

## General Financial and Business Performance up to Third Quarter (Consolidated)

Name of Listed Company : Sanshin Electronics Co., Ltd. (Code No. : 8150 First Section of Tokyo Stock Exchange)  
(URL: <http://www.sanshin.co.jp>)

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### 1. Matters Relating to Preparation of Quarterly Financial Information

- ① Adoption of a simple accounting method : Yes  
(Details) Accounting Criteria for Corporation Tax, etc.
- ② Change of the accounting method from the latest consolidated business year : No
- ③ Change of the scope of consolidation and application of the equity method : No

### 2. General Financial and Business Performance up to Third Quarter of March, 2006 Term (1<sup>st</sup> April, 2005 – 31<sup>st</sup> December, 2005)

#### (1) Progress Situation of Business Performance (Consolidated)

(Note: Any sum of less than one million is ignored.)

	Net Sales		Operating Profit		Ordinary Profit		Net Profit up to First Quarter	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Third Quarter, March, 2006 Term	153,814	9.7	3,197	37.4	3,342	39.6	1,936	42.6
Third Quarter, March, 2005 Term	140,210	12.5	2,327	27.3	2,393	22.1	1,357	29.1
(Reference) March, 2005 Term	190,541		3,719		3,747		2,045	

	Net Profit per Share up to Third Quarter	Net Profit per Share up to Third Quarter After Adjustment of Potential Shares
	¥	¥
First Quarter, March, 2006 Term	59.25	
First Quarter, March, 2005 Term	41.50	
(Reference) March, 2005 Term	61.70	

Note: The percentages of the net sales and operating profit, etc. indicate an increase or decrease against the corresponding figures up to the third quarter of the previous term.

The global economy up to the third quarter of the present term showed firm investment in equipment in the US despite signs of a downturn of housing investment and a decline of personal consumption and the continued strong growth of China which further strengthened its role as a production base for the world. Meanwhile, the Japanese economy maintained its recovery trend based on steady domestic demand and signs of export recovery even though there were risks, including stabilisation of the crude oil price at a high level.

The electronics industry in Japan saw strong signs of recovery led by such equipment for civilian use as digital household appliances and in-car electronics while the inventory adjustment of PCs and mobile phones, etc. made progress. Under these circumstances, the company consciously tried to strengthen its capacity to propose solutions, to continually increase sales of products purchased from new suppliers and to create new business models. As a result, the consolidated business performance up to the third quarter showed consolidated

net sales of ¥153,814 million (a 9.7% increase on the same period of the previous year), consolidated ordinary profit of ¥3,342 million (a 39.6% increase on the same period of the previous year) and consolidated net profit up to the third quarter of ¥1,936 million (a 42.6% increase on the same period of the previous year), recording an increase of both the net sales and profit.

The sales situation up to the third quarter by business showed that in the device business, sales of memories increased for PCs and mobile phones although sales of system LSIs for home gaming machines and LC display driver ICs for mobile phones and PC-related equipment fell as a reaction to their buoyant sales in the previous year. There was a favourable start for products purchased abroad, including CMOS sensors for mobile phones and modules for portable multi-terminals. In the solution business, even though the sales pattern showed the seasonal factor of concentrated sales towards the end of the business year, the business performance in the same period of the previous year was maintained based on the strong desire of clients to invest in networking equipment, reflecting the improvement of their own business performance.

## (2) Change of State of Consolidated Finance

	Gross Assets	Capital Stock	Ratio of Capital Stock	Capital Stock per Share
	¥ million	¥ million	%	¥
Third Quarter, March, 2006 Term	107,135	57,769	53.9	1,766.80
Third Quarter, March, 2006 Term	92,428	54,931	59.4	1,679.39
(Reference) March, 2005 Term	93,592	55,744	59.6	1,703.60

### [Consolidated Cash Flow Situation]

	Cash Flow Based on Business Activities	Cash Flow Based on Investment Activities	Cash Flow Based on Financing Activities	Term-End Balance of Cash and Cash Equivalent
	¥ million	¥ million	¥ million	¥ million
Third Quarter, March, 2006 Term	-6,868	-86	7,315	4,642
Third Quarter, March, 2006 Term	-8,253	-282	5,751	3,528
(Reference) March, 2005 Term	-4,001	-389	2,153	4,132

Compared to the amount at the end of the previous consolidated business year, the total assets at the end of the third quarter for the present business year showed an increase of ¥13,542 million to ¥107,135 million. This increase is mainly attributable to the ¥13,710 million increase of the notes receivable and the accounts receivable-trade.

The amount of cash and cash equivalent at the end of the third quarter on the consolidated base showed an increase of ¥509 million compared to the amount at the end of the previous consolidated business year because of the strong funding demand due to the increased accounts receivable-trade, etc. financed by income arising from the reduction of inventories, increased notes and accounts payable and short-term loans. The balance at the end of the third quarter stood at ¥4,642 million.

(Cash Flow Based on Business Activities)

The cash flow based on business activities in the third quarter showed excess expenditure of ¥6,868 million as the increase of notes and accounts receivable due to increased net sales could not be absorbed by the reduction of inventories and the increase of notes and accounts payable, etc. Compared to the third quarter of the previous year, however, this figure showed a decrease of excess expenditure by ¥1,384 million.

(Cash Flow Based on Investment Activities)

The cash flow based on investment in the third quarter showed excess expenditure of ¥86 million mainly due to expenditure caused by IT-related investment. Part of such expenditure was offset by the sale of investment securities.

(Cash Flow Based on Financing Activities)

The cash flow based on financing activities in the third quarter showed excess income of ¥7,315 million, an increase of ¥1,563 million compared to the third quarter of the previous year, due to short-term loans to finance the strong demand for working capital.

**[Reference]**

**3. Forecast for Consolidated Business Performance for March, 2006 Term  
(1<sup>st</sup> April, 2005 – 31<sup>st</sup> March, 2006)**

	Net Sales	Ordinary Profit	Net Profit for the Term
	¥ million	¥ million	¥ million
Whole Term	202,000	4,100	2,400

(Reference) Forecast for net profit per share for the term (whole term): ¥73.40

In regard to the forecast for the consolidated business performance for the whole term, although there is concern in regard to the negative impacts of the sense of resting time in electronics production after the end-of-the-year sales drive and of foreign exchange fluctuation, the realisation of the forecast figures stated in the Quick Report on Interim Closing for March, 2006 Term (announced on 16<sup>th</sup> November, 2005) is being sought at present.

\* The above forecast is a forecast for the future based on data available at present and contains potential risks and uncertain factors. The actual performance may considerably differ from the forecast due to various factors.

## 1. Summarised Consolidated Balance Sheet for Third Quarter

(Unit: ¥ million)

Item	Term	Current Third Quarter (as of 31 <sup>st</sup> Dec., 2005)		Previous Consolidated Business Year (as of 31 <sup>st</sup> Mar., 2005)		Increase/ Decrease Amount	Third Quarter of Previous Year (as of 31 <sup>st</sup> Dec., 2004)	
		Amount	%	Amount	%		Amount	%
<b>(Assets)</b>								
I. Current Assets		97,415	90.9	84,198	90.0	13,216	83,054	89.9
- Cash and Deposits		4,642		4,132		509	3,528	
- Notes Receivable and Accounts Receivable-Trade		76,202		62,492		13,710	61,972	
- Inventories		15,453		16,056		-602	16,017	
- Others		1,118		1,518		-400	1,536	
II. Fixed Assets		9,720	9.1	9,394	10.0	325	9,373	10.1
- Tangible Fixed Assets		5,315		5,475		-159	5,497	
- Others		4,404		3,918		485	3,876	
<b>Total Assets</b>		<b>107,135</b>	<b>100.0</b>	<b>93,592</b>	<b>100.0</b>	<b>13,542</b>	<b>92,428</b>	<b>100.0</b>
<b>(Liabilities)</b>								
I. Current Liabilities		48,621	45.4	34,741	37.1	13,880	34,394	37.2
- Notes Payable and Accounts Payable-Trade		25,965		23,015		2,950	19,609	
- Short-Term Loans Payable		17,216		9,034		8,181	12,573	
- Long-Term Loans Due for Repayment Within One Year		2,500				2,500		
- Others		2,938		2,690		248	2,212	
II. Fixed Liabilities		744	0.7	3,107	3.3	-2,362	3,102	3.4
- Long-Term Loans Payable				2,500		-2,500	2,500	
- Others		744		607		137	602	
<b>Total Liabilities</b>		<b>49,366</b>	<b>46.1</b>	<b>37,848</b>	<b>40.4</b>	<b>11,518</b>	<b>37,496</b>	<b>40.6</b>
<b>(Shareholders' Equity)</b>								
I. Common Stock		14,811	13.8	14,811	15.8		14,811	16.0
II. Capital Surplus		15,329	14.3	15,329	16.4		15,329	16.6
III. Retained Earnings		26,756	25.0	25,948	27.7	808	25,260	27.3
IV. Unrealised Gains on Available-for-Sale Securities		1,105	1.0	778	0.9	327	780	0.9
V. Foreign Exchange Conversion Adjustments		-232	-0.2	-683	-0.7	450	-813	-0.9
VI. Treasury Stock		-1	-0.0	-439	-0.5	438	-436	-0.5
<b>Shareholders' Equity Total</b>		<b>57,769</b>	<b>53.9</b>	<b>55,744</b>	<b>59.6</b>	<b>2,024</b>	<b>54,931</b>	<b>59.4</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>107,135</b>	<b>100.0</b>	<b>93,592</b>	<b>100.0</b>	<b>13,542</b>	<b>92,428</b>	<b>100.0</b>

## 2. Summarised Consolidated Profit and Loss Statement for Third Quarter

(Unit: ¥ million)

Item	Term	Current Third Quarter From 1 <sup>st</sup> May, 2005 to 31 <sup>st</sup> Dec., 2005		Third Quarter of Previous Year From 1 <sup>st</sup> Apr., 2004 to 31 <sup>st</sup> Dec., 2004		Increase/Decrease		Previous Consolidated Business Year From 1 <sup>st</sup> Apr., 2004 to 31 <sup>st</sup> Mar., 2005	
		Amount	%	Amount	%	Amount	%	Amount	%
I. Net Sales		153,814	100.0	140,210	100.0	13,604	9.7	190,541	100.0
II. Cost of Sales		142,724	92.8	130,354	93.0	12,369	9.5	176,641	92.7
- Gross Profit on Sales		11,090	7.2	9,855	7.0	1,234	12.5	13,900	7.3
III. Marketing and General Administrative Expenses		7,892	5.1	7,528	5.4	363	4.8	10,180	5.3
- Operating Profit		3,197	2.1	2,327	1.6	870	37.4	3,719	2.0
IV. Non-Operating Income		271	0.2	138	0.1	133	96.4	152	0.1
V. Non-Operating Expenses		126	0.1	71	0.0	54	76.3	123	0.1
- Ordinary Profit		3,342	2.2	2,393	1.7	949	39.6	3,747	2.0
VI. Extraordinary Profit		119	0.1	14	0.0	105	738.7	16	0.0
VII. Extraordinary Losses		92	0.1	14	0.0	77	515.2	20	0.0
- Net Profit up to Third Quarter Before Tax and Other Adjustments		3,370	2.2	2,393	1.7	977	40.8	3,742	2.0
- Taxes		1,433	0.9	1,035	0.7	398	38.4	1,697	0.9
- Net Profit up to Third Quarter		1,936	1.3	1,357	1.0	578	42.6	2,045	1.1

### 3. Summarised Consolidated Cash Flow Statement for Third Quarter

(Unit: ¥ million)

Term	Current Third Quarter From 1 <sup>st</sup> Apr., 2005 to 31 <sup>st</sup> Dec., 2005	Third Quarter of Previous Year From 1 <sup>st</sup> Apr., 2004 to 31 <sup>st</sup> Dec., 2004	Increase/Decrease	Previous Consolidated Business Year From 1 <sup>st</sup> Apr., 2004 to 31 <sup>st</sup> Mar., 2005
Item	Amount	Amount	Amount	Amount
<b>I. Operating Activities</b>				
- Net Profit up to Third Quarter Before Taxes and Other Adjustments	3,370	2,393	977	3,742
- Decrease (Increase) of Notes and Accounts Receivable	-12,826	-3,149	-9,677	-3,450
- Decrease of Inventories (- Increase)	1,024	-3,275	4,300	-3,267
- Increase of Notes and Accounts Payable (- decrease)	2,140	-2,713	4,854	468
- Corporate and Other Taxes Paid	-1,661	-1,539	-121	-1,636
- Others	1,084	32	1,051	141
Net Cash flow of Operating Activities	-6,868	-8,253	1,384	-4,001
<b>II. Investment Activities</b>				
- Expenditure for Purchase of Investment Securities	-9	-232	222	-257
- Proceeds from Sale of Investment Securities	128	26	101	38
- Others	-205	-75	-129	-170
Net Cash Flow of Investment Activities	-86	-282	195	-389
<b>III. Financing Activities</b>				
- Proceeds from Long-Term Loans		2,500	-2,500	2,500
- Expenditure for Repayment of Long-Term Loans		-7,500	7,500	-7,500
- Proceeds from Short-Term Loans	18,216	14,573	3,643	15,534
- Expenditure for Repayment of Short-Term Loans	-10,272	-3,390	-6,881	-7,915
- Others	-628	-430	-198	-465
Net Cash of Financing Activities	7,315	5,751	1,563	2,153
<b>IV. Foreign Currency Conversion Adjustments for Cash and Cash Equivalents</b>	149	-21	171	36
<b>V. Net Increase of Cash and Cash Equivalents (- Decrease)</b>	509	-2,804	3,314	-2,200
<b>VI. Balance of Cash and Cash Equivalents at Beginning of Third Quarter</b>	4,132	6,333	-2,200	6,333
<b>VII. Balance of Cash and Cash Equivalents at End of Third Quarter</b>	4,642	3,528	1,113	4,132

(This notice has been translated from the original notice in Japanese. In the event of any discrepancy, the original in Japanese shall prevail.)