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 — Eliminated 2

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

2. Consolidated forecasts for fiscal year ending March 31, 2005

	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, 2005	315,000	10,400	10,900	6,500

(Reference) Projected net income per share for the year ending March 31, 2005 is ¥177.75

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 10 of the attached materials for more information related to the forecasts.

1. The Ryosan Group

The Ryosan Group comprises Ryosan Company, Limited, eight consolidated subsidiaries, eight 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 Ryotai Corporation Ryosan IPC (Malaysia) Sdn. Bhd. Korea Ryosan Corporation Zhong Ling International Trading (Shanghai) Co., Ltd.	
Electronic Components	Display devices Power supplies Mechanical components		
Electronic Equipment	Systems equipment Facilities equipment		
Ryosan Products	Heat sinks (for semiconductor circuit elements)		Ryosan Company, Limited Ryosan Engineering (Malaysia) Sdn. Bhd. Ryosan Engineering (Thailand) Co., Ltd.

Notes:

1. On September 28, 2004, Ryosan completed the liquidation of consolidated subsidiary Road Company, Limited.
2. Consolidated subsidiary Ryosan IPC (Malaysia) Sdn. Bhd. took over the business of consolidated subsidiary Ryosan (Malaysia) Sdn. Bhd., which became a non-consolidated subsidiary due to its minimal impact on business results as a consolidated subsidiary.

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) 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 (supplying data), the solutions function (supplying technology), and the distribution function (supplying logistics). By constantly enhancing these three functions, Ryosan will raise customer satisfaction and increase its existence 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 strategic investment and strategic loan financing for business partners, and for investments in technical development, and plants and facilities.

(3) Policy on reducing Ryosan's trading unit

Ryosan's capital strategy recognizes the importance of expanding its shareholder base and making Ryosan shares easier to trade. This recognition prompted Ryosan to reduce its trading unit from 1,000 shares to 100 shares in August 2001.

(4) Targeted management indicators

Ryosan has adopted ROE and net income per share as key management indicators. Guided by these benchmarks, the Company aims to pursue greater returns on equity, preserve its financial health by maintaining the shareholders' equity ratio above 60%, and further improve corporate value (shareholder value).

Furthermore, we aim to achieve an ROE of at least 5% and a full-year net income per share of at least ¥150.

(5) Medium- and long-term management strategies

Ryosan's fifth mid-term management plan covered the 3-year period from fiscal 2002 through to fiscal 2004. Two pillars of this plan, "Basic Situation" and "Basic Strategy: Phase I," have been instrumental in guiding the Company's efforts to implement various corporate reforms. As a result, Ryosan has succeeded in clarifying the responsibilities of company directors, improving returns to shareholders, promoting multi-vendor business and so on. Looking ahead, corporations are expected to face further advancement in

globalization, growing complexity, and a faster pace of business. There remain, therefore, many more reforms we must implement.

Accordingly, Ryosan is tackling needed new reforms in line with its sixth mid-term management plan, covering the 3-year period from fiscal 2005 through to fiscal 2007. In line with its “Basic Situation”, Ryosan continues to focus on Pursuing Management Essence, Advancing Management innovation, and Yielding Management Results Are the to conducting Open and Transparent Corporate Management and Business Activities with Abundant Creativity.

To realize this Basic situation, Ryosan is forcefully pushing ahead with the “Basic Strategy: Phase II”, the key points of which are as follows.

1. Growth strategy as a system coordinator:

We will establish 4 new business models:

Business growth through effective M&As

Commercialize the Fabless Semiconductor business

Expand the New-resource Semiconductor Business

Expansion in the Chinese market

2. Segment strategy as a System coordinator:

We will qualitatively strengthen individual strategies for 4 product segments:

Semiconductor business strategy: strategic, mainstay business

Electronic components business strategy: stable cornerstone business

Electronic equipment business strategy: synergy-driving business

Production business strategy: signature trading business

3. Establish a strong business infrastructure that supports growth and reinforces operations:

We will implement 5 management reforms:

Establish highly social corporate governance

Further reform the personnel system

Strengthen implementation of BPR

Improve quality of business framework

Strengthen RS Culture

(6) Issues to be addressed

In recent years, the semiconductor industry, Ryosan’s primary industry, has undergone a process of realignment that now appears to be coming to an end. Semiconductor makers are now giving priority to practicing greater selectivity and concentration in specialized fields and strengthening relationships with specific customers, aiming to make the most effective use of limited business resources.

In line with these developments, Ryosan considers that important measures are to strengthen our multi-vendor approach to make the most of Ryosan's special characteristics, respond to our customers' requirements with a diverse product lineup that enables "one-stop shopping," and through the "provision of optimal devices." To achieve these, we are pursuing a full-fledged multi-vendor approach as part of our growth strategy for business expansion in new-resource semiconductor business.

To rapidly implement this multi-vendor approach, we have concluded sales agent contracts with Philips Semiconductors and invested in the development of semiconductor ventures overseas. In addition, marketing licenses are being acquired to capture new customers and drive faster growth.

Another task is to improve earnings: we have introduced a detailed administrative procedure that fully takes into account the earnings structures of each of our sales offices. By having each sales office "measure everything coming in and control everything going out," we aim to improve earnings. Moreover, to minimize losses, we will tightly manage accounts receivable and product inventory, aiming to streamline current assets.

Ryosan is determined to improve its business results by raising its corporate value in the electronics market and reaping the commensurate rewards.

(7) Corporate governance—fundamental philosophy and policies

(Fundamental corporate governance philosophy)

Ryosan has established the following three management principles.

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 working to reinforce corporate governance.

Corporate governance policies

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

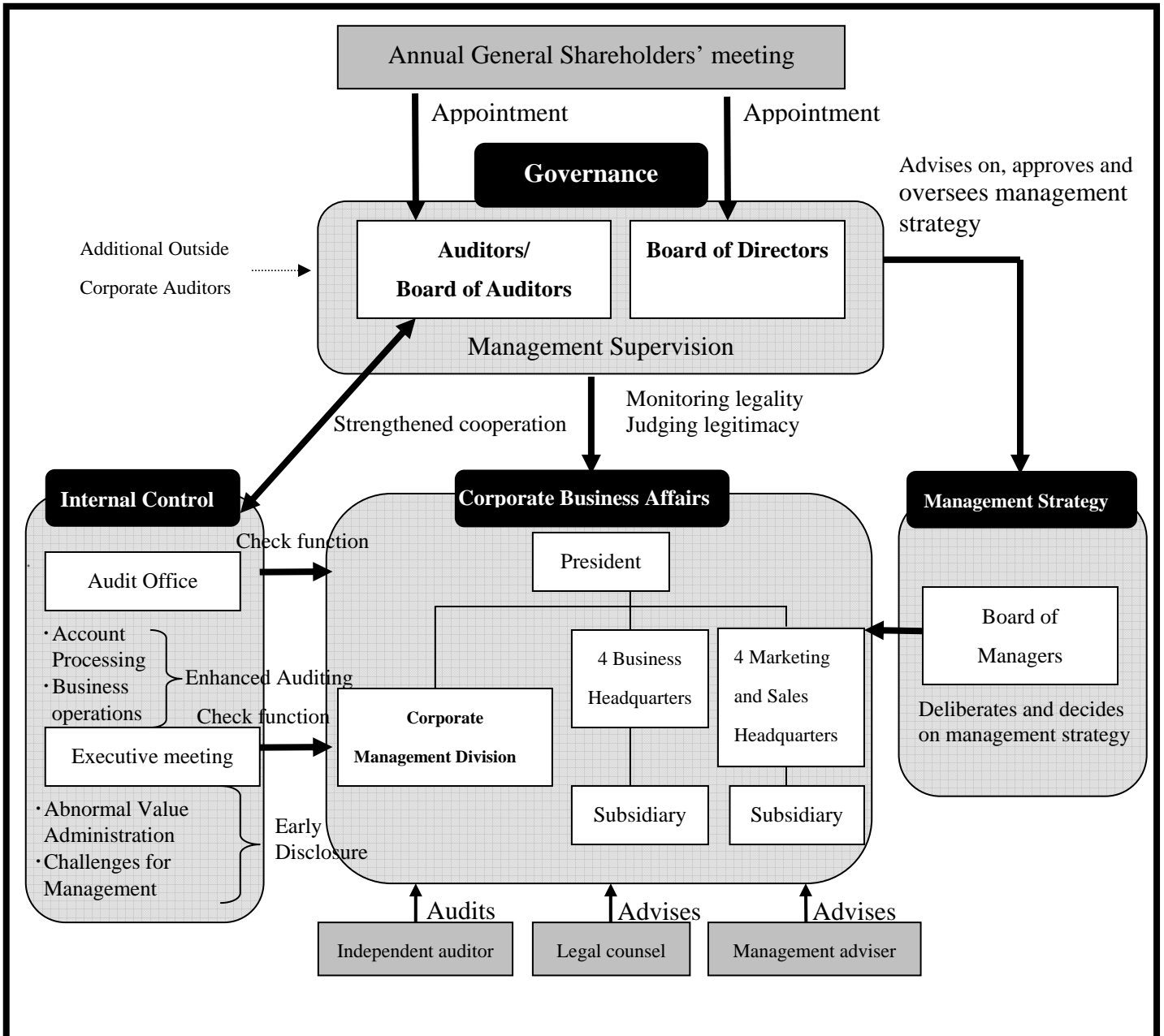
Ryosan has clarified the roles and responsibilities of the representative director and president with respect to corporate governance and management of day-to-day operations (management strategy and business execution). As regards directors' management procedures, the Board of Directors' role is to advise 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.

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 two auditors 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.

The following diagram shows an overview of Ryosan's corporate governance framework.



(2) Overview of personal relationships of outside board members and auditors with the 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 first half of the fiscal year ending March 31, 2005, the Board of Directors held a total of eight meetings. In addition, Board of Managers held a total of ten meetings. In principle, directors, who are responsible for managing the execution of day-to-day operations, and auditors attend all Board of Managers meetings. This requirement is aimed at further strengthening corporate governance.

The Audit Committee held a total of six meetings during the first half of the fiscal year.

3. Management Results and Financial Condition

(1) Outline of Consolidated Operating Results for the Six Months Ended September 30, 2004

1. Overview

During the first half of the fiscal year ending March 31, 2005, the global economy was strong overall, underpinned by economic growth in the U.S. and China. Nevertheless, flourishing demand for crude oil pushed oil prices to new peaks, raising concerns about adverse effects on economies and corporate earnings. Meanwhile, Ryosan's main operating environment—the electronics industry—initially displayed healthy production levels against the background of substantial increased demand worldwide for digital home appliances products. Mid-way through the period under review, however, cellphones and digital still cameras entered an adjustment phase, and demand declined for semiconductors and electronic components, resulting in growing unease about the future.

Under these conditions, the Ryosan Group worked to achieve its growth strategy of expanding business in new-resource semiconductor products and increasing sales to new customers captured through acquisition of marketing licenses, and worked to improve its earnings framework.

As a result, Ryosan recorded increases in both sales and earnings. Consolidated net sales totaled ¥158,620 million, up 17.4% from the previous year. Operating income amounted to ¥5,416 million, rising 50.8%, while ordinary income amounted to ¥5,743 million, up 40.3%. Net income increased 61.7% to ¥3,413 million.

2. Segment information

a. Semiconductors

The Ryosan Group sells memories, system LSIs and discrete semiconductors. We also design and develop system LSIs. In the interim period, sales of ASICs for hard disk drives and cellphones, ICs for DVDs and LCD drivers, memories for PCs and cellphones, and other products rose. As a result, net sales in this segment increased 24.1% to ¥84,480 million, and operating income rose 35.9% to ¥3,732 million.

b. Electronic components

The Ryosan Group sells display devices, power supplies and mechanical components in this segment. Sales of LCDs for cellphones, digital still cameras and other products rose during the period. Net sales in the electronic components segment climbed 10.9% to ¥59,657 million and operating income jumped 46.7% to ¥2,205 million.

c. Electronic equipment

The Ryosan Group markets systems equipment and facilities equipment. The interim period saw higher sales of industrial-use production equipment. Net segment sales rose 3.5% to ¥10,402 million and operating income increased 32.9% to ¥404 million.

d. Ryosan products

The Ryosan Group produces and markets heat sinks, which are devices that dissipate the heat generated by semiconductors. During the period under review, sales of heat sinks used in measuring equipment increased. As a result, sales in this segment rose 29.8% to ¥4,080 million. Operating income also increased, climbing

54.3% to ¥662 million.

3. Interim dividend

At its November 18, 2004 meeting, the Board of Directors approved an interim ordinary dividend payment of ¥20 per share.

(2) Outlook for the Fiscal Year Ending March 31, 2005

1. Projected operating results

The global economy is expected to gradually slow down due to soaring crude oil prices. Ryosan's outlook for the electronics industry is also guarded as demand begins to slump in semiconductors and electronic components.

Under these circumstances, the Ryosan Group intends to solidly pursue the themes of Basic strategy (Phase II) formulated for the first year of the sixth medium-term management plan: growth strategy, segment strategy, and the establishment of a strong management infrastructure. Moreover, we will improve business results by developing businesses to maximize investments, increase sales by prioritizing new-resource semiconductor products, and improve our earnings framework.

Earnings forecasts for the fiscal year ending March 31, 2005 are as follows:

Consolidated	Billions of yen	Change (%)
Net sales	315.0	9.3
Operating income	10.4	30.6
Ordinary income	10.9	22.1
Net income	6.5	13.9

Non-consolidated	Billions of yen	Change (%)
Net sales	238.0	3.1
Operating income	7.6	11.6
Ordinary income	9.3	7.7
Net income	5.4	28.0

2. Projected operating results by business segment

a. Semiconductors

Ryosan projects higher sales of ASICs for hard disk drives and cellphones, ICs for DVDs and LCD drivers, memories for PCs and cellphones, and other products. Net sales in this segment are thus forecast to rise 17.7% to ¥171,000 million and operating income will rise 27.7% to ¥7,300 million.

b. Electronic components

Ryosan projects lower sales of LCD displays used in cellphones and digital still cameras. Taking this into account, net sales in this segment are projected to decrease 1.1% to ¥112,800 million, although operating income is expected to rise 27.8% to ¥4,000 million.

c. Electronic equipment

Sales of systems equipment for office automation equipment are projected to increase. Consequently, net sales in this segment are expected to increase 7.2% to ¥23,500 million, while operating income should rise 21.0% to ¥900 million.

d. Ryosan products

Higher sales of heat sinks for production equipment and flat-screen televisions are projected. As a result, segment sales are projected to increase 10.3% to ¥7,700 million and operating income should rise 17.0% to ¥1,200 million.

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

Based on the non-consolidated forecasts above, Ryosan forecasts an ordinary dividend for the fiscal year ending March 31, 2005 of ¥40 per share, comprising an interim dividend of ¥20 per share and a year-end dividend of ¥20 per share.

(3) Cash flows

Cash and cash equivalents as of September 30, 2004 had decreased to ¥21,465 million, ¥9,198 million less than at the previous fiscal year-end.

Cash flows from operating activities

Net cash used by operating activities increased to ¥13,012 million. Although there was an increase in income before income taxes to ¥5,581 million, this could not offset increases in notes and accounts receivable to ¥6,648 million and inventories to ¥4,311 million, and a decrease in notes and accounts payable to ¥7,066 million.

Cash flows from investing activities

Net cash provided by investing activities increased to ¥2,659 million. This was mainly attributable to a cash inflow of ¥3,100 million from redemption of investment securities.

Cash flows from financing activities

Net cash provided by financing activities increased to ¥1,181 million, mainly due to a ¥2,378 million net increase in short-term bank loans.

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

	Interim period ended Sept. 30, 2004	Fiscal year ended March 31, 2004	Previous interim period ended Sept. 30, 2003
Shareholders' equity ratio (%)	64.3	62.5	66.3
Shareholders' equity ratio using fair value (%)	50.5	48.5	38.9
Average debt repayment period (years)	—	1.1	—
Interest coverage ratio (times)	—	45.3	—

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, 2004		As of March 31, 2004		Increase/ (Decrease)	As of September 30, 2003	
		%		%			%
ASSETS							
I Current assets:	146,519	85.8	147,672	85.7	(1,152)	132,203	83.1
1. Cash and cash deposits	7,739		9,813		(2,074)	7,134	
2. Trade notes and accounts receivable	103,817		96,476		7,340	86,089	
3. Marketable securities	13,998		24,008		(10,010)	23,983	
4. Inventories	18,754		14,301		4,453	13,106	
5. Accrued income	1,062		1,766		(703)	944	
6. Deferred tax assets	520		928		(407)	388	
7. Other current assets	816		529		287	694	
8. Allowance for doubtful accounts	(189)		(152)		(37)	(137)	
II Fixed assets:	24,286	14.2	24,648	14.3	(362)	26,920	16.9
1. Property, plant and equipment	15,565	9.1	15,696	9.1	(130)	16,032	10.1
(1) Buildings and structures	6,490		6,628		(138)	6,853	
(2) Land	8,206		8,203		3	8,205	
(3) Other fixed assets	869		863		5	972	
2. Intangible fixed assets	631	0.4	639	0.4	(8)	676	0.4
3. Investments and other assets	8,089	4.7	8,313	4.8	(223)	10,212	6.4
(1) Investment securities	5,654		6,028		(374)	7,720	
(2) Deferred tax assets	1,008		768		240	1,002	
(3) Other	1,653		1,718		(64)	1,690	
(4) Allowance for doubtful accounts	(211)		(186)		(25)	(168)	
(5) Allowance for loss on investments	(15)		(16)		1	(32)	
Total assets	170,806	100.0	172,321	100.0	(1,514)	159,124	100.0

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

ITEM	As of September 30, 2004		As of March 31, 2004		Increase/ (Decrease)	As of September 30, 2003	
		%		%			%
LIABILITIES							
I Current liabilities:	58,967	34.5	62,607	36.3	(3,639)	51,561	32.4
1. Trade notes and accounts payable	50,611		56,994		(6,383)	46,370	
2. Short-term bank loans	4,134		1,669		2,464	1,992	
3. Accrued expenses	1,098		1,657		(559)	736	
4. Accrued income taxes	2,015		1,198		817	1,606	
5. Other current liabilities	1,106		1,086		20	855	
II Long-term liabilities:	1,964	1.1	1,917	1.1	47	1,820	1.2
1. Employees' retirement benefits	1,535		1,452		82	1,379	
2. Directors' and corporate auditors' severance payments	322		365		(43)	342	
3. Other long-term liabilities	107		99		7	98	
Total liabilities	60,932	35.6	64,524	37.4	(3,592)	53,382	33.6
MINORITY INTERESTS							
Minority interests	108	0.1	186	0.1	(77)	192	0.1
SHAREHOLDERS' EQUITY							
I Common stock	17,690	10.4	17,690	10.3	—	17,690	11.1
II Additional paid-in capital	19,119	11.2	19,114	11.1	4	19,114	12.0
III Consolidated retained earnings	73,743	43.2	71,328	41.4	2,415	69,381	43.6
IV Valuation gain on other marketable securities	749	0.4	960	0.6	(211)	578	0.4
V Foreign currency translation adjustments	(602)	(0.4)	(827)	(0.5)	224	(584)	(0.4)
VI Treasury stock	(934)	(0.5)	(656)	(0.4)	(278)	(629)	(0.4)
Total shareholders' equity	109,766	64.3	107,610	62.5	2,155	105,550	66.3
Total liabilities, minority interests and shareholders' equity	170,806	100.0	172,321	100.0	(1,514)	159,124	100.0

CONSOLIDATED STATEMENTS OF INCOME

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

ITEM	Six months ended September 30, 2004		Six months ended September 30, 2003		Increase/ (Decrease)	Year ended March 31, 2004	
		%		%			%
I Net sales	158,620	100.0	135,067	100.0	23,553	288,240	100.0
II Cost of sales	145,609	91.8	124,513	92.2	21,096	265,721	92.2
Gross profit	13,011	8.2	10,554	7.8	2,456	22,519	7.8
III Selling, general and administrative expenses	7,594	4.8	6,961	5.2	632	14,554	5.0
Operating income	5,416	3.4	3,592	2.6	1,824	7,964	2.8
IV Other income:	403	0.2	561	0.4	(157)	1,132	0.4
1. Interest income	78		110		(32)	199	
2. Dividend income	49		25		24	31	
3. Purchase discounts	31		28		2	58	
4. Business guidance fees	40		—		40	—	
5. Exchange gain	22		257		(234)	494	
6. Other	181		138		42	349	
V Other expenses:	76	0.0	58	0.0	17	166	0.1
1. Interest expense	23		14		8	33	
2. Other	52		44		8	133	
Ordinary income	5,743	3.6	4,094	3.0	1,649	8,930	3.1
VI Extraordinary gains:	59	0.0	22	0.0	36	154	0.1
1. Gain on sales of property, plant and equipment	22		1		20	1	
2. Gain on sales of investment securities	35		11		24	127	
3. Gain on reversal of allowance for loss on investments	1		10		(8)	26	
VII Extraordinary losses:	221	0.1	12	0.0	209	200	0.1
1. Loss on sales and disposal of property, plant and equipment	25		7		18	74	
2. Loss on sales of investment securities	171		—		171	121	
3. Loss on devaluation of golf memberships	24		5		19	4	
Income before income taxes and other items	5,581	3.5	4,105	3.0	1,475	8,884	3.1
Income taxes – current	1,922	1.2	1,678	1.2	243	3,432	1.2
Income taxes – deferred	304	0.2	334	0.2	(29)	(242)	(0.1)
Minority interests in losses of Consolidated subsidiaries	(58)	(0.0)	(19)	(0.0)	39	(10)	(0.0)
Net income	3,413	2.1	2,111	1.6	1,302	5,705	2.0

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

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

ITEM	Six months ended September 30, 2004	Six months ended September 30, 2003	Year ended March 31, 2004
ADDITIONAL PAID-IN CAPITAL			
I Balance at beginning of period	19,114	19,114	19,114
II Increase in paid-in capital	4	—	—
1. Earnings from disposal of treasury stock	4	—	—
III Balance at end of period	19,119	19,114	19,114
RETAINED EARNINGS			
I Balance at beginning of period	71,328	69,944	69,944
II Increase in retained earnings	3,413	2,288	5,882
1. Increase in retained earnings due to increase in number of consolidated subsidiaries	—	177	177
2. Net income	3,413	2,111	5,705
III Decrease in retained earnings	998	2,852	4,499
1. Decrease in retained earnings due to exclusion of consolidated subsidiaries	13	—	—
2. Cash dividends	916	579	1,138
3. Bonuses to directors	69	59	59
4. Retirement of treasury stock	—	2,212	3,301
IV Balance at end of period	73,743	69,381	71,328

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Six months ended September 30, 2004	Six months ended September 30, 2003	Year ended March 31, 2004
I Operating activities:			
Income before income taxes	5,581	4,105	8,884
Depreciation and amortization	412	416	844
Increase in provision for employees' severance payments	83	46	123
(Decrease) increase in provision for directors' retirement benefits	(43)	1	24
Increase in allowance for doubtful accounts	55	18	57
Interest and dividend income	(127)	(136)	(231)
Interest expense	23	14	33
Gain on sales of property, plant and equipment	(22)	(1)	(1)
Loss on sales and disposal of property, plant and equipment	25	7	74
Gain on sales of investment securities	(35)	(11)	(127)
Loss on devaluation of marketable and investment securities	171	—	121
(Increase) decrease in trade receivables	(6,648)	(3,988)	(14,920)
(Increase) decrease in inventories	(4,311)	(1,631)	(2,917)
Increase (decrease) in trade payables	(7,066)	4,233	15,277
Directors' bonuses paid	(69)	(59)	(59)
Other – net	35	(410)	(430)
Subtotal	(11,934)	2,605	6,753
Interest and dividend income	129	135	229
Interest paid	(23)	(14)	(33)
Income taxes paid	(1,183)	(3,294)	(5,438)
Net cash (used in) provided by operating activities	(13,012)	(568)	1,511
II Investing activities:			
Net change (increase) in time deposits	(116)	(91)	(51)
Proceeds from redemption of securities	3,100	—	—
Purchases of property, plant and equipment	(174)	(249)	(382)
Proceeds from sales of property, plant and equipment	44	4	5
Purchases of intangible assets	(101)	(232)	(310)
Purchases of investment securities	(200)	(1,004)	(1,882)
Proceeds from sales of investment securities	83	36	246
Payment of loans	(6)	(86)	(117)
Proceeds from collection of loans	29	56	90
Other – net	0	4	(21)
Net cash provided by (used in) investing activities	2,659	(1,562)	(2,421)
III Financing activities:			
Net increase (decrease) in short-term bank loans	2,378	1,053	868
Purchases of treasury stock	(625)	(2,206)	(3,321)
Proceeds from exercise of stock options	352	—	—
Cash dividends paid	(916)	(579)	(1,138)
Cash dividends paid to minority shareholders	(7)	(2)	(4)
Net cash used in financing activities	1,181	(1,736)	(3,596)
IV Effect of foreign currency translation adjustments on cash and cash equivalents	41	(129)	147
V Net (decrease) increase in cash and cash equivalents	(9,130)	(3,997)	(4,359)
VI Cash and cash equivalents, beginning of the period	30,663	34,841	34,841
VII Net increase in cash and cash equivalents of newly consolidated subsidiaries	—	181	181
VIII Net decrease in cash and cash equivalents of subsidiaries excluded from consolidation	(67)	—	—
IX Cash and cash equivalents, end of the period	21,465	31,025	30,663

SEGMENT INFORMATION

1. Segment information by business type

Six months ended September 30, 2004

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

	Semiconductors	Electronic components	Electronic equipment	Ryosan products	Total	Eliminations or corporate	Consolidated
I Sales and operating income							
Sales:							
(1) Outside customers	84,480	59,657	10,402	4,080	158,620	—	158,620
(2) Interarea	—	—	—	—	—	—	—
Total	84,480	59,657	10,402	4,080	158,620	—	158,620
Operating expenses	80,747	57,451	9,997	3,418	151,615	1,587	153,203
Operating income	3,732	2,205	404	662	7,004	(1,587)	5,416

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
I 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

Fiscal year ended March 31, 2004

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

	Semiconductors	Electronic components	Electronic equipment	Ryosan products	Total	Eliminations or corporate	Consolidated
I Sales and operating income							
Sales:							
(1) Outside customers	145,274	114,070	21,912	6,983	288,240	—	288,240
(2) Interarea	—	—	—	—	—	—	—
Total	145,274	114,070	21,912	6,983	288,240	—	288,240
Operating expenses	139,558	110,939	21,167	5,914	277,580	2,695	280,276
Operating income	5,715	3,130	744	1,068	10,659	(2,695)	7,964

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: Systems equipment, Facilities equipment

Ryosan products: Heat sinks (for semiconductor circuit elements)

2. Unallocated operating expenses for the six months ended September 30, 2004 included in "Eliminations or corporate" totaled ¥1,587 million, compared with ¥1,391 million for the same six months in the previous year and ¥2,695 million for the fiscal year ended March 31, 2004. 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, 2004

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

	Japan	Asia	Total	Eliminations or corporate	Consolidated
I Sales and operating income					
Sales:					
(1) Outside customers	116,294	42,326	158,620	—	158,620
(2) Interarea	4,175	470	4,645	(4,645)	—
Total	120,469	42,796	163,266	(4,645)	158,620
Operating expenses	116,510	41,592	158,103	(4,899)	153,203
Operating income	3,959	1,204	5,163	253	5,416

Six months ended September 30, 2003

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

	Japan	Asia	Total	Eliminations or corporate	Consolidated
I 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

Fiscal year ended March 31, 2004

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

	Japan	Asia	Total	Eliminations or corporate	Consolidated
I Sales and operating income					
Sales:					
(1) Outside customers	223,996	64,244	288,240	—	288,240
(2) Interarea	7,094	769	7,864	(7,864)	—
Total	231,091	65,013	296,104	(7,864)	288,240
Operating expenses	224,662	63,029	287,692	(7,416)	280,276
Operating income	6,429	1,983	8,412	(447)	7,964

3. Overseas sales

Six months ended September 30, 2004

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

	Asia	Total
I Overseas sales	54,387	54,387
II Consolidated net sales		158,620
III Ratio of overseas sales to consolidated net sales (%)	34.3	34.3

Six months ended September 30, 2003

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

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

Fiscal year ended March 31, 2004

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

	Asia	Total
I Overseas sales	88,281	88,281
II Consolidated net sales		288,240
III Ratio of overseas sales to consolidated net sales (%)	30.6	30.6

Notes:

1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal countries and regions:
Asia—Hong Kong, Korea, China, 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 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, 2004	Six months ended September 30, 2003	Fiscal year ended March 31, 2004
Heat sinks	3,507	2,695	5,992

2. New Orders

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

	Six months ended September 30, 2004	Six months ended September 30, 2003	Fiscal year ended March 31, 2004
Semiconductors	84,274	70,304	152,692
Electronic components	58,116	58,941	124,667
Electronic equipment	10,813	11,366	20,957
Ryosan products	4,304	3,608	7,872
Total	157,508	144,220	306,189

3. Sales

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

	Six months ended September 30, 2004	Six months ended September 30, 2003	Fiscal year ended March 31, 2004
Semiconductors			
Japan	56,679	46,606	102,405
Asia	27,801	21,475	42,869
Subtotal	84,480	68,081	145,274
Electronic components			
Japan	46,044	44,731	94,008
Asia	13,612	9,057	20,061
Subtotal	59,657	53,789	114,070
Electronic equipment			
Japan	10,248	9,995	21,770
Asia	154	56	141
Subtotal	10,402	10,052	21,912
Ryosan products			
Japan	3,322	2,555	5,812
Asia	758	588	1,171
Subtotal	4,080	3,144	6,983
Total	158,620	135,067	288,240