

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

February 1, 2007

Company name: Ryosan Company, Limited Stock listings: Tokyo Stock Exchange (First Section)
Code number: 8140 Location of head office: Tokyo
(URL: <http://www.ryosan.co.jp>)
Representative: Eiji Hamano, President
Inquiries: Harumitsu Seki, Managing Director, General Manager, Finance and Accounting
Headquarters
Tel: +81-3-3862-3861

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 Three Quarters of Fiscal 2006 (April 1, 2006 – December 31, 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 Three Quarters	232,020	(5.2)	6,866	(19.0)	7,113	(12.8)	4,886	(2.2)
Fiscal 2005, First Three Quarters	244,735	5.7	8,478	11.3	8,157	(0.6)	4,996	2.9
(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 Three Quarters	133.96	—
Fiscal 2005, First Three Quarters	137.00	136.99
(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 Three Quarters of Fiscal 2006]

① Overview

During the first three quarters of fiscal 2006 (April 1 to December 31, 2006), general macroeconomic conditions remained firm. This was attributed to the underlying strength of the U.S. and emerging BRIC economies. On the domestic front, the Japanese economy also remained steady, led mainly by the private sector and concrete efforts to enhance company structures. In specific terms, the electronics industry, Ryosan's main operating environment, experienced positive conditions with comparatively strong demand for digital home appliances and game devices.

Against this backdrop, the Ryosan Group incurred a decline in revenues. Consolidated net sales fell 5.2% compared with the corresponding period of the previous fiscal year to ¥232,020 million reflecting a decrease in display device sales. From a profit perspective earnings also contracted. Operating income declined 19.0% year on year to ¥6,866 million, while ordinary income and net income fell 12.8% to ¥7,113 million and 2.2% to ¥4,886 million, respectively. This was attributed to additional provisions made to allowance for doubtful accounts.

② Segment information

a. Semiconductors

The Ryosan Group markets memories, system LSIs, and discrete semiconductors, and develops system LSIs. In the first three quarters of fiscal 2006, sales of LCD driver ICs and microcomputers for use in car audio equipment declined. As a result, consolidated net sales edged down 0.9% compared with the corresponding period of the previous fiscal year to ¥129,147 million and consolidated operating income fell 1.6% year on year to ¥5,653 million.

b. Electronic components

The Ryosan Group markets display devices, power supplies, and mechanical components. During the period under review, sales of LCDs for PDAs and digital still cameras dropped. Consequently, consolidated net sales in this segment declined 17.4% to ¥75,500 million, and consolidated operating income was down 41.0% to ¥2,478 million.

c. Electronic equipment

The Ryosan Group markets systems equipment and facilities equipment. Sales of systems equipment for automobiles, equipment for manufacturing magnetic heads and other products increased in the first three quarters of fiscal 2006. As a result, consolidated net sales in this segment rose 20.2% to ¥21,477 million and consolidated operating income surged 67.7% to ¥721 million.

d. Ryosan products

The Ryosan Group produces and markets heat sinks, which are devices that dissipate the heat generated by semiconductors. During the period under review, sales of heat sinks used in flat-screen televisions and measuring equipment increased. As a result, consolidated net sales in this segment rose 15.3% to ¥5,895 million. However, profitability decreased due to rising prices for materials. Consequently, consolidated operating income dropped 10.1% to ¥478 million.

③ Segment results by geographical region

a. Japan

During the period under review, Ryosan experienced a decline in sales of LCD driver ICs, LCDs for digital still cameras and other products. Accounting for these factors, net sales in Japan fell 2.6% compared with the corresponding period of the previous fiscal year to ¥163,640 million. Operating income also declined 9.4% year on year to ¥4,817 million.

b. Asia

Sales of LCDs for PDAs and digital still cameras, as well as other products declined in the first three quarters of fiscal 2006. Therefore, net sales in Asia decreased 10.9% to ¥68,380 million. Similarly, operating income declined 30.6% to ¥1,556 million.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2006	177,698	119,070	66.9	3,260.84
December 31, 2005	178,959	115,520	64.5	3,167.17
(Ref) March 31, 2006	183,156	117,392	64.1	3,216.17

Note: Net assets as of the end of the third quarters of fiscal 2005 and fiscal 2005 exclude minority interests.

Consolidated cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents, December 31, 2006
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2006, First Three Quarters	2,587	1,429	(4,148)	36,191
Fiscal 2005, First Three Quarters	6,381	(674)	(1,341)	30,436
(Ref) Fiscal 2005	12,792	(1,003)	(1,655)	36,167

[Qualitative Information and Other Matters Concerning Consolidated Financial Position]

① Changes in financial position as of the end of the third quarter

Total assets as of December 31, 2006 stood at ¥177,698 million, ¥5,457 million less than at the previous fiscal year-end. Net assets were ¥119,070 million and the equity ratio rose 2.8 points to 66.9%.

② Cash flow during the first quarter

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥2,587 million. Cash inflows were mainly income before income taxes of ¥8,289 million and decrease in notes and accounts receivable totaling ¥2,945 million. Principal cash outflows were income taxes paid of ¥4,203 million and decrease of purchase liabilities of ¥4,780 million.

(Cash flows from investing activities)

Net cash provided by investing activities totaled ¥1,429 million. This was mainly attributable to ¥2,194 million representing proceeds from sales of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,148 million. The main components were ¥1,225 million representing the decrease in short-term borrowings, net and ¥2,917 million in cash dividends paid.

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

Taking into consideration recent performance trends, Ryosan has revised its consolidated forecasts for the fiscal year ending March 31, 2007, which were disclosed at the time of interim results announcements on November 9, 2006. Brief details are as follow.

(1) Revised Forecasts of Consolidated Results for the Fiscal Year Ending March 31, 2007

(April 1, 2006 to March 31, 2007)

(¥ million)

	Net sales	Operating income	Ordinary income	Net income
Previously announced forecasts (A)	310,000	10,200	10,500	6,300
Revised forecasts (B)	310,000	9,600	9,900	6,000
Change (B - A)	0	(600)	(600)	(300)
Change (%)	0	(5.9)	(5.7)	(4.8)

(2) Revised Forecasts of Non-Consolidated Results for the Fiscal Year Ending March 31, 2007

(April 1, 2006 to March 31, 2007)

(¥ million)

	Net sales	Operating income	Ordinary income	Net income
Previously announced forecasts (A)	231,000	7,500	9,200	5,500
Revised forecasts (B)	231,000	6,900	8,600	5,200
Change (B - A)	0	(600)	(600)	(300)
Change (%)	0	(8.0)	(6.5)	(5.5)

(3) Reasons for the Revision

There are no changes to the forecasts for net sales announced on November 9, 2006. Earnings on the other hand are expected to fall below previously disclosed forecasts due to additional provisions made to allowance for doubtful accounts. Accordingly, Ryosan has announced newly revised forecasts for consolidated and non-consolidated operating income, ordinary income and net income for the full fiscal year ending March 31, 2007.

[Cautionary Statement Concerning Forecasts]

The above estimates were made based on the information available as of the date of this release. Actual results could significantly differ from the above estimates due to a variety of factors.

1. CONSOLIDATED BALANCE SHEETS

(¥ million)

Item	December 31, 2006		March 31, 2006		Increase/ (Decrease)	December 31, 2005	
	Amount	%	Amount	%	Amount	Amount	%
ASSETS							
I Current assets	152,885	86.0	157,675	86.1	(4,790)	153,214	85.6
1. Cash and deposits	20,288		20,268		19	15,533	
2. Trade notes and accounts receivable	97,101		99,775		(2,674)	102,018	
3. Marketable securities	15,994		16,696		(702)	14,998	
4. Inventories	18,167		18,956		(789)	19,446	
5. Accrued income	734		947		(212)	647	
6. Deferred tax assets	328		657		(328)	248	
7. Other current assets	484		510		(25)	499	
8. Allowance for doubtful accounts	(213)		(136)		(76)	(179)	
II Fixed assets	24,812	14.0	25,480	13.9	(667)	25,744	14.4
1. Property, plant and equipment	14,907	8.4	14,942	8.2	(34)	15,406	8.6
(1) Buildings and structures	5,652		5,395		256	6,086	
(2) Land	8,206		8,203		3	8,205	
(3) Other fixed assets	1,048		1,342		(294)	1,114	
2. Intangible fixed assets	991	0.6	1,139	0.6	(148)	568	0.3
3. Investments and other assets	8,913	5.0	9,398	5.1	(484)	9,768	5.5
(1) Investment securities	6,001		7,237		(1,236)	7,380	
(2) Deferred tax assets	1,551		496		1,054	627	
(3) Other	2,959		1,958		1,001	2,022	
(4) Allowance for doubtful accounts	(1,494)		(210)		(1,284)	(214)	
(5) Allowance for loss on investments	(103)		(83)		(20)	(47)	
Total assets	177,698	100.0	183,156	100.0	(5,457)	178,959	100.0

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

(¥ million)

Item	December 31, 2006		March 31, 2006		Increase/ (Decrease)	December 31, 2005	
	Amount	%	Amount	%	Amount	Amount	%
LIABILITIES							
I Current liabilities	56,162	31.6	63,257	34.5	(7,094)	61,025	34.1
1. Trade notes and accounts payable	46,925		51,452		(4,526)	50,683	
2. Short-term bank loans	5,008		6,192		(1,184)	6,517	
3. Accrued expenses	934		1,455		(521)	886	
4. Accrued income taxes	1,734		2,196		(462)	1,077	
5. Other current liabilities	1,560		1,960		(399)	1,860	
II Long-term liabilities	2,465	1.4	2,374	1.3	91	2,288	1.3
1. Employees' retirement benefits	2,004		1,869		135	1,830	
2. Directors' severance payments	—		438		(438)	391	
3. Other long-term liabilities	460		66		394	66	
Total liabilities	58,628	33.0	65,631	35.8	(7,003)	63,313	35.4
NET ASSETS							
I Shareholders' Equity	116,892	65.8	—	—	116,892	—	—
1. Common stock	17,690		—		17,690	—	
2. Additional paid-in capital	19,122		—		19,122	—	
3. Retained earnings	80,136		—		80,136	—	
4. Treasury stock	(56)		—		(56)	—	
II Revaluations and translation adjustments	2,038	1.1	—	—	2,038	—	—
1. Net unrealized gain on other marketable securities	1,775		—		1,775	—	
2. Gain (loss) on deferred hedges	3		—		3	—	
3. Foreign currency translation adjustments	260		—		260	—	
III Minority Interests	138	0.1	—	—	138	—	—
Net Assets	119,070	67.0	—	—	119,070	—	—
Total liabilities and net assets	177,698	100.0	—	—	177,698	—	—
MINORITY INTERESTS							
Minority interests	—	—	131	0.1	(131)	125	0.1
SHAREHOLDERS' EQUITY							
I Common stock	—	—	17,690	9.7	(17,690)	17,690	9.9
II Additional paid-in capital	—	—	19,122	10.4	(19,122)	19,122	10.7
III Retained earnings	—	—	78,253	42.7	(78,253)	76,658	42.8
IV Net unrealized gain on other marketable securities	—	—	2,409	1.3	(2,409)	2,071	1.1
V Foreign currency translation adjustments	—	—	(30)	(0.0)	30	28	0.0
VI Treasury stock	—	—	(52)	(0.0)	52	(51)	(0.0)
Total shareholders' equity	—	—	117,392	64.1	(117,392)	115,520	64.5
Total liabilities, minority interests, and shareholders' equity	—	—	183,156	100.0	(183,156)	178,959	100.0

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

2. CONSOLIDATED STATEMENTS OF INCOME

(¥ million)

Item	First Three Quarters of Year Ending March 31, 2007		First Three Quarters of Year Ended March 31, 2006		Increase/ (Decrease) Amount	Year Ended March 31, 2006	
	Amount	%	Amount	%		Amount	%
I Net sales	232,020	100.0	244,735	100.0	(12,715)	326,219	100.0
II Cost of sales	212,064	91.4	224,468	91.7	(12,404)	299,333	91.8
Gross profit	19,956	8.6	20,267	8.3	(310)	26,886	8.2
III Selling, general and administrative expenses	13,090	5.6	11,788	4.8	1,301	16,092	4.9
Operating income	6,866	3.0	8,478	3.5	(1,612)	10,793	3.3
IV Non-operating income	545	0.2	426	0.1	119	585	0.2
1. Interest and dividend income	180		141		38	190	
2. Discounts on purchases	44		39		5	53	
3. Others	320		244		76	341	
V Non-operating expenses	298	0.1	746	0.3	(448)	701	0.2
1. Interest expense	268		172		96	256	
2. Foreign exchange loss	2		511		(508)	373	
3. Others	26		62		(36)	71	
Ordinary income	7,113	3.1	8,157	3.3	(1,044)	10,677	3.3
VI Extraordinary gains	1,236	0.5	161	0.0	1,074	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	—		123		(123)	174	
3. Gain on sales of investment securities	1,192		—		1,192	35	
4. Others	43		17		25	—	
VII Extraordinary losses	59	0.0	71	0.0	(11)	126	0.0
1. Loss on sale and disposal of property, plant and equipment	37		24		12	29	
2. Loss on devaluation of investment securities	—		14		(14)	17	
3. Others	22		31		(9)	78	
Income before income taxes and minority interests	8,289	3.6	8,248	3.3	41	10,782	3.3
Income taxes	3,403	1.5	3,238	1.3	165	4,172	1.3
Minority interests (losses)	0	0.0	13	0.0	(12)	17	0.0
Net income	4,886	2.1	4,996	2.0	(110)	6,591	2.0

Note: "Increase/(Decrease)" is the comparison between figures for the first three quarters of fiscal 2006 and the first three quarters of fiscal 2005.

3. CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ million)

Item	First Three Quarters of Year Ending March 31, 2007	First Three Quarters of Year Ended March 31, 2006	Year ended March 31, 2006
	Amount	Amount	Amount
I Operating activities:			
Income before income taxes	8,289	8,248	10,782
Depreciation and amortization	684	667	943
Increase (decrease) in allowance for doubtful accounts	1,354	(130)	(174)
Increase (decrease) in severance allowance for employees	133	111	150
(Decrease) increase in retirement allowances for directors	(438)	49	96
Interest and dividend income	(180)	(141)	(190)
Interest expense	268	172	256
Gains on sales of property, plant and equipment	(0)	(20)	(21)
Loss on sale and disposal of property, plant and equipment	37	27	25
Gains on sales of investment securities	(1,192)	—	(35)
Loss on devaluation of investment securities	—	14	17
Decrease in notes and accounts receivable	2,945	3,292	5,577
Decrease in inventories	900	1,368	1,888
Decrease in purchase liabilities	(4,780)	(3,356)	(2,635)
Directors' bonuses paid	(85)	(84)	(84)
Other expenses	(1,076)	616	1,053
Subtotal	6,860	10,835	17,652
Interest and dividends received	197	159	190
Interest paid	(267)	(171)	(256)
Income taxes paid	(4,203)	(4,443)	(4,794)
Net cash provided by operating activities	2,587	6,381	12,792
II Investing activities:			
Decrease (increase) in time deposits	12	(9)	(10)
Proceeds from redemption of investment securities	700	300	300
Purchases of property, plant and equipment	(495)	(580)	(957)
Proceeds from sales of property, plant and equipment	1	45	50
Purchases of intangible fixed assets	(11)	(105)	(107)
Purchases of investment securities	(833)	(300)	(300)
Proceeds from sales of investment securities	2,194	—	43
Equity in affiliated companies	(59)	—	—
Increase in financing	—	(19)	—
Proceeds from the repayment of financing	56	24	—
Increase in loans	(136)	(48)	(47)
Proceeds from collection of loans	1	15	15
Other expenses	—	3	9
Net cash provided by (used in) investing activities	1,429	(674)	(1,003)
III Financing activities:			
(Decrease) increase in short-term borrowings, net	(1,225)	1,200	887
Repurchase of treasury stock	(4)	(6)	(7)
Proceeds from retirement of treasury stock	0	—	—
Execution of stock options	—	23	23
Cash dividends paid	(2,917)	(2,552)	(2,552)
Cash dividends paid to minority shareholders	(1)	(5)	(5)
Net cash used in financing activities	(4,148)	(1,341)	(1,665)
IV Effect of foreign currency translation adjustments on cash and cash equivalents	156	333	295
V Net increase (decrease) in cash and cash equivalents	24	(4,699)	10,429
VI Cash and cash equivalents, beginning of year	36,167	25,737	25,737
VII Cash and cash equivalents, end of year	36,191	30,436	36,167

4. RESULTS BY SEGMENT

[Segment Information by Business Type]

First Three Quarters of Year Ending March 31, 2007 (April 1, 2006 to December 31, 2006)

(¥ millions)

	Semiconductors	Electronic Components	Electronic Equipment	Ryosan Products	Total	Eliminations or Corporate	Consolidated
I Sales and Operating Income							
Sales:							
(1) Sales to external customers	129,147	75,500	21,477	5,895	232,020	—	232,020
(2) Internal sales between segments, or exchanges	—	—	—	—	—	—	—
Total sales	129,147	75,500	21,477	5,895	232,020	—	232,020
Operating expenses	123,493	73,022	20,756	5,416	222,689	2,465	225,154
Operating income	5,653	2,478	721	478	9,331	(2,465)	6,866

First Three Quarters of Year Ended March 31, 2006 (April 1, 2005 to December, 2005)

(¥ millions)

	Semiconductors	Electronic Components	Electronic Equipment	Ryosan Products	Total	Eliminations or Corporate	Consolidated
I Sales and operating Income							
Sales:							
(1) Sales to external customers	130,320	91,428	17,873	5,113	244,735	—	244,735
(2) Internal sales between segments, or exchanges	—	—	—	—	—	—	—
Total sales	130,320	91,428	17,873	5,113	244,735	—	244,735
Operating expenses	124,574	87,230	17,443	4,580	233,829	2,427	236,257
Operating income	5,746	4,197	430	532	10,906	(2,427)	8,478

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 ¥2,465 million and ¥2,427 million in the first three quarters of fiscal 2006 and the first three quarters of fiscal 2005, 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 Three Quarters of Year Ending March 31, 2007 (April 1, 2006 to December 31, 2006)

(¥ million)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
I Sales and operating income					
Sales:					
(1) Sales to external customers	163,640	68,380	232,020	—	232,020
(2) Internal sales between segments, or exchanges	8,345	275	8,620	(8,620)	—
Total sales	171,985	68,655	240,641	(8,620)	232,020
Operating expenses	167,168	67,098	234,266	(9,112)	225,154
Operating income	4,817	1,556	6,374	491	6,866

First Three Quarters of Year Ended March 31, 2006 (April 1, 2005 to December, 2005)

(¥ million)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
I Sales and operating income					
Sales:					
(1) Sales to external Customers	168,005	76,729	244,735	—	244,735
(2) Internal sales between segments, or exchanges	8,148	357	8,505	(8,505)	—
Total sales	176,154	77,086	253,241	(8,505)	244,735
Operating expenses	170,839	74,844	245,683	(9,426)	236,257
Operating income	5,314	2,242	7,557	921	8,478

Notes:

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

[Overseas Net Sales]

First Three Quarters of Year Ending March 31, 2007 (April 1, 2006 to December 31, 2006)

(¥ million)

	Asia	Total
Overseas net sales	81,482	81,482
Consolidated net sales		232,020
Ratio of overseas net sales to consolidated net sales (%)	35.1	35.1

First Three Quarters of Year Ended March 31, 2006 (April 1, 2005 to December, 2005)

(¥ million)

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

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	First Three Quarters of Year Ending March 31, 2007	First Three Quarters of Year Ended March 31, 2006	Increase/ (Decrease)		Year ended March 31, 2006
	Amount	Amount	Amount	%	Amount
Semiconductors	125,849	138,318	(12,648)	(9.0)	185,629
Electronic components	78,540	95,675	(17,134)	(17.9)	122,418
Electronic equipment	21,571	19,125	2,446	12.8	26,263
Ryosan products	5,937	5,793	144	2.5	7,924
Total	231,898	258,913	(27,012)	(10.4)	342,234

(2) Sales

(¥ million)

Segment	First Three Quarters of Year Ending March 31, 2007	First Three Quarters of Year Ended March 31, 2006	Increase/ (Decrease)		Year ended March 31, 2006
	Amount	Amount	Amount	%	Amount
Semiconductors	129,147	130,320	(1,173)	(0.9)	176,835
Electronic components	75,500	91,428	(15,927)	(17.4)	118,035
Electronic equipment	21,477	17,873	3,604	20.2	24,399
Ryosan products	5,895	5,113	782	15.3	6,948
Total	232,020	244,735	(12,715)	(5.2)	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)