

First-Quarter Consolidated Earnings Report for Fiscal 2005, Ending March 31, 2006

August 5, 2005

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 the 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 the most recent fiscal year: None

(3) Changes in the scope of consolidation and application of equity method: None

2. First-Quarter Consolidated Operating Results (April 1, 2005 - June 30, 2005)

(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	%
Three months ended June 30, 2005	75,220	(1.1)	2,252	(11.7)	2,285	(18.4)	1,308	(27.0)
Three months ended June 30, 2004	76,025	17.5	2,551	60.2	2,800	66.9	1,792	117.8
(Ref) Year ended March 31, 2005	317,095		9,816		10,541		5,867	

	Net income per share	Net income per share after dilution
	Yen	Yen
Three months ended June 30, 2005	35.87	35.86
Three months ended June 30, 2004	49.16	—
(Ref) Year ended March 31, 2005	158.53	158.36

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, 2005), the macroeconomic environment saw a steady recovery in the U.S., which has led the world economy, as well as the ongoing growth of China. However, the Japanese economy failed to pick up due to dropping exports and other factors. The electronics industry, in which the Ryosan Group conducts businesses, also fell short of recovering completely, since digital home appliances, IT related products and other products continued to experience inventory adjustments.

Against this backdrop, the Ryosan Group posted consolidated net sales of ¥75,220 million, a 1.1% decrease from the previous fiscal year, reflecting stagnated domestic demand. Consolidated operating income dropped 11.7% to ¥2,252 million, ordinary income declined 18.4% to ¥2,285 million, and net income decreased 27.0% to ¥1,308 million. These were largely attributable to increased investment in an information system and other expenses.

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 of ICs used in LCD displays, ASICs for cell phones, and other products dropped. As a result, consolidated net sales declined 3.8% to ¥39,178 million and consolidated operating income decreased 7.4% to ¥1,705 million.

b. Electronic components

The Ryosan Group markets display devices, power supplies, and mechanical components. During the period under review, sales of LCDs for cell phones and digital still cameras dropped. Consequently, consolidated net sales in this segment declined 0.8% to ¥28,935 million. However, consolidated operating income grew 21.0% to ¥1,147 million, due to higher profitability.

c. Electronic equipment

The Ryosan Group markets systems equipment and facilities equipment. Sales of office systems equipment and other products increased in the first quarter. As a result, consolidated net sales in this segment rose 30.7% to ¥5,361 million and consolidated operating income increased 2.7% to ¥153 million.

d. Ryosan products

The Ryosan Group produces and markets heat sinks, which are devices that dissipate the heat generated by semiconductors. During this quarter, sales of heat sinks used in measuring equipment shrunk. Accordingly, consolidated net sales in this segment declined 14.1% to ¥1,744 million. Consolidated operating income also dropped 50.5% to ¥199 million.

Segment results by geographical region

a. Japan

During the period under review, sales of LCDs and ASICs for cell phones declined. As a result, net sales in Japan declined 7.0% to ¥54,935 million. Operating income also decreased 26.5% to ¥1,443 million.

b. Asia

Sales of LCD displays for PDAs rose in the first quarter. Therefore, net sales in Asia climbed 18.0% to ¥22,884 million. Similarly, operating income increased 11.5% to ¥603 million.

(2) Consolidated financial position

	Total assets	Total Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Three months ended June 30, 2005	169,672	111,669	65.8	3,061.43
Three months ended June 30, 2004	167,670	108,267	64.5	2,975.92
(Ref) Year ended March 31, 2005	176,943	111,714	63.1	3,061.35

Consolidated cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents, June 30, 2005
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Three months ended June 30, 2005	3,102	(166)	(1,239)	27,539
Three months ended June 30, 2004	(9,863)	2,685	(885)	22,656
(Ref) Year ended March 31, 2005	(8,213)	2,525	834	25,737

[Qualitative information about financial position]

Changes in the financial position in the first quarter

Total assets on June 30, 2005 were ¥169,672 million, ¥7,270 million less than at the previous fiscal year-end. Total shareholders' equity decreased ¥45 million to ¥111,669 million and the shareholders' equity ratio rose 2.7% to 65.8%.

Cash flow during the first quarter

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥3,102 million. This was primarily due to income before income taxes of ¥2,288 million and decreases in notes and accounts receivable, and inventories, of ¥7,230 million and ¥1,512 million, respectively. However, this was offset by a decrease of ¥6,058 million in purchase liabilities, and ¥2,417 million in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥166 million. This was mainly attributable to ¥122 million in purchases of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,239 million. The main component was ¥1,458 million in cash dividends paid.

As a result of the above, cash and cash equivalents at the end of the first quarter increased ¥1,802 million year on year to ¥27,539 million.

3. Consolidated Forecasts for Fiscal 2005 (April 1, 2005 - March 31, 2006)

	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	150,000	4,200	4,500	2,600	71.02
Full year	320,000	10,000	10,600	6,300	172.77

[Qualitative Information and Other Matters Concerning Consolidated Forecasts]

Ryosan has not revised its consolidated forecasts for the fiscal year ending March 31, 2006 that were announced on May 19, 2005. 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, 2005		March 31, 2005		Increase/(Decrease)	June 30, 2004	
	Amount	%	Amount	%	Amount	Amount	%
ASSETS							
Current assets	145,167	85.6	152,367	86.1	(7,199)	142,638	85.1
1. Cash and deposits	13,621		12,816		804	5,925	
2. Trade notes and accounts receivable	97,145		103,889		(6,743)	98,507	
3. Marketable securities	13,998		12,998		1,000	16,998	
4. Inventories	19,009		20,401		(1,391)	18,763	
5. Accrued income	937		1,395		(458)	1,669	
6. Deferred tax assets	353		766		(413)	498	
7. Other current assets	392		392		(0)	431	
8. Allowance for doubtful accounts	(292)		(293)		1	(156)	
Fixed assets	24,505	14.4	24,576	13.9	(70)	25,032	14.9
1. Property, plant and equipment	15,230	9.0	15,246	8.6	(15)	15,590	9.3
(1) Buildings and structures	6,165		6,210		(45)	6,537	
(2) Land	8,207		8,205		1	8,206	
(3) Other fixed assets	857		829		28	846	
2. Intangible fixed assets	619	0.3	648	0.4	(28)	687	0.4
3. Investments and other assets	8,654	5.1	8,681	4.9	(26)	8,755	5.2
(1) Investment securities	6,076		6,158		(81)	6,620	
(2) Deferred tax assets	992		928		64	583	
(3) Other	1,855		1,863		(7)	1,747	
(4) Allowance for doubtful accounts	(205)		(204)		(1)	(186)	
(5) Allowance for loss on investments	(65)		(65)		—	(9)	
Total assets	169,672	100.0	176,943	100.0	(7,270)	167,670	100.0

Note: "Increase/(Decrease)" is the comparison between figures as of June 30, 2005 and March 31, 2005.

(¥ million)

Item	June 30, 2005		March 31, 2005		Increase/ (Decrease)	June 30, 2004	
	Amount	%	Amount	%	Amount	Amount	%
LIABILITIES							
Current liabilities	55,664	32.8	62,958	35.6	(7,294)	57,413	34.3
1. Trade notes and accounts payable	47,086		52,684		(5,598)	51,958	
2. Short-term bank loans	5,136		4,812		324	2,353	
3. Accrued expenses	829		1,447		(618)	769	
4. Accrued income taxes	862		2,677		(1,814)	822	
5. Other current liabilities	1,749		1,336		412	1,508	
Long-term liabilities	2,227	1.3	2,164	1.2	63	1,891	1.1
1. Employees' retirement benefits	1,766		1,716		49	1,480	
2. Directors' severance payments	353		341		12	309	
3. Other long-term liabilities	108		106		1	101	
Total liabilities	57,891	34.1	65,122	36.8	(7,231)	59,304	35.4
MINORITY INTERESTS							
Minority interests	111	0.1	105	0.1	5	98	0.1
SHAREHOLDERS' EQUITY							
Common stock	17,690	10.4	17,690	10.0	—	17,690	10.5
Additional paid-in capital	19,122	11.2	19,122	10.8	0	19,114	11.4
Retained earnings	74,064	43.7	74,299	42.0	(234)	72,122	43.0
Net unrealized gain on other marketable securities	1,289	0.8	1,338	0.7	(48)	1,193	0.7
Foreign currency translation adjustments	(451)	(0.3)	(667)	(0.4)	216	(571)	(0.3)
Treasury stock	(46)	(0.0)	(68)	(0.0)	21	(1,281)	(0.8)
Total shareholders' equity	111,669	65.8	111,714	63.1	(45)	108,267	64.5
Total liabilities, minority interests, and shareholders' equity	169,672	100.0	176,943	100.0	(7,270)	167,670	100.0

Note: "Increase/(Decrease)" is the comparison between figures as of June 30, 2005 and March 31, 2005.

2. CONSOLIDATED STATEMENTS OF INCOME

(¥ million)

Item	Three months ended June 30, 2005		Three months ended June 30, 2004		Increase/ (Decrease) Amount	Year ended March 31, 2005	
	Amount	%	Amount	%		Amount	%
Net sales	75,220	100.0	76,025	100.0	(804)	317,095	100.0
Cost of sales	68,993	91.7	69,723	91.7	(730)	291,855	92.0
Gross profit	6,227	8.3	6,301	8.3	(74)	25,239	8.0
Selling, general and administrative expenses	3,974	5.3	3,750	4.9	224	15,422	4.9
Operating income	2,252	3.0	2,551	3.4	(299)	9,816	3.1
Non-operating income	176	0.2	284	0.4	(108)	918	0.3
1. Interest and dividend income	47		99		(52)	180	
2. Discounts on purchases	12		14		(1)	61	
3. Foreign exchange gains	—		91		(91)	46	
4. Others	116		79		36	629	
Non-operating expenses	143	0.2	35	0.1	107	193	0.1
1. Interest expense	40		7		32	79	
2. Foreign exchange loss	76		—		76	—	
3. Others	25		27		(2)	113	
Ordinary income	2,285	3.0	2,800	3.7	(514)	10,541	3.3
Extraordinary gains	8	0.0	33	0.0	(24)	79	0.0
1. Gain on sales of property, plant and equipment	0		22		(22)	43	
2. Gain on reversal of allowance for doubtful accounts	8		4		4	—	
3. Gain on sales of investment securities	—		0		—	35	
4. Gain on reversal of allowance for loss on investments	—		6		(6)	—	
Extraordinary losses	5	0.0	19	0.0	(13)	872	0.2
1. Loss on sale and disposal of property, plant and equipment	4		19		(15)	160	
2. Loss on devaluation of investment securities	—		—		—	643	
3. Others	1		0		1	68	
Income before income taxes and minority interests	2,288	3.0	2,813	3.7	(525)	9,748	3.1
Income taxes	975	1.3	1,087	1.4	(111)	3,934	1.2
Minority interests (losses)	4	0.0	(66)	(0.1)	71	(54)	(0.0)
Net income	1,308	1.7	1,792	2.4	(484)	5,867	1.9

Note: “Increase/(Decrease)” is the comparison between figures for the three months ended June 30, 2005 and the three months ended June 30, 2004.

3. CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ million)

Item	Three months ended June 30, 2005	Three months ended June 30, 2004	Year ended March 31, 2005
	Amount	Amount	Amount
Operating activities:			
Income before income taxes	2,288	2,813	9,748
Depreciation and amortization	227	212	861
Reversal of allowance for doubtful accounts	(8)	0	159
Increase (decrease) in severance allowance for employees	49	29	263
(Decrease) increase in retirement allowances for directors	12	(56)	(24)
Interest and dividend income	(47)	(99)	(180)
Interest expense	40	7	79
Gains on sales of property, plant and equipment	(0)	(22)	(43)
Loss on sale and disposal of property, plant and equipment	4	19	160
Gains on sales of investment securities	—	—	(35)
Loss on devaluation of investment securities	—	—	643
(Increase) decrease in notes and accounts receivable	7,230	(1,646)	(6,916)
(Increase) decrease in inventories	1,512	(4,393)	(6,030)
Decrease in purchase liabilities	(6,058)	(5,419)	(4,784)
Directors' bonuses paid	(84)	(69)	(69)
Other expenses	335	(296)	743
Subtotal	5,501	(8,919)	(5,423)
Interest and dividends received	59	114	175
Interest paid	(40)	(7)	(78)
Income taxes paid	(2,417)	(1,050)	(2,886)
Net cash (used in) provided by operating activities	3,102	(9,863)	(8,213)
Investing activities:			
Decrease (increase) in time deposits	(0)	(115)	79
Proceeds from redemption of investment securities	—	3,100	3,100
Purchases of property, plant and equipment	(122)	(66)	(323)
Proceeds from sales of property, plant and equipment	0	44	75
Purchases of intangible fixed assets	(30)	(101)	(240)
Purchases of investment securities	—	(200)	(200)
Proceeds from sales of investment securities	—	—	83
Purchases of equity in affiliated companies	—	—	(157)
Increase in financing	(18)	—	—
Increase in loans	—	(6)	(22)
Proceeds from collection of loans	0	29	132
Other expenses	3	1	0
Net cash provided by (used in) investing activities	(166)	2,685	2,525
III Financing activities:			
(Decrease) increase in short-term borrowings, net	199	663	3,067
Repurchase of treasury stock	(1)	(624)	(1,145)
Execution of stock options	23	—	571
Cash dividends paid	(1,458)	(916)	(1,647)
Cash dividends paid to minority shareholders	(1)	(7)	(11)
Net cash used in financing activities	(1,239)	(885)	834
IV Effect of foreign currency translation adjustments on cash and cash equivalents	106	123	(5)
V Net (decrease) increase in cash and cash equivalents	1,802	(7,940)	(4,858)
VI Cash and cash equivalents, beginning of year	25,737	30,663	30,663
VII Cash and cash equivalents of subsidiary excluded from consolidation	—	(66)	(67)
VIII Cash and cash equivalents, end of year	27,539	22,656	25,737

4. RESULTS BY SEGMENT

[Segment Results by Business Type]

First Quarter of Year Ending March 31, 2006

(¥ million)

	Semiconductors	Electronic components	Electronic equipment	Ryosan products	Total	Eliminations and corporate	Consolidated
Net sales	39,178	28,935	5,361	1,744	75,220	—	75,220
Operating expenses	37,473	27,787	5,208	1,545	72,015	953	72,968
Operating income	1,705	1,147	153	199	3,205	(953)	2,252

First Quarter of Year Ended March 31, 2005

(¥ million)

	Semiconductors	Electronic components	Electronic equipment	Ryosan products	Total	Eliminations and corporate	Consolidated
Net sales	40,725	29,165	4,103	2,030	76,025	—	76,025
Operating expenses	38,884	28,216	3,954	1,627	72,683	790	73,473
Operating income	1,841	948	149	402	3,341	(790)	2,551

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 semiconductors)

2. The amounts of unallocatable operating costs included in operating income for eliminations and corporate were ¥953 million and ¥790 million in this quarter and the previous quarter, respectively. The main components were investments in an information system at the parent company and expenses related to planning and administration, and the Finance and Accounting Headquarters.

[Segment Results by Geographical Region]

First Quarter of Year Ending March 31, 2006

(¥ million)

	Japan	Asia	Total	Eliminations and corporate	Consolidated
Net sales	54,935	22,884	77,820	(2,599)	75,220
Operating expenses	53,492	22,281	75,773	(2,804)	72,968
Operating income	1,443	603	2,047	204	2,252

First Quarter of Year Ended March 31, 2005

(¥ million)

	Japan	Asia	Total	Eliminations and corporate	Consolidated
Net sales	59,056	19,394	78,451	(2,426)	76,025
Operating expenses	57,092	18,853	75,945	(2,471)	73,473
Operating income	1,963	541	2,505	45	2,551

Notes:

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

[Overseas Net Sales]

First Quarter of Year Ending March 31, 2006

(¥ million)

	Asia	Total
Overseas net sales	27,168	27,168
Consolidated net sales		75,220
Ratio of net sales to consolidated net sales (%)	36.1	36.1

First Quarter of Year Ended March 31, 2005

(¥ million)

	Asia	Total
Overseas net sales	25,454	25,454
Consolidated net sales		76,025
Ratio of net sales to consolidated net sales (%)	33.5	33.5

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 intra-group sales).

5. NEW ORDERS AND SALES

(1) New Orders

(¥ million)

Segment	Three months ended June 30, 2005	Three months ended June 30, 2004	Increase/ (Decrease)		Year ended March 31, 2005
	Amount	Amount	Amount	%	Amount
Semiconductors	44,364	42,909	1,454	3.4	170,498
Electronic components	33,493	28,891	4,601	15.9	117,339
Electronic equipment	5,954	5,304	649	12.3	25,522
Ryosan products	1,983	2,114	(130)	(6.2)	8,518
Total	85,794	79,220	6,574	8.3	321,878

(2) Sales

(¥ million)

Segment	Three months ended June 30, 2005	Three months ended June 30, 2004	Increase/ (Decrease)		Year ended March 31, 2005
	Amount	Amount	Amount	%	Amount
Semiconductors	39,178	40,725	(1,547)	(3.8)	168,278
Electronic components	28,935	29,165	(230)	(0.8)	116,113
Electronic equipment	5,361	4,103	1,258	30.7	24,924
Ryosan products	1,744	2,030	(285)	(14.1)	7,778
Total	75,220	76,025	(804)	(1.1)	317,095

Notes:

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)