

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

February 7, 2006

Company name: Ryosan Co., Ltd.

Stock listing: Tokyo Stock Exchange (First Section)

Code number: 8140

(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: None

2. Consolidated Operating Results for First Three Quarters of Fiscal 2005 (April 1, 2005—December 31, 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	%
Fiscal 2005, First Three Quarters	244,735	5.7	8,478	11.3	8,157	(0.6)	4,996	2.9
Fiscal 2004, First Three Quarters	231,501	13.4	7,615	37.4	8,207	33.6	4,854	48.0
(Ref) Fiscal 2004	317,095		9,816		10,541		5,867	

	Net income per share	Net income per share after dilution
	Yen	Yen
Fiscal 2005, First Three Quarters	137.00	136.99
Fiscal 2004, First Three Quarters	132.97	—
(Ref) Fiscal 2004	158.53	158.36

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]

① Overview

Looking at macroeconomic conditions during the first three quarters of fiscal 2005, the period from April 1, 2005 to December 31, 2005, economies around the world exhibited high growth due to the continuous expansion of the U.S. economy and the rise of BRICs. Meanwhile, Japan's economy has been steadily recovering under the leadership of the private sector, supported by improved corporate earnings. 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 site, with the aim of improving earnings.

As a result, for the first three quarters of fiscal 2005, consolidated net sales totaled ¥244,735 million, up 5.7% from the previous year. Operating income totaled ¥8,478 million, rising 11.3%, but ordinary income was ¥8,157 million, down a slight 0.6%. Net income increased 2.9% to ¥4,996 million.

② 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 mainly for ICs used in LCD drivers, DVDs, and RFID tags. As a result, consolidated net sales in this segment increased 5.0% to ¥130,320 million, and operating income rose 5.1% to ¥5,747 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, and rechargeable batteries. Consolidated net sales in the electronic components segment rose 6.9% to ¥91,428 million and operating income climbed 43.7% to ¥4,197 million.

c. Electronic equipment

The Ryosan Group markets systems equipment and facilities equipment. The first three quarters saw higher sales of system equipment for vehicles, Internet communication equipment, and other products. Although net segment sales rose 12.5% to ¥17,873 million on a consolidated basis, operating income decreased 24.3% to ¥430 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 decreased. As a result, consolidated sales in this segment fell 13.7% to ¥5,113 million. Operating income also decreased, falling 43.1% to ¥532 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 Quarters	178,959	115,520	64.5	3,167.17
Fiscal 2004, First Three Quarters	171,662	110,350	64.3	3,035.94
(Ref) Fiscal 2004	176,943	111,714	63.1	3,061.35

[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 Quarters	6,381	(674)	(1,341)	30,436
Fiscal 2004, First Three Quarters	(11,693)	2,641	(447)	21,155
(Ref) Fiscal 2004	(8,213)	2,525	834	25,737

[Qualitative Information and Other Matters Concerning Consolidated Financial Position]

① Changes in the financial position in the first three quarters

Total assets as of December 31, 2005 were ¥178,959 million, ¥2,015 million more than at the previous fiscal year-end. Shareholders' equity increased ¥3,806 million to ¥115,520 million and the shareholders' equity ratio rose 1.4 percentage points to 64.5%.

② Cash flow during the first three quarters

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥6,381 million. This was mainly due to income before income taxes of ¥8,248 million and a decrease in notes and accounts receivable of ¥3,292 million, partly offset by income taxes paid of ¥4,443 million and a decrease in notes and accounts payable of ¥3,356 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥674 million. This was mainly attributable to purchases of property, plant and equipment of ¥580 million.

Cash flows from financing activities

Net cash used in financing activities was ¥1,341 million. The main component was cash dividends paid of ¥2,552 million, which was partly offset by an increase in short-term borrowings of ¥1,200 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
Full year	330,000	10,100	10,200	6,300	172.72

[Qualitative Information and Other Matters Concerning Consolidated Forecasts]

Ryosan has not revised its consolidated forecasts for the fiscal year ending March 31, 2006 announced on November 18, 2005. Looking ahead, Ryosan will promptly disclose any revisions to forecasts based on a careful assessment of trends in its operating results.

[Cautionary Statement Concerning 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, 2005		March 31, 2005		Change	December 31, 2004	
	Amount	%	Amount	%	Amount	Amount	%
ASSETS							
I Current assets	153,214	85.6	152,367	86.1	847	146,850	85.5
1. Cash and deposits	15,533		12,816		2,717	9,232	
2. Trade notes and accounts receivable	102,018		103,889		(1,871)	102,349	
3. Marketable securities	14,998		12,998		2,000	11,998	
4. Inventories	19,446		20,401		(954)	21,237	
5. Accrued income	647		1,395		(748)	1,029	
6. Deferred tax assets	248		766		(517)	281	
7. Other current assets	499		392		107	903	
8. Allowance for doubtful accounts	(179)		(293)		114	(181)	
II Fixed assets	25,744	14.4	24,576	13.9	1,168	24,811	14.5
1. Property, plant and equipment	15,406	8.6	15,246	8.6	160	15,395	9.0
(1) Buildings and structures	6,086		6,210		(124)	6,363	
(2) Land	8,205		8,205		0	8,205	
(3) Other fixed assets	1,114		829		285	827	
2. Intangible fixed assets	568	0.3	648	0.4	(80)	602	0.4
3. Investments and other assets	9,768	5.5	8,681	4.9	1,087	8,814	5.1
(1) Investment securities	7,380		6,158		1,222	6,666	
(2) Deferred tax assets	627		928		(301)	687	
(3) Other	2,022		1,863		159	1,687	
(4) Allowance for doubtful accounts	(214)		(204)		(10)	(211)	
(5) Allowance for loss on investments	(47)		(65)		17	(15)	
Total assets	178,959	100.0	176,943	100.0	2,015	171,662	100.0

Note: Changes represent comparisons between March 31, 2005 and December 31, 2005.

(¥ million)

Item	December 31, 2005		March 31, 2005		Change	December 31, 2004	
	Amount	%	Amount	%	Amount	Amount	%
LIABILITIES							
I Current liabilities	61,025	34.1	62,958	35.6	(1,932)	59,105	34.4
1. Trade notes and accounts payable	50,683		52,684		(2,001)	51,744	
2. Short-term bank loans	6,517		4,812		1,705	3,642	
3. Accrued expenses	886		1,447		(560)	819	
4. Accrued income taxes	1,077		2,677		(1,600)	1,366	
5. Other current liabilities	1,860		1,336		523	1,532	
II Long-term liabilities	2,288	1.3	2,164	1.2	123	2,104	1.2
1. Employees' retirement benefits	1,830		1,716		113	1,665	
2. Directors' severance payments	391		341		49	334	
3. Other long-term liabilities	66		106		(40)	105	
Total liabilities	63,313	35.4	65,122	36.8	(1,809)	61,209	35.6
MINORITY INTERESTS							
Minority interests	125	0.1	105	0.1	19	101	0.1
SHAREHOLDERS' EQUITY							
I Common stock	17,690	9.9	17,690	10.0	—	17,690	10.3
II Additional paid-in capital	19,122	10.7	19,122	10.8	0	19,119	11.1
III Retained earnings	76,658	42.8	74,299	42.0	2,359	74,452	43.4
IV Net unrealized gain on other marketable securities	2,071	1.1	1,338	0.7	733	1,256	0.7
V Foreign currency translation adjustments	28	0.0	(667)	(0.4)	696	(716)	(0.4)
VI Treasury stock	(51)	(0.0)	(68)	(0.0)	16	(1,451)	(0.8)
Total shareholders' equity	115,520	64.5	111,714	63.1	3,806	110,350	64.3
Total liabilities, minority interests, and shareholders' equity	178,959	100.0	176,943	100.0	2,015	171,662	100.0

Note: Changes represent comparisons between March 31, 2005 and December 31, 2005.

2. CONSOLIDATED STATEMENTS OF INCOME

(¥ million)

Item	First Three Quarters of Year Ending March 31, 2006		First Three Quarters of Year Ended March 31, 2005		Change	Year Ended March 31, 2005	
	Amount	%	Amount	%	Amount	Amount	%
I Net sales	244,735	100.0	231,501	100.0	13,234	317,095	100.0
II Cost of sales	224,468	91.7	212,696	91.9	11,771	291,855	92.0
Gross profit	20,267	8.3	18,804	8.1	1,462	25,239	8.0
III Selling, general and administrative expenses	11,788	4.8	11,189	4.8	599	15,422	4.9
Operating income	8,478	3.5	7,615	3.3	863	9,816	3.1
IV Non-operating income	426	0.1	710	0.3	(284)	918	0.3
1. Interest and dividend income	141		147		(5)	180	
2. Discounts on purchases	39		45		(6)	61	
3. Foreign exchange gains	—		202		(202)	46	
4. Others	244		314		(69)	629	
V Non-operating expenses	746	0.3	117	0.0	628	193	0.1
1. Interest expense	172		45		127	79	
2. Foreign exchange loss	511		—		511	—	
3. Others	62		72		(10)	113	
Ordinary income	8,157	3.3	8,207	3.6	(49)	10,541	3.3
VI Extraordinary gains	161	0.0	80	0.0	81	79	0.0
1. Gain on sales of property, plant and equipment	20		43		(22)	43	
2. Gain on sales of investment securities	—		35		(35)	35	
3. Gain on reversal of allowance for doubtful accounts	123		—		123	—	
4. Gain on reversal of allowance for loss on investments	17		1		16	—	
VII Extraordinary losses	71	0.0	219	0.1	(147)	872	0.2
1. Loss on sale and disposal of property, plant and equipment	24		27		(3)	160	
2. Loss on devaluation of investment securities	14		171		(156)	643	
3. Others	31		19		12	68	
Income before income taxes and minority interests	8,248	3.3	8,069	3.5	179	9,748	3.1
Income taxes	3,238	1.3	3,271	1.4	(32)	3,934	1.2
Minority interests (losses)	13	0.0	(56)	(0.0)	69	(54)	(0.0)
Net income	4,996	2.0	4,854	2.1	142	5,867	1.9

Note: Changes represent comparisons between figures for First three Quarters of fiscal 2005 and First three Quarters of fiscal 2004.

3. CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ million)

Item	First Three Quarters of Year Ending March 31, 2006	First Three Quarters of Year Ended March 31, 2005	Year Ended March 31, 2005
	Amount	Amount	Amount
I Operating activities:			
Income before income taxes	8,248	8,069	9,748
Depreciation and amortization	667	632	861
Increase (decrease) in allowance for doubtful accounts	(130)	53	159
Increase in severance allowance for employees	111	212	263
(Decrease) increase in retirement allowances for directors	49	(31)	(24)
Interest and dividend income	(141)	(147)	(180)
Interest expense	172	45	79
Gains on sales of property, plant and equipment	(20)	(43)	(43)
Loss on sale and disposal of property, plant and equipment	27	31	160
Gains on sales of investment securities	—	(35)	(35)
Loss on devaluation of investment securities	14	171	643
(Increase) decrease in notes and accounts receivable	3,292	(5,688)	(6,916)
(Increase) decrease in inventories	1,368	(6,905)	(6,030)
Increase (decrease) in accounts payable	(3,356)	(5,416)	(4,784)
Directors' bonuses paid	(84)	(69)	(69)
Other expenses	616	48	743
Subtotal	10,835	(9,072)	(5,423)
Interest and dividends received	159	154	175
Interest paid	(171)	(44)	(78)
Income taxes paid	(4,443)	(2,730)	(2,886)
Net cash (used in) provided by operating activities	6,381	(11,693)	(8,213)
II Investing activities:			
Decrease (increase) in time deposits	(9)	76	79
Proceeds from redemption of securities	300	3,100	3,100
Purchases of property, plant and equipment	(580)	(228)	(323)
Proceeds from sales of property, plant and equipment	45	75	75
Purchases of intangible fixed assets	(105)	(127)	(240)
Purchases of investment securities	(300)	(200)	(200)
Proceeds from sales of investment securities	—	83	83
Investments in affiliated companies	—	(157)	(157)
Investments	(19)	—	—
Proceeds from collection of investments	24	—	—
Increase in loans	(48)	(22)	(22)
Proceeds from collection of loans	15	43	132
Other expenses	3	0	0
Net cash provided by (used in) investing activities	(674)	2,641	2,525
III Financing activities:			
Increase in short-term borrowings, net	1,200	2,001	3,067
Repurchase of treasury stock	(6)	(1,142)	(1,145)
Proceeds from exercise of stock options	23	352	571
Cash dividends paid	(2,552)	(1,647)	(1,647)
Cash dividends paid to minority shareholders	(5)	(11)	(11)
Net cash (provided by) used in financing activities	(1,341)	(447)	834
IV Effect of foreign currency translation adjustments on cash and cash equivalents	333	59	(5)
V Net (decrease) increase in cash and cash equivalents	4,699	(9,440)	(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	—	(67)	(67)
VIII Cash and cash equivalents, end of year	30,436	21,155	25,737

4. RESULTS BY SEGMENT

[Segment Results by Business Type]

First Three Quarters of Year Ending March 31, 2006

(¥ million)

	Semiconductors	Electronic components	Electronic equipment	Ryosan products	Total	Eliminations or corporate	Consolidated
Net sales	130,320	91,428	17,873	5,113	244,735	—	244,735
Operating expenses	124,574	87,230	17,443	4,580	233,829	2,427	236,257
Operating income	5,746	4,197	430	532	10,906	(2,427)	8,478

First Three Quarters of Year Ended March 31, 2005

(¥ million)

	Semiconductors	Electronic components	Electronic equipment	Ryosan products	Total	Eliminations or corporate	Consolidated
Net sales	124,135	85,548	15,892	5,924	231,501	—	231,501
Operating expenses	118,666	82,627	15,324	4,989	221,607	2,279	223,886
Operating income	5,469	2,921	568	935	9,894	(2,279)	7,615

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 method.

(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. Unallocable operating expenses included in eliminations or corporate were ¥2,427 million and ¥2,279 million for the first three quarters of the fiscal years ended March 31, 2006 and 2005, respectively. The main components were information system investments at the parent company, as well as expenses related to planning and administration, and the Finance and Accounting Headquarters.

[Segment Results by Geographical Region]

First Three Quarters of Year Ending March 31, 2006

(¥ million)

	Japan	Asia	Total	Eliminations or corporate	Consolidated
Net sales	176,154	77,086	253,241	(8,505)	244,735
Operating expenses	170,839	74,844	245,683	(9,426)	236,257
Operating income	5,314	2,242	7,557	921	8,478

First Three Quarters of Year Ended March 31, 2005

(¥ million)

	Japan	Asia	Total	Eliminations or corporate	Consolidated
Net sales	176,299	61,876	238,175	(6,674)	231,501
Operating expenses	170,539	60,279	230,819	(6,932)	223,886
Operating income	5,759	1,596	7,356	258	7,615

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 Three Quarters of Year Ending March 31, 2006

(¥ million)

	Asia	Total
Overseas net sales	91,346	91,346
Consolidated net sales		244,735
Ratio of overseas net sales to consolidated net sales (%)	37.3	37.3

First Three Quarters of Year Ended March 31, 2005

(¥ million)

	Asia	Total
Overseas net sales	77,501	77,501
Consolidated net sales		231,501
Ratio of overseas 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 sum 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	Fiscal 2005, First Three Quarters	Fiscal 2004, First Three Quarters	Change		Fiscal 2004
	Amount	Amount	Amount	(%)	Amount
Semiconductors	138,318	125,923	12,395	9.8	170,498
Electronic components	95,675	87,341	8,333	9.5	117,339
Electronic equipment	19,125	17,196	1,929	11.2	25,522
Ryosan products	5,793	6,662	(868)	(13.0)	8,518
Total	258,913	237,123	21,789	9.2	321,878

(2) Sales

(¥ million)

Segment	Fiscal 2005, First Three Quarters	Fiscal 2004, First Three Quarters	Change		Fiscal 2004
	Amount	Amount	Amount	(%)	Amount
Semiconductors	130,320	124,135	6,185	5.0	168,278
Electronic components	91,428	85,548	5,879	6.9	116,113
Electronic equipment	17,873	15,892	1,980	12.5	24,924
Ryosan products	5,113	5,924	(811)	(13.7)	7,778
Total	244,735	231,501	13,234	5.7	317,095

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 method.

(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)