

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

February 18, 2005

Company name: Ryosan Co., Ltd.  
Code number: 8140

Stock listings: Tokyo Stock Exchange (First Section)

(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. Consolidated Operating Results for First Nine Months of Fiscal 2005 (April 1, 2004 – December 31, 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 Three Quarters	231,501	13.4	7,615	37.4	8,207	33.6	4,854	48.0
Fiscal 2004, First Three Quarters	204,133	-	5,543	-	6,145	-	3,278	-
(Ref) Fiscal 2004	288,240		7,964		8,930		5,705	

	Net income per share	Net income per share after dilution
	Yen	Yen
Fiscal 2005, First Three Quarters	132.97	-
Fiscal 2004, First Three Quarters	86.90	-
(Ref) Fiscal 2004	150.27	-

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

### [Qualitative Information and Other Matters Concerning Consolidated Operating Results for the First Three Quarters of Fiscal 2005]

#### Overview

Looking at macroeconomic conditions during the first three quarters of fiscal 2005, the period from April 1, 2004 to December 31, 2004, the domestic economy generally performed well amidst a strong overall global economy. Nevertheless, soaring demand for crude oil resulted in rises in oil prices continuing, raising concerns about their adverse effects on economic conditions and corporate earnings. In the first half of the year, the electronics industry displayed healthy production levels against the background of substantially increased demand worldwide for digital home appliances. From the summer onwards, however, production of cellphones and digital still cameras entered an adjustment phase, and demand declined for semiconductor devices and electronic components, resulting in growing uncertainty about the future.

Under these conditions, the Ryosan Group worked to achieve its growth strategy of expanding the new-resource semiconductor business and increasing sales to new customers obtained through purchasing commercial rights. To accomplish this, managerial resources were concentrated in these two areas, and the Group worked to increase sales and improve its profit ratio.

As a result, net sales totaled ¥231,501 million, up 13.4% from the previous year. Operating income totaled ¥7,615 million, rising 37.4%, while ordinary income totaled ¥8,207 million, up 33.6%. Net income increased 48.0% to ¥4,854 million.

#### Segment information

##### a. Semiconductors

The Ryosan Group markets memories, system LSIs, and discrete semiconductors, and plans and develops system LSIs. In the first three quarters, sales rose for ASICs for HDDs and cellphones, ICs used in DVDs and memories used in PCs and cellphones. As a result, consolidated net sales in the segment increased 19.2% to ¥124,135 million.

##### b. Electronic components

The Ryosan Group markets display devices, power supplies, and mechanical components. The first three quarters mainly saw higher sales of LCDs for digital still cameras and PDAs, LCD units for game devices and in-vehicle RF modules. Net sales in the electronic components segment rose 5.1% to ¥85,548 million.

##### c. Electronic equipment

The Ryosan Group markets systems equipment and facilities equipment. Sales of industrial-use production equipment increased in the first three quarters. Consolidated net sales in this segment rose 16.2% to ¥15,892 million.

##### d. Ryosan products

The Ryosan Group produces and markets heat sinks, which are devices that dissipate the heat generated by semiconductors. Sales of industrial-use heat sinks used in measuring equipment increased in the first three quarters. Consolidated net sales in this segment rose 20.6% to ¥5,924 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 Three Qtrs.	171,662	110,350	64.3	3,035.94
Fiscal 2004 First Three Qtrs.	-	-	-	-
(Ref.) Fiscal 2004	172,321	107,610	62.5	2,934.68

#### 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 Three Qtrs.	(11,693)	2,641	(447)	21,155
Fiscal 2004 First Three Qtrs.	-	-	-	-
(Ref.) Fiscal 2004	1,511	(2,421)	(3,596)	30,663

#### (Quantitative information about financial position)

Total assets as of December 31, 2004 were ¥171,662 million, ¥659 million less than at the previous fiscal year-end. Shareholders' equity increased ¥2,740 million to ¥110,350 million and the shareholders' equity ratio rose 1.8% to 64.3%.

#### Cash flows from operating activities

Net cash used in operating activities amounted to ¥11,693 million. This was primarily due to increases in notes and accounts receivable of ¥5,688 million and inventories of ¥6,905 million, and a decrease in notes and accounts payable of ¥5,416 million, which was partly offset by income before income taxes amounting to ¥8,069 million.

#### Cash flows from investing activities

Net cash provided by investing activities totaled ¥2,641 million. This was mainly attributable to proceeds of ¥3,100 million from the redemption of investment securities.

#### Cash flows from financing activities

Net cash used in financing activities was ¥447 million. The main components were the repurchase of ¥1,142 million in treasury stock and cash dividends paid of ¥1,647 million, which were partly offset by a net increase in short-term borrowings of ¥2,001 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
Full year	315,000	10,400	10,900	6,500	177.75

#### [ 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 November 18, 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		December 31, 2004		March 31, 2004	
		Amount	%	Amount	%
<b>ASSETS</b>					
<b>I</b>	<b>Current assets</b>	146,850	85.5	147,672	85.7
	1. Cash and deposits	9,232		9,813	
	2. Trade notes and accounts receivable	102,349		96,476	
	3. Marketable securities	11,998		24,008	
	4. Inventories	21,237		14,301	
	5. Accrued income	1,029		1,766	
	6. Deferred tax assets	281		928	
	7. Other current assets	903		529	
	8. Allowance for doubtful accounts	(181)		(152)	
<b>II</b>	<b>Fixed assets</b>	24,811	14.5	24,648	14.3
1.	Property, plant and equipment	15,395	9.0	15,696	9.1
	(1) Buildings and structures	6,363		6,628	
	(2) Land	8,205		8,203	
	(3) Other fixed assets	827		863	
2.	Intangible fixed assets	602	0.4	639	0.4
3.	Investments and other assets	8,814	5.1	8,313	4.8
	(1) Investment securities	6,666		6,028	
	(2) Deferred tax assets	687		768	
	(3) Other	1,687		1,718	
	(4) Allowance for doubtful accounts	(211)		(186)	
	(5) Allowance for loss on investments	(15)		(16)	
<b>Total assets</b>		171,662	100.0	172,321	100.0

(¥ million)

Item		December 31, 2004		March 31, 2004	
		Amount	%	Amount	%
<b>LIABILITIES</b>					
<b>I</b>	<b>Current liabilities</b>	59,105	34.4	62,607	36.3
	1. Trade notes and accounts payable	51,744		56,994	
	2. Short-term bank loans	3,642		1,669	
	3. Accrued income taxes	819		1,657	
	4. Accrued expenses	1,366		1,198	
	5. Other current liabilities	1,532		1,086	
<b>II</b>	<b>Long-term liabilities</b>	2,104	1.2	1,917	1.1
	1. Employees' retirement benefits	1,665		1,452	
	2. Directors' severance payments	334		365	
	3. Other long-term liabilities	105		99	
<b>Total liabilities</b>		61,209	35.6	64,524	37.4
<b>MINORITY INTERESTS</b>					
	Minority interests	101	0.1	186	0.1
<b>SHAREHOLDERS' EQUITY</b>					
<b>I</b>	Common stock	17,690	10.3	17,690	10.3
<b>II</b>	Additional paid-in capital	19,119	11.1	19,114	11.1
<b>III</b>	Retained earnings	74,452	43.4	71,328	41.4
<b>IV</b>	Net unrealized gain on other marketable securities	1,256	0.7	960	0.6
<b>V</b>	Foreign currency translation adjustments	(716)	(0.4)	(827)	(0.5)
<b>VI</b>	Treasury stock	(1,451)	(0.8)	(656)	(0.4)
<b>Total shareholders' equity</b>		110,350	64.3	107,610	62.5
<b>Total liabilities, minority interests, and shareholders' equity</b>		171,662	100.0	172,321	100.0

## 2. CONSOLIDATED STATEMENTS OF INCOME

(¥ million)

Item		First Three Quarters of Year Ending March 31, 2005		Year Ended March 31, 2004	
		Amount	%	Amount	%
<b>I</b>	<b>Net sales</b>	231,501	100.0	288,240	100.0
<b>II</b>	<b>Cost of sales</b>	212,696	91.9	265,721	92.2
	Gross profit	18,804	8.1	22,519	7.8
<b>III</b>	<b>Selling, general and administrative expenses</b>	11,189	4.8	14,554	5.0
	Operating income	7,615	3.3	7,964	2.8
<b>IV</b>	<b>Non-operating income</b>	710	0.3	1,132	0.4
	1. Interest and dividend income	147		231	
	2. Discounts on purchases	45		58	
	3. Foreign exchange gains	202		494	
	4. Others	314		349	
<b>V</b>	<b>Non-operating expenses</b>	117	0.0	166	0.1
	1. Interest expense	45		33	
	2. Others	72		133	
	Ordinary income	8,207	3.6	8,930	3.1
<b>VI</b>	<b>Extraordinary gains</b>	80	0.0	154	0.1
	1. Gain on sales of property, plant and equipment	43		1	
	2. Gain on sale of investment securities	35		127	
	3. Gain on reversal of allowance for loss on investments	1		26	
<b>VII</b>	<b>Extraordinary losses</b>	219	0.1	200	0.1
	1. Loss on sale and disposal of property, plant and equipment	27		74	
	2. Loss on devaluation of investment securities	171		121	
	3. Loss on devaluation of golf memberships	19		4	
	<b>Income before income taxes and minority interests</b>	8,069	3.5	8,884	3.1
	Income taxes	3,271	1.4	3,189	1.1
	Minority interests (losses)	(56)	(0.0)	(10)	(0.0)
	<b>Net income</b>	4,854	2.1	5,705	2.0

### 3. CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ million)

Item	First Three Quarters of Year Ending March 31, 2005	Year Ended March 31, 2004
	Amount	Amount
<b>I Operating activities:</b>		
Income before income taxes	8,069	8,884
Depreciation and amortization	632	844
Increase in allowance for doubtful accounts	53	57
Increase in severance allowance for employees	212	123
(Decrease) increase in retirement allowances for directors	(31)	24
Interest and dividend income	(147)	(231)
Interest expense	45	33
Gains on sales of property, plant and equipment	(43)	(1)
Loss on sale and disposal of property, plant and equipment	31	74
Gains on sales of investment securities	(35)	(127)
Loss on devaluation of investment securities	171	121
(Increase) decrease in notes and accounts receivable	(5,688)	(14,920)
(Increase) decrease in inventories	(6,905)	(2,917)
Increase (decrease) in accounts payable	(5,416)	15,277
Directors' bonuses paid	(69)	(59)
Other expenses	48	(430)
Subtotal	(9,072)	6,753
Interest and dividends received	154	229
Interest paid	(44)	(33)
Income taxes paid	(2,730)	(5,438)
Net cash (used in) provided by operating activities	(11,693)	1,511
<b>II Investing activities:</b>		
Decrease (increase) in time deposits	76	(51)
Proceeds from redemption of securities	3,100	
Purchases of property, plant and equipment	(228)	(382)
Proceeds from sales of property, plant and equipment	75	5
Purchases of intangible fixed assets	(127)	(310)
Purchases of investment securities	(200)	(1,882)
Proceeds from sales of investment securities	83	246
Purchases of equity in affiliated companies	(157)	(6)
Increase in loans	(22)	(117)
Proceeds from collection of loans	43	90
Other expenses	0	(14)
Net cash provided by (used in) investing activities	2,641	(2,421)
<b>III Financing activities:</b>		
Increase in short-term borrowings, net	2,001	868
Repurchase of treasury stock	(1,142)	(3,321)
Proceeds from exercise of stock options	352	
Cash dividends paid	(1,647)	(1,138)
Cash dividends paid to minority shareholders	(11)	(4)
Net cash used in financing activities	(447)	(3,596)
<b>IV Effect of foreign currency translation adjustments on cash and cash equivalents</b>	59	147
<b>V Net (decrease) increase in cash and cash equivalents</b>	(9,440)	(4,359)
<b>VI Cash and cash equivalents, beginning of year</b>	30,663	34,841
<b>VII Cash and cash equivalents of newly consolidated subsidiary</b>		181
<b>VIII Cash and cash equivalents of subsidiary excluded from consolidation</b>	(67)	
<b>IX Cash and cash equivalents, end of year</b>	21,155	30,663

#### 4. NEW ORDERS AND SALES

##### (1) New Orders

(¥ million)

Segment	Fiscal 2005, First Three Quarters	Fiscal 2004, First Three Quarters	Change		Fiscal 2004
	Amount	Amount	Amount	(%)	Amount
Semiconductors	125,923	109,033	16,889	15.5	152,692
Electronic components	87,341	93,602	(6,260)	(6.7)	124,667
Electronic equipment	17,196	15,089	2,106	14.0	20,957
Ryosan products	6,662	5,716	945	16.6	7,872
Total	237,123	223,442	13,681	6.1	306,189

##### (2) Sales

(¥ million)

Segment	Fiscal 2005, First Three Quarters	Fiscal 2004, First Three Quarters	Change		Fiscal 2004
	Amount	Amount	Amount	(%)	Amount
Semiconductors	124,135	104,140	19,995	19.2	145,274
Electronic components	85,548	81,408	4,139	5.1	114,070
Electronic equipment	15,892	13,672	2,219	16.2	21,912
Ryosan products	5,924	4,911	1,013	20.6	6,983
Total	231,501	204,133	27,368	13.4	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 (to dissipate the heat generated by semiconductors)