

**Consolidated Earnings Report for the Interim Period Ended September 30, 2005**

Results for the six months ended September 30, 2005

Company name: Ryosan Company, Limited

Code number: 8140

Stock listing: Tokyo Stock Exchange (First Section)

Location of head office: Tokyo

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

Representative director: Tatsuo Ui, President

Inquiries: Harumitsu Seki, Director, General Manager, Finance and Accounting Headquarters Tel: (03) 3862-3861

Date of the meeting of the Board of Directors to settle the interim consolidated accounts: November 18, 2005

U.S. GAAP not applied

## 1. Consolidated results for the interim period (April 1, 2005 to September 30, 2005)

(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	163,154	2.9	5,277	(2.6)	5,266	(8.3)
Previous interim period	158,620	17.4	5,416	50.8	5,743	40.3
Previous fiscal year	317,095		9,816		10,541	

	Net income		Net income per share	Net income per share after dilution
	Millions of yen	%	Yen	Yen
Interim period	3,269	(4.2)	89.64	89.63
Previous interim period	3,413	61.7	93.53	—
Previous fiscal year	5,867		158.53	158.36

## 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: 36,471,786 shares Previous interim period: 36,499,655 shares

Previous fiscal year: 36,482,012 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	182,008	113,984	62.6	3,125.00
Previous interim period	170,806	109,766	64.3	3,001.60
Previous fiscal year	176,943	111,714	63.1	3,061.35

## Note:

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

Interim period: 36,475,153 shares Previous interim period: 36,569,204 shares

Previous fiscal year: 36,464,368 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	9,925	(513)	(124)	35,190
Previous interim period	(13,012)	2,659	1,181	21,465
Previous fiscal year	(8,213)	2,525	834	25,737

## (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 —

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

## 2. Consolidated forecasts for fiscal year ending March 31, 2006

	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, 2006	330,000	10,100	10,200	6,300

(Reference) Projected net income per share for the year ending March 31, 2006 is ¥172.72

## 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, nine non-consolidated subsidiaries and one affiliated company.

Ryosan operates as a trading house that specializes in semiconductors, electronic components and electronic 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.

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.	Sales of semiconductors and electronic components
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
Ryosan Electronics (Foshan) Co., Ltd.	Manufacture and sales of heat sinks

## **2. Management Policies**

### **(1) Fundamental management policies**

Ever since Ryosan Group was established, the Ryosan Group has 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 house, but as an electronics system 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 system coordinator.

Three functions are vital to fulfilling our ambition of becoming an electronics system coordinator—the Information Function (supplying data), the Solution 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 recognizes that the return of earnings to shareholders is one of the company's important business policies, and the company also works to increase the consolidated basic net income per share. Ryosan's fundamental policy is to achieve incremental yet steady and sustained increases in profits returned to shareholders. The details of the company's profit allocation policy are set out in each successive mid-term management plan. The current 6th Mid-term Management Plan from fiscal 2004 through to fiscal 2006 calls for "Advancing Financial Strategies for Improved Corporate Value." The plan sets forth the allocation of consolidated net income to three areas: growth strategy investment, shareholder dividends and company stock buybacks. Ryosan gives ample consideration to the balanced allocation of profits to these three areas while actively returning earnings to shareholders.

### **(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**

The Ryosan Group 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 and continue to secure financial soundness to further improve corporate value.

Furthermore, in line with the current 6th Mid-term Management Plan we aim to maintain a shareholders' equity ratio of 60% range, ROE of 5% or more and net income per share of at least ¥150.

### **(5) Medium- and long-term management strategies**

The Ryosan Group is tackling needed new reforms in line with its 6th Mid-term Management Plan, covering the 3-year period from fiscal 2004 through to fiscal 2006. Fiscal 2005 is the second year of the 6th Mid-term Management Plan. In line with its "Basic Situation" statement, Ryosan continues to focus on "Pursuing Management Essence, Advancing Management Innovation, and Yielding Management Results." These three activities are the key to conducting "Open and Transparent Corporate Management" and "Business Activities with Abundant Creativity."

To achieve the goals of its “Basic Situation” statement, Ryosan is forcefully pushing ahead with “Three Basic Strategies”: a Growth Strategy, Segment Strategy, and the Establishment of a Strong Business Infrastructure.

1. Growth Strategy as a system coordinator:

We will establish three business models:

Business Growth through Effective M&A

Expand the New-resource Semiconductor Business

Establish a New Business model for the China region, including Hong Kong, China, Taiwan and Korea

Note:

Ryosan originally established a fourth business model, Commercialize the Fabless Semiconductor Business, but decided to withdraw from this business because the outlook for commercialization remained unpromising. Looking ahead, we will leverage the semiconductor design and development expertise accumulated through the fabless semiconductor business to further advance our Solution Function.

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

Products Business Strategy: Signature trading business

3. Establishment of 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 (Ryosan Spirit) Culture

**(6) Issues to be addressed**

In the semiconductor industry, the Ryosan Group’s primary industry, this year is expected to see a modest recovery in the production of electronic devices. Demand for semiconductor devices is also anticipated to be comparatively strong. A predominant trend among semiconductor makers will be to make further efforts to concentrate resources on carefully selected strategic businesses in an environment of burgeoning capital investments. Moreover, it is inevitable that when demand lulls in the semiconductor market, the makers will raise doubts about the merits of using semiconductor trading houses amidst discussions centering on ‘the restructuring of sales routes’ and ‘the shortcomings of policies supporting vertically integrated sales routes (incorporating sales agents and the like).’ Once this point is reached, the number of business areas to which semiconductor trading houses will be admitted entry can be expected to dwindle and their survival will be

increasingly threatened. This will lead to extended attempts by these semiconductor trading houses to develop new business opportunities.

In line with these trends among semiconductor makers, the Ryosan Group has chosen to expand its business operations through multiple vendors and actively promote this multi-vendor approach in order to ensure its continued survival and steady corporate growth in the future.

Efforts are being made to improve the earnings structures of the Ryosan Group. We continue to strengthen detailed procedures to track performance at each of our sales offices and manufacturing units, both in Japan and overseas. We have established a healthy operating framework by taking a more sophisticated approach to management where we control output by measuring input at each sales office and manufacturing unit, with the aim of improving earnings.

The Ryosan Group is determined to improve its business results by raising its corporate value in the electronics market and reaping commensurate rewards, thereby meeting the expectations of our shareholders.

### **(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: Principle defining growth as “the increase in the extent of Mission-realization”
2. Creation of Corporate Value: Principle defining growth as “the increase in the extent of stockholder value”
3. The increase in the extent of Value-exchange: Principle defining growth as “the increase in the extent of value-exchange with stakeholders”

Based on these management principles, Ryosan is working to reinforce corporate governance.

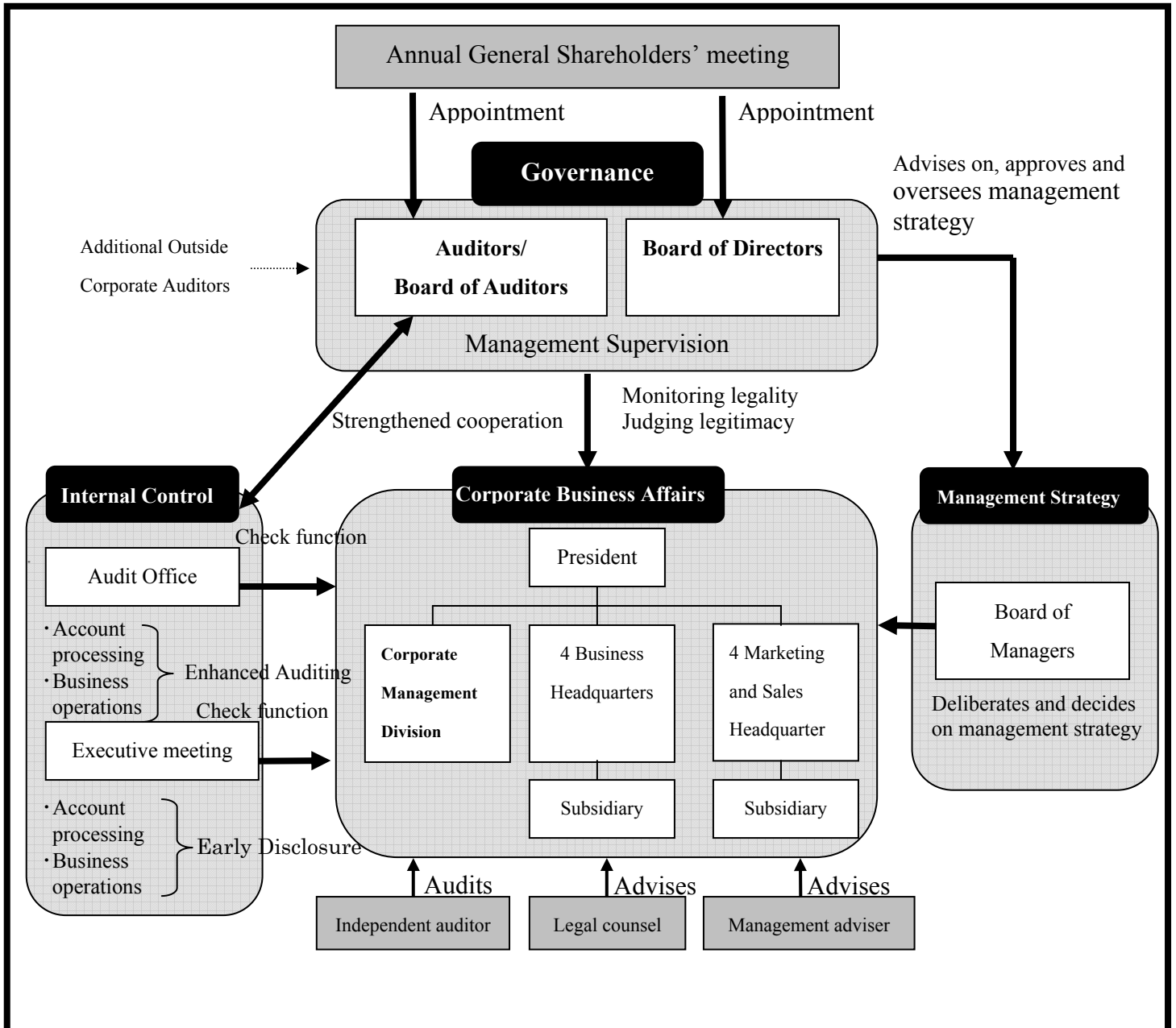
Corporate governance policies

- (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 corporate business affairs). 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 corporate business affairs. To ensure adequate supervision, Ryosan has adopted a corporate auditor system.

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



An outline of the Internal Audit, Auditors' Audit and Accounting Audit is presented as follows:

### **Internal Audit**

The Audit Office, whose three staff report directly to the president, is responsible for conducting internal audits of all units and departments, in accordance with an audit program drawn up at the beginning of the fiscal year. Audit results are reported in writing directly to the president, directors and auditors.

Based on the results, the Audit Office administers guidance for improvement to the audited departments.

### **Auditors' Audit**

Auditors' Audits are performed by a team of four, including two outside auditors. In addition to regularly attending meetings of the Board of Directors, corporate auditors also attend meetings of the Board of Managers, which are held to deliberate and decide on management strategy. These audits also focus on compliance with relevant laws and regulations and articles of incorporation, and on any possible conflict with shareholder interests.

The Board of Auditors, acting in cooperation with the Audit Office, conducts periodic audits of the operations of all units and departments.

The Board of Auditors also receives audit reports from independent auditors and assesses the reports to determine the appropriateness of the results.

### **Accounting Audit**

Deloitte Touche Tohmatsu audits the consolidated and non-consolidated financial statements of the Company in accordance with the requirements of the Commercial Code of Japan and the Securities Exchange Law of Japan. Based on the Accounting Audit, Deloitte Touche Tohmatsu will propose to Ryosan ways to improve business operations.

### **Accounting Audit System**

Engagement Partners

Name of Certified Public Accountant	Audit Corporation
Designated Partner Engagement partner Shinji Murakami	Deloitte Touche Tohmatsu
Designated Partner Engagement partner Hiroyuki Morita	

(2) Overview of personal relationships, equity relationships, business relationships, and other ties with related parties of outside Board members and auditors with the company

Ryosan currently does not appoint any outside directors. The company's outside auditor is not a former employee of the Ryosan group.

(3) Actions taken over the past six months to improve corporate governance

In the six months ended September 30, 2005, the Board of Directors held a total of eight meetings. The Board of Managers met four times in the same period. In principle, directors, who are responsible for managing the execution of day-to-day

operations, and auditors, attend all Board of Managers meetings. The intent of this requirement is to further strengthen corporate governance.

The Audit Committee held a total of six meetings during the six months ended September 30, 2005.

**(8) Matters concerning the parent company**

None.

### 3. Management Results and Financial Condition

#### (1) Outline of Consolidated Operating Results for the Six Months Ended September 30, 2005

##### 1. Overview

Looking at macroeconomic conditions during the first half of the fiscal year, despite concerns about oil prices rising to new peaks and inflation, the U.S. and Chinese economies, the engines behind the global economy, continued to grow. Meanwhile, Japan's economy has been steadily recovering under the leadership of the private sector, supported by improved corporate earnings.

Meanwhile, in Ryosan's main operating environment—the electronics industry—demand was comparatively strong for semiconductors and electronic components.

Under these conditions, the Ryosan Group aggressively worked to achieve its growth strategy of expanding business in new-resource semiconductor products. At the same time, we have established a healthy operating framework by taking a more sophisticated approach to management where we control output by measuring input at each sales office and manufacturing unit, with the aim of improving earnings.

Nevertheless, despite consolidated net sales totaling ¥163,154 million, up 2.9% from the previous year, operating income amounted to ¥5,277 million, declining 2.6%, while ordinary income amounted to ¥5,266 million, down 8.3%. This was due to a lower gross margin, because of reduced profits from plant shipments and other factors. As a result, net income decreased 4.2% to ¥3,269 million.

##### 2. Segment information

###### a. Semiconductors

The Ryosan Group sells memories, system LSIs and discrete semiconductors. In the interim period, the Company posted higher sales of ICs used in LCD drivers and RFID tags, and other products. As a result, net sales in this segment increased 0.4% to ¥84,803 million. Nevertheless, operating income declined 4.4% to ¥3,568 million.

###### b. Electronic components

The Ryosan Group sells display devices, power supplies and mechanical components in this segment. Sales of LCDs for PDAs, and other products rose during the period. Net sales in the electronic components segment rose 3.5% to ¥61,750 million and operating income climbed 22.3% to ¥2,697 million.

###### c. Electronic equipment

The Ryosan Group markets system equipment and facilities equipment. The interim period saw higher sales of system equipment for office automation equipment, Internet communication equipment, and other products. Although net segment sales rose 26.5% to ¥13,157 million, operating income decreased 18.7% to ¥328 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 and other applications decreased. As a result, sales in this segment fell 15.7% to ¥3,441 million. Operating income also decreased, falling 51.2% to ¥323 million.

### 3. Geographical segment information

#### a. Japan

The period under review saw declines in sales of LCDs for digital still cameras and other electronic components, and of heat sinks. As a result, consolidated net sales in Japan declined 2.3% to ¥113,635 million. Operating income also decreased 14.1% to ¥3,399 million.

#### b. Asia

The period under review saw rises in sales of semiconductors, including ICs for ASICs and LCD drivers, and electronic components, including LCDs for PDAs. As a result, net sales in Asia rose 17.0% to ¥49,518 million and operating income was up 17.9% to ¥1,419 million.

### 4. Interim dividend

At its November 18, 2005 meeting, the Board of Directors approved an ordinary interim dividend payment of ¥30 per share.

## (2) Outlook for the Fiscal Year Ending March 31, 2006

### 1. Projected operating results

Ryosan expects increasing uncertainty about the global economy due to rising crude oil prices and other factors.

In this economic climate, the Ryosan Group intends to achieve improved business results by pursuing the fundamental themes formulated for the second year of the 6th Mid-term Management Plan: Growth Strategy, Segment Strategy, and Establishment of a Strong Business Infrastructure.

Earnings forecasts for the fiscal year ending March 31, 2006 are as follows:

	Billions of yen	Change (%)
Net sales	330.0	4.1
Operating income	10.1	2.9
Ordinary income	10.2	(3.2)
Net income	6.3	7.4

### 2. Projected operating results by business segment

#### a. Semiconductors

Ryosan projects higher sales of microcomputer, ICs for LCD drivers and RFID tags, and other products. Net sales in this segment are thus forecast to rise 4.2% to ¥175,400 million and operating income should also rise 4.2% to ¥7,000 million.

b. Electronic components

Ryosan projects higher sales of rechargeable battery, LCD displays used in PDAs, and other products. Taking this into account, net sales in this segment are projected to increase 5.2% to ¥122,200 million, and operating income is expected to rise 19.2% to ¥4,910 million.

c. Electronic equipment

Ryosan projects higher sales of system equipment for office automation equipment, Internet communication equipment, and other products. Taking this into account, net sales in this segment are projected to increase 3.1% to ¥25,700 million, although operating income is expected to fall 18.2% to ¥690 million.

d. Ryosan products

Lower sales of heat sinks for measuring equipment and televisions are projected. As a result, segment sales are projected to decrease 13.9% to ¥6,700 million and operating income should fall 43.2% to ¥630 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
- Major shifts in capital markets

3. Projected dividend for the year

Based on the above forecasts, Ryosan forecasts an ordinary dividend for the fiscal year ending March 31, 2006 of ¥60 per share, comprising interim and year-end dividends of ¥30 per share.

(3) Cash flows

Cash and cash equivalents as of September 30, 2005 had increased to ¥35,190 million, ¥9,453 million more than at the previous fiscal year-end.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥9,925 million. In addition to income before income taxes of ¥5,381 million, there was a decrease in notes and accounts receivable of ¥1,763 million and a decrease in inventories of ¥3,274 million.

Cash flows from investing activities

Net cash used by investing activities amounted to ¥513 million. This was mainly attributable to ¥504 million in purchases of property, plant and equipment.

Cash flows from financing activities

Net cash used by financing activities amounted to ¥124 million, mainly due to ¥1,458 million in cash dividends paid, despite a ¥1,316 million net increase in short-term bank loans.

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

	Fiscal year ended March 31, 2003	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2005	Interim period ended Sept. 30, 2004	Interim period ended Sept. 30, 2005
Shareholders' equity ratio (%)	67.5	62.5	63.1	64.3	62.6
Shareholders' equity ratio using fair value (%)	29.6	48.5	57.9	50.5	59.3
Average debt repayment period (years)	2.0	1.1	—	—	0.3
Interest coverage ratio (times)	23.4	45.3	—	—	103.7

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 (after deduction of treasury stock).

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.

## 4. Business Risk

The Ryosan Group, its performance, share price, and financial position, are subject to a variety of risks. Forward-looking statements contained in this section represent judgments of Ryosan Group's management based on information available as of the end of the current interim period (September 30, 2005).

### (1) Sudden changes in economic environment

The Ryosan Group's consolidated revenues are derived from the level of demand generated by customers of device manufacturers. Against this backdrop, the Group's performance is necessarily impacted by changes in economic conditions in those countries and regions in which Ryosan's principal clients operate. As a result, Ryosan's performance and its financial position may deteriorate in the event of an economic downturn and the resulting decline in demand in its principal markets, such as Japan, Asia and other regions.

### (2) Exchange rate fluctuation

The Ryosan Group engages in the manufacture and sale of products in a number of regions including Japan, Asia and other countries. In preparing consolidated financial statements, sales, expenses, assets and liabilities, denominated in foreign currencies are translated into yen as of the Company's balance sheet date. In principle, the appreciation of the yen against major currencies impacts negatively on Ryosan's performance, while a weak yen impacts favorably.

As a result, Ryosan's consolidated operating results and financial position are subject to fluctuations in foreign exchange rates.

### (3) Overseas business risk

The Ryosan Group does not operate in Japan alone. It also operates overseas, mainly in Asia. As a result it is exposed to the following risks. The materialization of any of the following risks could adversely affect the Ryosan Group's operating results and its financial position.

- (a) Unforeseen changes in laws and regulations and adverse changes in tax requirements
- (b) Inadequate and insufficient local infrastructure in the countries in which the Ryosan Group operates
- (c) Development of adverse political factors
- (d) Social unrest arising out of war, acts of terrorism and other developments

### (4) Capital market volatility

As a part of its business activities, the Ryosan Group holds shares in certain financial institutions, customers and suppliers, and is therefore susceptible to stock price fluctuations. Ryosan does not, however, adopt specific methods as a hedge against movements in stock prices. Accordingly, Ryosan's performance and financial position are subject to substantial changes in stock markets.

### (5) Liability for retirement benefits

Ryosan accounts for retirement benefit expenses and the liability for retirement benefits using certain assumptions and an expected rate of return applicable to the Group's pension plan assets for actuarial

projections. In the event that the actual obligation differs from the projected obligation or there is a change in the assumptions for the calculation of the projected obligation, the difference in retirement benefit expenses and the liability for retirement benefits are accrued and amortized over a generally accepted period. As a result, any significant decline in the discount rate and expected rate of return applicable to the Group's pension plan assets can impact its performance and financial position.

Ryosan is a participant of the Tokyo Metropolitan Electric Welfare Pension Fund, which has experienced a significant deterioration in its investment activities. As a result, there is a substantial shortfall in its liability for retirement benefits. Depending on the accounting treatment applied to this shortfall, Ryosan may be subject to a negative impact on its operating performance and financial position.

# CONSOLIDATED BALANCE SHEETS

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

ITEM	As of September 30, 2005		As of March 31, 2005		Increase/ (Decrease)	As of September 30, 2004	
		%		%			%
<b>ASSETS</b>							
<b>I Current assets:</b>	156,993	86.3	152,367	86.1	4,626	146,519	85.8
1. Cash and cash deposits	19,275		12,816		6,458	7,739	
2. Trade notes and accounts receivable	102,748		103,889		(1,140)	103,817	
3. Marketable securities	15,998		12,998		2,999	13,998	
4. Inventories	17,344		20,401		(3,056)	18,754	
5. Accrued income	804		1,395		(590)	1,062	
6. Deferred tax assets	523		766		(243)	520	
7. Other current assets	470		392		78	816	
8. Allowance for doubtful accounts	(171)		(293)		121	(189)	
<b>II Fixed assets:</b>	25,014	13.7	24,576	13.9	438	24,286	14.2
1. Property, plant and equipment	15,468	8.5	15,246	8.6	222	15,565	9.1
(1) Buildings and structures	6,117		6,210		(93)	6,490	
(2) Land	8,203		8,205		(2)	8,206	
(3) Other fixed assets	1,147		829		318	869	
2. Intangible fixed assets	589	0.3	648	0.4	(59)	631	0.4
3. Investments and other assets	8,957	4.9	8,681	4.9	276	8,089	4.7
(1) Investment securities	6,437		6,158		278	5,654	
(2) Deferred tax assets	945		928		16	1,008	
(3) Other	1,835		1,863		(28)	1,653	
(4) Allowance for doubtful accounts	(212)		(204)		(8)	(211)	
(5) Allowance for loss on investments	(47)		(65)		17	(15)	
<b>Total assets</b>	<b>182,008</b>	<b>100.0</b>	<b>176,943</b>	<b>100.0</b>	<b>5,065</b>	<b>170,806</b>	<b>100.0</b>

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

ITEM	As of September 30, 2005		As of March 31, 2005		Increase/ (Decrease)	As of September 30, 2004	
		%		%			%
<b>LIABILITIES</b>							
<b>I Current liabilities:</b>	65,619	36.1	62,958	35.6	2,660	58,967	34.5
1. Trade notes and accounts payable	54,194		52,684		1,510	50,611	
2. Short-term bank loans	6,377		4,812		1,564	4,134	
3. Accrued expenses	1,149		1,447		(297)	1,098	
4. Accrued income taxes	2,125		2,677		(552)	2,015	
5. Other current liabilities	1,772		1,336		435	1,106	
<b>II Long-term liabilities:</b>	2,282	1.2	2,164	1.2	118	1,964	1.1
1. Employees' retirement benefits	1,799		1,716		83	1,535	
2. Directors' and corporate auditors' severance payments	379		341		37	322	
3. Other long-term liabilities	104		106		(2)	107	
<b>Total liabilities</b>	<b>67,902</b>	<b>37.3</b>	<b>65,122</b>	<b>36.8</b>	<b>2,779</b>	<b>60,932</b>	<b>35.6</b>
<b>MINORITY INTERESTS</b>							
Minority interests	121	0.1	105	0.1	15	108	0.1
<b>SHAREHOLDERS' EQUITY</b>							
I Common stock	17,690	9.7	17,690	10.0	—	17,690	10.4
II Additional paid-in capital	19,122	10.5	19,122	10.8	0	19,119	11.2
III Consolidated retained earnings	76,025	41.8	74,299	42.0	1,726	73,743	43.2
IV Valuation gain on other marketable securities	1,512	0.8	1,338	0.7	173	749	0.4
V Foreign currency translation adjustments	(316)	(0.2)	(667)	(0.4)	351	(602)	(0.4)
VI Treasury stock	(49)	(0.0)	(68)	(0.0)	18	(934)	(0.5)
<b>Total shareholders' equity</b>	<b>113,984</b>	<b>62.6</b>	<b>111,714</b>	<b>63.1</b>	<b>2,270</b>	<b>109,766</b>	<b>64.3</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>182,008</b>	<b>100.0</b>	<b>176,943</b>	<b>100.0</b>	<b>5,065</b>	<b>170,806</b>	<b>100.0</b>

# CONSOLIDATED STATEMENTS OF INCOME

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

ITEM	Six months ended September 30, 2005		Six months ended September 30, 2004		Increase/ (Decrease)	Year ended March 31, 2005	
		%		%			%
<b>I Net sales</b>	163,154	100.0	158,620	100.0	4,533	317,095	100.0
<b>II Cost of sales</b>	150,033	92.0	145,609	91.8	4,423	291,855	92.0
Gross profit	13,120	8.0	13,011	8.2	109	25,239	8.0
<b>III Selling, general and administrative expenses</b>	7,842	4.8	7,594	4.8	248	15,422	4.9
Operating income	5,277	3.2	5,416	3.4	(139)	9,816	3.1
<b>IV Other income:</b>	280	0.2	403	0.2	(123)	918	0.3
1. Interest income	58		78		(19)	121	
2. Dividend income	38		49		(10)	58	
3. Purchase discounts	28		31		(2)	61	
4. Compensation income	—		—		—	247	
5. Business guidance fees	11		40		(29)	84	
6. Foreign exchange gain	—		22		(22)	46	
7. Other	143		181		(37)	297	
<b>V Other expenses:</b>	290	0.2	76	0.0	214	193	0.1
1. Interest expense	95		23		72	79	
2. Foreign exchange loss	151		—		151	—	
3. Other	43		52		(9)	113	
Ordinary income	5,266	3.2	5,743	3.6	(477)	10,541	3.3
<b>VI Extraordinary gains:</b>	164	0.1	59	0.0	105	79	0.0
1. Gain on sales of property, plant and equipment	20		22		(1)	43	
2. Gain on sales of investment securities	—		35		(35)	35	
3. Gain on reversal of allowance for doubtful accounts	126		—		126	—	
4. Gain on reversal of allowance for loss on investments	17		1		16	—	
<b>VII Extraordinary losses:</b>	50	0.0	221	0.1	(171)	872	0.2
1. Loss on sales and disposal of property, plant and equipment	4		25		(20)	160	
2. Impairment loss	2		—		2	—	
3. Loss on sales of investment securities	14		171		(157)	643	
4. Provision of allowance for loss on investments	—		—		—	49	
5. Loss on devaluation of golf memberships	17		24		(7)	18	
6. Loss on devaluation of resort memberships	11		—		11	—	
<b>Income before income taxes and other items</b>	5,381	3.3	5,581	3.5	(200)	9,748	3.1
Income taxes – current	1,992	1.2	1,922	1.2	70	4,206	1.3
Income taxes – deferred	108	0.1	304	0.2	(196)	(271)	(0.1)
Minority interests in losses of consolidated subsidiaries	11	0.0	(58)	(0.0)	70	(54)	(0.0)
<b>Net income</b>	3,269	2.0	3,413	2.1	(144)	5,867	1.9

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

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

ITEM	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
<b>ADDITIONAL PAID-IN CAPITAL</b>			
I Balance at beginning of period	19,122	19,114	19,114
II Increase in paid-in capital	0	4	7
1. Earnings from disposal of treasury stock	0	4	7
III Balance at end of period	19,122	19,119	19,122
<b>RETAINED EARNINGS</b>			
I Balance at beginning of period	74,299	71,328	71,328
II Increase in retained earnings	3,269	3,413	5,867
1. Net income	3,269	3,413	5,867
III Decrease in retained earnings	1,542	998	2,896
1. Cash dividends	1,458	916	1,647
2. Bonuses to directors	84	69	69
3. Retirement of treasury stock	—	—	1,169
4. Decrease in retained earnings due to exclusion of consolidated subsidiaries	—	13	10
IV Balance at end of period	76,025	73,743	74,299

# CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
<b>I Operating activities:</b>			
Income before income taxes	5,381	5,581	9,748
Depreciation and amortization	427	412	861
Increase in provision for employees' severance payments	82	83	263
(Decrease) increase in provision for directors' retirement benefits	37	(43)	(24)
Increase in allowance for doubtful accounts	(126)	55	159
Interest and dividend income	(96)	(127)	(180)
Interest expense	95	23	79
Gain on sales of property, plant and equipment	(20)	(22)	(43)
Loss on sales and disposal of property, plant and equipment	4	25	160
Gain on sales of investment securities	—	(35)	(35)
Loss on devaluation of marketable and investment securities	14	171	643
(Increase) decrease in trade receivables	1,763	(6,648)	(6,916)
(Increase) decrease in inventories	3,274	(4,311)	(6,030)
Increase (decrease) in trade payables	908	(7,066)	(4,784)
Directors' bonuses paid	(84)	(69)	(69)
Other – net	735	35	743
Subtotal	12,398	(11,934)	(5,423)
Interest and dividend income	101	129	175
Interest paid	(95)	(23)	(78)
Income taxes paid	(2,478)	(1,183)	(2,886)
Net cash (used in) provided by operating activities	9,925	(13,012)	(8,213)
<b>II Investing activities:</b>			
Net change (increase) in time deposits	(0)	(116)	79
Proceeds from redemption of securities	—	3,100	3,100
Purchases of property, plant and equipment	(504)	(174)	(323)
Proceeds from sales of property, plant and equipment	45	44	75
Purchases of intangible assets	(63)	(101)	(240)
Purchases of investment securities	—	(200)	(200)
Proceeds from sales of investment securities	—	83	83
Investments in affiliated companies	—	—	(157)
Payment of loans	(0)	(6)	(22)
Proceeds from collection of loans	0	29	132
Other – net	9	0	0
Net cash (used in) provided by investing activities	(513)	2,659	2,525
<b>III Financing activities:</b>			
Net increase (decrease) in short-term bank loans	1,316	2,378	3,067
Repurchases of treasury stock	(4)	(625)	(1,145)
Proceeds from exercise of stock options	23	352	571
Cash dividends paid	(1,458)	(916)	(1,647)
Cash dividends paid to minority shareholders	(1)	(7)	(11)
Net cash provided by (used in) financing activities	(124)	1,181	834
<b>IV Effect of foreign currency translation adjustments on cash and cash equivalents</b>	166	41	(5)
<b>V Net (decrease) increase in cash and cash equivalents</b>	9,453	(9,130)	(4,858)
<b>VI Cash and cash equivalents, beginning of the period</b>	25,737	30,663	30,663
<b>VII Net decrease in cash and cash equivalents of subsidiaries excluded from consolidation</b>	—	(67)	(67)
<b>VIII Cash and cash equivalents, end of the period</b>	35,190	21,465	25,737

## SEGMENT INFORMATION

### 1. Segment information by business type

Six months ended September 30, 2005

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

	Semiconductors	Electronic components	Electronic equipment	Ryosan products	Total	Eliminations or corporate	Consolidated
<b>I Sales and operating income</b>							
Sales:							
(1)Outside customers	84,803	61,750	13,157	3,441	163,154	—	163,154
(2)Internal sales between segments, or exchange	—	—	—	—	—	—	—
Total	84,803	61,750	13,157	3,441	163,154	—	163,154
Operating expenses	81,234	59,053	12,829	3,117	156,234	1,641	157,876
Operating income	3,568	2,697	328	323	6,919	(1,641)	5,277

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
<b>I Sales and operating income</b>							
Sales:							
(1)Outside customers	84,480	59,657	10,402	4,080	158,620	—	158,620
(2)Internal sales between segments, or exchange	—	—	—	—	—	—	—
Total	84,480	59,657	10,402	4,080	158,620	—	158,620
Operating expenses	80,748	57,451	9,997	3,418	151,616	1,587	153,203
Operating income	3,732	2,205	404	662	7,004	(1,587)	5,416

Fiscal year ended March 31, 2005

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

	Semiconductors	Electronic components	Electronic equipment	Ryosan products	Total	Eliminations or corporate	Consolidated
<b>I Sales and operating income</b>							
Sales:							
(1)Outside customers	168,278	116,113	24,924	7,778	317,095	—	317,095
(2)Internal sales between segments, or exchange	—	—	—	—	—	—	—
Total	168,278	116,113	24,924	7,778	317,095	—	317,095
Operating expenses	161,563	111,993	24,081	6,669	304,307	2,970	307,278
Operating income	6,714	4,119	843	1,109	12,787	(2,970)	9,816

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 devices)

2. Unallocated operating expenses for the six months ended September 30, 2005 included in “Eliminations or corporate” totaled ¥1,641 million, compared with ¥1,587 million for the same six months in the previous year and ¥2,970 million for the fiscal year ended March 31, 2005. These expenses consisted principally of expenses related to the parent company’s planning, general affairs, personnel and accounting departments.

## 2. Geographical segment information

Six months ended September 30, 2005

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

	Japan	Asia	Total	Eliminations or corporate	Consolidated
<b>I Sales and operating income</b>					
Sales:					
(1)Outside customers	113,635	49,518	163,154	—	163,154
(2)Internal sales between segments, or exchange	5,362	228	5,591	(5,591)	—
Total	118,997	49,747	168,745	(5,591)	163,154
Operating expenses	115,597	48,328	163,925	(6,049)	157,876
Operating income	3,399	1,419	4,819	458	5,277

Six months ended September 30, 2004

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

	Japan	Asia	Total	Eliminations or corporate	Consolidated
<b>I Sales and operating income</b>					
Sales:					
(1)Outside customers	116,294	42,326	158,620	—	158,620
(2)Internal sales between segments, or exchange	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

Fiscal year ended March 31, 2005

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

	Japan	Asia	Total	Eliminations or corporate	Consolidated
<b>I Sales and operating income</b>					
Sales:					
(1)Outside customers	231,569	85,525	317,095	—	317,095
(2)Internal sales between segments, or exchange	8,078	751	8,829	(8,829)	—
Total	239,647	86,276	325,924	(8,829)	317,095
Operating expenses	232,452	84,079	316,532	(9,254)	307,278
Operating income	7,195	2,196	9,391	424	9,816

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.

### 3. Overseas sales

Six months ended September 30, 2005

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

	Asia	Total
I Overseas sales	60,084	60,084
II Consolidated net sales		163,154
III Ratio of overseas sales to consolidated net sales (%)	36.8	36.8

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

Fiscal year ended March 31, 2005

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

	Asia	Total
I Overseas sales	107,441	107,441
II Consolidated net sales		317,095
III Ratio of overseas sales to consolidated net sales (%)	33.9	33.9

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).

## MANUFACTURING, NEW ORDERS AND SALES

### 1. Manufacturing

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

	Six months ended September 30, 2005	Six months ended September 30, 2004	Fiscal year ended March 31, 2005
Heat sinks	2,892	3,507	6,666

### 2. New Orders

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

	Six months ended September 30, 2005	Six months ended September 30, 2004	Fiscal year ended March 31, 2005
Semiconductors	92,606	84,274	170,498
Electronic components	67,709	58,116	117,339
Electronic equipment	13,489	10,813	25,522
Ryosan products	3,817	4,304	8,518
Total	177,622	157,508	321,878

### 3. Sales

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

	Six months ended September 30, 2005	Six months ended September 30, 2004	Fiscal year ended March 31, 2005
Semiconductors	84,803	84,480	168,278
Electronic components	61,750	59,657	116,113
Electronic equipment	13,157	10,402	24,924
Ryosan products	3,441	4,080	7,778
Total	163,154	158,620	317,095