

**Quick Report on Closing (Consolidated)**

Name of Listed Company : Sanshin Electronics Co., Ltd. Stock Exchange Where Listed : Tokyo  
 Code No. : 8150 Prefecture Where Head Office : Tokyo is Located  
 (URL: <http://www.sanshin.co.jp>) TEL : 03-3453-5111

Representative : Mitsumasa Matsunaga (President)  
 Enquiries to : Hitoshi Suzuki (Associate Senior Vice-President)  
 Date of Meeting of Board of Directors on Closing Accounts : 17th May, 2006  
 Application of US Accounting Standards : No

## 1. Consolidated Business Performance for March, 2006 Term (from 1st April, 2005 to 31st March, 2006)

## (1) Consolidated Business Performance (Note: Amounts of less than one million yen are omitted for the figures given.)

	Sales		Operating Profit		Ordinary Profit	
	¥ million	%	¥ million	%	¥ million	%
March, 2006 Term	209,437	9.9	4,446	19.6	4,656	24.3
March, 2005 Term	190,541	11.5	3,719	47.3	3,747	37.6

	Net Profit for Term		Net Profit per Share for Term	Net Profit per Share for Term After Adjustment of Potential Shares	Ratio of Net Profit for Term to Total Capital	Ratio of Ordinary Profit to Total Capital	Ratio of Ordinary Profit to Sales
	¥ million	%					
March, 2006 Term	2,720	33.0	¥ 82.35	-	4.8	4.7	2.2
March, 2005 Term	2,045	33.7	¥ 61.70	-	3.7	4.1	2.0

## Notes:

- ① Investment profit and loss based on the equity method: March, 2006 Term: ¥--- million, March, 2005 Term: ¥--- million
- ② Average number of issued shares during the term (consolidated): March, 2006 Term: 32,675,808 shares, March, 2005 Term: 32,711,740 shares
- ③ Change of accounting method : No
- ④ The percentages for the sales, operating profit, ordinary profit and net profit (for the current term) indicate an increase or decrease against the corresponding figures of the previous year

## (2) State of Consolidated Finance

	Gross Assets	Capital Stock	Ratio of Capital Stock	Capital Stock per Share
	¥ million	¥ million	%	¥
March, 2006 Term	105,870	58,738	55.5	1,795.71
March, 2005 Term	93,592	55,744	59.6	1,703.60

Note: Number of issued shares at the term end (consolidated): March, 2006 Term: 32,693,503 shares, March, 2005 Term: 32,705,959 shares

## (3) Consolidated Cash Flow Situation

	Cash Flow Based on Business Activities	Cash Flow Based on Investment Activities	Cash Flow Based on Financial Activities	Term-End Balance of Cash and Cash Equivalent
	¥ million	¥ million	¥ million	¥ million
March, 2006 Term	-815	-1	1,260	4,722
March, 2005 Term	-4,001	-389	2,153	4,132

## (4) Matters Relating to Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries : 7  
 Number of non-consolidated subsidiaries to which the equity method is applied : 0  
 Number of associated companies to which the equity method is applied : 0

## (5) Changes of Scope of Consolidation and Application of Equity Method

Consolidation : (newly added) 1, (excluded) 0  
 Application of the equity method : (newly added) 0, (excluded) 0

## 2. Forecast for Consolidated Business Performance for March, 2007 Term (from 1st April, 2006 to 31st March, 2007)

	Sales	Ordinary Profit	Net Profit for Current Term
	¥ million	¥ million	¥ million
Interim Term	115,500	2,250	1,150
Whole Term	230,000	4,850	2,850

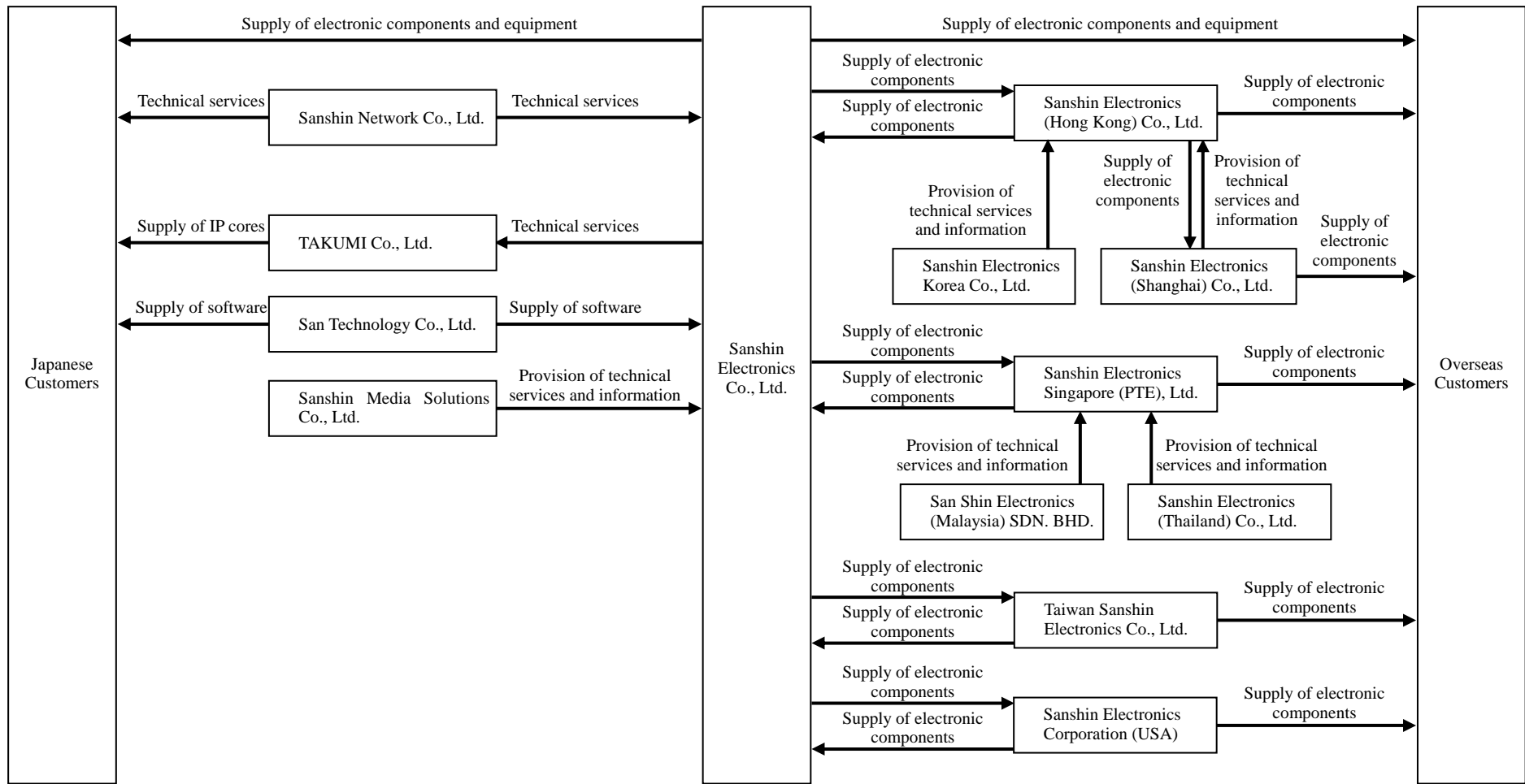
(Reference) Forecast for the net profit per share for the term (whole term): ¥86.26

\* 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) Situation of the Group

The Sanshin Group of companies consists of Sanshin Electronics Co., Ltd. (the Company) and its 12 subsidiaries. The main businesses and intra-group status of these companies are shown below. The Company operates a trading house specializing in electronic components and equipment and sells electronic components, communication equipment and electronic equipment to government offices and manufacturers of electronic equipment, etc. In addition, seven overseas subsidiaries, including Sanshin Electronics (Hong Kong) Co., Ltd., are engaged in marketing and procurement activities to expand their business operation at key overseas bases in their respective areas. Meanwhile, Sanshin Network Service Co., Ltd. provides technical services for the operation and maintenance of information and communication systems, TAKUMI Co., Ltd. develops and provides technical services regarding IP cores to be incorporated in electronic components, San Technology Co., Ltd. develops software to be incorporated in electronic components and Sanshin Media Solutions Co., Ltd. provides technical services and information relating to image editing systems. Sanshin Electronics Korea Co., Ltd. was newly founded during the current consolidated business year and is now included in the consolidated business performance.

The linkage of the business operations of the group companies is shown below.



: Consolidated subsidiary  
 : Non-consolidated subsidiary to which the equity method is not applied

## (2) Basic Policies

### 1) Basic Business Policies

Since its foundation, the Company has consistently followed its corporate philosophy of “Trustability, Faith and Honesty” and has upheld the basic policy of creating “Sanshin Electronics Justifying the Value of Its Existence with Trustability and Genuine Solutions”. While harsh competition due to the advancement of technological innovation is continuing in the electronics and information communication/networking industries, the Company is determined to strive to enhance its corporate value by realising management practices for growth through the active use of the distributor function (distribution of merchandise) and the further differentiation of the Company from others based on such added value as technological and service strength and its unique IP core business to the satisfaction of clients.

### 2) Basic Policy for Profit Distribution

The basic policy of the Company regarding the distribution of profit is to determine an appropriate dividend level, taking the improve return of profit to shareholders and consolidation of the internal reserves into consideration. Under this policy, the Company aims at ensuring the continuation and increase of the dividend for shareholders in a stable manner targeting the achievement of a pay-out ratio of 30% or higher to the consolidated net profit for the term.

### 3) Basic Concept and Policy Regarding Lowering of the Unit Investment Amount

The Company is fully aware of the importance of developing a business environment in which investors find investment in the Company reassuring and enlarging the investor base. However, a prudent approach is required to lower the unit investment amount and this matter will be decided in consideration of future changes of the share price and other relevant matters.

### 4) Target Business Indicator

The Company upholds the ROE (rate of earnings on shareholders' equity for the current term) as an important business indicator and will endeavour to improve the earning capacity while ensuring an ROE of 50% or higher.

## 5) Medium to Long-Term Business Strategy

Through the steady growth of both the electric device and solution businesses, the Company will make conscious efforts to enhance its corporate value and to satisfy all stakeholders.

The demands in the device market have been spreading to all types of electrical equipment as a result of technological innovation and expansion of the application fields in the age of progressive globalisation. Under these circumstances, the Company will strengthen its technical support capability and carefully planned marketing activities based on a total review of the purchasing potential of clients and the development of a matrix marketing system featuring clients and products. The Company is also determined to secure higher growth potential by means of developing new supply sources as well as merchandise to consolidate the business line-up and expanding the business fields from those dealing with semiconductors and electronic parts as individual units to those dealing with modules, half-finished products and completed products.

Meanwhile, in the solution business field, the Company will seek to expand this business field as the core business field, principally featuring the networking system business and the image editing system business. The networking system business will strive to increase earnings by means of providing total solutions against the background of increasing awareness of the importance of the Japanese version SOX and security and also an increasing need for business reform and improved efficiency. In the image editing system business, the priorities of the Company are the discovery of new competitive products and expansion of the business field newly targeting the consumer market in addition to such conventional clients as educational institutions and enterprises. Moreover, the Company will seek to (i) strengthen its capacity to deal with business needs to integrate the networking system business and the image editing system business in view of the relentless advance of broadband services and (ii) expand IT services using subsidiaries specialising in the relevant technologies.

## 6) Matters to be Dealt With

The business environment for the Company is expected to support gentle but continuous growth even though there are some worrying factors and the Company is shifting its business priority to enhancing the value of its existence as a trader to satisfy shareholders, committing itself to reinforcing its business strength and further

improving its business base. To be more precise, the implementation of the following measures will be sought.

- ① Expansion and strengthening of the earning capacity of the semiconductor and electronic parts businesses
- ② Continued expansion of new businesses
- ③ Strengthening of overseas business operations
- ④ Stronger commitment to realising the superior competitiveness of the solution business
- ⑤ Stronger collaboration with suppliers
- ⑥ Reinforcement of the business strength of the group
- ⑦ Increased commitment to social responsibilities

### (3) Business Results and State of Finance

#### 1) Business Results

##### ① General Business Situation During Current Term

The Japanese economy for the current term maintained its trend of steady recovery due to steady personal consumption and equipment investment by domestic enterprises. Meanwhile, the US economy was also steady as personal consumption backed by increased income and employment despite the deceleration of investment in housing. The Chinese economy hardly suffered from revaluation of the RMB and maintained its high growth. However, the global economy is now facing such emerging problems as a rapid rise of the crude oil price and a trade imbalance between China and industrialised countries.

The domestic electronics sector experienced a fall of the total production value on the calendar year base but the general outlook is rather bright because the production value of digital household electrical appliances and other civil electronic equipment exceeded the previous year's performance and also because the inventory adjustment of PCs and mobile phones made good progress.

Under these circumstances, the Company strengthened its capability to propose solutions and actively sought to expand new businesses by means of seeking out new suppliers and creating a new business model. The consolidated business

performance for the current term showed sales of ¥209,437 million (an 9.9% increase on the previous year), ordinary profit of ¥4,656 million (a 24.3% increase on the previous year) and net profit of ¥2,720 million (a 33.0% increase on the previous year).

## ② Outline of Business Performance by Segment in Each Business Field

### a) Device Business

Consolidated sales of the device business for the current term were ¥194,546 million (a 9.6% increase on the previous year). By segment, sales of memories for mobile phones and PCs increased and sales of such products sourced overseas as CMOS sensor for mobile phones, modules for portable multi-terminals and circuit boards for plasma TVs also increased. Although sales of some products, such as system LSIs for digital household electrical appliances and mobile phones and system LSIs as well as memories for home gaming machines, decreased, overall sales increased compared to the previous year.

Owing to increased sales, the consolidated operating profit for the device business was ¥4,911 million (an 11.3% increase on the previous year). The consolidated orders received amounted to ¥200,522 million and the consolidated balance of outstanding orders at the term end stood at ¥30,791 million.

### b) Solution Business

Consolidated sales of the solution business for the current term recorded ¥14,899 million (a 14.3% increase on the previous year). By segment, sales of the networking system-related business increased due to a lively demand for the renewal of equipment, especially PCs. In the image editing system-related business field, sales of system equipment for video networks and DVD editing software for consumers increased. As a result, the consolidated operating profit of the solution business was ¥795 million (a 58.0% increase on the previous year), boosted by increased sales and the consolidation of such non-hard businesses as network monitoring and integrated maintenance services.

The consolidated orders received amounted to ¥15,891 million and the consolidated balance of outstanding orders at the term end stood at ¥3,765 million.

### ③ Business Prospect for Next Term

The US economy is expected to be firm, supported by personal consumption and equipment investment, while China is expected to continue its high growth. In Japan, even though there are some issues to be addressed, such as financial policies and the rebuilding of government finance, gentle but steady growth is expected to take place. The electronics sector should be able to grow in a steady manner because the demand is expected to increase because of the World Cup, the introduction of the mobile phone number portability system and the introduction of the next generation DVD and gaming machines in the market.

Under these circumstances, the overall strength of the Sanshin Group will be exploited through the further promotion of design-in based on strengthening of the capability to propose solutions, expansion of newly sourced products to meet the needs of clients and collaboration with subsidiaries. The target figures are ¥230,000 million for sales (a 7.8% increase on the previous year), ¥4,850 million for the ordinary profit (a 4.1% increase on the previous year) and ¥2,850 million for the net profit (a 4.7% increase on the previous year) as the overall business performance continues to be steady despite an expected fall of sales for memories in the second half.

Based on the non-consolidated business prospect of the Company, an annual dividend of ¥27 per share is planned, consisting of an expected ¥16/share at the term end and a ¥11/share for the interim term.

The business prospect for the whole term is outlined below.

#### (Prospect for Consolidated Business Results)

Sales	: ¥203.0 billion (9.8% increase on the previous year)
Ordinary profit	: ¥4.85 billion (4.1% increase on the previous year)
Net profit for the current term	: ¥2.85 billion (4.7% increase on the previous year)

#### (Prospect for Non-Consolidated Business Results)

Sales	: ¥172.8 billion (12.8% increase on the previous year)
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Ordinary profit : ¥4.25 billion  
(11.8% increase on the previous year)  
Net profit for the current term : ¥2.45 billion  
(28.9% increase on the previous year)

\* The above prospects for the consolidated and non-consolidated business results are forecasts for the future based on currently available data and contain potential risks and uncertain factors. The actual performance may considerably differ from the forecast due to various factors. The important factors significantly affecting the actual business performance include the economic conditions in Japan, North America and Asia, etc., production trends and product development of clients, supply situation and product development of suppliers, price decline due to intensified competition and consumption trends of digital AV equipment and PC-related equipment. There are many other factors which may also affect the business performance.

## 2) Financial Situation

### ① Cash Flow Situation for Current Term

The consolidated cash and cash equivalents (hereinafter referred to as “funds”) during the current term rose by ¥589 million compared to the end of the previous year as the demand for funds originating from increased accounts receivable was met by the reduction of inventories, increase of accounts payable and proceeds from short-term bank loans. The consolidated balance at the term end was ¥4,722 million (a 14.3% decrease on the previous year).

#### (Cash Flow from Operating Activities)

The cash flow from operating activities for the current term recorded an expenditure excess of ¥815 million as the increased accounts receivable due to increased sales could not be absorbed by the reduction of inventories and the increase of accounts payable, etc. However, this figure showed a drop of some ¥3,186 million (79.6%) compared to the previous consolidated financial year.

#### (Cash Flow from Investment Activities)

The cash flow from investment activities for the current term recorded an expenditure excess of ¥1 million, a decrease of ¥387 million (a 99.7%

decrease) on the previous term due to IT-related investment but part of this excess was offset by the sale of investment securities, etc.

(Cash Flow from Financing Activities)

The cash flow from financing activities recorded an income excess of ¥1,260 million (a 41.5% decrease on the previous year) due to the borrowing of short-term loans to meet the demand for working capital.

② Prospect of Cash Flow for Whole Term

The consolidated balance of cash and cash equivalents at the end of the next term is expected to be approximately ¥4,200 million, a decrease of some ¥500 million compared to the balance at the end of the current term although the increased expenditure due to increased sales receivable, etc. reflecting the increased sales is compensated for by the reduction of the pre-adjustment net profit for the term, reduction of inventories and increase of accounts payable, etc. The balance of interest-bearing debts is expected to be some ¥13,500 million which is the same level as at the end of the current consolidated financial year.

The trends of the cash flow indicators are shown below.

	51st Term (March, 2002 Term)	52nd Term (March, 2003 Term)	53rd Term (March, 2004 Term)	54th Term (March, 2005 Term)	55th Term (March, 2006 Term)
Ratio of Shareholders' Equity (%)	51.5	62.6	61.1	59.6	55.5
Ratio of Shareholders' Equity on Current Price Base (%)	16.6	16.3	29.5	32.1	44.0
Debt Redemption Period (year)	-	0.7	1.6	-	-
Interest Coverage Ratio (%)	-	54.6	79.7	-	-

Notes

Ratio of Shareholders' Equity	: Shareholders' Equity ÷ Gross Assets
Ratio of Shareholders' Equity on Current Price Base	: Total Current Value of Shares ÷ Gross Assets
Debt Redemption Period	: Interest-Bearing Debts ÷ Operating Cash Flow
Interest Coverage Ratio	: Operating Cash Flow ÷ Interest Payment

\* Each indicator is calculated using the consolidated financial figures.

\* The total current value of shares is calculated as the ending share price at the term end multiplied by the number of shares issued at the term end (after the deduction of treasury stock).

\* For the operating cash flow, the cash flow from operating activities shown in the consolidated statement of cash flows is used. The interest-bearing debts feature all debts bearing interest among the debts listed in the consolidated balance sheet. For the amount of interest paid, the paid interest listed in the consolidated statement of cash flows is used.

\* The figures for the debt redemption period and the interest coverage ratio are not entered when the operating cash flow is in the negative region.

## (4) Consolidated Financial Statements for Current Term

## Consolidated Balance Sheet

(Unit: ¥ million)

Item	Term	Current Consolidated Term (as of 31st March, 2006)		Previous Consolidated Accounting Year (as of 31st March, 2005)		Increase/ Decrease Amount
		Amount	%	Amount	%	
(Assets)						
I. Current Assets		95,828	90.5%	84,198	90.0	11,629
- Cash and Cash Equivalents		4,722		4,132		589
- Notes Receivable and Accounts Receivable-Trade		74,158		62,492		11,666
- Securities		-		40		-40
- Inventories		15,753		16,056		-302
- Accrued Income		578		505		72
- Differed Tax Assets		454		456		-2
- Others		290		667		-377
- Allowance or Doubtful Receivables		-128		-152		23
II. Fixed Assets		10,042	9.5	9,394	10.0	647
Property and Equipment		5,275	5.0	5,475	5.8	-199
- Buildings and Structures		2,795		2,922		-126
- Land		2,240		2,317		-77
- Others		239		235		3
Intangible Fixed Assets		402		356		46
Investment and Other Assets		4,363	0.4	3,562	0.4	801
- Investment in Securities		3,855	4.1	3,131	3.8	724
- Prepaid Pension Expenses		58		48		9
- Others		554		455		98
- Allowance for Doubtful Receivables		-104		-73		-31
Total Assets		105,870	100.0	93,592	100.0	12,277

(Unit: ¥ million)

Item	Term	Current Consolidated Term (as of 31st March, 2006)		Previous Consolidated Accounting Year (as of 31st March, 2005)		Increase/ Decrease
		Amount	%	Amount	%	
<b>(Liabilities)</b>						
I. Current Liabilities		46,347	43.8	34,741	37.1	11,606
- Notes Payable and Accounts Payable-Trade		29,299		23,015		6,283
- Short-Term Loans Payable		11,193		9,034		2,159
- Long-Term Loans Due to Repayment within One Year		2,500		-		2,500
- Accrued Corporate Tax, etc.		1,412		949		462
- Allowance for Bonuses		670		620		50
- Others		1,271		1,121		150
II. Fixed Liabilities		785	0.7	3,107	3.3	-2,321
- Long-Term Loans Payable		-		2,500		-2,500
- Retirement Allowance for Directors and Corporate Auditors		208		243		-34
- Deposits Received		17		15		2
- Deferred Tax Liabilities		536		348		188
- Others		21		0		21
<b>Total Liabilities</b>		<b>47,132</b>	<b>44.5</b>	<b>37,848</b>	<b>40.4</b>	<b>9,284</b>
<b>(Shareholders' Equity)</b>						
I. Common Stock		14,811	14.0	14,811	15.8	-
II. Capital Surplus		15,329	14.5	15,329	16.4	-
III. Retained Earnings		27,540	26.0	25,948	27.7	1,592
IV. Unrealised Gains on Available-for-Sale Securities		1,325	1.3	778	0.9	547
V. Foreign Exchange Conversion Adjustments		-263	-0.3	-683	-0.7	420
VI. Treasury Stock		-6	-0.0	-439	-0.5	432
<b>Shareholders' Equity Total</b>		<b>58,738</b>	<b>55.5</b>	<b>55,744</b>	<b>59.6</b>	<b>2,993</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>105,870</b>	<b>100.0</b>	<b>93,592</b>	<b>100.0</b>	<b>12,277</b>

## Consolidated Profit and Loss Statement

(Unit: ¥ million)

Item	Term	Current Consolidated Term (from 1st Apr., 2005 to 31st Mar., 2006)		Previous Consolidated Term (from 1st Apr., 2004 to 31st March, 2005)		Increase/ Decrease	
		Amount	%	Amount	%	Amount	%
I. Sales		209,437	100.0	190,541	100.0	18,896	9.9
II. Cost of Sales		194,350	92.8	176,641	92.7	17,708	10.0
Gross Profit on Sales		15,087	7.2	13,900	7.3	1,187	8.5
III. Selling, General and Administrative Expenses		10,640	5.1	10,180	5.3	459	4.5
Operating Income		4,446	2.1	3,719	2.0	727	19.6
IV. Non-Operating Income		371	0.2	152	0.1	218	143.6
- Interest Received		53		22		30	
- Dividend Received		31		19		12	
- Profit from Sale of Securities		56		-		56	
- Purchase Discounts		12		14		-1	
- Profit from Foreign Exchange Transactions		107		27		79	
- Others		109		67		41	
V. Non-Operating Expenses		161	0.1	123	0.1	37	29.9
- Interest Paid		86		73		12	
- Others		74		50		24	
Ordinary Income		4,656	2.2	3,747	2.0	909	24.3
VI. Extraordinary Profits		110	0.1	16	0.0	94	578.3
- Gain on Sale of Fixed Assets		0		1		-1	
- Gain on Sale of Investment Securities		84		14		70	
- Refund of Allowance for Doubtful Debts		26		-		26	
VII. Extraordinary Losses		137	0.1	20	0.0	116	559.0
- Loss on Sale of Fixed Assets		49		0		49	
- Loss on Disposition of Fixed Assets		12		8		3	
- Loss on Valuation of Investment Securities		36		-		36	
- Transfer to Allowance for Doubtful Debts		40		-		40	
- Loss on Valuation of Membership Rights		-		10		-10	
- Loss Due to Non-Refunding of Invested Capital		-		1		-1	
- Net Profit for Current Term (Current Term Before Tax and Adjustments)		4,629	2.2	3,742	2.0	887	23.7
- Taxes		2,101	1.0	1,599	0.8	502	31.4
- Adjustment for Corporate Tax, etc.		-192	-0.1	98	0.1	-291	-295.6
Net Profit for Interim Term (Current Term)		2,720	1.3	2,045	1.1	675	33.0

## Consolidated Surplus Statement

(Unit: million)

Term Item	Current Consolidated Term From 1st Apr., 2005 to 31st March, 2006	Previous Consolidated Term From 1st Apr., 2004 to 31st March, 2005
<b>(Capital Surplus)</b>		
I. Balance of Capital Surplus at Beginning of the Term	15,329	15,329
II. Balance of Capital Surplus at End of Current Term	15,329	15,329
<b>(Earned Surplus)</b>		
I. Balance of Earned Surplus at Beginning of the Term	25,948	24,384
II. Increase of Earned Surplus	2,720	2,045
- Net Profit for Current Term	2,720	2,045
III. Decrease of Earned Surplus	1,128	481
- Dividend	654	457
- Bonuses for Directors and Corporate Auditors	27	24
- Retirement of Treasury Stock	447	-
IV. Balance of Earned Surplus at End of Current Term	27,540	25,948

## Consolidated Cash Flow Statement

(Unit: ¥ million)

Item	Term	Current Consolidated Term From 1st Apr., 2005 to 31st March, 2006	Previous Consolidated Term From 1st Apr., 2004 to 31st March, 2005	Increase/ Decrease
		Amount	Amount	Amount
<b>I. Operating Activities</b>				
- Net Profit for Current Term Before Taxes		4,629	3,742	887
- Depreciation and Amortisation		352	322	29
- Decrease of Liability for Retirement Benefits		-	-79	79
- Increase of Prepaid Pension Expenses		-9	-48	38
- Increase of (Δ Decrease) Retirement Allowance for Directors and Corporate Auditors		-34	8	-42
- Increase of Allowance for Doubtful Receivables		4	50	-45
- Interest and Dividends Receivable		-85	-42	-42
- Interest Payable		86	73	12
- Profit on Sale of Investment Securities		-84	-14	-70
- Loss on Sale of Fixed Assets		49	-	49
- Loss on Valuation of Investment Securities		36	-	36
- Increase of Notes and Accounts Receivable		-10,811	-3,450	-7,360
- Decrease (Δ Increase) of Inventories		701	-3,267	3,968
- Increase of Notes and Accounts Payable		5,506	468	5,037
- Increase of Consumption and Other Taxes Payable (Δ Decrease)		189	-40	229
- Decrease of Consumption and Other Taxes Payable (Δ Increase)		420	-421	841
- Payment of Bonuses for Directors and Corporate Auditor		-27	-24	-3
- Increase (Δ Decrease) of Other Assets and Liabilities		-102	372	-475
- Other Non-Fund Transactions		18	15	2
Sub-Total		839	-2,334	3,174
- Interest and Dividend Received		85	42	43
- Interest Paid		-85	-72	-12
- Corporate and Other Taxes Paid		-1,655	-1,636	-19
(Cash Flow of Operating Activities)		-815	-4,001	3,186
<b>II. Investment Activities</b>				
- Purchase of Property and Equipment		-84	-95	10
- Proceeds from Sale of Property and Equipment		29	2	27
- Purchase of Software		-160	-124	-36
- Purchase of Investment Securities		-9	-257	247
- Proceeds from Sale of Investment Securities		184	38	146
- Others		39	47	-7
(Cash Flow of Investment Activities)		-1	-389	387
<b>III. Financing Activities</b>				
- Proceeds from Long-Term Debt		-	2,500	-2,500
- Repayment of Long-Term Debt		-	-7,500	7,500
- Proceeds from Short-Term Bank Loans		19,893	15,534	4,359
- Repayment of Short-Term Bank Loans		-17,967	-7,915	-10,051
- Net Expenditure for Repurchase/Sale of Treasury Stock		-14	-8	-5
- Dividend Paid		-651	-457	-194
(Cash Flow of Financing Activities)		1,260	2,153	-892
<b>IV. Foreign Currency Conversion Adjustments for Cash and Cash Equivalents</b>				
		145	36	109
<b>V. Net Increase of Cash and Cash Equivalents (Δ Decrease)</b>				
		589	-2,200	2,790
<b>VI. Balance of Cash and Cash Equivalents, Beginning of the Term</b>				
		4,132	6,333	-2,200
<b>VII. Balance of Cash and Cash Equivalents, End of Current Term</b>				
		4,722	4,132	589

## Important Basic Matters for Preparation of Consolidated Finance Statements

### 1. Scope of Consolidation

The following six subsidiaries are included for consolidated accounting purposes.

Sanshin Electronics (Hong Kong) Co., Ltd.

Sanshin Electronics Singapore (PTE), Ltd.

Taiwan Sanshin Electronics Co., Ltd.

Sanshin Electronics Corporation

Sanshin Electronics Korea Co., Ltd.

Sanshin Network Service Co., Ltd.

TAKUMI Co., Ltd.

Sanshin Electronics Korea Co., Ltd. was newly founded during the current consolidated accounting year.

Other subsidiaries, namely San Technology Co., Ltd., Sanshin Media Solutions Co., Ltd., Sanshin Electronics (Shanghai) Co., Ltd., Sanshin Electronics (Malaysia) SDN, BHD and Sanshin Electronics (Thailand) Co., Ltd. are omitted from the scope of consolidated accounting as the total assets, sales, equity profit or loss and equity portion of the earned surplus, etc. of each of these companies are insignificant to the extent that a rational judgement on the Sanshin Group of companies in terms of the financial state and business results would not be affected by their omission from the consolidated accounting.

The average value of the net profit/loss of the Company and its subsidiaries for the last five accounting years is used as the criterion to judge the importance of the profit made by individual companies.

### 2. Application of the Equity Method

The equity method is not applied to investment in five non-consolidated subsidiaries, i.e. San Technology Co., Ltd., Sanshin Media Solutions Co., Ltd., Sanshin Electronics (Shanghai) Co., Ltd., Sanshin Electronics (Malaysia) SDN. BHD and Sanshin Electronics (Thailand) Co., Ltd., as the equity profit or loss and equity portion of the earned surplus, etc. of these companies are insignificant to the extent that their combined business performance would not affect a rational judgement on the Sanshin Group of companies in terms of the financial state and business results. Instead, such investment is evaluated by the cost method.

For judgement on whether or not the equity method should be applied, the average value of the net profit/loss of the Company and its subsidiaries for the last five years is used.

### 3. Accounting year for Consolidated Subsidiaries

The accounting year for each consolidated subsidiary is the same for the Company submitting the consolidated financial statements.

### 4. Accounting Standards

#### (1) Evaluation Criteria and Methods for Important Assets

##### ① Securities

###### Other securities

Those with a market value : Market price method based on the market price on the last day of the settlement period (the unrealised gain on available-for-sale securities is entirely dealt with by the direct capitalisation method while the sales cost is calculated by the moving average method)

Those without market value : Cost method using the moving average method

##### ② Derivatives : Market price method

##### ③ Inventories

Merchandise : Lower cost method using the moving average method

Expenditure for work in progress : Cost method using the individual production order costing method

#### (2) Depreciation Methods for Important Assets Subject to Depreciation

① Property and Equipment : Fixed rate method except for buildings (excluding auxiliary equipment for buildings) to which the straight line method is applied

The typical depreciation period is 9 – 50 years for buildings and structures and 3 – 20 years for others

② Intangible Fixed Assets : Straight line method

The typical depreciation period is 3 - 5 years for software used in-house.

(3) Accounting Criteria for Important Allowances

① Allowance for Doubtful Receivables

In preparation for possible losses due to failure to recover receivables, the necessary amount in view of the ratio of bad debts in the past and other relevant matters is accounted for by ordinary receivables while the estimated amount of unrecoverable receivables based on the assessment results for recoverability in each case is accounted for by the receivables of which the recovery is doubtful and receivables subject to the rehabilitation process following bankruptcy.

② Allowance for Bonuses

A portion to be borne by the current term in the estimated amount of bonuses in the next consolidated accounting year is allowed in preparation for their pay-out to employees of the Company which has submitted consolidated financial statements.

③ Liability for Retirement Benefits

In preparation for the payment of retirement benefits to employees, the amount recognised as outstanding at the end of the current term is accounted for based on the estimated amount of liabilities for retirement benefits and pension plan assets at the end of the current term. However, as the estimation amount of the pension plan assets at the end of the current consolidated accounting year exceeds the estimated amount of liability for retirement benefits which is adjusted with the liabilities based on unrecognised past services and unrecognised actuarial gains and losses, the different is accounted for as pre-paid pension expenses.

A liability based on past services is recognised by the straight line method over a specific period (13 years) which is within the estimated average remaining service lives of the employees at the time when this liability occurred.

Actuarial gains and losses are recognised by the straight line method over a specific period (13 years) which is within the estimated average remaining service lives of the employees at the beginning of each business year from the next business year for the year when such actuarial gains and losses occur.

④ Retirement Allowance for Directors and Corporate Auditors

The required payment amount at the end of the consolidated accounting year in accordance with the internal rules is accounted for in preparation for payment of retirement allowance for directors and corporate auditors for the Company which has submitted consolidated financial statements.

(4) Conversion Criteria for Receivables and Payables Denominated in Foreign Currencies into Japanese Yen

Receivables and payables denominated in foreign currencies and converted to Japanese yen at spot exchange rates on the settlement date and the gains or losses from this conversion are recognised in the profit and loss statement. The assets, liabilities, earnings and expenses of overseas subsidiaries, etc. were converted to Japanese yen at spot exchange rates on the last day of the consolidated accounting year and the gains or losses from this conversion are included in the Foreign Currency Transaction Adjustments under Shareholders' Equity.

(5) Accounting Practice for Important Leases

Finance leases other than those which are deemed to transfer the ownership of the leased property to the lessee are accounted for by the method used for ordinary operating leases.

(6) Hedge Accounting

① Hedge Accounting Method

All receivables and payables denominated in foreign currencies with a foreign exchange contract are proportioned.

② Method of and Subjects to Hedge

Means : forward hedge contract

Subjects : receivables and payables denominated in foreign currencies

③ Hedge Policies

The Company conducts derivative transactions relating to forward exchange contracts for the purpose of hedging the risks of fluctuating earnings/expenses or values of receivables/payables due to the fluctuation of foreign exchange rates. These transactions are conducted in accordance with the internal rules which state that the Finance Division is solely responsible for such transactions and no

derivative transactions for speculative purposes not specified in these policies are conducted.

④ Evaluation Method for Effectiveness of Hedging

Evaluation is conducted at least once every half term to check if there is a high level of offset between fluctuations of the subject cash flow of hedging and fluctuations of the cash flow used as the means of hedging.

(7) Accounting of Consumption Taxes

The consumption tax and local consumption tax are accounted for using the without-tax method for the Company which has submitted consolidated financial statements and domestic consolidated subsidiaries.

5. Evaluation of Assets and Liabilities of Consolidated Subsidiaries

Evaluation of the assets and liabilities of consolidated subsidiaries is entirely conducted by the market price evaluation method.

6. Amortisation of Consolidated Adjustment Account

The consolidated adjustment account is amortised over a five year period based on the straight line method.

7. Handling of Appropriation of Surplus

The consolidated surplus statement is prepared based on appropriation of the surplus, which is finalised within the consolidated accounting year, for appropriation of the surplus by consolidated companies.

8. Scope of Funds in Consolidated Cash Flow Statement

The funds (cash and cash equivalents) showed in the consolidated cash flow statement consists of cash in hand and short-term investments which can be easily changed to cash and which are redeemed within three months of the date of investment, carrying little risk in terms of a change of the value.

Change of Important Basic Issues for Preparation of Financial Statements

From this term, the accounting standards regarding the depreciation of fixed assets (Opinion Paper on the Establishment of Accounting Standards Regarding the Depreciation of Fixed Assets issued by the Corporate Accounting Council on 9<sup>th</sup> August,

2002) and the Guidelines for the Application of Accounting Standards Regarding the Depreciation of Fixed Assets (Guideline No. 6 for the Application of the Corporate Accounting Standards issued on 31<sup>st</sup> October, 2003) are applied. Profits and losses are not affected by the application of these.

The Company has grouped the assets mainly using a workplace as the smallest independent unit generating cash flow based on the classification of businesses.

## Notes

### (Related to the Consolidated Balance Sheet)

	<u>Current Consolidated Term</u>	<u>Previous Consolidated Term</u>
1. Accumulated Amount of Depreciation of Property and Equipment	¥4,776 million	¥4,741 million
2. Shares of Non-Consolidated Subsidiaries and Affiliated Companies Investment Securities (Shares)	¥55 million	¥51 million
3. Incidental Liabilities Payment Guarantees for Bank Loans by Non-Consolidated Subsidiary and Its Employees Sanshin Electronics (Shanghai) Co., Ltd.*1	¥76 million (US\$ 0.65 million)	¥75 million (US\$ 0.70 million)
<u>Employees *2</u>	<u>¥92 million</u>	<u>¥90 million</u>
Total	¥168 million	¥165 million
*1 From this year, the payment guarantees have been replaced by the submission of the memorandum on business management guidance.		
*2 Among the debt guarantees for banks in connection with housing loans for employees, those with a housing loan insurance policy are excluded from the incidental liabilities because no real loss will occur with such loans.		
4. Export Bill Discounts	¥116 million (US\$ 0.984 million)	¥115 million (US\$ 1.081 million)
5. Number of Shares Issued by Company Which Has Submitted Consolidated Financial Statements (Ordinary Shares)	32,699,373	33,528,373
6. Number of Treasury Stocks (Ordinary Shares)	5,870	822,414

## Notes

### (Related to Consolidated Profit and Loss Statement)

	<u>Current Consolidated Term</u>	<u>Previous Consolidated Term</u>
1. Main Sales, General and Administrative Expenses		
- Packaging and Transportation Expenses	¥390 million	¥323 million
- Advertisement Expenses	¥30 million	¥40 million
- Travelling and Transport Expenses	¥577 million	¥514 million
- Remuneration for Directors and Corporate Auditors	¥211 million	¥222 million
- Salaries and Allowances	¥4,119 million	¥4,076 million
- Transfer to Allowance for Bonuses	¥670 million	¥620 million
- Transfer to Retirement Allowance for Directors and Corporate Auditors	¥28 million	¥30 million
- Retirement Benefits	¥351 million	¥210 million
- Depreciation	¥247 million	¥222 million
- Transfer to Allowance for Doubtful Receivables	-	¥52 million
2. R & D Expenses Incurred in General and Administration Expenses and Manufacturing Expenses for Current Term	¥188 million	¥232 million
3. Breakdown of Gain on Sale of Fixed Assets		
- Others (Vehicles and Fixtures)	¥0 million	¥1 million
4. Breakdown of Loss on Sale of Fixed Assets		
- Others (Fixtures)	¥0 million	¥0 million
- Land	¥49 million	-
5. Breakdown of Loss on Disposition of Fixed Assets		
- Buildings and Structures	¥4 million	-
- Others (Fixtures)	¥8 million	¥8 million
- Intangible Fixed Assets	-	¥0 million

### (Related to Consolidated Cash Flow Statement)

Relationship between the balance of cash and cash equivalents at the end of the term and amounts under the items listed in the consolidated balance sheet

	<u>Current Consolidated Term</u>	<u>Previous Consolidated Term</u>
Cash and Deposits Account	<u>¥4,722 million</u>	<u>¥4,132 million</u>
Cash and Cash Equivalents	<u>¥4,722 million</u>	<u>¥4,132 million</u>

① Segment Information

1. Industrial Segments

Current Consolidated Term (from 1st Apr., 2005 to 31st March, 2006)

(Unit: ¥ million)

	Device	Solution	Total	Elimination Corporate	Consolidated
I. Sales and Operating Profit/Loss					
Sales					
(1) Sales to External Customers	194,548	14,889	209,437	-	209,437
(2) Internal Sales or Transfer Between Segments	-	-	-	-	-
Total	194,548	14,889	209,437	-	209,437
Operating Expenses	189,636	14,094	203,730	1,259	204,990
Operating Income	4,911	795	5,706	(1,259)	4,446
II. Assets, Depreciation Expenses and Capital Assets	85,805	14,137	99,942	5,927	105,870
Depreciation Expenses	248	32	280	71	352
Capital Expenditure	92	11	103	18	122

Previous Consolidated Term (from 1st Apr., 2004 to 31st Mar., 2005)

(Unit: ¥ million)

	Device	Solution	Total	Elimination/ Corporate	Consolidated
I. Sales and Operating Profit/Loss					
Sales					
(1) Sales to External Customers	177,517	13,024	190,541	-	190,541
(2) Internal Sales or Transfer Between Segments	-	-	-	-	-
Total	177,517	13,024	190,541	-	190,541
Operating Expenses	173,104	12,520	185,624	1,197	186,822
Operating Income	4,413	503	4,916	(1,197)	3,719
II. Assets, Depreciation Expenses and Capital Assets	81,241	6,510	87,752	5,840	93,592
Depreciation Expenses	209	34	244	78	322
Capital Expenditure	234	22	256	40	297

Notes

- The classification of businesses is based on the organizational structure for business operation, taking the merchandise handled, classification of products and marketing modes, etc. into consideration.
- Main products of each business segment
  - Device business : ICs, semiconductors, display units and general electronic components
  - Solution business : electronic equipment
- The main expenses among those operating expenses which are impossible to distribute and which are included under the Elimination/Corporate heading are expenses relating to planning, general affairs, accounting, personnel and other management sections of the parent company.

Current consolidated term : ¥1,259 million  
Previous consolidated term : ¥1,197 million
- Among the assets, the main corporate assets included under the Elimination/Corporate heading are surplus operating funds (cash/cash equivalent and securities), long-term investment funds (investment in securities) and assets related to the management sections.

Current consolidated term : ¥5,927 million  
Previous consolidated term : ¥5,840 million

## 2. Geographical Segments

Current Consolidated Term (from 1st Apr., 2005 to 31st March, 2006)

(Unit:¥ million)

	Japan	Asia	North America	Total	Elimination /Corporate	Consolidated
I. Sales and Operating Profit/Loss						
Sales						
(1) Sales to External Customers	149,081	57,993	2,362	209,437	-	209,437
(2) Internal Sales or Transfer Between Segments	4,225	577	3,617	8,420	(8,420)	-
Total	153,306	58,571	5,979	217,857	(8,420)	209,437
Operating Expenses	150,340	57,626	5,715	213,682	(8,691)	204,990
Operating Income	2,966	944	264	4,174	271	4,446
II. Assets	90,613	17,151	792	108,556	(2,686)	105,870

Previous Consolidated Term (from 1st Apr., 2004 to 31st Mar., 2005)

(Unit:¥ million)

	Japan	Asia	North America	Total	Elimination /Corporate	Consolidated
I. Sales and Operating Profit/Loss						
Sales						
(1) Sales to External Customers	136,454	51,399	2,688	190,541	-	190,541
(2) Internal Sales or Transfer Between Segments	2,365	475	2,210	5,051	(5,051)	-
Total	138,819	51,874	4,898	195,592	(5,051)	190,541
Operating Expenses	136,332	51,103	4,745	192,181	(5,359)	186,822
Operating Income	2,487	770	153	3,411	307	3,719
II. Assets	80,877	13,790	914	95,582	(1,989)	93,592

### Notes

1. The classification of country or area is based on geographical proximity.
2. Main countries/area belonging to each segment
  - 1) Asia : Hong Kong, Singapore, Taiwan and Korea
  - 2) North America : USA

### 3. Overseas Sales

Current Consolidated Term (from 1st April, 2005 to 31st March, 2006)

(Unit: ¥ million)

	Asia	North America	Other Regions	Total
I. Overseas Sales	61,983	2,367	5	64,356
II. Consolidated Sales				209,437
III. Ratio of Overseas Sales to Consolidated Sales	29.6%	1.1%	0.0%	30.7%

Previous Consolidated Term (from 1st Apr., 2004 to 31st Mar., 2005)

(Unit: ¥ million)

	Asia	North America	Other Regions	Total
I. Overseas Sales	67,278	2,846	0	70,125
II. Consolidated Sales				190,541
III. Ratio of Overseas Sales to Consolidated Sales	35.3%	1.5%	0.0%	36.8%

#### Notes

- 1) The classification of country or area is based on geographical proximity.
- 2) Main countries/area belonging to each region
  - 1) Asia : Hong Kong, Singapore, Taiwan, Korea and China
  - 2) North America : USA
- 3) Overseas sales mean sales in countries/area other than Japan by the Company which has submitted consolidated financial statements and its subsidiaries included in the consolidated financial statements.

#### ② Leases

The descriptions of leases are omitted here as they are disclosed by the EDINET.

#### ③ Trading with Related Parties

There are no relevant matters.

④ Tax Effect Accounting

1. Breakdown of Deferred Tax Assets and Deferred Tax Liabilities by Main Cause

	<u>Current Consolidated Term</u>
(Deferred Tax Assets)	
Deferred Tax Assets Accounted for Under Current Assets	
- Accrued Bonuses	¥272 million
- Inventories	¥172 million
- Enterprise Tax Payable	¥99 million
- Other	<u>¥111 million</u>
Deferred Tax Assets Total	¥656 million
(Deferred Tax Liabilities)	
- Undistributed Earnings of Foreign Consolidated Subsidiaries	<u>-¥201 million</u>
Net Deferred Tax Assets Under Current Assets	¥454 million
(Deferred Tax Assets)	
Deferred Tax Assets Accounted for Under Fixed Assets	
- Allowance for Doubtful Receivables	¥42 million
- Retirement Allowance for Directors and Corporate Auditors	¥84 million
- Loss on Devaluation of Investment Securities	¥179 million
- Loss on Devaluation of Golf Club Membership	¥84 million
- Deferred Loss of Subsidiaries	¥124 million
- Loss on In-House Development of Systems for Own Use	¥102 million
- Other	<u>¥90 million</u>
Deferred Tax Assets Sub-Total	¥708 million
Less Valuation Allowance	<u>-¥415 million</u>
Deferred Tax Assets Total	¥292 million
(Deferred Tax Liabilities)	
- Unrealised Gain on Available for Sale Securities	-¥711 million
- Prepaid Pension Expenses	-¥23 million
- Other	<u>- ¥5 million</u>
Deferred Tax Liabilities Total	<u>-¥740 million</u>
Net Deferred Tax Liabilities Under Fixed Liabilities	<u>- ¥448 million</u>
Net Deferred Tax Assets	<u>¥5 million</u>

Note

The net amounts of deferred tax assets in the current consolidated term are included in the following items of the Consolidated Balance Sheet.

	<u>Current Consolidated Term</u>
Current Assets – Deferred Tax Assets	¥454 million
Fixed Assets – Investment and Other Assets (Other)	¥88 million
Current Liabilities – Deferred Tax Liabilities	-¥536 million

2. Breakdown of Significant Difference Between Normal Effective Statutory Tax Rate and Actual Effective Tax Rate After Application of Tax Effect Accounting by Main Cause

Normal Effective Statutory Tax Rate	40.7%
(Adjustment)	
- Expenses Not Deductible for Income Tax Purposes	1.6%
- Inhabitant Taxes – Per Capita Levy	0.6%
- Income Not Taxable for Income Tax Purposes	-0.2%
- Tax Rate Difference of Consolidated Subsidiaries Overseas	-7.4%
- Valuation Allowance	3.5%
- Other	<u>2.4%</u>
Actual Effective Tax Rate	<u>41.2%</u>

⑤ Investment Securities

Current Term

1. Other Investment Securities with Market Value (as of 31st March, 2006)

(Unit: ¥ million)

Category	Purchase Cost	Value on Consolidated Balance Sheet	Difference
Those of Which Values on Consolidated Balance Sheet Exceed Their Purchase Cost	1,574	3,619	2,044
Sub-Total	1,574	3,619	2,044
Those of Which Values on Consolidated Balance Sheet Do Not Exceed Their Purchase Cost	29	23	-5
Sub-Total	29	23	-5
Total	1,603	3,643	2,039

2. Other Investment Securities Sold During Current Term

(from 1st April, 2005 to 31st March, 2006)

(Unit: ¥ million)

Proceeds	Total Profit on Sale	Total Loss on Sale
43	84	-

3. Contents and Values on Consolidated Balance Sheet of Other Investment Securities Without Market Value (as of 31st March, 2006)

(Unit: ¥ million)

Category	Value on Consolidated Balance Sheet
Other Investment Securities	
① Shares of Non-Listed Companies	100
② Other	56
Total	157

Previous Consolidated Term

1. Other Investment Securities with Market Value (as of 31st March, 2005)

(Unit: ¥ million)

Category	Purchase Cost	Value on Consolidated Balance Sheet	Difference
Those of Which Values on Consolidated Balance Sheet Exceed Their Purchase Cost	1,527	2,766	1,238
Sub-Total	1,527	2,766	1,238
Those of Which Values on Consolidated Balance Sheet Do Not Exceed Their Purchase Cost	109	81	-28
Sub-Total	109	81	-28
Total	1,637	2,847	1,209

2. Other Investment Securities Sold During Current Term

(from 1st April, 2004 to 31st March, 2005)

(Unit: ¥ million)

Proceeds	Total Profit on Sale	Total Loss on Sale
23	14	-

3. Contents and Values on Consolidated Balance Sheet of Other Investment Securities Without Market Value (as of 31st March, 2005)

(Unit: ¥ million)

Category	Value on Consolidated Balance Sheet
Other Investment Securities	
① Shares of Non-Listed Companies	164
② Bonds of Non-Listed Companies	40
③ Other	67
Total	272

4. Planned Redemption Amount After Consolidated Settlement Date Among Other Investment Securities with Due Date

(Unit: ¥ million)

Category	Within 1 Year	Over 1 Year Up to 5 Years	Over 5 Years Up to 10 Years	Over 10 Years
Bonds				
Debentures	40	-	-	-

⑥ Derivatives

The descriptions of derivatives are omitted here as they are disclosed by the EDINET.

⑦ Retirement Pensions

1. Outline of Retirement Pension Plans Employed

• Company Pension with Retirement Benefit

The Company adopted a qualified pension plan for the entire retirement benefit plan from 1<sup>st</sup> July, 1964 but moved to a cash balance plan (pension linked to the market interest rate) on 1<sup>st</sup> October, 2004.

• Welfare Pension Fund

The Company has employed a welfare pension plan in addition to the long-standing qualified pension plan since 1<sup>st</sup> February, 1969. The Company participates in the Tokyo Electronics Contributory Funded Pension Plan which is a plan under the Exceptional Plan set forth in Paragraph 33 of the Practical Guidelines for Accounting of Retirement Benefit. The fair value of the assets of this contributory funded pension plan based on the ratio of the Company's contribution at the end of the current consolidated term was ¥5,392 million. The amount contributed to this plan in the current consolidated term was ¥197 million.

2. Retirement Benefit Obligation

	<u>Current</u> <u>Consolidated Term</u>	<u>Previous</u> <u>Consolidated Term</u>
Retirement Benefit Obligation	-¥3,680 million	-¥3,625 million
Fair Value of Plan Assets	¥4,370 million	¥3,776 million
Sub-Total	¥690 million	¥150 million
Unrecognised Actuarial	¥133 million	¥731 million
Obligation Due to Unrecognised Past Services	-¥765 million	-¥833 million
Prepaid Pension Cost (-Retirement Benefit Allowance)	¥58 million	¥48 million

### 3. Net Periodic Benefit Costs

	<u>Current</u> <u>Consolidated Term</u>	<u>Previous</u> <u>Consolidated Term</u>
Service Cost	¥176 million	¥192 million
Interest Cost	¥72 million	¥77 million
Expected Return on Fund Management	-¥94 million	-¥87 million
Unrecognised Actuarial Gain/Loss	¥77 million	¥89 million
Reduction of Obligation Due to Past Services	-¥68 million	-¥51 million
	<u>¥163 million</u>	<u>¥221 million</u>

### 4. Calculation Basis for Retirement Benefit Obligation, etc.

	<u>Current</u> <u>Consolidated Term</u>	<u>Previous</u> <u>Consolidated Term</u>
Distribution Method of Estimated Retirement Benefit for the Period	Fixed amount for the period	Fixed amount for the period
Discount Rate	2.0%	2.0%
Expected Rate of Return from Fund Management	2.5%	2.5%
Recognised Period of Actuarial Gain/Loss	13 years	13 years
(The actuarial gain/loss of each accounting year is recognised by the straight line method over a specific period which is within the estimated average remaining service lives of the employees at the time of their occurrence from the next consolidated accounting year.)		
Period to Recognise Obligations Due to Past Services	13 years	13 years
(These obligations are recognised by the straight line method over a specific period which is within the estimated average remaining service lives of the employees at the time of their occurrence.)		

### (Important Later Event)

#### Termination of Retirement Allowance Scheme for Directors and Corporate Auditors

In a meeting held on 17<sup>th</sup> May, 2006, the Board of Directors reviewed the remuneration system for directors and the corporate auditor as part of the business management reform and passed a resolution to terminate the retirement allowance scheme for directors and the corporate auditor at the close of the regular general meeting of shareholders scheduled to take place on 23<sup>rd</sup> June, 2006.

Following this termination, it is planned to submit a proposal to the said general meeting that retirement allowance reflecting the length of service will be paid as a final one-off payment to each director or corporate auditor who holds office at the close of the said general meeting. This allowance will be paid when a qualified director or corporate auditor retires.