

**Consolidated Earnings Report for Fiscal 2005, Ended March 31, 2006**
**May 19, 2006**

Company name: Ryosan Co., Ltd.

Stock listings: Tokyo Stock Exchange (First Section)

Code number: 8140

Location of head office: Tokyo

(URL://www.ryosan.co.jp)

Representative director: Tatsuo Ui, President

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Date of the Board of Directors meeting to settle the year-end consolidated accounts: May 19, 2006

U.S. GAAP not applied

**1. Results for the Fiscal Year Ended March 31, 2006**
**(1) 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	%
Fiscal 2005	326,219	2.9	10,793	10.0	10,677	1.3
Fiscal 2004	317,095	10.0	9,816	23.3	10,541	18.0

	Net income		Net income per share	Net income per share after dilution	Return on equity	Ordinary income-to-equity ratio	Ordinary income-to-net sales ratio
	Millions of yen	%	Yen	Yen	%	%	%
Fiscal 2005	6,591	12.3	178.38	178.38	5.8	5.9	3.3
Fiscal 2004	5,867	2.8	158.53	158.36	5.4	6.0	3.3

Notes: ① Equity in earnings of non-consolidated subsidiaries and affiliates

FY2005 Millions of yen FY2004 Millions of yen

② Average number of outstanding shares:

FY2005: 36,473,146 shares FY2004: 36,482,012 shares

③ Changes in accounting methods: None

④ Year-on-year changes for net sales, operating income, ordinary income and net income are based on the previous year

**(2) Financial Position**

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2005	183,156	117,392	64.1	3,216.17
Fiscal 2004	176,943	111,714	63.1	3,061.35

Note: Number of shares issued and outstanding at fiscal year-end:

FY2005 36,474,159 shares

FY2004 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 year-end
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2005	12,792	(1,003)	(1,655)	36,167
Fiscal 2004	(8,213)	2,525	834	25,737

**(4) Number of Subsidiaries and Affiliates**

Consolidated subsidiaries: 8

Non-consolidated subsidiaries accounted for by the equity method: 0

Equity-method affiliates: 0

**(5) Changes in Scope of Consolidation and Application of Equity Method**

Consolidated subsidiaries (New): 0

Consolidated subsidiaries (Eliminated): 0

Equity-method affiliates (New): 0

Equity-method affiliates (Eliminated): 0

**2. Forecast for the Fiscal Year Ending March 31, 2007 (From April 1, 2006 to March 31, 2007)**

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim period	154,000	5,100	5,200	3,000
Fiscal year ending March 31, 2007	310,000	10,400	10,600	6,300

(Reference) The estimated net income per share for the year ending March 31, 2007 is ¥172.73

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. Please refer to Section 3—Management Results on page 7 of the attached materials for more information related to the estimates.

## 1. Group Enterprise

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	
Electronic Components	Display devices Power supplies Mechanical components	Hong Kong Ryosan Limited Singapore Ryosan Private Limited Ryotai Corporation	
Electronic Equipment	Systems equipment Production equipment	Ryosan IPC (Malaysia) Sdn. Bhd. Korea Ryosan Corporation	
Ryosan Products	Heat sinks (for semiconductor circuit elements)	Zhong Ling International Trading (Shanghai) Co., Ltd.	Ryosan Company, Limited Ryosan Engineering (M) Sdn. Bhd. Ryosan Engineering (Thailand) Co., Ltd.

Information about Ryosan's main non-consolidated subsidiaries is as follows:

### Non-consolidated subsidiaries

Company Name	Business Area
Will Business Services Company, Limited	Insurance agent and building maintenance
Examining Committee Ryosan Company, Limited	Sales agent for electronic components
Ryosan Technologies USA Inc.	Semiconductor and electronic component sales and servicing
Ryosan (Thailand) Co., Ltd.	Sales of and sales agent for semiconductors and electronic components
Dalian F.T.Z. Ryosan International Trading Co., Ltd.	Sales of semiconductors and electronic components
Ryosan Electronics (Foshan) Co., Ltd.	Manufacture and sales of heat sinks

## **2. Management Policies**

### **(1) Fundamental Management Policies**

Ever since the 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 systems coordinator, providing a vital link between our customers' needs and electronics technology. We aim to achieve consistent long-term growth by stressing this social consciousness and our new role as a systems coordinator.

Three functions are vital to fulfilling our ambition of becoming an electronics system coordinator—the Information Function (supplying data), the Solutions Function (supplying technology), and the Distribution Function (supplying logistics). By constantly enhancing these three functions, Ryosan will raise customer satisfaction and increase its existence value.

### **(2) Basic policy regarding the allocation of profits**

Ryosan 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 in the 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 2006 is the final year of the 6th Mid-term Management Plan and in line with its "Basic Situation", 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 realize its Basic Situation, Ryosan is forcefully pushing ahead with “Three Basic Strategies”: the Growth Strategy, Segment Strategy, and Establishment of a Strong Business Infrastructure. The following is an outline of these “Three Basic Strategies,” which have been partially revised.

1. Growth Strategy as a system coordinator:

We will establish 4 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

Advancement of a Creation Project for a New Business Model (new)

Note: Ryosan originally established another business model, Commercialize the Fabless Semiconductor Business, but withdrew from this business because the outlook for commercialization remained unpromising.

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 of the Personnel System

Strengthen Advancement of BPR

Improve Quality of Management Framework

Strengthen RS (Ryosan Spirit) Culture

**(6) Issues to be addressed**

In the semiconductor industry, the Ryosan Group’s primary industry, discussions have resurfaced concerning the need to reorganize the industry, including statements advocating that administrative agencies offer guidance on the establishment of integrated production companies as well as the possibility of the joint foundry concept of factories. Amid these new developments in the semiconductor industry, semiconductor manufacturers are fighting for survival by forming various realignments and alliances, and are re-examining their sales routes. In parallel, semiconductor trading houses are now giving priority to responding to these developments in the semiconductor industry.

At the same time, the Ryosan Group is also faced with the fact that its performance for fiscal 2005 and sales forecasts for fiscal 2006 have reached their upper limits. Accordingly, the Group will aim to achieve further growth by establishing unique business models based on its new growth strategy, Advancement of a Creation Project for a New Business Model, and by providing these to customers to establish a reputation as a trusted system coordinator.

Efforts continue to be made to improve the earnings structures of the Ryosan Group. We are strengthening the detailed procedures to track performance at each of our sales offices and manufacturing units, both in Japan and overseas. Also, we rigorously conduct business operations with a system whereby we control output by measuring input, with the aim of improving earnings.

The Ryosan Group is determined to raise its corporate value in the electronics market by establishing its unique business models and providing them to customers, and by improving its business results through reaping rewards commensurate with our corporate value, thereby meeting the expectations of our shareholders.

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

None.

### 3. Results of Operations

#### (1) Outline of consolidated results for the fiscal year ended March 31, 2006

##### 1. Overview

Looking at macroeconomic conditions during the fiscal year ended March 31, 2006, economies around the world exhibited high growth due to the continuous expansion of the U.S. economy and the rise of BRICs. At the same time, Japan's economy has witnessed the strengthening of corporate structures as companies succeeded in eliminating the three excesses of surplus equipment and facilities, overly high levels of employment and too much debt, and the economy has been steadily recovering under the leadership of the private sector. In Ryosan's main operating environment—the electronics industry—demand was comparatively strong for electronic components.

Under these conditions, the Ryosan Group strove to increase sales by forcefully working to achieve its growth strategy of expanding business in new-resource semiconductor products. At the same time, Ryosan worked to improve its earnings structures.

As a result of the above and other factors, Ryosan recorded increases in both sales and earnings. Consolidated net sales totaled ¥326,219 million, up 2.9% from the previous year. Operating income totaled ¥10,793 million, rising 10.0%, while ordinary income totaled ¥10,677 million, up 1.3%. Net income increased 12.3% to ¥6,591 million.

##### 2. Business segment information

###### a. Semiconductors

The Ryosan Group sells memories, system LSIs and discrete semiconductors, and plans and develops system LSIs. In the year under review, sales rose mainly for ICs used in LCD drivers, ASICs for cameras in cellphones, and ICs used in RFID tags. As a result, net sales in the segment rose 5.1% to ¥176,835 million and operating income rose 11.3% to ¥7,474 million.

###### b. Electronic components

The Ryosan Group sells display devices, power supplies, and mechanical components. The year under review saw higher sales of LCDs for PDAs and cellphones, and rechargeable batteries. Net sales in the electronic components segment rose 1.7% to ¥118,035 million and operating income climbed 26.9% to ¥5,227 million.

###### c. Electronic equipment

The Ryosan Group sells systems equipment and facilities equipment. Sales of manufacturing equipment for hard disk drives and other products decreased in the fiscal year ended March 31, 2006. As a result, net sales in this segment fell 2.1% to ¥24,399 million and operating income declined 14.0% to ¥725 million.

###### d. Ryosan products

The Ryosan Group manufactures and sells heat sinks, which are devices that dissipate the heat generated by semiconductors. During the year under review, sales of heat sinks used in measuring equipment decreased. As a result, sales in this segment fell 10.7% to ¥6,948 million. Operating income also decreased, falling 43.2% to ¥630 million.

### 3. Geographical segment information

#### a. Japan

The year under review saw declines in sales of LCDs for digital still cameras and other products. As a result, net sales in Japan declined 2.9% to ¥224,911 million. Operating income also decreased 2.8% to ¥6,990 million.

#### b. Asia

The year under review saw rises in sales of ICs for DVDs and car audio equipment, LCDs for PDAs, and other products. As a result, net sales in Asia rose 18.5% to ¥101,307 million and operating income was up 29.8% to ¥2,852 million.

(Note: The above amounts do not include consumption and other taxes)

### 4. Year-end dividend for the fiscal year ended March 31, 2006

Ryosan forecasts an ordinary dividend for the fiscal year ended March 31, 2006 of ¥70 per share, comprising an interim dividend of ¥30 per share and a year-end dividend of ¥40 per share.

## (2) Outlook for the fiscal year ending March 31, 2006

### 1. Projected operating results

There is a prevailing view that expects increasing uncertainty over the U.S. economy, the principal driver of the global economy, due to decreasing investments in housing due to rises in long-term interest rates and the negative impact of high crude oil prices on this major energy-consuming nation.

In this economic climate, the Ryosan Group intends to achieve improved business results by continuing to pursue the three fundamental themes formulated for the final year of the 6th mid-term management plan: growth strategy, segment strategy, and the establishment of a strong management infrastructure.

Forecasts for the fiscal year ending March 31, 2007 are as follows:

#### Consolidated

		(Y-o-Y change, %)
Net sales	¥310.0 billion	-5.0%
Operating income	¥10.4 billion	-3.6%
Ordinary income	¥10.6 billion	-0.7%
Net income	¥6.3 billion	-4.4%

## 2. Projected operating results by business segment

### a. Semiconductors

Ryosan projects higher sales of ASICs for cameras in cellphones, and ICs used in wireless LANs. Net sales in this segment are thus forecast to rise 0.4% to ¥177,500 million, and operating income will rise 3.0% to ¥7,700 million.

### b. Electronic components

Ryosan projects lower sales of LCD displays used in PDAs and digital still cameras. Taking this into account, net sales in this segment are projected to decrease 17.2% to ¥97,700 million, and operating income is expected to fall 20.6% to ¥4,150 million.

### c. Electronic equipment

Sales of equipment for manufacturing magnetic heads and other products are projected to increase. Net sales in this segment are thus expected to increase 12.7% to ¥27,500 million, and operating income is expected to rise 31.0% to ¥950 million.

### d. Ryosan products

Higher sales of heat sinks for flat-screen televisions and of other products are projected. As a result, segment sales are projected to increase 5.1% to ¥7,300 million, but operating income is expected to fall 4.9% to ¥600 million due to the rising costs of raw materials.

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, Asia, etc.); rapid changes in consumer spending 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 forecasts above, Ryosan forecasts an ordinary dividend for the fiscal year ending March 31, 2007 of ¥80 per share, comprising an interim dividend of ¥40 per share and a year-end dividend of ¥40 per share.

#### 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 fiscal year (March 31, 2006).

(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 fortunes are 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 can be expected to deteriorate in the event of economic downturn and resulting slowdown 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 across 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, 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 Ryosan Group's operating results and its financial position.

- (a) Unforeseen changes in statutory and regulatory requirements 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 actual obligation differs from the projected obligation or there is a change in the assumptions leading to 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.

## 5. Financial condition

### (1) Cash flows

Cash and cash equivalents on March 31, 2006 were ¥36,167 million, ¥10,429 million more than at the previous fiscal year-end. The main reasons were decreases in notes and accounts receivable and inventories.

#### Cash flows from operating activities

Net cash provided by operating activities amounted to ¥12,792 million. In addition to income before income taxes of ¥10,782 million, there was a decrease in notes and accounts receivable of ¥5,577 million and a decrease in inventories of ¥1,888 million.

#### Cash flows from investing activities

Net cash used by investing activities amounted to ¥1,003 million. This was mainly attributable to ¥957 million in purchases of property, plant and equipment.

#### Cash flows from financing activities

Net cash used by financing activities amounted to ¥1,655 million, mainly due to ¥2,552 million in cash dividends paid.

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

	Fiscal year ended March 31, 2002	Fiscal year ended March 31, 2003	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2006
Shareholders' equity ratio (%)	71.6	67.5	62.5	63.1	64.1
Shareholders' equity ratio using fair value (%)	39.2	29.6	48.5	57.9	62.9
Average debt repayment period (years)	-	2.0	1.1	-	0.5
Interest coverage ratio (times)	136.5	23.4	45.3	-	49.8

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio using fair value: Market capitalization / Total assets

Average debt repayment period: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest expenses

\*All indicators have been calculated from consolidated financial figures.

\*Market capitalization was calculated as the product of the stock's closing price at the fiscal year-end and the number of shares issued and outstanding at the fiscal year-end.

\*Operating cash flow refers to cash flows from operating activities as shown on 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 interest paid as shown on the consolidated statements of cash flows.

\*The average debt repayment period and interest coverage ratio are presented with a minus sign when operating cash flows are negative.

## CONSOLIDATED BALANCE SHEETS

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

ITEM	March 31, 2006		March 31, 2005		Increase/ (Decrease)
		%		%	
<b>ASSETS</b>					
<b>I Current assets:</b>	157,675	86.1	152,367	86.1	5,308
1. Cash and deposits	20,268		12,816		7,451
2. Trade notes and accounts receivable	99,775		103,889		(4,113)
3. Marketable securities	16,696		12,998		3,698
4. Inventories	18,956		20,401		(1,444)
5. Accrued income	947		1,395		(448)
6. Deferred tax assets	657		766		(109)
7. Other current assets	510		392		117
8. Allowance for doubtful accounts	(136)		(293)		156
<b>II Fixed assets:</b>	25,480	13.9	24,576	13.9	904
1. Property, plant and equipment	14,942	8.2	15,246	8.6	(303)
(1) Buildings and structures	5,395		6,210		(814)
(2) Land	8,203		8,205		(2)
(3) Other fixed assets	1,342		829		513
2. Intangible fixed assets	1,139	0.6	648	0.4	490
3. Investments and other assets	9,398	5.1	8,681	4.9	717
(1) Investment securities	7,237		6,158		1,079
(2) Deferred tax assets	496		928		(431)
(3) Other	1,958		1,863		94
(4) Allowance for doubtful accounts	(210)		(204)		(6)
(5) Allowance for loss on investments	(83)		(65)		(17)
<b>Total assets</b>	183,156	100.0	176,943	100.0	6,212

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

ITEM	March 31, 2006		March 31, 2005		Increase/ (Decrease)
		%		%	
<b>LIABILITIES</b>					
<b>I Current liabilities:</b>	63,257	34.5	62,958	35.6	299
1. Trade notes and accounts payable	51,452		52,684		(1,232)
2. Short-term bank loans	6,192		4,812		1,380
3. Accrued expenses	1,455		1,447		8
4. Accrued income taxes	2,196		2,677		(480)
5. Other current liabilities	1,960		1,336		623
<b>II Long-term liabilities:</b>	2,374	1.3	2,164	1.2	209
1. Employees' retirement benefits	1,869		1,716		152
2. Directors' severance payments	438		341		96
3. Other long-term liabilities	66		106		(40)
<b>Total liabilities</b>	<b>65,631</b>	<b>35.8</b>	<b>65,122</b>	<b>36.8</b>	<b>508</b>
<b>MINORITY INTERESTS</b>					
Minority interests	131	0.1	105	0.1	25
<b>SHAREHOLDERS' EQUITY</b>					
I Common stock	17,690	9.7	17,690	10.0	-
II Additional paid-in capital	19,122	10.4	19,122	10.8	0
III Retained earnings	78,253	42.7	74,299	42.0	3,954
IV Net unrealized gain on other marketable securities	2,409	1.3	1,338	0.7	1,070
V Foreign currency translation adjustments	(30)	(0.0)	(667)	(0.4)	636
VI Treasury stock	(52)	(0.0)	(68)	(0.0)	15
<b>Total shareholders' equity</b>	<b>117,392</b>	<b>64.1</b>	<b>111,714</b>	<b>63.1</b>	<b>5,678</b>
<b>Total liabilities, minority interests, and shareholders' equity</b>	<b>183,156</b>	<b>100.0</b>	<b>176,943</b>	<b>100.0</b>	<b>6,212</b>

# CONSOLIDATED STATEMENTS OF INCOME

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

ITEM	Year Ended March 31, 2006		Year Ended March 31, 2005		Increase/ (Decrease)
		%		%	
<b>I Net sales</b>	326,219	100.0	317,095	100.0	9,124
<b>II Cost of sales</b>	299,333	91.8	291,855	92.0	7,477
Gross profit	26,886	8.2	25,239	8.0	1,646
<b>III Selling, general and administrative expenses</b>	16,092	4.9	15,422	4.9	669
1. Packaging and freight expenses	820		842		(21)
2. Transfer to allowance for doubtful accounts			169		(169)
3. Directors' remuneration	402		382		20
4. Employees' salaries	3,678		3,521		156
5. Bonuses	1,569		1,571		(2)
6. Retirement benefit expense	599		547		52
7. Provision of allowance for directors' severance payments	96		42		54
8. Employee benefits	769		776		(6)
9. Depreciation and amortization	808		747		61
10. Others	7,346		6,821		525
Operating income	10,793	3.3	9,816	3.1	976
<b>IV Non-operating income</b>	585	0.2	918	0.3	(332)
1. Interest income	132		121		11
2. Dividend income	57		58		(0)
3. Discounts on purchases	53		61		(8)
4. Compensation income			247		(247)
5. Foreign exchange gains			46		(46)
6. Others	341		381		(40)
<b>V Non-operating expenses</b>	701	0.2	193	0.1	508
1. Interest expense	256		79		177
2. Foreign exchange loss	373		-		373
3. Others	71		113		(42)
Ordinary income	10,677	3.3	10,541	3.3	136
<b>VI Extraordinary gains</b>	230	0.0	79	0.0	151
1. Gain on sales of property, plant and equipment	21		43		(22)
2. Gain on reversal of allowance for doubtful accounts	174		-		174
3. Gain on sales of investment securities	35		35		(0)
<b>VII Extraordinary losses</b>	126	0.0	872	0.2	(746)
1. Loss on sale and disposal of property, plant and equipment	29		160		(130)
2. Impairment loss	2		-		2
3. Lease cancellation loss	29		-		29
4. Loss on devaluation of investment securities	17		643		(625)
5. Provision of allowance for loss on investments	17		49		(31)
6. Loss on devaluation of golf memberships	17		18		(1)
7. Loss on devaluation of resort memberships	11		-		11
<b>Income before income taxes and minority interests</b>	10,782	3.3	9,748	3.1	1,034
Income taxes-current	4,360	1.3	4,206	1.3	154
Income taxes-deferred	(187)	(0.0)	(271)	(0.1)	84
Minority interests (losses)	17	0.0	(54)	(0.0)	72
<b>Net income</b>	6,591	2.0	5,867	1.9	723

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

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

ITEM	Year Ended March 31, 2006	Year Ended March 31, 2005	Increase/ (Decrease)
<b>ADDITIONAL PAID IN CAPITAL</b>			
I Balance at beginning of period	19,122	19,114	7
II Increase in paid-in capital	0	7	(7)
1. Earnings from disposal of treasury stock	0	7	(7)
III Balance at end of period	19,122	19,122	0
<b>RETAINED EARNINGS</b>			
I Balance at beginning of period	74,299	71,328	2,971
II Increase in retained earnings	6,591	5,867	723
1. Net income	6,591	5,867	723
III Decrease in retained earnings	2,637	2,896	(259)
1. Decrease in retained earnings due to exclusion of consolidated subsidiaries	-	10	(10)
2. Cash dividends	2,552	1,647	905
3. Bonuses to directors	84	69	15
4. Retirement of treasury stock	-	1,169	(1,169)
IV Balance at end of period	78,253	74,299	3,954

# CONSOLIDATED STATEMENTS OF CASH FLOWS

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

ITEM	Year Ended March 31, 2006	Year Ended March 31, 2005
<b>I Operating activities:</b>		
Income before income taxes	10,782	9,748
Impairment loss	2	-
Depreciation and amortization	943	861
Amortization of goodwill	0	3
Increase (decrease) in allowance for doubtful accounts	(174)	159
Increase (decrease) in severances allowance for employees	150	263
Increase (decrease) in retirement allowances for directors	96	(24)
Interest and dividend income	(190)	(180)
Interest expense	256	79
Gains on sales of property, plant and equipment	(21)	(43)
Losses on sale and disposal of property, plant and equipment	25	160
Gains on sales of investment securities	(35)	(35)
Losses on devaluation of investment securities	17	643
Other expenses	312	(526)
Increase in notes and accounts receivable	5,577	(6,916)
Increase decrease in inventories	1,888	(6,030)
Increase (decrease) in accounts payable	(2,635)	(4,784)
Directors' bonuses paid	(84)	(69)
(Decrease) increase in other assets and liabilities	739	1,266
Subtotal	17,652	(5,423)
Interest and dividends received	190	175
Interest paid	(256)	(78)
Income taxes paid	(4,794)	(2,886)
Net cash (used in) provided by operating activities	12,792	(8,213)
<b>II Investing activities:</b>		
Net decrease (increase) of time deposits	(10)	79
Proceeds from redemption of securities	300	3,100
Purchases of property, plant and equipment	(957)	(323)
Proceeds from sales of property, plant and equipment	50	75
Purchases of intangible fixed assets	(107)	(240)
Purchases of investment securities	(300)	(200)
Proceeds from sales of investment securities	43	83
Investments in affiliated companies		(157)
Increase in loans	(47)	(22)
Proceeds from collection of loans	15	132
Increase (decrease) in investments and other assets	9	0
Net cash provided by (used in) investing activities	(1,003)	2,525
<b>III Financing activities:</b>		
Increase in short-term borrowings, net	887	3,067
Repurchase of treasury stock	(7)	(1,145)
Proceeds from exercise of stock options	23	571
Cash dividends paid	(2,552)	(1,647)
Cash dividends paid to minority shareholders	(5)	(11)
Net cash provided by (used in) financing activities	(1,655)	834
<b>IV Effect of foreign currency translation adjustments on cash and cash equivalents</b>	295	(5)
<b>V Net increase (decrease) in cash and cash equivalents</b>	10,429	(4,858)
<b>VI Cash and cash equivalents, beginning of year</b>	25,737	30,663
<b>VII Net decrease in cash and cash equivalents of subsidiaries excluded from consolidation</b>		(67)
<b>VIII Cash and cash equivalents, end of year</b>	36,167	25,737

## SEGMENT INFORMATION

### 1. Segment information by business type

Year ended March 31, 2006

(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) Sales to external Customers	176,835	118,035	24,399	6,948	326,219	-	326,219
(2) Internal sales between segments, or exchanges	-	-	-	-	-	-	-
Total sales	176,835	118,035	24,399	6,948	326,219	-	326,219
Operating expenses	169,361	112,808	23,673	6,318	312,161	3,263	315,425
Operating income	7,474	5,227	725	630	14,057	(3,263)	10,793
<b>II Assets, depreciation and capital expenditures:</b>							
Total assets	80,732	49,022	10,259	4,765	144,779	38,376	183,156
Depreciation	500	261	46	121	929	14	943
Capital expenditure	363	187	43	178	773	291	1,065

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) Sales to external Customers	168,278	116,113	24,924	7,778	317,095	-	317,095
(2) Internal sales between segments, or exchanges	-	-	-	-	-	-	-
Total sales	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
<b>II Assets, depreciation and capital expenditures:</b>							
Total assets	80,847	52,412	11,477	5,059	149,796	27,146	176,943
Depreciation	447	251	47	99	845	15	861
Capital expenditures	320	77	14	151	564	-	564

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, production equipment

Ryosan products: heat sinks (for semiconductors)

2. Unallocated operating expenses included in "Eliminations or corporate" totaled ¥3,263 million in the fiscal year ended March 31, 2006 and ¥2,970 million in the fiscal year ended March 31, 2005. These expenses consisted principally of Ryosan's information system investments and expenses related to Ryosan's planning, administration and accounting departments.

3. Total assets included in "Eliminations or corporate" were ¥38,376 million at March 31, 2006 and ¥27,146 million at March 31, 2005. These assets mainly include an excess fund for investment at the parent company (marketable securities), long-term investment funds (investment and marketable securities) and assets related to the administration department.

## 2. Geographical segment information

Year ended March 31, 2006

(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) Sales to external Customers	224,911	101,307	326,219		326,219
(2) Internal sales between segments, or exchanges	11,386	452	11,839	(11,839)	
Total sales	236,297	101,760	338,058	(11,839)	326,219
Operating expenses	229,307	98,908	328,215	(12,789)	315,425
Operating income	6,990	2,852	9,843	950	10,793
<b>II Assets</b>	156,544	26,612	183,156		183,156

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) Sales to external Customers	231,569	85,525	317,095		317,095
(2) Internal sales between segments, or exchanges	8,078	751	8,829	( 8,829)	
Total sales	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
<b>II Assets</b>	152,781	24,161	176,943		176,943

Notes:

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

### 3. Overseas sales

Year ended March 31, 2006

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

	Asia	Total
I Overseas sales	120,310	120,310
II Consolidated net sales		326,219
III Ratio of overseas sales to consolidated net sales (%)	36.9	36.9

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)

	Year Ended March 31, 2006	Year Ended March 31, 2005
Heat sinks	5,857	6,666

### 2. New Orders

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

	Year Ended March 31, 2006	Year Ended March 31, 2005
Semiconductors	185,629	170,498
Electronic components	122,418	117,339
Electronic equipment	26,263	25,522
Ryosan Products	7,924	8,518
Total	342,234	321,878

### 3. Sales

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

	Year Ended March 31, 2006	Year Ended March 31, 2005
Semiconductors	176,835	168,278
Electronic components	118,035	116,113
Electronic Equipment	24,399	24,924
Ryosan Products	6,948	7,778
Total	326,219	317,095