

First Half Consolidated Earnings Report for Fiscal 2006, Ending March 31, 2007

(The six-month period ended September 30, 2006)

Company name: Ryosan Company, Limited
Securities code: 8140(URL <http://www.ryosan.co.jp>)

Representative: Eiji Hamano, President

Stock listing: First Section, Tokyo Stock Exchange

Location of head office: Tokyo

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Board of Directors' meeting to settle interim consolidated financial accounts: November 9, 2006

U.S. GAAP: Not applied

1 . Consolidated results for the interim period (April 1, 2006 to September 30, 2006)

(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	%
1H FY2006	158,329	(3.0)	5,340	1.2	5,529	5.0
1H FY2005	163,154	2.9	5,277	(2.6)	5,266	(8.3)
FY 2005	326,219		10,793		10,677	

	Net income		Net income per share	Net income per diluted share
	Millions of yen	%	Yen	Yen
1H FY2006	3,493	6.9	95.78	—
1H FY2005	3,269	(4.2)	89.64	89.63
FY 2005	6,591		178.38	178.38

Notes:

1. Equity in earnings (losses) of non-consolidated subsidiaries and affiliates:

1H FY2006: - Millions of yen 1H FY2005: - Millions of yen

FY2005: - Millions of yen

2. Average number of shares issued and outstanding (consolidated):

1H FY2006: 36,473,767 shares 1H FY2005: 36,471,786 shares

FY2005: 36,473,146 shares

3. Changes in accounting methods: Yes

4. Percentage figures for net sales, operating income, ordinary income and net income are the rates of increase and decrease from the corresponding period of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Net assets to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2006	186,336	119,186	63.9	3,264.28
September 30, 2005	182,008	113,984	62.6	3,125.00
March 31, 2006	183,156	117,392	64.1	3,216.17

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

September 30, 2006: 36,473,183 shares September 30, 2005: 36,475,153 shares

March 31, 2006: 36,474,159 shares

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
1H FY2006	(1,296)	610	(1,065)	34,464
1H FY2005	9,925	(513)	(124)	35,190
FY 2005	12,792	(1,003)	(1,655)	36,167

(4) Scope of consolidation and application of the equity method		
Consolidated subsidiaries:		8
Non-consolidated subsidiaries accounted for by the equity method:		—
Affiliated companies accounted for by the equity method:		—
(5) Changes in the scope of consolidation and application of the equity method		
Consolidated subsidiaries:	New	—
	Eliminated	—
Affiliated companies accounted for by the equity method:	New	—
	Eliminated	—

2. Forecast of results for the fiscal year ending March 31, 2007 (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
FY2006	310,000	10,200	10,500	6,300

(Reference) Estimated net income per share for the fiscal year ending March 31, 2006 is ¥172.73

Note: The above forecasts were made, based on information available to management as of the date of this earnings report. Actual results may significantly differ from the above forecasts due to a variety of factors. Please refer to Section 3—Results of Operations and Financial Results on page 7 of the attached materials for further information relating to these forecasts.

1. The Ryosan Group

The Ryosan Group comprises Ryosan Company, Limited (“Ryosan” or “the Company”), eight consolidated subsidiaries and nine non-consolidated subsidiaries.

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	
Electronic Components	Display devices Power supplies Mechanical components	SINGAPORE RYOSAN PRIVATE LIMITED	
Electronic Equipment	Systems equipment Facilities equipment	RYOTAI CORPORATION RYOSAN IPC (MALAYSIA)	
Ryosan Products	Heat sinks (for semiconductor circuit elements)	KOREA RYOSAN CORPORATION ZHONG LING INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Ryosan Company, Limited RYOSAN ENGINEERING (M) SDN.BHD. RYOSAN ENGINEERING (THAILAND) CO., LTD.

Information about Ryosan’s principal non-consolidated subsidiaries is as follows:

(Non-consolidated subsidiaries)

Company Name	Business Activities
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

Since our establishment, we have 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 company, but as an electronic 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 profits to shareholders is one of the Company's important business policies. At the same time, the Company also works to increase consolidated basic net income per share. Accordingly, 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 profits to shareholders.

(3) Policy on Reducing Ryosan's Trading Unit

Ryosan's capital strategy recognizes the importance of expanding its shareholder base and making the Company's 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 while continuing 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 net assets to total assets 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 three-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 Stance," 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 Stance, Ryosan is taking significant strides in the implementation of its "Three Basic Strategies": the Growth Strategy, Segment Strategy, and the Strategy to Establish a Strong Business Infrastructure. The following is an outline of these "Three Basic Strategies," which have been partially revised.

1. Growth Strategy as a systems coordinator:

We will establish four business models:

- Business Growth through Effective M&A
- Expand the New-Resource Semiconductor Business
- Establishment of a New Business Model for Great China Conception Including Hong Kong, China,

Taiwan and Korea

- Advancement of a Project for the Creation of a Unique Business Model

2. Segment Strategy as a system coordinator:

We will qualitatively strengthen individual strategies for four 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. Strategy to Establish a Strong Business Infrastructure that supports growth and reinforces operations:

We will implement five management reforms:

- Establish Highly Social Corporate Governance
- Further Reform of the Personnel System
- Strengthened Advancement of BPR
- Improve Quality of Management Structure
- Strengthen RS (Ryosan Spirit) Culture

(6) Issues to be Addressed

In the semiconductor industry, the Ryosan Group's primary field of business, electric equipment manufacturers are increasingly spinning off their semiconductor operations and pursuing activities in this area on an autonomous basis. This has contributed to uncertain conditions. In response, semiconductor manufacturers are pinning their survival on M&A activities and rearrangement of their sales channels. Semiconductor trading companies will have to think very carefully about how to address these changes within their industry.

At the same time, the Ryosan Group is confronted with the reality that its performance in fiscal 2005 and sales forecasts for fiscal 2006 have peaked. Accordingly, the Group will aim to achieve further growth by establishing unique business models based on its new growth strategy, "Advancement of a Project for the Creation of a Unique Business Model," and establish a reputation among its customers as a trusted system coordinator.

With respect to improving our profit structure, we will strengthen performance-based management, undertaking meticulous cost controls at each of our sales and production operations, both in Japan and overseas. Through this approach, which stresses "controlling today's costs by forecasting tomorrow's revenue," we will target renewed progress.

At any rate, we will seek to enhance our value in the electronics market by creating a unique business model and offering that model to our customers. In this way, we will improve our performance to a level commensurate with our value, and thus meet the expectations of all stakeholders, including shareholders and other investors.

(7) Matters Concerning the Parent Company

None.

3. Results of Operations and Financial Condition

(1) Outline of consolidated results for the first half of fiscal 2006 (the six-month period ended September 30, 2006)

1. Overview

Looking at macroeconomic conditions during the six-month period ended September 30, 2006, the U.S. economy, which has traditionally served as an engine for growth, was characterized by growing uncertainty, impacted by increases in domestic interest rates and the sharp rise in crude oil prices. The Japanese economy, on the other hand, experienced steady conditions underpinned by growth in personal consumption and capital investment.

In the electronics industry, Ryosan's principal field of operations, conditions remained favorable on the back of demand for digital home electric appliances and related products.

Against this backdrop, the Ryosan Group strove to "Advancement of a Project for the Creation of a Unique Business Model" in an effort to secure additional growth. In combination with this new growth strategy, Ryosan also took steps to improve its earnings structure.

Despite these efforts, consolidated net sales for the interim period declined 3.0% compared with the corresponding period of the previous fiscal year to ¥158,329 million, impacted by the drop in sales of display devices. On the earnings front, initiatives over the past few years aimed at improving the earnings structure began to bear fruit. For the six-month period under review, operating income edged up 1.2% year on year to ¥5,340 million. Ordinary income rose 5.0% to ¥5,529 million while net income increased 6.9% to ¥3,493 million.

2. Business segment information

a. Semiconductors

The Ryosan Group sells memories, system LSIs and discrete semiconductors, and develops system LSIs. In the interim period under review, sales rose for ASICs for digital still cameras, ICs used in DVDs, memories for cellphones and other products. As a result, segment sales rose 5.8% compared with the corresponding period of the previous fiscal year to ¥89,704 million. Operating income climbed 10.7% year on year to ¥3,949 million.

b. Electronic Components

In the Electronics Components segment, the Ryosan Group is engaged in the sale of display devices, power supplies and mechanical components. In the interim period under review, sales of LCDs for PDAs and digital still cameras declined. As a result, sales in this segment fell 19.8% compared with the corresponding period of the previous fiscal year to ¥49,516 million while operating income dropped 13.3% to ¥2,338 million.

c. Electronic Equipment

The Ryosan Group sells systems equipment and facilities equipment in the Electronic Equipment segment. The six-month period ended September 30, 2006 saw higher sales of systems equipment for automobiles, equipment for manufacturing magnetic heads and other products. Accounting for these factors, segments sales climbed 15.8% year on year to ¥15,235 million. Operating income surged 53.4% to ¥504 million.

d. Ryosan Products

The Ryosan Group manufactures and markets heat sinks (devices that dissipate the heat generated by semiconductors). During the period under review, sales of heat sinks used in flat-screen televisions and measuring equipment increased. While segment sales rose 12.5% compared with the corresponding period of the previous fiscal year to ¥3,873 million, operating income declined 12.4% to ¥283 million owing to the sharp rise in raw material costs.

3. Geographical segment information

a. Japan

In the six-month period ended September 30, 2006, sales of LCD driver ICs, LCDs for digital still cameras and other products declined. As a result, sales in Japan edged down 0.9% compared with the corresponding period of the previous fiscal year to ¥112,654 million. Operating income, on the other hand, increased 19.8% year on year to ¥4,073 million.

b. Asia

Sales in Asia declined 7.8% to ¥45,675 million. This is partly attributed to the drop in sales of LCDs for PDAs and other products during the interim period under review. Operating income also declined 33.8% to ¥939 million.

The aforementioned amounts do not include consumption and other taxes.

4. Interim dividend

At a meeting held on November 9, 2006, the Company's Board of Directors approved an ordinary interim dividend payment of ¥40 per share.

(2) Outlook for the full fiscal year ending March 31, 2007

1. Projected operating results

Looking ahead, increasing uncertainty surrounds the U.S. economy, which has historically provided the impetus for global growth. This sense of instability is the result of growing concerns in connection with the slump in housing investment brought about by an increase in long-term interest rates, and the impact of high crude oil prices on the United States, a major energy-consuming nation.

Under these conditions, the Ryosan Group will continue to implement the three basic strategies outlined in its 6th Mid-Term Management Plan. In the final year of this Plan, Ryosan will reinforce efforts in tune with its growth and segment strategies and work toward the establishment of a strong management infrastructure.

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

	Billions of yen	YoY change (%)
Net sales	310.0	(5.0)
Operating income	10.2	(5.5)
Ordinary income	10.5	(1.7)
Net income	6.3	(4.4)

2. Projected operating results by business segment

a. Semiconductors

In the Semiconductors segment, Ryosan is projecting lower sales of ICs for LCD drivers, server memories and other products. Net sales in this segment are therefore forecast to decline 2.2% year on year to ¥173,000 million, while operating income is expected to climb 5.0% to ¥7,850 million.

b. Electronic Components

Sales of LCDs for PDAs and digital still cameras and related products are anticipated to fall in the Electronic Components segment. Sales are forecast to decline 15.5% year on year to ¥99,700 million. Operating income is also expected to decline 17.0%, falling to ¥4,340 million.

c. Electronic Equipment

In the Electronic Equipment segment, sales of systems equipment for automobiles, manufacturing equipment for solar batteries and other equipment are forecast to increase. Sales in this segment are expected to rise 21.3% to ¥29,600 million with a 24.1% year-on-year increase in operating income to ¥900 million.

d. Ryosan Products

Higher sales of heat sinks for flat-screen televisions and measuring equipment are projected. Taking this into account, segment sales are anticipated to climb 10.8% to ¥7,700 million. Operating income, on the other hand, is forecast to decline 3.2% year on year to ¥610 million due to the continued sharp rise in raw material prices.

Note: The aforementioned forecasts are subject to certain risks and uncertainties. Accordingly, actual results may differ materially from forecasts for a variety of factors. Principal among these factors are the following:

- Economic trends in the Ryosan Group's major markets (Japan, Asia and other markets); rapid changes in consumer trends and sudden shifts in supply and demand dynamics
- Significant fluctuations in the dollar/yen exchange rate
- Major shifts in capital markets.

3. Projected dividend for the full fiscal year

Based on the aforementioned forecasts, Ryosan is projecting a year-end ordinary dividend of ¥40 per share. Together with the interim ordinary dividend of ¥40 per share, the Company is forecasting an ordinary dividend payment for the full fiscal year of ¥80 per share.

(3) Cash flows

Cash and cash equivalents as of September 30, 2006 stood at ¥34,464 million, down ¥1,703 million from March 31, 2006.

Cash flows from operating activities

Net cash used in operating activities amounted to ¥1,296 million. Principal inflow was income before income taxes, which totaled ¥6,103 million. Major outflow of cash was increase in notes and accounts receivable of ¥6,394 million.

Cash flows from investing activities

Net cash provided by investing activities was ¥610 million. The major component was proceeds from sales of investment securities, which amounted to ¥1,068 million.

Cash flows from financing activities

Net cash used in financing activities was ¥1,065 million. In the fiscal period under review, Ryosan undertook a net increase in short-term bank loans of ¥397 million and the payment of cash dividends totaling ¥1,458 million.

Trends in key financial condition indicators for the Ryosan Group are provided as follows:

	Fiscal 2003	Fiscal 2004	Fiscal 2005	First Half Fiscal 2005	First Half Fiscal 2006
Net assets to total assets (%)	62.5	63.1	64.1	62.6	63.9
Net assets to total assets (%) (Market capitalization basis)	48.5	57.9	62.9	59.3	59.3
Average debt repayment period (Years)	1.1	-	0.5	0.3	-
Interest coverage ratio (Times)	45.3	-	49.8	103.7	-

Net assets to total assets: Net assets / Total assets

Net assets to total assets (Market capitalization basis): Market capitalization / Total assets

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

Interest coverage ratio: Operating cash flow / Interest expense

- 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 less treasury stock 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 expense represents 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.
- In converting the average debt repayment period for the interim period to an annual figure, operating cash flows are multiplied by a factor of two.

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 September 30, 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 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 can be expected to deteriorate in the event of economic downturn and a 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 the 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 the 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 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.

5.1 CONSOLIDATED BALANCE SHEETS

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

ITEM	As of September 30, 2006		As of March 31, 2006		Increase / (Decrease)	As of September 30, 2005	
		%		%			%
ASSETS							
Current assets:	161,220	86.5	157,675	86.1	3,544	156,993	86.3
1. Cash and cash deposits	18,549		20,268		(1,718)	19,275	
2. Trade notes and accounts receivable	106,165		99,775		6,390	102,748	
3. Marketable securities	15,993		16,696		(702)	15,998	
4. Inventories	18,793		18,956		(163)	17,344	
5. Accrued income	1,002		947		54	804	
6. Deferred tax assets	596		657		(60)	523	
7. Other current assets	338		510		(171)	470	
8. Allowance for doubtful accounts	(219)		(136)		(82)	(171)	
Fixed assets:	25,116	13.5	25,480	13.9	(364)	25,014	13.7
1. Property, plant and equipment	15,058	8.1	14,942	8.2	116	15,468	8.5
(1) Buildings and structures	5,716		5,395		321	6,117	
(2) Land	8,204		8,203		1	8,203	
(3) Other fixed assets	1,136		1,342		(206)	1,147	
2. Intangible fixed assets	1,038	0.6	1,139	0.6	(100)	589	0.3
3. Investment and other assets	9,019	4.8	9,398	5.1	(379)	8,957	4.9
(1) Investment securities	6,881		7,237		(356)	6,437	
(2) Deferred tax assets	875		496		378	945	
(3) Other	1,667		1,958		(290)	1,835	
(4) Allowance for doubtful accounts	(301)		(210)		(91)	(212)	
(5) Allowance for loss on investments	(103)		(83)		(20)	(47)	
Total assets	186,336	100.0	183,156	100.0	3,180	182,008	100.0

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

ITEM	As of September 30, 2006		As of March 31, 2006		Increase / (Decrease)	As of September 30, 2005	
		%		%			%
LIABILITIES							
Current liabilities:	64,723	34.7	63,257	34.5	1,465	65,619	36.0
1. Trade notes and accounts payable	52,941		51,452		1,489	54,194	
2. Short-term bank loans	6,566		6,192		374	6,377	
3. Accrued expenses	1,270		1,455		(184)	1,149	
4. Accrued income taxes	2,748		2,196		551	2,125	
5. Directors' bonus payments	40				40		
6. Other current liabilities	1,155		1,960		(805)	1,772	
Long-term liabilities:	2,427	1.3	2,374	1.3	52	2,282	1.3
1. Employees' retirement benefits	1,964		1,869		95	1,799	
2. Directors' severance payments			438		(438)	379	
3. Other long-term liabilities	462		66		395	104	
Total liabilities	67,150	36.0	65,631	35.8	1,518	67,902	37.3
NET ASSETS							
Shareholders' equity:	116,960	62.8			116,960		
1. Common stock	17,690				17,690		
2. Additional paid-in capital	19,122				19,122		
3. Retained earnings	80,202				80,202		
4. Treasury stock	(55)				(55)		
Valuation and conversions:	2,097	1.1			2,097		
1. Net unrealized gain on other marketable securities	2,035				2,035		
2. Gain on deferred hedges	4				4		
3. Foreign currency translation adjustments	58				58		
Minority interests	127	0.1			127		
Net assets	119,186	64.0			119,186		
Total liabilities and net assets	186,336	100.0			186,336		
MINORITY INTERESTS							
Minority interests			131	0.1	(131)	121	0.1
SHAREHOLDERS' EQUITY							
Common stock			17,690	9.7	(17,690)	17,690	9.7
Additional paid-in capital			19,122	10.4	(19,122)	19,122	10.5
Retained earnings			78,253	42.7	(78,253)	76,025	41.8
Net unrealized gain on other marketable securities			2,409	1.3	(2,409)	1,512	0.8
Foreign currency translation adjustments			(30)	(0.0)	30	(316)	(0.2)
Treasury stock			(52)	(0.0)	52	(49)	(0.0)
Total shareholders' equity			117,392	64.1	(117,392)	113,984	62.6
Total liabilities, minority interests and shareholders' equity			183,156	100.0	(183,156)	182,008	100.0

5.2 CONSOLIDATED STATEMENTS OF INCOME

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

ITEM	Six months ended September 30, 2006		Six months ended September 30, 2005		Increase / (Decrease)	Fiscal year ended March 31, 2006	
		%		%			%
Net sales	158,329	100.0	163,154	100.0	(4,824)	326,219	100.0
Cost of sales	144,887	91.5	150,033	92.0	(5,145)	299,333	91.8
Gross profit	13,441	8.5	13,120	8.0	321	26,886	8.2
Selling, general and administrative expenses	8,101	5.1	7,842	4.8	258	16,092	4.9
Operating income	5,340	3.4	5,277	3.2	62	10,793	3.3
Non-operating income:	390	0.2	280	0.2	110	585	0.2
1. Interest income	69		58		11	132	
2. Dividend income	63		38		25	57	
3. Discounts on purchases	31		28		2	53	
4. Business guidance fees	35		11		24	50	
5. Foreign exchange gains	12				12		
6. Other	177		143		33	291	
Non-operating expenses:	201	0.1	290	0.2	(89)	701	0.2
1. Interest expense	181		95		85	256	
2. Foreign exchange losses			151		(151)	373	
3. Other	19		43		(23)	71	
Ordinary income	5,529	3.5	5,266	3.2	262	10,677	3.3
Extraordinary gains:	610	0.4	164	0.1	446	230	0.0
1. Gain on sales of property, plant and equipment	0		20		(19)	21	
2. Gain on reversal of allowance for doubtful accounts			126		(126)	174	
3. Gain on sales of investment securities	567				567	35	
4. Gain on reversal of allowance for loss on investments			17		(17)		
5. Gain on sales of golf club memberships	27				27		
6. Gain on return of golf club memberships	15				15		
Extraordinary losses:	36	0.0	50	0.0	(13)	126	0.0
1. Loss on sales and disposal of property, plant and equipment	13		4		9	29	
2. Impairment loss			2		(2)	2	
3. Loss on cancellation of lease contracts						29	
4. Loss on devaluation of investment securities			14		(14)	17	
5. Transfer to allowance for loss on investments	20				20	17	
6. Loss on devaluation of golf club memberships	2		17		(15)	17	
7. Loss on devaluation of resort memberships			11		(11)	11	
Income before income taxes and minority interests	6,103	3.9	5,381	3.3	722	10,782	3.3
Income taxes — current	2,671	1.7	1,992	1.2	679	4,360	1.3
Income taxes — deferred	(58)	(0.0)	108	0.1	(166)	(187)	(0.0)
Minority interests (loss)	(3)	0.0	11	0.0	(14)	17	0.0
Net income	3,493	2.2	3,269	2.0	224	6,591	2.0

5.3 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY, VALUATION AND CONVERSIONS

(Six-month period from April 1, 2006 through September 30, 2006)

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

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	17,690	19,122	78,253	(52)	115,014
Increase (decrease) during the interim period ended September 30, 2006					
Cash dividends			(1,458)		(1,458)
Directors' bonuses			(85)		(85)
Net income			3,493		3,493
Acquisition of treasury stock				(3)	(3)
Disposal of treasury stock		0		0	0
Net changes in items excluding shareholders' equity during the period					
Total increase (decrease) during the interim period ended September 30, 2006		0	1,949	(3)	1,946
Balance as of September 30, 2006	17,690	19,122	80,202	(55)	116,960

	Valuation and Conversions				Minority interests	Total net assets
	Net unrealized gain on other marketable securities	Gain on deferred hedges	Foreign currency translation adjustments	Total valuation and conversions		
Balance as of March 31, 2006	2,409	-	(30)	2,378	131	117,524
Increase (decrease) during the interim period ended September 30, 2006						
Cash dividends						(1,458)
Directors' bonuses						(85)
Net income						3,493
Acquisition of treasury stock						(3)
Disposal of treasury stock						0
Net changes in items excluding shareholders' equity during the period	(373)	4	89	(280)	(4)	(284)
Total increase (decrease) during the interim period ended September 30, 2006	(373)	4	89	(280)	(4)	1,661
Balance as of September 30, 2006	2,035	4	58	2,097	127	119,186

5.4 CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

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

ITEM	Six months ended September 30, 2005	Fiscal year ended March 31, 2006
ADDITIONAL PAID-IN CAPITAL		
Balance at the beginning of the period	19,122	19,122
Increase in paid-in capital	0	0
1. Earnings from disposal of treasury stock	0	0
Balance at the end of the period	19,122	19,122
RETAINED EARNINGS		
Balance at the beginning of the period	74,299	74,299
Increase in retained earnings	3,269	6,591
1. Net income	3,269	6,591
Decrease in retained earnings	1,542	2,637
1. Cash dividends	1,458	2,552
2. Directors' bonuses	84	84
Balance at the end of the period	76,025	78,253

5.5 CONSOLIDATED STATEMENTS OF CASH FLOWS

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

ITEM	Six months ended September 30, 2006	Six months ended September 30, 2005	Fiscal year ended March 31, 2006
Operating activities:			
Income before income taxes	6,103	5,381	10,782
Depreciation and amortization	454	427	943
Increase in employees' retirement benefits	94	82	150
(Decrease) increase in directors' severance payments	(438)	37	96
Decrease (increase) in allowance for doubtful accounts	168	(126)	(174)
Interest and dividend income	(133)	(96)	(190)
Interest expense	181	95	256
Gain on sales of property, plant and equipment	0	(20)	(21)
Loss on sales and disposal of property, plant and equipment	13	4	25
Gain on sales of investment securities	(567)		(35)
Loss on devaluation of investment securities		14	17
(Increase) decrease in notes and accounts receivable	(6,394)	1,763	5,577
Decrease in inventories	174	3,274	1,888
Increase (decrease) in notes and accounts payable	1,508	908	(2,635)
Directors' bonuses paid	(85)	(84)	(84)
Other — net	(165)	735	1,053
Subtotal	915	12,398	17,652
Interest and dividends received	142	101	190
Interest paid	(180)	(95)	(256)
Income taxes paid	(2,173)	(2,478)	(4,794)
Net cash (used in) provided by operating activities	(1,296)	9,925	12,792
Investing activities:			
Net decrease (increase) in time deposits	18	(0)	(10)
Proceeds from the redemption of investment securities	700		300
Purchases of property, plant and equipment	(448)	(504)	(957)
Proceeds from sales of property, plant and equipment	1	45	50
Purchases of intangible fixed assets	(11)	(63)	(107)
Purchases of investment securities	(775)		(300)
Proceeds from sales of investment securities	1,068		43
Increase in loans		(0)	(47)
Proceeds from the collection of loans	0	0	15
Other — net	56	9	9
Net cash provided by (used in) investing activities	610	(513)	(1,003)
Financing activities:			
Increase in short-term bank loans— net	397	1,316	887
Repurchase of treasury stock	(3)	(4)	(7)
Proceeds from disposal of treasury stock	0		
Proceeds from exercise 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	(1,065)	(124)	(1,655)

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

ITEM	Six months ended September 30, 2006	Six months ended September 30, 2005	Fiscal year ended March 31, 2006
Effect of foreign currency translation adjustments on cash and cash equivalents	48	166	295
(Decrease) increase cash and cash equivalents	(1,703)	9,453	10,429
Cash and cash equivalents at the beginning of the period	36,167	25,737	25,737
Cash and cash equivalents at the end of the period	34,464	35,190	36,167

SEGMENT INFORMATION

1. Segment information by business type

First half of fiscal 2006 (April 1, 2006 to September 30, 2006)

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

	Semiconductors	Electronic components	Electronic equipment	Ryosan products	Total	Eliminations or corporate	Consolidated
Sales and operating income							
Sales:							
(1)Outside customers	89,704	49,516	15,235	3,873	158,329	-	158,329
(2)Internal sales between segments, or exchange	-	-	-	-	-	-	-
Total	89,704	49,516	15,235	3,873	158,329	-	158,329
Operating expenses	85,754	47,178	14,731	3,589	151,253	1,735	152,989
Operating income	3,949	2,338	504	283	7,075	(1,735)	5,340

First half of fiscal 2005 (April 1, 2005 to 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
Sales and operating income							
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

Fiscal 2005 (April 1, 2005 to 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
Sales and operating income							
Sales:							
(1)Outside customers	176,835	118,035	24,399	6,948	326,219	-	326,219
(2)Internal sales between segments, or exchange	-	-	-	-	-	-	-
Total	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

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, 2006 included in “Eliminations or corporate” totaled ¥1,735 million, compared with ¥1,641 million for the corresponding period of the previous year and ¥3,263 million for the fiscal year ended March 31, 2006. These expenses consisted principally of Ryosan’s information system investments and expenses related to Ryosan’s planning, administration and accounting departments.

2. Geographical segment information

First half of fiscal 2006 (April 1, 2006 to September 30, 2006)

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

	Japan	Asia	Total	Eliminations or corporate	Consolidated
Sales and operating income					
Sales:					
(1)Outside customers	112,654	45,675	158,329	-	158,329
(2)Internal sales between segments, or exchange	5,575	177	5,753	(5,753)	-
Total	118,229	45,852	164,082	(5,753)	158,329
Operating expenses	114,156	44,913	159,069	(6,080)	152,989
Operating income	4,073	939	5,012	327	5,340

First half of fiscal 2005 (April 1, 2005 to September 30, 2005)

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

	Japan	Asia	Total	Eliminations or corporate	Consolidated
Sales and operating income					
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

Fiscal 2005 (April 1, 2005 to March 31, 2006)

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

	Japan	Asia	Total	Eliminations or corporate	Consolidated
Sales and operating income					
Sales:					
(1)Outside customers	224,911	101,307	326,219	—	326,219
(2)Internal sales between segments, or exchange	11,386	452	11,839	(11,839)	—
Total	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

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

First half of fiscal 2006 (April 1, 2006 to September 30, 2006)

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

	Asia	Total
Overseas sales	54,638	54,638
Consolidated net sales		158,329
Ratio of overseas sales to consolidated net sales (%)	34.5	34.5

First half of fiscal 2005 (April 1, 2005 to September 30, 2005)

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

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

Fiscal 2005 (April 1, 2005 to March 31, 2006)

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

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

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, 2006	Six months ended September 30, 2005	Fiscal year ended March 31, 2006
Heat sinks	3,267	2,892	5,857

2. New Orders

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

	Six months ended September 30, 2006	Six months ended September 30, 2005	Fiscal year ended March 31, 2006
Semiconductors	95,377	92,606	185,629
Electronic components	54,208	67,709	122,418
Electronic equipment	14,286	13,489	26,263
Ryosan products	3,492	3,817	7,924
Total	167,365	177,622	342,234

3. Sales

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

	Six months ended September 30, 2006	Six months ended September 30, 2005	Fiscal year ended March 31, 2006
Semiconductors	89,704	84,803	176,835
Electronic components	49,516	61,750	118,035
Electronic equipment	15,235	13,157	24,399
Ryosan products	3,873	3,441	6,948
Total	158,329	163,154	326,219