

**Consolidated Earnings Report for Fiscal 2006, Ended March 31, 2007**

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

Inquiries: Harumitsu Seki  
 Managing Director and General Manager  
 Financing and Accounting Headquarters  
 TEL: +81-3-3862-3861

Scheduled date of the Annual General Meeting of Shareholders: June 22, 2007

Scheduled payment date of for fiscal year-end dividend: June 7, 2007

Scheduled filing date of the Annual Securities Report: June 25, 2007

**1 . Consolidated results for the fiscal year ended March 31, 2007**

(April 1, 2006 to March 31, 2007)

**(1) Consolidated operating results**

(Millions of yen rounded down, % figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal 2006	310,654	(4.8)	10,064	(6.8)	10,356	(3.0)	6,366	(3.4)
Fiscal 2005	326,219	2.9	10,793	10.0	10,677	1.3	6,591	12.3

(Yen, %)

	Net income per share	Net income per share after dilution	Return on equity	Ordinary income to net assets	Operating income to net sales
Fiscal 2006	174.54	—	5.4	5.7	3.2
Fiscal 2005	178.38	178.38	5.8	5.9	3.3

(Reference)

Equity in earnings (losses) of non-consolidated subsidiaries and affiliates: FY2006 — million yen  
 FY2005 — million yen

**(2) Consolidated financial position**

(Millions of yen rounded down unless otherwise stated)

	Total assets	Net assets	Net assets to total assets (%)	Net assets per share (Yen)
March 31, 2007	183,254	120,367	65.6	3,296.41
March 31, 2006	183,156	117,392	64.1	3,216.17

(Reference)

Shareholders equity: March 31, 2007 120,228 million yen  
 March 31, 2006 — million yen

**(3) Consolidated cash flows**

(Millions of yen rounded down)

	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
Fiscal 2006	8,241	745	(4,350)	40,880
Fiscal 2005	12,792	(1,003)	(1,655)	36,167

**2. Dividends**

(Millions of yen rounded down unless otherwise stated)

	Dividends per share for the fiscal year			Dividends (Full fiscal year)	Payout ratio (consolidated) %	Dividends to net assets ratio (Consolidated) %
	Interim dividend (Yen)	Fiscal year-end dividend (Yen)	Annual dividend (Yen)			
Fiscal 2006	40.00	40.00	80.00	2,917	45.8	2.5
Fiscal 2005	30.00	40.00	70.00	2,553	39.2	2.2
Fiscal 2007 (forecast)	40.00	40.00	80.00		44.2	



**2. Forecast of non-consolidated results for the fiscal year ending March 31, 2008**

(April 1, 2007 to March 31, 2008)

(Millions of yen rounded down, % figures represent year-on-year increase or decrease)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Interim period	104,000 (12.0)	3,300 (18.8)	4,300 (18.7)	2,500 (28.2)	68.54
Fiscal year ending March 31, 2008	217,000 (6.5)	7,700 9.2	9,300 5.5	5,300 (0.5)	145.32

Caution with respect to forward-looking statements:

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 Management Results on pages 3 through 8 of this document for the assumptions and conditions that form the basis of forward-looking statements.

## **1. Results of Operations**

### **(1) Analysis of Operating Results**

#### **Results of Operations for Fiscal 2006 (the Fiscal Year Ended March 31, 2007)**

##### **1. Overview**

During the fiscal year ended March 31, 2007, macroeconomic conditions remained firm on the back of a robust U.S. economy and continued growth in Brazil, Russia, India and China (BRIC). On the domestic front, the Japanese economy enjoyed stable conditions, driven by the private sector and ongoing efforts by individual companies to strengthen their financial standing and position. In the electronics industry, Ryosan's principal field of operations, conditions remained favorable due to healthy demand for electronic components focusing mainly on digital home electric appliances and game consoles.

Against this backdrop, the Ryosan Group implemented the growth strategies outlined in its 6th Medium-Term Management Plan in an effort to secure additional growth. At the same time, Ryosan also took steps to improve its earnings structure.

Despite these efforts, revenues declined for the fiscal year under review. Consolidated net sales fell 4.8% compared with the previous fiscal year to ¥310,654 million, impacted by the drop in sales of display devices and memories. On the earnings front, profits also declined. Operating income decreased 6.8% year on year to ¥10,064 million. Ordinary income fell 3.0% to ¥10,356 million while net income dropped 3.4% to ¥6,366 million. This was mainly attributed to the increase in allowance for doubtful accounts and a special payment in connection with withdrawal from a welfare pension fund.

##### **2. Business Segment Information**

###### **a. Semiconductors**

The Ryosan Group is engaged in the sale of memories and discrete semiconductors. The Group is also active in the development and marketing of system LSIs. In the fiscal year ended March 31, 2007, segment sales declined 4.4% compared with the previous fiscal year to ¥169,012 million. This reflected reduced sales of LCD drivers ICs, memories for servers and related products. Operating income from the semiconductors segment climbed 8.2% year on year to ¥8,088 million, however, mainly due to improvements in profit margins.

###### **b. Electronic Components**

In the Electronic Components segment, the Ryosan Group is engaged in the sale of display devices, power supplies and mechanical components. In the fiscal year under review, sales of LCDs for PDAs and digital still cameras contracted. Accordingly, sales in this segment fell 12.7% compared with the previous fiscal year to ¥103,075 million while operating income dropped 31.2% to ¥3,598 million.

###### **c. Electronic Equipment**

The Ryosan Group sells systems equipment and facilities equipment in the Electronic Equipment segment. The 12-month period ended March 31, 2007 saw higher sales of systems equipment for automobiles, solar battery panel manufacturing equipment and other products. Accounting for these factors, segment sales climbed 25.9% year on year to ¥30,709 million. Operating income surged 45.5% to ¥1,054 million.

###### **d. Ryosan Products**

The Ryosan Group manufactures and markets heat sinks. In fiscal 2006, sales of heat sinks used in flat-screen televisions and measuring equipment increased. As a result, sales in this segment rose 13.1% to ¥7,855 million compared with the previous fiscal year while operating income edged up 2.2% to ¥644 million.

##### **3. Geographical Segment Information**

###### **a. Japan**

In the 12-month period ended March 31, 2007, sales of LCD drivers ICs and LCDs for mobile phones and digital still cameras declined. Accounting for these factors, sales in Japan edged down 2.4% to ¥219,428 million. Operating income, on the other hand, saw a moderate increase to ¥7,052 million, up 0.9% compared with the previous fiscal year on the back of an improvement in profit margins.

b. Asia

In the fiscal year under review, sales in Asia declined 10.0% to ¥91,225 million. This is mainly attributed to the drop in sales of LCDs for PDAs and digital still cameras. Operating income also declined 21.1% year on year to ¥2,250 million.

The aforementioned amounts do not include consumption and other taxes.

**(Outlook for the Next Fiscal Period)**

**(1) Projected Operating Results**

Looking ahead, the U.S. economy, which has historically provided the impetus for global growth, is expected to confront mixed conditions. Impacted by a slowdown in the residential market, inventory adjustments in the manufacturing industry and other factors, the U.S. economy is forecast to enter a moderate correction phase. Fueled by expectations of continued high growth in developing nations including the BRICs, however, overall economic conditions are anticipated to again pick up in the latter half of the year.

Against this backdrop, the Ryosan Group is expected to experience the continued drop in sales of display devices and memories. As a result, lower revenues are forecast. Earnings, on the other hand, are expected to rise on the back of improvements in profit margins.

Operating forecasts for the fiscal year ending March 31, 2008 are as follows:

	Billions of yen	YoY change (%)
Net sales	290.0	(6.6)
Operating income	10.7	6.3
Ordinary income	11.0	6.2
Net income	6.6	3.7

**2. Projected Operating Results by Business Segment**

a. Semiconductors

In the Semiconductor segment, Ryosan is projecting lower sales of system LSIs for digital still cameras and DVD, server memories and other products. Sales in this segment are forecast to decline 7.1% compared with the fiscal year under review to ¥157,000 million, while operating income is expected to fall 3.6% year on year to ¥7,800 million.

b. Electronic Components

Sales of LCDs for PDAs and mobile phones and related products are anticipated to decline in the Electronic Components segment. Accordingly, sales are forecast to decline 4.9% to ¥98,000 million. Despite the drop in sales, operating income in this segment is anticipated to rise 19.5% year on year to ¥4,300 million.

c. Electronic Equipment

In the Electronic Equipment segment, sales of OA systems equipment, equipment for the retail sector and other products are expected to fall. Accounting for these factors, segment sales are forecast to decline 12.1% to ¥27,000 million compared with the fiscal year under review while operating income is also anticipated to contract 24.2% year on year to ¥800 million.

d. Ryosan Products

Higher sales of heat sinks for use in FA equipment and air-conditioning equipment as well as related products are projected in the Ryosan Products segment. Accounting for these factors, segment sales are forecast to edge up 1.8% compared with the fiscal year under review to ¥8,000 million. Ryosan is also expected to enjoy an increase in segment operating income, up 8.6% year on year to ¥700 million.

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.

## **(2) Analysis of Financial Condition**

### **(Analysis of Assets, Liabilities, Net Assets and Cash Flows)**

#### **1. Status of Assets, Liabilities, Net Assets and Cash Flows as of March 31, 2007**

##### **a. Assets**

Total assets as of March 31, 2007 stood at ¥183,254 million an increase of ¥98 million compared with the end of the previous fiscal year. Major movements comprised inventories and trade notes and accounts receivable, which declined ¥1,988 million and ¥1,101 million, respectively, and cash and deposits, which climbed ¥4,735 million.

##### **b. Liabilities**

Total liabilities declined ¥2,744 million to ¥62,886 million as of March 31, 2007. This is mainly attributed to the drop in short-term bank loans, which fell ¥1,412 million.

##### **c. Net assets**

Net assets including minority interests as of the end of the fiscal 2006 stood at ¥120,367 million an increase of ¥2,843 million compared with the end of the previous fiscal year. In the fiscal year under review, net income totaled ¥6,366 million. Ryosan also paid cash dividends of ¥2,917 million. These and other factors contributed to the movement in net assets. As a result, the net assets to total assets climbed from 64.1% at the end of the previous fiscal year to 65.6%.

##### **d. Cash flows**

Cash and cash equivalents as of March 31, 2007 stood at ¥40,880 million an increase of ¥4,713 million compared with the end of the previous fiscal year.

##### **i. Cash flows from operating activities**

Net cash provided by operating activities amounted to ¥8,241 million. In addition to income before income taxes totaling ¥10,634 million, major cash inflows included decreases in inventories and notes and accounts receivable of ¥2,043 million and ¥1,309 million, respectively. Major cash outflow comprised the decrease in accounts payable amounting to ¥1,158 million.

##### **ii. Cash flows from investing activities**

Net cash provided by investing activities for the fiscal year under review was ¥745 million. Major cash inflows included proceeds from the sale of investment securities of ¥2,194 million. Principal cash outflows were purchases of property, plant and equipment and net increase in time deposits of ¥694 million and ¥507 million, respectively.

##### **iii. Cash flows from financing activities**

Net cash used in financing activities totaled ¥4,350 million. For the fiscal year ended March 31, 2007, major cash outflows were the decrease in short-term borrowings, net of ¥1,426 million and cash dividends paid of ¥2,917 million.

#### **2. Forecasts for Assets, Liabilities, Net Assets and Cash Flows for Fiscal 2007**

In fiscal 2007, net cash provided by operating activities is forecast to increase on a year-on-year basis. This is attributed to income before income taxes growth and the anticipated decrease in accounts receivable following a forecast decline in revenues.

Turning to cash flows from investing activities, capital expenditure, at around ¥700 million, is expected to remain unchanged in the fiscal year ending March 31, 2008 compared with the fiscal year under review.

Cash flows from financing activities are anticipated to increase year on year reflecting a decline in payments for the repurchase of treasury stock.

Accounting for these factors, cash and cash equivalents as of March 31, 2008 are expected to remain essentially unchanged from the end of the fiscal year under review.

(Trends in cash flow-related indicators)

Trends in key cash flow-related indicators for the Ryosan Group are provided as follows:

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Shareholders' equity ratio (%)	67.5	62.5	63.1	64.1	65.6
Shareholders' equity ratio (%) (Market capitalization basis)	29.6	48.5	57.9	62.9	60.3
Cash flow to Interest-bearing Liabilities (Years)	2.0	1.1		0.5	0.6
Interest coverage ratio (Times)	23.4	45.3		49.8	24.0

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio (Market capitalization basis): Market capitalization / Total assets

Cash flow to Interest-bearing liabilities: Interest-bearing liabilities / Cash flow

Interest coverage ratio: Cash flow / Interest expense

- All indicators have been calculated from consolidated financial figures.
- Market capitalization was calculated based on the number of shares issued and outstanding less treasury stock.
- Cash flow refers to cash flows from operating activities as shown on the consolidated statements of cash flows. Interest-bearing liabilities comprise 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.

### **(3) Basic Policy Regarding the Allocation of Profits / Dividends for Fiscal 2006 and Fiscal 2007**

#### **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 7th Medium-Term Management Plan, from fiscal 2007 through to fiscal 2009, calls for continued efforts to "Advance Financial Strategies for Improved Corporate Value," "Ensure Shareholder Return based on a Comprehensive Dividend Policy" and "Strategically Use the Acquisition of Treasury Stock in M&A and Other Initiatives." Furthermore, Ryosan is targeting consolidated dividend payout ratio of 40% or more as a part of its proactive profit allocation policy.

#### **Dividends for Fiscal 2006 and Fiscal 2007**

For the fiscal year ended March 31, 2007, Ryosan has declared a year-end ordinary dividend of ¥40 per share. Together with the interim ordinary dividend of ¥40 per share, the Company will pay an ordinary dividend payment for the full fiscal year of ¥80 per share.

For the fiscal year ending March 31, 2008, Ryosan is forecasting an ordinary dividend payment for the full fiscal year of ¥80 per share. This comprises an interim ordinary dividend of ¥40 per share and a year-end ordinary dividend of ¥40 per share.

### **(4) Business Risk**

The Ryosan Group, its performance, share price, and financial position, are subject to a variety of potential risks, some of which are detailed briefly as follows.

Forward-looking statements contained in this section represent judgments of Ryosan Group's management based on information available as of the end of the fiscal year under review (March 31, 2007).

#### **a. Sudden Changes in the 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.

b. 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.

c. 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.

- (i) Unforeseen changes in statutory and regulatory requirements and adverse changes in tax requirements
- (ii) Inadequate and insufficient local infrastructure in the countries in which the Ryosan Group operates
- (iii) Development of adverse political factors
- (iv) Social unrest arising out of war, acts of terrorism and other developments

d. 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.

e. 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.

## 2. 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.

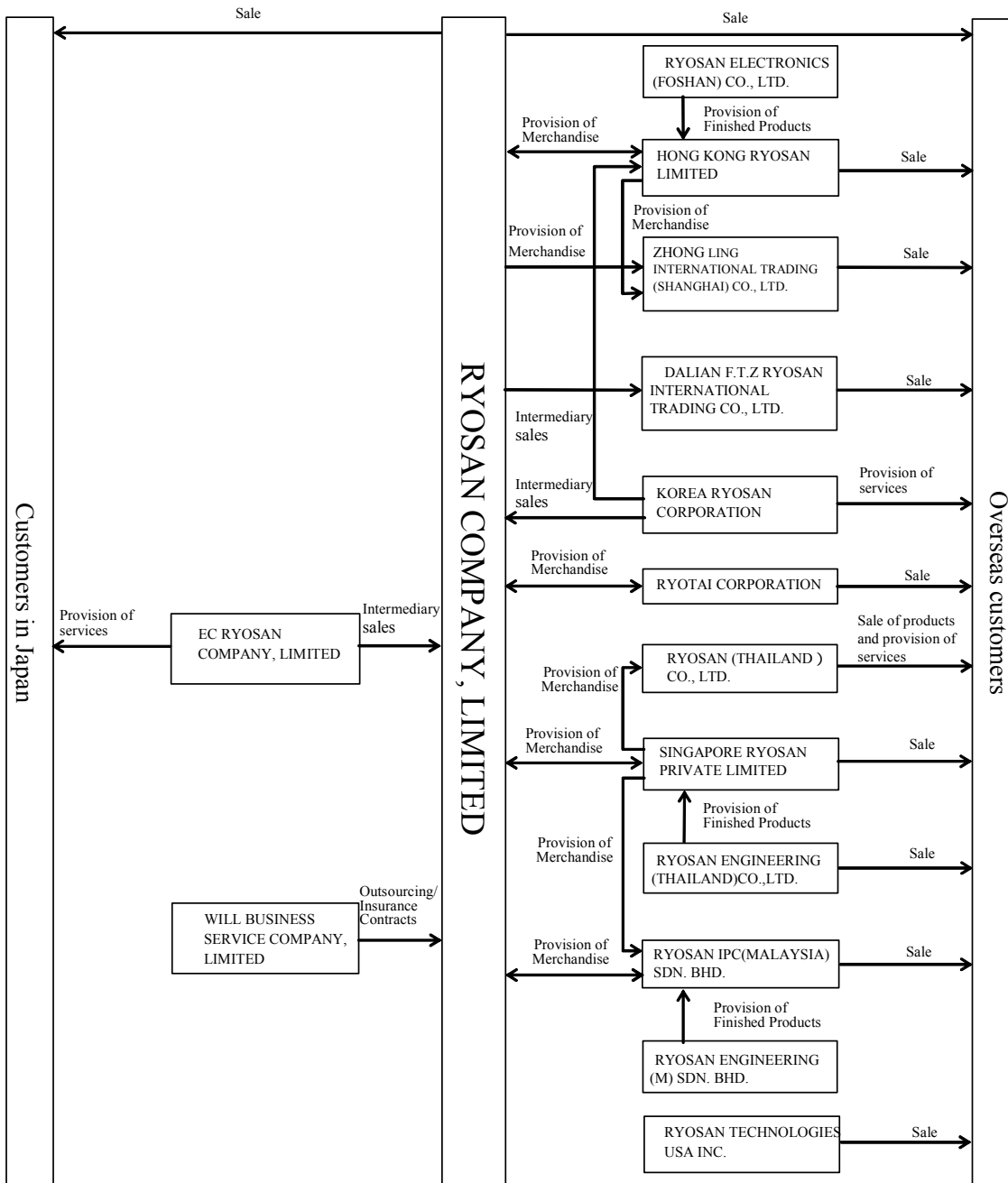
Segment	Main Products	Sales Companies	Development and Manufacturing Companies
Semiconductors	Memories System LSIs Discrete semiconductors	Ryosan Company, Limited  HONG KONG RYOSAN LIMITED	
Electronic Components	Display devices Power supplies Mechanical components	SINGAPORE RYOSAN PRIVATE LIMITED	
Electronic Equipment	Systems equipment Facilities equipment	RYOTAI CORPORATION  RYOSAN IPC (MALAYSIA) 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 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 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

Group organization chart is provided as follows:



Note: Companies identified with a asterisk are non-consolidated subsidiaries not accounted for by the equity method. All other companies are consolidated subsidiaries.

### 3. 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) Targeted Management Indicators

The Ryosan Group has adopted net income per share and consolidated dividend payout ratio as key management indicators. Guided by these benchmarks, the Company aims to secure financial soundness while at the same time pursuing further improvements in its corporate value.

In line with our 7th Medium-Term Management Plan, which covers the period from fiscal 2007 through fiscal 2009, we aim to secure net income per share exceeding ¥200 in the final year of the plan and a consolidated dividend payout ration of more than 40% each fiscal year.

#### (3) Medium- and Long-Term Management Strategies

Looking ahead, the Ryosan Group is expected to confront an operating environment characterized by intense globalization and rapid change. Against this backdrop, demands for the corporate sector to more adequately fulfill their corporate social responsibility (CSR) are also anticipated to rise.

Under these circumstances, the Ryosan Group has formulated its 7th Medium-Term Management Plan, which covers the period from fiscal 2007 through fiscal 2009. In line with its ongoing "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."

##### 1. Growth Strategy as a systems coordinator:

We will promote four growth strategies:

- A comprehensive product lineup to broaden the Group's operating spheres
- Efforts to ensure complete sales of all inventories and maximum utilization of technological capabilities
- Overseas semiconductor product business expansion
- China bloc conception including Hong Kong, China, Taiwan and Korea business expansion

##### 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 four management reforms:

- Establish highly social corporate governance
- Qualitatively strengthen management structure
- Further reform of the personnel system

- Strengthen RS (Ryosan Spirit) Culture

**(4) Issues to be Addressed**

In the semiconductor industry, the Ryosan Group's primary field of business, certain electric equipment manufacturers are spinning off their semiconductor operations and pursuing activities in this area on an autonomous basis. Other electric equipment manufacturers have pursued business collaboration and tie-up. Despite these trends, however, we are yet to see a major reorganization with the industry.

Looking ahead, we anticipate further industry reorganization as each semiconductor manufacturer strives to address the critical need for large-scale investment in both technology development and production. The Ryosan Group's response to semiconductor industry trends is considered management's most important issue.

At the same time, the Ryosan Group recognizes that sales formats are restricting operating markets and that changes in business partner policies are creating fundamental structural issues. These have inevitably impacted the Group's results reflected in two consecutive years of earnings decline in fiscal 2006 and fiscal 2007. Accordingly, the Ryosan Group will work to expand its product lineup and enhance the sales capabilities of staff in an effort to build a more robust corporate structure.

With respect to 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. 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.

#### 4 - (1) Consolidated Balance Sheets

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

ITEM	As of March 31, 2006		As of March 31, 2007		Increase / (Decrease)
<b>ASSETS</b>					
<b>I. Current assets:</b>	157,675	86.1	158,329	86.4	653
1. Cash and cash deposits	20,268		25,003		4,735
2. Trade notes and accounts receivable	99,775		98,674		(1,101)
3. Marketable securities	16,696		15,990		(706)
4. Inventories	18,956		16,968		(1,988)
5. Accrued income	947		890		(57)
6. Deferred tax assets	657		572		(84)
7. Other current assets	510		458		(51)
8. Allowance for doubtful accounts	(136)		(228)		(91)
<b>II. Fixed assets:</b>	25,480	13.9	24,925	13.6	(554)
1. Property, plant and equipment	14,942	8.2	14,832	8.1	(109)
(1) Buildings and structures	5,395		5,656		260
(2) Land	8,203		8,209		5
(3) Other fixed assets	1,342		967		(375)
2. Intangible fixed assets	1,139	0.6	926	0.5	(213)
3. Investments and other assets	9,398	5.1	9,166	5.0	(232)
(1) Investment securities	7,237		5,854		(1,383)
(2) Deferred tax assets	496		1,471		974
(3) Other	1,958		3,242		1,284
(4) Allowance for doubtful accounts	(210)		(1,323)		(1,112)
(5) Allowance for loss on investments	(83)		(78)		4
<b>Total assets</b>	<b>183,156</b>	<b>100.0</b>	<b>183,254</b>	<b>100.0</b>	<b>98</b>

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

ITEM	As of March 31, 2006		As of March 31, 2007		Increase / (Decrease)
<b>LIABILITIES</b>					
<b>I. Current liabilities:</b>	63,257	34.5	60,404	33.0	(2,853)
1. Trade notes and accounts payable	51,452		50,454		(997)
2. Short-term bank loans	6,192		4,779		(1,412)
3. Accrued expenses	1,455		1,207		(248)
4. Accrued income taxes	2,196		2,615		418
5. Other current liabilities	1,960		1,347		(613)
<b>II. Long-term liabilities:</b>	2,374	1.3	2,482	1.3	108
1. Employees' retirement benefits	1,869		2,020		150
2. Directors' severance payments	438				(438)
3. Other long-term liabilities	66		462		395
<b>Total liabilities</b>	65,631	35.8	62,886	34.3	(2,744)
<b>MINORITY INTERESTS</b>					
1. Minority interests	131	0.1			(131)
<b>SHAREHOLDERS' EQUITY</b>					
<b>I. Common stock</b>	17,690	9.7			(17,690)
<b>II. Additional paid-in capital</b>	19,122	10.4			(19,122)
<b>III. Retained earnings</b>	78,253	42.7			(78,253)
<b>IV. Net unrealized gain on other marketable securities</b>	2,409	1.3			(2,409)
<b>V. Foreign currency translation adjustments</b>	(30)	(0.0)			30
<b>VI. Treasury stock</b>	(52)	(0.0)			52
<b>Total shareholders' equity</b>	117,392	64.1			(117,392)
<b>Total liabilities, minority interests and shareholders' equity</b>	183,156	100.0			(183,156)
<b>NET ASSETS</b>					
<b>I. Shareholders' equity:</b>			118,372	64.6	118,372
1. Common stock			17,690	9.7	17,690
2. Additional paid-in capital			19,122	10.4	19,122
3. Retained earnings			81,616	44.5	81,616
4. Treasury stock			(57)	(0.0)	(57)
<b>II. Valuation and conversions:</b>			1,856	1.0	1,856
1. Net unrealized gain on other marketable securities			1,711	0.9	1,711
2. Gain on deferred hedges			0	0.0	0
3. Foreign currency translation adjustments			144	0.1	144
<b>III. Minority Interests</b>			139	0.1	139
<b>Net assets</b>			120,367	65.7	120,367
<b>Total liabilities and net assets</b>			183,254	100.0	183,254

#### 4 - (2) Consolidated Statements of Income

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

ITEM	Fiscal 2005 (April 1, 2005 to March 31, 2006)		Fiscal 2006 (April 1, 2006 to March 31, 2007)		Increase / (Decrease)
<b>I. Net sales</b>	326,219	100.0	310,654	100.0	(15,565)
<b>II. Cost of sales</b>	299,333	91.8	283,702	91.3	(15,630)
Gross profit	26,886	8.2	26,951	8.7	65
<b>III. Selling, general and administrative expenses</b>	16,092	4.9	16,886	5.5	793
1. Packaging and freight expenses	820		853		33
2. Transfer to allowance for doubtful accounts			1,407		1,407
3. Directors' remuneration	402		559		156
4. Employees' salaries	3,678		3,534		(144)
5. Bonuses	1,569		1,254		(314)
6. Retirement benefit expenses	599		539		(60)
7. Provision of allowance for directors' severance payments	96				(96)
8. Employee benefits	769		769		0
9. Depreciation and amortization	808		840		32
10. Others	7,346		7,126		(220)
Operating income	10,793	3.3	10,064	3.2	(728)
<b>IV. Non-operating income</b>	585	0.2	741	0.2	156
1. Interest income	132		164		31
2. Dividend income	57		82		24
3. Discounts on purchases	53				(53)
4. Management consultation fee			76		76
5. Miscellaneous income	341		419		77
<b>V. Non-operating expenses</b>	701	0.2	449	0.1	(251)
1. Interest expense	256		344		87
2. Foreign exchange loss	373		42		(330)
3. Miscellaneous expenses	71		62		(8)
Ordinary income	10,677	3.3	10,356	3.3	(320)

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

ITEM	Fiscal 2005 (April 1, 2005 to March 31, 2006)		Fiscal 2006 (April 1, 2006 to March 31, 2007)		Increase / (Decrease)
<b>VI. Extraordinary gains</b>	230	0.0	1,236	0.4	1,005
1. Gain on sales of property, plant and equipment	21		1		(20)
2. Gain on reversal of allowance for doubtful accounts	174				(174)
3. Gain on sales of investment securities	35		1,192		1,157
4. Gain on sales of golf membership rights			28		28
5. Gain on refund of golf membership rights			15		15
<b>VII. Extraordinary losses</b>	126	0.0	959	0.3	832
1. Loss on sales and disposal of property, plant and equipment	29		60		30
2. Impairment loss	2				(2)
3. Lease cancellation loss	29				(29)
4. Loss on devaluation of investment securities	17				(17)
5. Provision of allowance for loss on investments	17		33		15
6. Loss on devaluation of golf membership rights	17		2		(15)
7. Loss on devaluation of resort membership rights	11				(11)
8. Lump-sum payment for withdrawal from welfare pension fund			863		863
<b>Income before income taxes and minority interests</b>	10,782	3.3	10,634	3.4	(148)
Income taxes current	4,360	1.3	4,675	1.5	314
Income taxes deferred	(187)	(0.0)	(407)	(0.1)	(219)
Minority interests	17	0.0	0	0.0	(17)
<b>Net income</b>	6,591	2.0	6,366	2.0	(225)

#### 4 - (3) Consolidated Statement of Retained Earnings

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

Item	Fiscal 2005 (April 1, 2005 to March 31, 2006)
<b>ADDITIONAL PAID-IN CAPITAL</b>	
I. Balance at the beginning of the period	19,122
II. Increase in additional paid-in capital	0
1. Earnings from disposal of treasury stock	0
III. Balance at the end of the period	19,122
<b>RETAINED EARNINGS</b>	
I. Balance at the beginning of the period	74,299
II. Increase in retained earnings	6,591
1. Net income	6,591
III. Decrease in retained earnings	2,637
1. Cash dividends	2,552
2. Directors' bonuses	84
IV. Balance at the end of the period	78,253

#### 4 - (4) Consolidated Statements of Changes in Shareholders' Equity, Valuation and Conversions

Fiscal year ended March 31, 2007

(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 fiscal year ended March 31, 2007					
Appropriation of earnings as cash dividends			(1,458)		(1,458)
Distribution of surplus			(1,458)		(1,458)
Appropriation of earnings as directors' bonus			(85)		(85)
Net income			6,366		6,366
Acquisition of treasury stock				(5)	(5)
Disposal of treasury stock		0		0	0
Net changes in items excluding shareholders' equity during the period					
Total increase (decrease) during the fiscal year ended March 31, 2007		0	3,362	(5)	3,357
Balance as of March 31, 2007	17,690	19,122	81,616	(57)	118,372

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

	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 fiscal year ended March 31, 2007						
Appropriation of earnings as cash dividends						(1,458)
Distribution of surplus						(1,458)
Appropriation of earnings as directors' bonus						(85)
Net income						6,366
Acquisition of treasury stock						(5)
Disposal of treasury stock						0
Net changes in items excluding shareholders' equity during the period	(697)	0	175	(522)	7	(514)
Total increase (decrease) during the fiscal year ended March 31, 2007	(697)	0	175	(522)	7	2,843
Balance as of March 31, 2007	1,711	0	144	1,856	139	120,367

#### 4 - (5) Consolidated Statements of Cash Flows

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

ITEM	Fiscal 2005 (April 1, 2005 to March 31, 2006)	Fiscal 2006 (April 1, 2006 to March 31, 2007)	Increase / (Decrease)
<b>I. Operating activities:</b>			
Income before income taxes	10,782	10,634	(148)
Impairment loss	2		(2)
Depreciation and amortization	943	968	24
Amortization of goodwill	0		(0)
(Decrease) increase in allowance for doubtful accounts	(174)	1,203	1,378
Increase in employees' retirement benefits	150	150	(0)
Increase (decrease) in directors' severance payments	96	(438)	(535)
Interest and dividend income	(190)	(246)	(55)
Interest expense	256	344	87
Gain on sales of property, plant and equipment	(21)	(1)	20
Loss on sales and disposal of property, plant and equipment	25	60	34
Gain on sales of investment securities	(35)	(1,192)	(1,157)
Loss on devaluation of investment securities	17		(17)
Lump-sum payment for withdrawal from welfare pension fund		863	863
Other expenses	312	(18)	(330)
Decrease in accounts receivable	5,577	1,309	(4,276)
Decrease in inventories	1,888	2,043	155
Decrease in accounts payable	(2,635)	(1,158)	1,476
Directors' bonuses paid	(84)	(85)	(1)
Increase (decrease) in other assets and liabilities	739	(824)	(1,563)
Subtotal	17,652	13,613	(4,039)
Interest and dividends received	190	251	60
Interest paid	(256)	(343)	(86)
Lump-sum payment for withdrawal from welfare pension fund paid		(851)	(851)
Income taxes paid	(4,794)	(4,428)	365
Net cash provided by operating activities	12,792	8,241	(4,551)
<b>II. Investing activities:</b>			
Net increase in time deposits	(10)	(507)	(497)
Proceeds from redemption of securities	300	700	400
Purchases of property, plant and equipment	(957)	(694)	262
Proceeds from sale of property, plant and equipment	50	6	(44)
Purchases of intangible fixed assets	(107)	(12)	95
Purchases of investment securities	(300)	(833)	(533)
Proceeds from sale of investment securities	43	2,194	2,150
Investments in affiliated companies		(59)	(59)
Increase in loans	(47)	(497)	(449)
Proceeds from collection of loans	15	392	377
Increase in investments and other assets	9	57	47
Net cash (used in) provided by investing activities	(1,003)	745	1,748
<b>III. Financing activities:</b>			
Increase (decrease) in short-term borrowings, net	887	(1,426)	(2,313)
Repurchase of treasury stock	(7)	(5)	1
Proceeds from retirement of treasury stock		0	0
Proceeds from exercise of stock options	23		(23)
Cash dividends paid	(2,552)	(2,917)	(365)
Cash dividends paid to minority shareholders	(5)	(1)	3
Net cash used in financing activities	(1,655)	(4,350)	(2,695)
<b>IV. Effect of foreign currency translation adjustments on cash and cash equivalents</b>	295	76	(219)
<b>V. Net increase in cash and cash equivalents</b>	10,429	4,713	(5,716)
<b>VI. Cash and cash equivalents at the beginning of the period</b>	25,737	36,167	10,429
<b>VII. Cash and cash equivalents at the end of the period</b>	36,167	40,880	4,713

#### **4 – (6) Important Factors that Form the Basis for Preparation of Consolidated Financial Statements**

##### **1. Accounting standard for directors' severance payments**

Historically, the Company had provided an allowance for retirement benefits for directors in accordance with internal bylaws to meet all obligations as of the fiscal year-end. In June 2006, the Company abolished its system for directors' retirement allowances and decided to pay the amount liable at the time the system was abolished to directors upon their retirement. As a result, Ryosan undertook a reversal of its directors' retirement allowance totaling ¥409 million and recorded an equivalent amount as other long-term liabilities in the long-term liabilities section of the balance sheet as of March 31, 2007.

##### **2. Translation of material foreign currency denominated assets and liabilities into Japanese yen**

Revenue and expenses of overseas subsidiaries were historically translated into yen amounts at the rates of exchange in effect on the consolidated balance sheet. From the fiscal year under review, revenue and expenses of overseas subsidiaries are translated into yen amounts at the average exchange rate for the fiscal year.

This change has been implemented to better reflect actual conditions at the time revenues and expenses arise throughout the fiscal year and are in line with the growing importance of overseas subsidiaries.

The impact on profit and loss as a result of this change is considered immaterial.

##### **3. Change in the method of presentation**

(Consolidated statement of income)

(1) From the fiscal year under review, purchase discounts totaling ¥67 million were deemed insufficient to warrant separate disclosure. Accordingly, this item was included in miscellaneous expenses in the non-operating expenses section of the statement of income.

(2) Until the fiscal year ended March 31, 2006 inclusive, management consultation fee was included in miscellaneous income in the non-operating income section of the consolidated statement of income. For the fiscal year ended March 31, 2007, management consultation fee has been recorded as a separate item as it exceeds 10% of the total of non-operating income. For the fiscal year ended March 31, 2006, management consultation fee was ¥50 million.

Other than accounting standards for directors' severance payments, translation of material foreign currency denominated assets and liabilities into Japanese yen and change in the method of presentation mentioned above, there have been no material changes other than those recorded in the Company's most recent securities report submitted on June 26, 2006. Accordingly, further disclosure has been omitted.

#### **4 – (7) Important Factors that Form the Basis for Preparation of Consolidated Financial Statements**

1. Accounting standard for directors' bonus

From the fiscal year ended March 31, 2007, the Company introduced accounting standards for directors' bonuses presented in "Corporate Accounting Standards Guideline 4" issued on November 29, 2005. As a result, operating income, ordinary income and income before income taxes and minority interests all decreased by ¥103 million in comparison with the previous method.

2. Accounting standard for the presentation of net assets on the balance sheet

For the fiscal year ended March 31, 2007, the Company introduced accounting standards for the presentation of net assets on the balance sheet presented in "Accounting Standard for the Presentation of Net Assets on the Balance Sheet No. 5" issued by the Accounting Standards Board of Japan on December 9, 2005 and "Guidance on the Accounting Standard for the Presentation of Net Assets on the Balance Sheet No. 8" issued by the Accounting Standards Board of Japan on December 9, 2005.

Under the previous standard, the total of shareholders' equity is ¥120,228 million.

The balance sheet for the fiscal year ended March 31, 2006 has been prepared to include items consistent with revisions to standards relating to the preparation of financial statements.

#### 4 – (8) Notes to Consolidated Financial Statements

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

##### (Notes to consolidated balance sheets)

	As of March 31, 2006	As of March 31, 2007
1. Accumulated depreciation of tangible fixed assets	7,719	7,995
2. Non-consolidated subsidiary and affiliated company shares and other		
- Investment securities (shares)	217	94
- Other (equity)	174	233
3. Assets pledged as collateral		
- Investment securities	382	260
4. Consolidated adjustment account included in intangible fixed assets	0	—
5. Guarantee contingent liabilities		
The unpaid balance of debt financing provided to non-consolidated subsidiaries by financial institutions guaranteed by the Company	82	47
6. Number of shares issued and outstanding	36,500,000 common shares	36,500,000 common shares
Number of treasury stock held by the Company	25,841 common shares	27,550 common shares
7. Accounting treatment of trade notes maturing at the end of the fiscal year		
The settlement of trade notes maturing on the balance sheet date of the period is accounted for on the clearance date. As the balance sheet date of the period was a bank holiday, the trade notes maturing on the balance sheet date of the period, in the following amounts were included in trade notes at the end of the fiscal year		
- Trade notes and accounts receivable	—	3,934
- Trade payables	—	2,168

##### (Notes to consolidated statements of income)

	Fiscal 2005 (April 1, 2005 to March 31, 2006)	Fiscal 2006 (April 1, 2006 to March 31, 2007)
1. Research and development expenditure included in selling, general and administrative expenses	1,137	993
2. Breakdown of gain on sales of property, plant and equipment		
- Other	21	1
3. Breakdown of loss on sales and disposal of property, plant and equipment		
- Loss on disposal of buildings and structures	4	18
- Loss on sales of buildings and structures	1	—
- Other	23	42
Total	29	60

**(Calculation Statement Relating to Changes in Consolidated Shareholders' Equity)**

Fiscal 2006, the fiscal year ended March 31, 2007  
(April 1, 2006 to March 31, 2007)

1. Matters Relating to the Type and Number of Shares Issued and Outstanding and the Type and Number of Treasury Stock

(Thousands of shares)

	Number of Shares As of March 31, 2006	Increase	Decrease	Number of Shares As of March 31, 2007
Common shares issued and outstanding	36,500	—	—	36,500
Common shares of treasury stock (Note)	25	1	0	27

Notes:

1. The increase in treasury stock reflects the repurchase of common stock less than one trading unit of stock.
2. The decrease in treasury stock reflects the sale of common stock less than one trading unit of stock.

2. Matters Relating to Dividends

(1) Dividend payment amount

(Millions of yen unless otherwise stated)

	Type of Shares	Total Cash Dividend Paid	Cash Dividend per Common Share (Yen)	Base Date	Effective Date
Annual General Meeting of Shareholders held on June 24, 2006	Common shares	1,458	40	Mar. 31, 2006	Jun. 23, 2006
Board of Directors' Meeting held on November 9, 2006	Common shares	1,458	40	Sept. 30, 2006	Dec. 1, 2006

(2) Dividends for which the effective date falls after the fiscal year ending March 31, 2008 included in dividends for which the base date falls within the fiscal year ended March 31, 2007

(Millions of yen unless otherwise stated)

	Type of Shares	Source of Dividend Payments	Total Cash Dividend Paid	Cash Dividend per Common Share (Yen)	Base Date	Effective Date
Board of Directors' Meeting held on May 11, 2007	Common shares	Retained earnings	1,458	40	Mar. 31, 2007	Jun. 7, 2007

(Notes to consolidated statements of cash flows)

The relationship between the balance of cash and cash equivalents at the end of the fiscal period and items recorded on the consolidated balance sheets.

(Millions of yen unless otherwise stated)

	As of March 31, 2006	As of March 31, 2007
Cash and cash deposits	20,268	25,003
Marketable securities	16,696	15,990
Time deposits with deposit terms exceeding three months	(98)	(113)
Bonds and notes with a redemption date exceeding three months from the date of acquisition	(700)	(0)
Cash and cash equivalents	36,167	40,880

## SEGMENT INFORMATION

### 1. Segment information by business type

Fiscal 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 exchange	-	-	-	-	-	-	-
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

Fiscal year ended March 31, 2007

(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	169,012	103,075	30,709	7,855	310,654	-	310,654
(2) Internal sales between segments, or exchange	-	-	-	-	-	-	-
Total sales	169,012	103,075	30,709	7,855	310,654	-	310,654
Operating expenses	160,924	99,477	29,654	7,211	297,267	3,321	300,589
Operating income	8,088	3,598	1,054	644	13,386	(3,321)	10,064
<b>II Assets, depreciation and capital expenditures:</b>							
Total assets	77,167	44,953	13,165	5,347	140,634	42,620	183,254
Depreciation	534	229	73	116	954	13	968
Capital expenditure	317	220	78	90	707	-	707

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 ¥3,321 million in the fiscal year ended March 31, 2007. 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 ¥42,620 million at March 31, 2007. 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

Fiscal 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 exchange	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

Fiscal year ended March 31, 2007

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

	Japan	Asia	Total	Eliminations or corporate	Consolidated
<b>Sales and operating income</b>					
Sales:					
(1) Sales to external Customers	219,428	91,225	310,654		310,654
(2) Internal sales between segments, or exchange	12,609	400	13,010	(13,010)	
Total	232,037	91,626	323,664	(13,010)	310,654
Operating expenses	224,985	89,376	314,361	(13,772)	300,589
Operating income	7,052	2,250	9,302	762	10,064
<b>II Assets</b>	158,050	25,203	183,254		183,254

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

Fiscal 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

Fiscal year ended March 31, 2007

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

	Asia	Total
I Overseas sales	109,838	109,838
II Consolidated net sales		310,654
III Ratio of overseas sales to consolidated net sales (%)	35.4	35.4

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).

## Leases

### 1. Finance Leases other than Those that Transfer Ownership to the Lessee

#### (1) Acquisition cost, accumulated depreciation and period-end balance of lease assets

(Millions of yen unless otherwise stated)

	Fiscal 2005		Fiscal 2006	
	(April 1, 2005 to March 31, 2006)		(April 1, 2006 to March 31, 2007)	
	Vehicles and Transportation	Equipment, Furniture & Fittings	Vehicles and Transportation	Equipment, Furniture & Fittings
Acquisition cost	3	3,169	3	2,030
Accumulated depreciation	<u>0</u>	<u>2,128</u>	<u>1</u>	<u>1,197</u>
Period-end balance	<u><u>2</u></u>	<u><u>1,041</u></u>	<u><u>1</u></u>	<u><u>832</u></u>

#### (2) Period-end balance of unpaid lease expenses

Due within one year		371		316
Due after one year		<u>718</u>		<u>552</u>
Total		<u><u>1,089</u></u>		<u><u>869</u></u>

(3) Lease expense payment		497		398
(4) Accumulated depreciation		454		361
(5) Interest expenses		28		24

The straight-line method is used to calculate amortization over the useful life of the asset with no remaining value.

The difference between total lease expenses and the acquisition cost of leased assets is considered as the interest portion and the allocation of this interest is calculated by the interest method.

### 2. Operating Leases

#### The amount of unpaid lease expenses

Due within one year		21		32
Due after one year		<u>30</u>		<u>19</u>
Total		<u><u>51</u></u>		<u><u>52</u></u>

(Transactions with related parties)  
 Fiscal 2005, the fiscal year ended March 31, 2006  
 (April 1, 2005 to March 31, 2006)

Directors and Principal Individual Shareholders

(Millions of yen)

Position	Name	Address	Capital or Investment	Activities or Profession	Ratio of Ryosan Shares with Voting Rights Held (%)	Relationship		Transaction Details	Amount of Transaction	Account	Period-End Balance
						Interlocking Directors	Business Relationship				
Director	Tsuneo Sato	—	—	Ryosan Auditor, City-Yuwa Partners (Solicitor)	—	—	—	Legal advisor	3	—	—

Notes:

1. Consumption taxes are not included in the amount of transaction identified in the table above.
2. Tsuneo Sato is a member of City-Yuwa Partners. The Company has executed an agreement for City-Yuwa Partners to act as legal counsel. Legal counsel fees paid by Ryosan to City-Yuwa Partners are set in line with commonly accepted business practice and norms.

Fiscal 2006, the fiscal year ended March 31, 2007  
 (April 1, 2006 to March 31, 2007)

Directors and Principal Individual Shareholders

(Millions of yen)

Position	Name	Address	Capital or Investment	Activities or Profession	Ratio of Ryosan Shares with Voting Rights Held (%)	Relationship		Transaction Details	Amount of Transaction	Account	Period-End Balance
						Interlocking Directors	Business Relationship				
Director	Tsuneo Sato	—	—	Ryosan Auditor, City-Yuwa Partners (Solicitor)	—	—	—	Legal advisor	3	—	—

Notes:

1. Consumption taxes are not included in the amount of transaction identified in the table above.
2. Tsuneo Sato is a member of City-Yuwa Partners. The Company has executed an agreement for City-Yuwa Partners to act as legal counsel. Legal counsel fees paid by Ryosan to City-Yuwa Partners are set in line with commonly accepted business practice and norms.

(Tax-effect accounting)

1. Breakdown of major causes of occurrence in deferred tax assets and deferred tax liabilities

( Millions of yen unless otherwise stated)

	Fiscal 2005 <u>(April 1, 2005 to March 31, 2006)</u>	Fiscal 2006 <u>(April 1, 2006 to March 31, 2007)</u>
(Deferred tax assets)		
Amount exceeded amortization of software and other	323	684
Investment securities	522	559
Golf membership rights	144	145
Accrued bonuses	427	308
Accrued enterprise taxes	132	169
Provision for employees' retirement benefits	751	811
Provision for directors' retirement benefits	178	—
Provision for allowance for doubtful accounts	—	239
Other	327	300
Total deferred tax assets	<u>2,807</u>	<u>3,219</u>
(Deferred tax liabilities)		
Net unrealized gain on other marketable securities	(1,653)	(1,174)
Others	(8)	(8)
Total deferred tax liabilities	<u>(1,662)</u>	<u>(1,183)</u>
Total	<u>1,145</u>	<u>2,036</u>

Note: Included in net deferred tax assets as in the fiscal year ended March 31, 2006, an amount of ¥(8) million was reported in other current liabilities of the Company's balance sheet as fo March 31, 2006. Of an amount ¥ (8) million included in net deferred tax assets for the fiscal year ended March 31, 2007, ¥1 million is included in other current liabilities and ¥7 million in other long-term liabilities in the current liabilities and long-term liabilities, respectively, of the Company's consolidated balance sheet.

2. Breakdown of major differences between the statutory tax rate and the effective tax rate after adoption of tax-effect accounting

Fiscal 2005 <u>(April 1, 2005 to March 31, 2006)</u>	Fiscal 2006 <u>(April 1, 2006 to March 31, 2007)</u>
Information on the difference between the statutory tax rate and the effective tax rate is not presented for the fiscal year since the difference between the statutory tax rate and the effective tax rate was less than 5/100 and therefore considered immaterial.	Information on the difference between the statutory tax rate and the effective tax rate is not presented for the fiscal year since the difference between the statutory tax rate and the effective tax rate was less than 5/100 and therefore considered immaterial.

(Marketable securities)

1. Bonds and notes held to maturity with quoted market value

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

	As of March 31, 2006			As of March 31, 2007		
	Amount stated on consolidated balance sheet	Market value	Difference	Amount stated on consolidated balance sheet	Market value	Difference
Bonds and notes for which market value exceeds the amount stated on consolidated balance sheets	15,996	15,997	0	15,990	15,990	0

2. Other securities with quoted market values

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

		As of March 31, 2006			As of March 31, 2007		
		Acquisition cost	Amount stated on consolidated balance sheet	Difference	Acquisition cost	Amount stated on consolidated balance sheet	Difference
Securities for which the amount stated on consolidated balance sheets exceeds their acquisition costs	Stocks	2,551	6,614	4,062	1,610	4,506	2,896
Securities for which acquisition costs exceed the amount stated on consolidated balance sheets	Stocks	—	—	—	72	64	(8)
Total		2,551	6,614	4,062	1,683	4,570	2,887

Note: There was no impairment loss on other securities with quoted market values as of March 31, 2007. For the fiscal year ended March 31, 2006 the Company incurred an impairment loss totaling ¥17 million. The book value after accounting for impairment losses was charged to acquisition costs.

3. Other securities sold in the fiscal year ended March 31, 2007

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

	As of March 31, 2006	As of March 31, 2007
Sales amount	43	2,194
Total profit from sales	35	1,192

4. Other securities without quoted market values

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

	As of March 31, 2006	As of March 31, 2007
	Amount stated on consolidated balance sheet	Amount stated on consolidated balance sheet
Other securities		
- Non-listed stocks	105	189
- Bonds and notes	1,000	1,000

5. Other securities with maturities and bonds and notes held to maturity which the Company plans to redeem

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

			As of March 31, 2006	As of March 31, 2007
Bonds and notes	Commercial paper	Less than one year	15,996	15,990
		More than 10 years	—	—
	Other	Less than one year	700	—
		More than 10 years	300	1,000

(Derivatives)

Information relating to derivative transactions is considered immaterial to the preparation of this business report. Accordingly, derivative transaction information has been omitted.

(Retirement benefits)

1. Overview of retirement benefits plans adopted

Based on rules and regulations relating to retirement benefits, the Company maintains allowances for termination allowance plans, approved retirement annuity plans and defined contribution pension plans. Certain consolidated overseas subsidiaries maintain defined benefit plans.

(Additional information)

The Company was a member of the Tokyo Electronics Contributory Funded Pension Plan until its voluntary withdrawal on February 15, 2007. This fund was accounted for under Article 33 (exceptions) of the "Practical Guidelines of Accounting for Retirement Benefits." The assets of the plan, proportional to the Company's contribution as of March 31, 2006 stood at ¥7,102 million.

2. Breakdown of benefit obligations

(Millions of yen unless otherwise stated)

	Fiscal 2005 (April 1, 2005 to March 31, 2006)	Fiscal 2006 (April 1, 2006 to March 31, 2007)
1. Projected benefit obligation	(4,291)	(4,469)
2. Fair value of plan assets	2,269	2,346
3. Unrecognized actuarial loss	91	49
4. Unrecognized prior service cost	61	53
5. Reserve for employee retirement benefits	(1,869)	(2,020)

Note: For certain consolidated subsidiaries, the simplified method is used to calculate benefit obligation.

3. Breakdown of benefit costs

(Millions of yen unless otherwise stated)

	Fiscal 2005 (April 1, 2005 to March 31, 2006)	Fiscal 2006 (April 1, 2006 to March 31, 2007)
1. Service cost	270	262
2. Interest cost	82	82
3. Expected return on plan assets	(16)	(17)
4. Expensed amount for differences in actuarial calculation	33	28
5. Amortization of prior service cost	7	7
Subtotal	377	364
6. Contribution to welfare pension fund	267	204
7. Contribution to defined contribution pension plan	—	7
Total pension cost	644	576

Notes:

- For consolidated subsidiaries that use the simplified method, pension cost is recorded as "service cost."
- In addition to the aforementioned pension cost, the Company incurred an extraordinary loss totaling ¥863 million, representing lump-sum payment for withdrawal from welfare pension fund.

4. Calculation basis for retirement benefits

1. Method of attributing benefit to periods of service	Straight-line method	Straight-line method
2. Discount rate	2.0%	2.0%
3. Rate of expected return on plan assets	0.75%	0.75%
4. Amortization period for the difference in actuarial calculation	10 years	10 years
5. Amortization period for prior service costs	10 years	10 years

(Stock options and other)

Not applicable.

(Corporate integration and other)

Not applicable.

(Per share information)

	(Yen unless otherwise stated)	
	Fiscal 2005	Fiscal 2006
	<u>(April 1, 2005 to March 31, 2006)</u>	<u>(April 1, 2006 to March 31, 2007)</u>
1. Net assets per share	3,216.17	3,296.41
2. Net income per share	178.38	174.54
3. Net income per share after dilution	178.38	

Notes:

1. As there was no effect on net income per share after applying calculations adjusted for the dilution of stocks for the fiscal year ended March 31, 2007, per diluted share amounts have been omitted from this report.
2. Net income per share for the fiscal years ended March 31, 2006 and March 31, 2007 are calculated on the following basis:

	(Millions of yen unless otherwise stated)	
	Fiscal 2005	Fiscal 2006
	<u>(April 1, 2005 to March 31, 2006)</u>	<u>(April 1, 2006 to March 31, 2007)</u>
Net income	6,591	6,366
Net income not applicable to shareholders of common stock	85	
(The amount applicable to directors' bonus attributed to the appropriation of retained earnings included in the aforementioned amount)	(85)	
Net income applicable to common stock	6,506	6,366
Average number of shares for the period	36,473 thousand shares	36,473 thousand shares

3. Net income per share after dilution for the fiscal year ended March 31, 2006 are calculated on the following basis:

(Millions of yen unless otherwise stated)

	Fiscal 2005
	<u>(April 1, 2005 to March 31, 2006)</u>
Net income adjustment amount	
Increase in the number of common shares	0 thousand shares

(Important subsequent events)

Not applicable

## 5. MANUFACTURING, NEW ORDERS AND SALES

### 1. Manufacturing

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

	Fiscal 2005 (April 1, 2005 to March 31, 2006)	Fiscal 2006 (April 1, 2006 to March 31, 2007)
Heat sinks	5,857	6,671

### 2. New Orders

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

	Fiscal 2005 (April 1, 2005 to March 31, 2006)	Fiscal 2006 (April 1, 2006 to March 31, 2007)
Semiconductors	185,629	163,972
Electronic components	122,418	104,066
Electronic equipment	26,263	28,365
Ryosan products	7,924	7,912
Total	342,234	304,316

### 3. Sales

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

	Fiscal 2005 (April 1, 2005 to March 31, 2006)	Fiscal 2006 (April 1, 2006 to March 31, 2007)
Semiconductors	176,835	169,012
Electronic components	118,035	103,075
Electronic equipment	24,399	30,709
Ryosan products	6,948	7,855
Total	326,219	310,654

## 6 - (1) Non-Consolidated Balance Sheets

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

ITEM	As of March 31, 2006		As of March 31, 2007		Increase / (Decrease)
		%		%	
<b>ASSETS</b>					
<b>I. Current assets:</b>	135,279	84.3	137,509	84.7	2,230
1. Cash and cash deposits	17,295		21,816		4,520
2. Trade notes receivable	4,678		4,615		(62)
3. Trade accounts receivable	80,866		81,037		171
4. Marketable securities	16,696		15,990		(706)
5. Merchandise	13,326		11,636		(1,690)
6. Finished products	198		251		52
7. Raw materials	183		274		90
8. Work in process	133		186		53
9. Prepaid expenses	41				(41)
10. Accrued income	940		924		(16)
11. Deferred tax assets	658		568		(89)
12. Other current assets	276		287		10
13. Allowance for doubtful accounts	(17)		(79)		(61)
<b>II. Fixed assets:</b>	25,219	15.7	24,829	15.3	(390)
1. Property, plant and equipment	14,465	9.0	14,371	8.9	(94)
(1) Buildings	5,118		5,382		264
(2) Structures	45		44		(1)
(3) Machinery and equipment	256		247		(8)
(4) Vehicles and transportation	0		0		(0)
(5) Tools, furniture and fittings	603		547		(56)
(6) Land	8,149		8,149		
(7) Construction work in process	291				(291)
2. Intangible fixed assets	416	0.3	232	0.1	(183)
(1) Goodwill	368		184		(183)
(2) Telephone subscription rights	48		48		
3. Investments and other assets	10,336	6.4	10,224	6.3	(112)
(1) Investment securities	7,019		5,760		(1,259)
(2) Shares of affiliated companies	1,371		1,248		(123)
(3) Equity investments	219		213		(6)
(4) Equity in affiliated companies	197		257		59
(5) Long-term loan receivables	46				(46)
(6) Affiliated company long-term loan receivables	46		47		0
(7) Reorganization and other claims	157		1,179		1,021
(8) Deferred tax assets	496		1,471		974
(9) Other	1,073		1,305		232
(10) Allowance for doubtful accounts	(210)		(1,179)		(968)
(11) Allowance for loss on investments	(83)		(78)		4
<b>Total assets</b>	<b>160,498</b>	<b>100.0</b>	<b>162,339</b>	<b>100.0</b>	<b>1,840</b>

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

ITEM	As of March 31, 2006		As of March 31, 2007		Increase / (Decrease)
		%		%	
<b>LIABILITIES</b>					
<b>I. Current liabilities:</b>	48,734	30.4	48,856	30.1	122
1. Trade accounts payable	39,326		40,828		1,502
2. Short-term bank loans	4,519		3,452		(1,067)
3. Other payables	1,535		966		(568)
4. Accrued expenses	1,322		1,031		(290)
5. Accrued income taxes	1,910		2,372		462
6. Advances received	30		32		1
7. Deposits received	88		172		84
8. Other current liabilities	1		0		(1)
<b>II. Long-term liabilities:</b>	2,350	1.4	2,449	1.5	99
1. Employees' retirement benefits	1,845		1,994		148
2. Directors' severance payments	438				(438)
3. Other long-term liabilities	66		455		389
<b>Total liabilities</b>	51,084	31.8	51,306	31.6	222

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

ITEM	As of March 31, 2006		As of March 31, 2007		Increase / (Decrease)
		%		%	
<b>SHAREHOLDERS' EQUITY</b>					
<b>I. Common stock</b>	17,690	11.0			(17,690)
<b>II. Additional paid-in capital:</b>	19,122	11.9			(19,122)
1. Capital reserve	19,114				(19,114)
2. Other additional paid-in capital	8				(8)
Earnings from disposal of treasury stock	8				(8)
<b>III. Retained earnings:</b>	70,244	43.8			(70,244)
1. Profit reserve	1,371				(1,371)
2. Voluntary reserve	60,300				(60,300)
Other reserve	60,300				(60,300)
3. Unappropriated retained earnings	8,572				(8,572)
<b>IV. Net unrealized gain on other marketable securities</b>	2,409	1.5			(2,409)
<b>V. Treasury stock</b>	(52)	(0.0)			52
<b>Total shareholders' equity</b>	109,414	68.2			(109,414)
<b>Total liabilities and shareholders' equity</b>	160,498	100.0			(160,498)
<b>NET ASSETS</b>					
<b>I. Shareholders' equity:</b>			109,321	67.3	109,321
1. Common stock			17,690	10.9	17,690
2. Additional paid-in capital			19,122	11.7	19,122
(1) Capital reserve			19,114		19,114
(2) Other additional paid-in capital			8		8
3. Retained earnings			72,565	44.7	72,565
(1) Profit reserve			1,371		1,371
(2) Other retained earnings			71,193		71,193
Other reserve			64,300		64,300
Retained earnings carried forward			6,893		6,893
4. Treasury stock			(57)	(0.0)	(57)
<b>II. Valuation and conversions:</b>			1,711	1.1	1,711
1. Net unrealized gain on other marketable securities			1,711	1.1	1,711
2. Gain (loss) of deferred hedges			(0)	(0.0)	(0)
<b>Total net assets</b>			111,032	68.4	111,032
<b>Total liabilities and net assets</b>			162,339	100.0	162,339

## 6 - (2) Non-Consolidated Statements of Income

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

ITEM	Fiscal 2005 (April 1, 2005 to March 31, 2006)		Fiscal 2006 (April 1, 2006 to March 31, 2007)		Increase / (Decrease)
		%		%	
<b>I. Net sales</b>	236,297	100.0	232,037	100.0	(4,260)
<b>II. Cost of sales</b>	215,928	91.4	210,786	90.8	(5,142)
Gross profit	20,369	8.6	21,251	9.2	882
<b>III. Selling, general and administrative expenses</b>	13,378	5.6	14,199	6.2	821
1. Packaging and freight expenses	558		567		8
2. Transfer to allowance for doubtful accounts			1,234		1,234
3. Directors' remuneration	280		469		188
4. Employees' salaries	2,709		2,627		(81)
5. Bonuses	1,289		1,065		(223)
6. Retirement benefit expenses	573		515		(57)
7. Provision of allowance for directors' severance payments	96				(96)
8. Employee benefits	659		647		(12)
9. Travel expenses	442		450		8
10. Rental expenses	818		702		(116)
11. Insurance premiums	110		93		(17)
12. Commission payments	969		988		18
13. Depreciation and amortization	701		745		44
14. Research and development expenses	1,137		993		(144)
15. Others	3,031		3,098		67
Operating income	6,990	3.0	7,052	3.0	61
<b>IV. Non-operating income:</b>	1,694	0.7	2,080	0.9	386
1. Interest income	4		9		5
2. Interest on marketable securities	52		67		15
3. Dividend income	711		887		176
4. Management consultation fee	572		682		109
5. Miscellaneous income	353		433		80
<b>V. Non-operating expenses:</b>	247	0.1	320	0.1	72
1. Interest expense	178		257		79
2. Miscellaneous expenses	68		62		(6)
Ordinary income	8,438	3.6	8,812	3.8	374

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

ITEM	Fiscal 2005 (April 1, 2005 to March 31, 2006)		Fiscal 2006 (April 1, 2006 to March 31, 2007)		Increase / (Decrease)
		%		%	
<b>VI. Extraordinary gains:</b>	59	0.0	1,207	0.5	1,148
1. Gain on sales of property, plant and equipment	20				(20)
2. Gain on reversal of allowance for doubtful accounts	3				(3)
3. Gain on sales of investment securities	35		1,192		1,157
4. Gain on refund of golf membership rights			15		15
<b>VII. Extraordinary losses</b>	123	0.1	958	0.4	834
1. Loss on sales and disposal of property, plant and equipment	27		59		32
2. Impairment loss	2				(2)
3. Lease cancellation loss	29				(29)
4. Loss on devaluation of investment securities	17				(17)
5. Provision of allowance for loss on investments	17		33		15
6. Loss on devaluation of golf membership rights	17		2		(15)
7. Loss on devaluation of resort membership rights	11				(11)
8. Limp-sum payment for withdrawal from welfare pension fund			863		863
Income before income taxes	8,373	3.5	9,061	3.9	688
Income taxes — current	3,711	1.4	4,143	1.8	432
Income taxes — deferred	(194)	(0.0)	(406)	(0.2)	(212)
Net income	4,856	2.1	5,324	2.3	468
Unappropriated retained earnings brought forward	4,811				
Interim dividends	1,094				
Unappropriated retained earnings for the period	8,572				

### 6 - (3) Non-Consolidated Appropriation Statement

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

ITEM	Fiscal 2005 (April 1, 2005 to March 31, 2006)
<b>I. Unappropriated retained earnings for the period</b>	8,572
<b>II. Appropriation of earnings</b>	
1. Cash dividends	1,458
2. Directors' bonuses	85
3. Other reserve	4,000
<b>III. Retained earnings carried forward</b>	3,028

## 6 - (4) Non-Consolidated Statements of Changes in Shareholders' Equity, Valuation and Conversions

Fiscal year ended March 31, 2007

(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
		Capital reserve	Other additional paid-in capital	Total additional paid-in capital	Profit reserve	Other retained earnings		Total retained earnings		
						Other reserve	Retained earnings carried forward			
Balance as of March 31, 2006	17,690	19,114	8	19,122	1,371	60,300	8,572	70,244	(52)	107,005
Increase (decrease) during the fiscal year ended March 31, 2007										
Appropriation of earnings as cash dividends							(1,458)	(1,458)		(1,458)
Distribution of surplus							(1,458)	(1,458)		(1,458)
Appropriation of earnings as directors' bonus							(85)	(85)		(85)
Appropriation of earnings as transfer to other reserve						4,000	(4,000)			
Net income							5,324	5,324		5,324
Acquisition of treasury stock									(5)	(5)
Disposal of treasury stock			0	0					0	0
Net changes in items excluding shareholders' equity during the period										
Total increase (decrease) during the fiscal year ended March 31, 2007			0	0		4,000	(1,678)	2,321	(5)	2,315
Balance as of March 31, 2007	17,690	19,114	8	19,122	1,371	64,300	6,893	72,565	(57)	109,321

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

	Valuation and conversions			Total net assets
	Net unrealized gain on other marketable securities	Gain (loss) on deferred hedges	Total valuation and conversions	
Balance as of March 31, 2006	2,409		2,409	109,414
Increase (decrease) during the fiscal year ended March 31, 2007				
Appropriation of earnings as cash dividends				(1,458)
Distribution of surplus				(1,458)
Appropriation of earnings as directors' bonus				(85)
Appropriation of earnings as transfer to other reserve				
Net income				5,324
Acquisition of treasury stock				(5)
Disposal of treasury stock				0
Net changes in items excluding shareholders' equity during the period	(697)	(0)	(697)	(697)
Total increase (decrease) during the fiscal year ended March 31, 2007	(697)	(0)	(697)	1,618
Balance as of March 31, 2007	1,711	(0)	1,711	111,032