

## First-Quarter Consolidated Earnings Report for Fiscal 2006, Ending March 31, 2007

August 2, 2006

Company name: Ryosan Co., Ltd.      Stock listings: Tokyo Stock Exchange (First Section)  
Code number: 8140      Location of head office: Tokyo  
(URL: <http://www.ryosan.co.jp>)  
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### 1. Notes on the Presentation of Quarterly Operating Results

#### (1) Application of simplified accounting methods: Yes

Simplified accounting methods have been applied to certain financial accounts with a negligible effect on their presentation.

#### (2) Changes in recognition methods from the most recent fiscal year: Yes

Foreign currency translation standards have been changed to convert income and expenses of overseas subsidiaries into Japanese yen using the average exchange rate during the period under review, instead of the exchange rate at the end of the period. This change had a negligible effect on earnings.

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

### 2. Consolidated Operating Results for the First Quarter of Fiscal 2006 (April 1, 2006 - June 30, 2006)

#### (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 2006, First Quarter	75,470	0.3	2,549	13.2	2,750	20.3	1,532	17.1
Fiscal 2005, First Quarter	75,220	(1.1)	2,252	(11.7)	2,285	(18.4)	1,308	(27.0)
(Ref) Fiscal 2005	326,219		10,793		10,677		6,591	

	Net income per share	Net income per share after dilution
	Yen	Yen
Fiscal 2006, First Quarter	42.01	—
Fiscal 2005, First Quarter	35.87	35.86
(Ref) Fiscal 2005	178.38	178.38

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

### [Qualitative Information and Other Matters Concerning Consolidated Operating Results for the First Quarter of Fiscal 2006]

#### Overview

During the first quarter of fiscal 2006 (April 1 to June 30, 2006), the global economy continued to gradually expand, despite growing uncertainties over the U.S. economy, the principal driver of the world economy, characterized mainly by rising interest rates and surging crude oil prices. The Japanese economy grew steadily, supported by rising consumer spending and capital investments.

The electronics industry, where Ryosan is principally engaged, saw steady growth driven mainly by demand for digital home appliances and other products.

In the prevailing business environment, the Ryosan Group posted consolidated net sales of ¥75,470 million, a 0.3% increase from the same period of the previous fiscal year. Consolidated operating income rose 13.2% to ¥2,549 million, ordinary income climbed 20.3% to ¥2,750 million and net income increased 17.1% to ¥1,532 million.

## Segment information

### a. Semiconductors

The Ryosan Group markets memories, system LSIs, and discrete semiconductors, and plans and develops system LSIs. In the first quarter, sales of ICs used in DVDs, memories for cellphones, and other products increased. As a result, consolidated net sales rose 11.9% to ¥43,821 million and consolidated operating income increased 15.9% to ¥1,975 million.

### b. Electronic components

The Ryosan Group markets display devices, power supplies, and mechanical components. During the first quarter, sales of LCDs for PDAs and digital still cameras dropped. Consequently, consolidated net sales in this segment declined 21.3% to ¥22,781 million, and consolidated operating income was down 4.1% at ¥1,100 million.

### c. Electronic equipment

The Ryosan Group markets systems equipment and facilities equipment. Sales of automotive systems equipment, manufacturing equipment for magnetic heads and other products increased in the first quarter. As a result, consolidated net sales in this segment rose 30.3% to ¥6,988 million and consolidated operating income increased 39.4% to ¥214 million.

### d. Ryosan products

The Ryosan Group produces and markets heat sinks, which are devices that dissipate the heat generated by semiconductors. During this quarter, sales of heat sinks used in flat-panel TVs and other products increased. As a result, consolidated net sales in this segment rose 7.7% to ¥1,878 million. However, profitability decreased due to rising prices for materials. Consequently, consolidated operating income dropped 24.6% to ¥150 million.

## Segment results by geographical region

### a. Japan

During the period under review, Ryosan posted higher sales of memories for cellphones, ASICs for camera modules and other products. As a result, net sales in Japan rose 2.7% to ¥56,412 million. Operating income also increased 29.3% to ¥1,866 million.

### b. Asia

Sales of LCD displays for PDAs and digital still cameras, as well as other products declined in the first quarter. Therefore, net sales in Asia decreased 4.5% to ¥21,848 million. Similarly, operating income declined 10.0% to ¥543 million.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2006, First Quarter	177,193	117,019	66.0	3,204.87
Fiscal 2005, First Quarter	169,672	111,669	65.8	3,061.43
(Ref) Fiscal 2005	183,156	117,392	64.1	3,216.17

Note: Net assets as of the end of the first quarter of fiscal 2006 and fiscal 2005 exclude minority interests.

## Consolidated cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents, June 30, 2006
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2006, First Quarter	(2,381)	(65)	(1,489)	32,211
Fiscal 2005, First Quarter	3,102	(166)	(1,239)	27,539
(Ref) Fiscal 2005	12,792	(1,003)	(1,655)	36,167

[Qualitative Information and Other Matters Concerning Consolidated Financial Position]

Changes in the financial position in the first quarter

Total assets as of June 30, 2006 were ¥177,193 million, ¥5,962 million less than at the previous fiscal year-end. Net assets were ¥117,019 million and the equity ratio rose 1.9 points to 66.0%.

Cash flow during the first quarter

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥2,381 million. Cash was mainly used by an increase in inventories of ¥1,684 million, a decrease in notes and accounts payable of ¥2,780 million, and income taxes paid of ¥2,016 million. These outflows were partially offset by income before income taxes of ¥2,783 million and a decrease in notes and accounts receivable of ¥1,691 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥65 million. This was mainly attributable to ¥77 million in purchases of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,489 million. The main component was ¥1,458 million in cash dividends paid.

As a result of the above, cash and cash equivalents at the end of the first quarter decreased ¥3,955 million from the previous fiscal year-end to ¥32,211 million.

3. Consolidated Forecasts for Fiscal 2006 (April 1, 2006 - March 31, 2007)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Interim	154,000	5,100	5,200	3,000	82.25
Full year	310,000	10,400	10,600	6,300	172.73

[Qualitative Information and Other Matters Concerning Consolidated Forecasts]

Ryosan has not revised consolidated forecasts for the fiscal year ending March 31, 2007 announced on May 19, 2006. 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	June 30, 2006		March 31, 2006		Increase/(Decrease)	June 30, 2005	
	Amount	%	Amount	%	Amount	Amount	%
<b>ASSETS</b>							
<b>Current assets</b>	151,903	85.7	157,675	86.1	(5,772)	145,167	85.6
1. Cash and deposits	16,301		20,268		(3,966)	13,621	
2. Trade notes and accounts receivable	97,729		99,775		(2,045)	97,145	
3. Marketable securities	15,996		16,696		(699)	13,998	
4. Inventories	20,546		18,956		1,589	19,009	
5. Accrued income	778		947		(168)	937	
6. Deferred tax assets	313		657		(343)	353	
7. Other current assets	375		510		(134)	392	
8. Allowance for doubtful accounts	(139)		(136)		(2)	(292)	
<b>Fixed assets</b>	25,290	14.3	25,480	13.9	(189)	24,505	14.4
1. Property, plant and equipment	14,836	8.4	14,942	8.2	(105)	15,230	9.0
(1) Buildings and structures	5,326		5,395		(68)	6,165	
(2) Land	8,204		8,203		1	8,207	
(3) Other fixed assets	1,304		1,342		(38)	857	
2. Intangible fixed assets	1,076	0.6	1,139	0.6	(62)	619	0.3
3. Investments and other assets	9,377	5.3	9,398	5.1	(21)	8,654	5.1
(1) Investment securities	7,353		7,237		115	6,076	
(2) Deferred tax assets	758		496		261	992	
(3) Other	1,558		1,958		(399)	1,855	
(4) Allowance for doubtful accounts	(209)		(210)		0	(205)	
(5) Allowance for loss on investments	(83)		(83)		—	(65)	
<b>Total assets</b>	177,193	100.0	183,156	100.0	(5,962)	169,672	100.0

Note: "Increase/(Decrease)" is the comparison between figures as of June 30, 2006 and March 31, 2006.

(¥ million)

Item	June 30, 2006		March 31, 2006		Increase/ (Decrease)	June 30, 2005	
	Amount	%	Amount	%	Amount	Amount	%
<b>LIABILITIES</b>							
<b>Current liabilities</b>	57,813	32.6	63,257	34.5	(5,444)	55,664	32.8
1. Trade notes and accounts payable	48,366		51,452		(3,085)	47,086	
2. Short-term bank loans	5,990		6,192		(202)	5,136	
3. Accrued expenses	871		1,455		(584)	829	
4. Accrued income taxes	1,145		2,196		(1,051)	862	
5. Other current liabilities	1,439		1,960		(520)	1,749	
<b>Long-term liabilities</b>	2,361	1.4	2,374	1.3	(13)	2,227	1.3
1. Employees' retirement benefits	1,897		1,869		27	1,766	
2. Directors' severance payments	—		438		(438)	353	
3. Long-term accrued expenses	409		—		409	—	
4. Other long-term liabilities	54		66		(11)	108	
<b>Total liabilities</b>	60,174	34.0	65,631	35.8	(5,457)	57,891	34.1
<b>NET ASSETS</b>							
<b>I Shareholders' Equity</b>	115,001	64.9	—	—	115,001	—	—
1. Common stock	17,690		—		17,690	—	
2. Additional paid-in capital	19,122		—		19,122	—	
3. Retained earnings	78,241		—		78,241	—	
4. Treasury stock	(53)		—		(53)	—	
<b>II Revaluations and translation adjustments</b>	1,892	1.0	—	—	1,892	—	—
1. Net unrealized gain on other marketable securities	2,062		—		2,062	—	
2. Gain (loss) on deferred hedges	0		—		0	—	
3. Foreign currency translation adjustments	(170)		—		(170)	—	
<b>III Minority Interests</b>	124	0.1	—	—	124	—	—
<b>Net Assets</b>	117,019	66.0	—	—	117,019	—	—
<b>Total liabilities and net assets</b>	177,193	100.0	—	—	177,193	—	—
<b>MINORITY INTERESTS</b>							
Minority interests	—	—	131	0.1	(131)	111	0.1
<b>SHAREHOLDERS' EQUITY</b>							
Common stock	—	—	17,690	9.7	(17,690)	17,690	10.4
Additional paid-in capital	—	—	19,122	10.4	(19,122)	19,122	11.2
Retained earnings	—	—	78,253	42.7	(78,253)	74,064	43.7
Net unrealized gain on other marketable securities	—	—	2,409	1.3	(2,409)	1,289	0.8
Foreign currency translation adjustments	—	—	(30)	(0.0)	30	(451)	(0.3)
Treasury stock	—	—	(52)	(0.0)	52	(46)	(0.0)
<b>Total shareholders' equity</b>	—	—	117,392	64.1	(117,392)	111,669	65.8
<b>Total liabilities, minority interests, and shareholders' equity</b>	—	—	183,156	100.0	(183,156)	169,672	100.0

Note: "Increase/(Decrease)" is the comparison between figures as of June 30, 2006 and March 31, 2006.

## 2. CONSOLIDATED STATEMENTS OF INCOME

(¥ million)

Item	First Quarter of Year Ending March 31, 2007		First Quarter of Year Ended March 31, 2006		Increase/ (Decrease)	Year ended March 31, 2006	
	Amount	%	Amount	%		Amount	%
<b>Net sales</b>	75,470	100.0	75,220	100.0	249	326,219	100.0
<b>Cost of sales</b>	68,911	91.3	68,993	91.7	(82)	299,333	91.8
Gross profit	6,559	8.7	6,227	8.3	331	26,886	8.2
<b>Selling, general and administrative expenses</b>	4,009	5.3	3,974	5.3	35	16,092	4.9
Operating income	2,549	3.4	2,252	3.0	296	10,793	3.3
<b>Non-operating income</b>	298	0.3	176	0.2	121	585	0.2
1. Interest and dividend income	84		47		37	190	
2. Discounts on purchases	12		12		(0)	53	
3. Foreign exchange gains	80		—		80	—	
4. Others	120		116		4	341	
<b>Non-operating expenses</b>	97	0.1	143	0.2	(45)	701	0.2
1. Interest expense	90		40		50	256	
2. Foreign exchange loss	—		76		(76)	373	
3. Others	6		25		(18)	71	
Ordinary income	2,750	3.6	2,285	3.0	464	10,677	3.3
<b>Extraordinary gains</b>	42	0.1	8	0.0	33	230	0.0
1. Gain on sales of property, plant and equipment	—		0		(0)	21	
2. Gain on reversal of allowance for doubtful accounts	—		8		(8)	174	
3. Gain on sales of investment securities	—		—		—	35	
4. Gain on sale of golf club memberships	27		—		27	—	
5. Gain on return of golf club memberships	15		—		15	—	
<b>Extraordinary losses</b>	9	0.0	5	0.0	3	126	0.0
1. Loss on sale and disposal of property, plant and equipment	7		4		3	29	
2. Loss on devaluation of investment securities	—		—		—	17	
3. Others	2		1		0	78	
<b>Income before income taxes and minority interests</b>	2,783	3.7	2,288	3.0	494	10,782	3.3
Income taxes	1,253	1.7	975	1.3	278	4,172	1.3
Minority interests (losses)	(2)	(0.0)	4	0.0	(7)	17	0.0
<b>Net income</b>	1,532	2.0	1,308	1.7	224	6,591	2.0

Note: "Increase/(Decrease)" is the comparison between figures for the three months ended June 30, 2006 and the three months ended June 30, 2005.

### 3. CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ million)

Item	First Quarter of Year Ending March 31, 2007	First Quarter of Year Ended March 31, 2006	Year ended March 31, 2006
	Amount	Amount	Amount
<b>Operating activities:</b>			
Income before income taxes	2,783	2,288	10,782
Depreciation and amortization	232	227	943
Impairment losses	—	—	2
Reversal of allowance for doubtful accounts	4	(8)	(174)
Increase (decrease) in severance allowance for employees	27	49	150
(Decrease) increase in retirement allowances for directors	(438)	12	96
Interest and dividend income	(84)	(47)	(190)
Interest expense	90	40	256
Gains on sales of property, plant and equipment	—	(0)	(21)
Loss on sale and disposal of property, plant and equipment	7	4	25
Gains on sales of investment securities	—	—	(35)
Loss on devaluation of investment securities	—	—	17
(Increase) decrease in notes and accounts receivable	1,691	7,230	5,577
(Increase) decrease in inventories	(1,684)	1,512	1,888
Decrease in purchase liabilities	(2,780)	(6,058)	(2,635)
Directors' bonuses paid	(85)	(84)	(84)
Other expenses	(141)	335	1,051
Subtotal	(377)	5,501	17,652
Interest and dividends received	102	59	190
Interest paid	(90)	(40)	(256)
Income taxes paid	(2,016)	(2,417)	(4,794)
Net cash (used in) provided by operating activities	(2,381)	3,102	12,792
<b>Investing activities:</b>			
Decrease (increase) in time deposits	9	(0)	(10)
Proceeds from redemption of investment securities	700	—	300
Purchases of property, plant and equipment	(77)	(122)	(957)
Proceeds from sales of property, plant and equipment	—	0	50
Purchases of intangible fixed assets	(10)	(30)	(107)
Purchases of investment securities	(700)	—	(300)
Proceeds from sales of investment securities	—	—	43
Increase in financing	(0)	(18)	—
Proceeds from the repayment of financing	28	—	—
Increase in loans	—	—	(47)
Proceeds from collection of loans	0	0	15
Other expenses	(14)	3	9
Net cash used in investing activities	(65)	(166)	(1,003)
<b>III Financing activities:</b>			
(Decrease) increase in short-term borrowings, net	(27)	199	887
Repurchase of treasury stock	(0)	(1)	(7)
Execution of stock options	—	23	23
Cash dividends paid	(1,458)	(1,458)	(2,552)
Cash dividends paid to minority shareholders	(1)	(1)	(5)
Net cash used in financing activities	(1,489)	(1,239)	(1,665)
<b>IV Effect of foreign currency translation adjustments on cash and cash equivalents</b>	(18)	106	295
<b>V Net (decrease) increase in cash and cash equivalents</b>	(3,955)	1,802	10,429
<b>VI Cash and cash equivalents, beginning of year</b>	36,167	25,737	25,737
<b>VII Cash and cash equivalents, end of year</b>	32,211	27,539	36,167

#### 4. RESULTS BY SEGMENT

##### [Segment Information by Business Type]

First Quarter of Year Ending March 31, 2007 (April 1, 2006 to June 30, 2006)

(¥ millions)

	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	43,821	22,781	6,988	1,878	75,470	—	75,470
(2) Internal sales between segments, or exchanges	—	—	—	—	—	—	—
Total sales	43,821	22,781	6,988	1,878	75,470	—	75,470
Operating expenses	41,846	21,681	6,773	1,728	72,029	891	72,920
Operating income	1,975	1,100	214	150	3,440	( 891)	2,549

First Quarter of Year Ended March 31, 2006 (April 1, 2005 to June 30, 2005)

(¥ millions)

	Semiconductors	Electronic Components	Electronic Equipment	Ryosan Products	Total	Eliminations or Corporate	Consolidated
<b>I Sales and operating Income</b>							
Sales:							
(3) Sales to external customers	39,178	28,935	5,361	1,744	75,220	-	75,220
(4) Internal sales between segments, or exchanges	-	-	-	-	-	-	-
Total sales	39,178	28,935	5,361	1,744	75,220	-	75,220
Operating expenses	37,473	27,787	5,208	1,545	72,015	953	72,968
Operating income	1,705	1,147	153	199	3,205	(953)	2,252

Notes:

1. Methods of determining business segments and main products classified under each business segment

(1) Business segments are classified on the basis of organization, product type and sales structure.

(2) Main products of each business segment:

Semiconductors: memories, system LSIs, discrete semiconductors

Electronic components: display devices, power supplies, mechanical components

Electronic equipment: systems equipment, facilities equipment

Ryosan products: heat sinks (for semiconductors)

2. The amounts of unallocatable operating costs included in operating income for eliminations and corporate were ¥891 million and ¥953 million in this quarter and the corresponding quarter in the previous year, respectively. The main components were investments in an information system at the parent company and expenses related to planning and administration, and the Finance and Accounting Headquarters.

**[Segment Results by Geographical Region]**

First Quarter of Year Ending March 31, 2007 (April 1, 2006 to June 30, 2006)

(¥ million)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
<b>I Sales and operating income</b>					
Sales:					
(1) Sales to external customers	53,710	21,759	75,470		75,470
(2) Internal sales between segments, or exchanges	2,701	89	2,790	(2,790)	
Total sales	56,412	21,848	78,260	(2,790)	75,470
Operating expenses	54,545	21,305	75,851	(2,930)	72,920
Operating income	1,866	543	2,409	139	2,549

First Quarter of Year Ended March 31, 2006 (April 1, 2005 to June 30, 2005)

(¥ million)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
<b>I Sales and operating income</b>					
Sales:					
(1) Sales to external Customers	52,441	22,779	75,220		75,220
(2) Internal sales between segments, or exchanges	2,494	105	2,599	(2,599)	
Total sales	54,935	22,884	77,820	(2,599)	75,220
Operating expenses	53,492	22,281	75,773	(2,804)	72,968
Operating income	1,443	603	2,047	204	2,252

Notes:

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

**[Overseas Net Sales]**

**First Quarter of Year Ending March 31, 2007 (April 1, 2006 to June 30, 2006)**

(¥ million)

	Asia	Total
Overseas net sales	25,401	25,401
Consolidated net sales		75,470
Ratio of overseas net sales to consolidated net sales ( % )	33.7	33.7

**First Quarter of Year Ended March 31, 2006 (April 1, 2005 to June 30, 2005)**

(¥ million)

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

Notes:

1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal countries and regions: Asia — Hong Kong, Korea, China, Taiwan and others
3. Overseas sales represent the total of export sales of the parent company and sales of its consolidated subsidiaries outside Japan (excluding intra-group sales).

## 5. NEW ORDERS AND SALES

### (1) New Orders

(¥ million)

Segment	Fiscal 2006, First Quarter	Fiscal 2005, First Quarter	Increase/(Decrease)		Fiscal 2005
	Amount	Amount	Amount	%	Amount
Semiconductors	44,346	44,364	(17)	(0.0)	185,629
Electronic components	25,144	33,493	(8,348)	(24.9)	122,418
Electronic equipment	7,057	5,954	1,103	18.5	26,263
Ryosan products	1,835	1,983	(147)	(7.5)	7,924
Total	78,385	85,794	(7,409)	(8.6)	342,234

### (2) Sales

(¥ million)

Segment	Fiscal 2006, First Quarter	Fiscal 2005, First Quarter	Increase/(Decrease)		Fiscal 2005
	Amount	Amount	Amount	%	Amount
Semiconductors	43,821	39,178	4,642	11.9	176,835
Electronic components	22,781	28,935	(6,153)	(21.3)	118,035
Electronic equipment	6,988	5,361	1,626	30.3	24,399
Ryosan products	1,878	1,744	133	7.7	6,948
Total	75,470	75,220	249	0.3	326,219

Notes:

Methods of determining business segments and main products classified under each business segment

(1) Business segments are classified on the basis of organization, product type and sales structure.

(2) Main products of each business segment:

Semiconductors: memories, system LSIs, discrete semiconductors

Electronic components: display devices, power supplies, mechanical components

Electronic equipment: systems equipment, facilities equipment

Ryosan products: heat sinks (for semiconductors)