

4. Others

(1) Changes in consolidated subsidiaries during the term (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements: Yes

Note: Please refer to “Qualitative Information and Financial Statements, 4. Others, (2)” on page 5 for further information.

(3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements

1) Changes caused by revision of accounting standards: None

2) Other changes: Yes

Note: Please refer to “Qualitative Information and Financial Statements, 4. Others, (3)” on page 5 for further information.

(4) Number of shares outstanding (ordinary shares)

1) Number of shares outstanding at the end of term (including treasury stock):

2Q March 2010 Term:	30,281,373 shares	March 2009 Term:	31,983,373 shares
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2) Number of treasury stock at the end of term:

2Q March 2010 Term:	481 shares	March 2009 Term:	1,702,344 shares
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3) Average number of shares outstanding during the term:

2Q March 2010 Term:	30,280,970 shares	2Q March 2009 Term:	31,281,673 shares
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* Cautionary statement with respect to forward-looking statements

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and data currently available, and contain potential risks and uncertain factors. The actual performance may considerably differ from the forecast due to various factors.

See the section “Qualitative Information and Financial Statements, 3. Qualitative Information Regarding Forecasts for Consolidated Business Performance” on page 4 regarding the relevant matters for the above forecast for the business performance.

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Consolidated Business Performance

(1) First-half overview

The global economy showed some signs of recovery during the first half of the fiscal year (April 1 to September 30, 2009) as individual government initiatives took effect. In the electronics sector, where Sanshin Electronics operates, the advance of inventory adjustment and policies to stimulate consumption orders for semiconductors and electronic components led to an uptick in orders and other positive signs. Performance still shows a year-on-year declining trend, however, and the business environment remains harsh.

Under these conditions the Sanshin Group is undertaking to increase its corporate value and grow as an electronics trading company for customers and suppliers in response to diversifying and increasingly complex needs. We are delivering a wide range of solutions supported by the four pillars of global support for sales and distribution, product lineup, technological strength, and coordination. The Group is also strengthening organizational capabilities by systematically minimizing loss through enhanced CSR and risk response.

As a result, net sales fell 23.7% year-on-year to 98,466 million yen, operating profit fell 58.0% to 1,121 million yen, ordinary profit fell 62.3% to 1,095 million yen, and net profit fell 49.0% to 812 million yen.

(2) Overview of performance by business segment

1) Device Business

In the device segment, our leading products are semiconductors (including system LSIs, microcomputers, LCD driver ICs, and memories, etc.) and electronic components (including connectors, capacitors, and circuit boards, etc.). These products are sold mainly to the electronics manufacturers. We also provide technical support, such as software development and ASIC designs.

Among semiconductor products, sales including system LSIs for home game consoles, LCD televisions, and blu-ray player/recorders and LCD driver ICs for LCD televisions generally declined in the first half of the current fiscal year, falling below the level for the previous first half. Among electronic components, products such as wireless WAN modules and connectors performed well while sales of circuit components for home games consoles, circuit boards for plasma TVs, and other such products declined, falling below the level for the previous first half.

In total, consolidated segment sales fell 23.8% year-on-year to 93,476 million yen, while operating profit fell 49.3% to 1,601 million yen.

Orders received stood at 99,649 million yen, and the order backlog was 31,402 million yen.

2) Solution Business

In the solution segment, the Company develops business related to network and image editing systems. In the network system business, we offer services including sales, maintenance, and support of the information communication network and enterprise resource planning (ERP) systems, mainly targeting companies, medical institutions, and national and local government agencies. In the image editing system business, we provide systems and software products for editing, transmitting, and distribution of video content to customers including the broadcast stations and video production companies.

Sales generally declined year-on-year for business related to network and image editing systems, due to restraints on capital investment from the private sector and other factors.

As a result, consolidated segment sales fell 22.6% year-on-year to 4,990 million yen, while operating profit fell 12.5% to 167 million yen.

Orders received totaled 5,408 million yen, while the order backlog stood at 4,370 million yen.

2. Qualitative Information Regarding Consolidated Financial Position

(1) Assets, liabilities and net assets

Assets totaled 90,884 million yen as of September 30, 2009, 8,681 million yen increased from March 31, 2009. This was mainly attributable to an increase of 7,371 million yen in notes and accounts receivable, an increase of 4,737 million yen in cash and deposits, a decrease of 2,376 million yen in other current assets (mainly due to decrease in consumption tax receivable), and a decrease of 1,092 million yen in merchandise inventories.

Liabilities increased 8,800 million yen to 31,769 million yen, mainly because of an 8,408 million yen increase in notes and accounts payable.

Net assets decreased 119 million yen to 59,114 million yen mainly the net results of a decrease of 605 million yen for payment of year-end dividend, a 566 million yen decrease in foreign exchange conversion adjustments, an increase of 812 million yen from net profit, and a 192 million yen increase in unrealized gains on available-for-sale securities.

(2) Cash flows

Cash and cash equivalents amounted to 13,815 million yen as of September 30, 2009, an increase of 4,737 million yen from March 31, 2009, mainly due to an increase of notes and accounts payable and a decrease in consumption tax receivable.

Operating activities

Net cash provided by operating activities declined 4,190 million yen year-on-year to 4,975 million yen. There was an increase in notes and accounts receivable, but this was offset mainly by an increase of notes and accounts payable and decreases in consumption tax receivable and inventories.

Investing activities

Net cash provided by investing activities was 25 million yen, increased by 99 million yen from cash used of 73 million yen in the previous first half. Cash was provided primarily by the proceeds from sale of investment securities.

Financing activities

Net cash used in financing activities declined 6,480 million yen year-on-year to 129 million yen, mainly because of dividend payment.

3. Qualitative Information Regarding Forecasts for Consolidated Business Performance

The outlook for the business environment from the third quarter on remains opaque due to such factors as anxiety over cooling consumer spending amid sustained high unemployment rates in Japan, the United States, and Europe. We are therefore making the following revisions to the full-year consolidated forecasts in the summary of financial results for March 2009 Term (released on May 19, 2009).

Forecasts for Full-year Consolidated Business Performance for March 2010 Term (April 1, 2009 – March 31, 2010)

	Net sales (Million yen)	Operating profit (Million yen)	Ordinary profit (Million yen)	Net profit (Million yen)	Net profit per share (Yen)
Previous forecast (A) (May 19, 2009)	194,000	1,550	1,700	1,150	37.98
Revised forecast (B)	185,000	2,000	2,000	1,350	44.58
Change (B - A)	(9,000)	450	300	200	-
Percentage change (%)	(4.6)	29.0	17.6	17.4	-
(For reference) Previous term results	229,643	3,711	4,084	2,209	71.61

*Full-year forecasts are based on foreign exchange rates of 92.75 yen to the U.S. dollar (first half: 95.49 yen, second half: 90 yen)

4. Others

(1) Changes in consolidated subsidiaries during the term (changes in scope of consolidation)

There are no relevant matters.

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements

Corporate taxes are recorded based on the annual projected tax rate using the statutory tax rate as the standard.

However, if use the annual projected tax rate results in taxes that are clearly inappropriate, taxes will be calculated instead by using the effective statutory tax rate.

“Adjustment for corporate tax, etc.” is included in “Corporate and other taxes.”

(3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements

(Standard for translation of income and expenses at foreign consolidated subsidiaries into yen)

In the past, income and expenses at foreign subsidiaries were translated into yen by using the exchange rate at the end of each fiscal period. Due to the increasing importance of foreign subsidiaries in the consolidated financial statements, and for the purpose of presenting results of operations in each quarter more accurately, the average exchange rate in each fiscal period is used starting with the first quarter of the current fiscal year.

The effect of this change on earnings is insignificant.

5. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Million yen)	
	2Q March 2010 Term (As of Sep. 30, 2009)	March 2009 Term (Summary) (As of Mar. 31, 2009)
Assets		
Current assets		
Cash and deposits	13,815	9,077
Notes and accounts receivable-trade	52,578	45,207
Merchandise inventories	14,022	15,115
Partly-finished work	13	0
Others	2,450	4,826
Allowance for doubtful receivables	(34)	(21)
Total current assets	82,846	74,206
Fixed assets		
Property and equipment	4,834	4,931
Intangible fixed assets		
Goodwill	55	68
Others	470	544
Total intangible fixed assets	525	613
Investments and other assets		
Others	2,720	2,496
Allowance for doubtful receivables	(43)	(44)
Total investments and other assets	2,677	2,451
Total fixed assets	8,037	7,996
Total assets	90,884	82,203
Liabilities		
Current liabilities		
Notes and accounts payable-trade	25,865	17,457
Short-term loans payable	477	-
Current portion of long-term loans payable	1,800	1,800
Accrued corporate tax, etc.	446	617
Provision	565	630
Others	890	726
Total current liabilities	30,045	21,231
Fixed liabilities		
Long-term loans payable	1,500	1,500
Others	224	237
Total fixed liabilities	1,724	1,737
Total liabilities	31,769	22,969

	(Million yen)	
	2Q March 2010 Term (As of Sep. 30, 2009)	March 2009 Term (Summary) (As of Mar. 31, 2009)
Net assets		
Shareholders' equity		
Capital stock	14,811	14,811
Capital surplus	15,329	15,329
Retained earnings	31,147	32,628
Treasury stock	(0)	(1,703)
Total shareholders' equity	61,288	61,066
Valuation and foreign exchange adjustments, etc.		
Unrealized gains (losses) on available-for-sale securities	180	(11)
Deferred hedge gains/losses	26	(6)
Foreign exchange conversion adjustments	(2,380)	(1,814)
Total valuation and foreign exchange adjustments, etc.	(2,173)	(1,832)
Total net assets	59,114	59,234
Total liabilities and net assets	90,884	82,203

(2) Consolidated Profit and Loss Statement

(For the Six-month Period)

	(Million yen)	
	2Q March 2009 Term (Apr. 1, 2008 – Sep. 30, 2008)	2Q March 2010 Term (Apr. 1, 2009 – Sep. 30, 2009)
Net sales	129,098	98,466
Cost of sales	121,127	92,643
Gross profit on sales	7,970	5,822
Selling, general and administrative expenses	5,300	4,700
Operating profit	2,669	1,121
Non-operating profit		
Interest income	48	22
Dividend income	21	16
Foreign exchange gains	177	-
Others	66	35
Total non-operating profit	313	75
Non-operating expenses		
Interest expenses	39	21
Sales discounts	31	22
Foreign exchange losses	-	54
Others	5	3
Total non-operating expenses	76	101
Ordinary profit	2,906	1,095
Extraordinary profits		
Gain on sale of fixed assets	3	0
Gain on sale of investment securities	0	63
Income from refund of allowance for doubtful receivables	2	-
Gain on transfer of goodwill	-	115
Total extraordinary profits	5	178
Extraordinary losses		
Loss on disposition of fixed assets	1	0
Loss on valuation of investment securities	27	9
Total extraordinary losses	29	10
Net profit before tax and adjustments	2,883	1,263
Corporate and other taxes	1,289	451
Net profit	1,594	812

(3) Consolidated Statement of Cash Flows

	(Million yen)	
	2Q March 2009 Term (Apr. 1, 2008 – Sep. 30, 2008)	2Q March 2010 Term (Apr. 1, 2009 – Sep. 30, 2009)
Operating activities		
Net profit before tax and adjustments	2,883	1,263
Depreciation and amortization	193	175
Amortization of goodwill	13	13
Decrease (increase) of prepaid pension expenses	(1)	28
Increase (decrease) of allowance for doubtful receivables	(2)	10
Interest and dividends income	(69)	(39)
Interest expense	39	21
Loss (gain) on sales of investment securities	-	(63)
Loss (gain) on sale of fixed assets	(3)	(0)
Loss (gain) on valuation of investment securities	27	9
Decrease (increase) of notes and accounts receivable	115	(8,191)
Decrease (increase) of inventories	(723)	714
Increase (decrease) of notes and accounts payable	6,119	9,075
Decrease (increase) of consumption and other taxes receivable	1,745	2,319
Increase (decrease) of consumption and other taxes payable	(7)	(4)
Others	(654)	204
Sub-total	9,677	5,539
Interest and dividend received	69	38
Interest paid	(54)	(21)
Corporate and other taxes paid	(527)	(580)
Net cash provided by operating activities	9,165	4,975
Investing activities		
Purchase of property and equipment	(22)	(4)
Proceeds from sale of property and equipment	4	0
Purchase of software	(27)	(9)
Purchase of investment securities	(60)	(10)
Proceeds from sale of investment securities	10	71
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	-	(16)
Others	22	(4)
Net cash provided by (used in) investing activities	(73)	25
Financing activities		
Proceeds from short-term loans	4,500	496
Repayment of short-term loans	(10,458)	-
Repayments of lease obligations	(27)	(20)
Net decrease (increase) of treasury stock	(0)	(0)
Dividend paid	(624)	(605)
Net cash used in financing activities	(6,610)	(129)
Foreign currency conversion adjustments for cash and cash equivalents	13	(133)
Increase (decrease) of cash and cash equivalents	2,495	4,737
Balance of cash and cash equivalents, beginning of the period	5,003	9,077
Balance of cash and cash equivalents, end of the period	7,498	13,815

(4) Going Concern Assumption

There are no relevant matters.

(5) Segment Information

Industrial Segments

2Q March 2009 Term (Apr. 1, 2008 – Sep. 30, 2008)

(Million yen)

	Device business	Solution business	Total	Elimination /Corporate	Consolidation
Net sales					
(1) Sales to external customers	122,653	6,444	129,098	-	129,098
(2) Internal sales or transfer between segments	-	-	-	-	-
Total	122,653	6,444	129,098	-	129,098
Operating profit	3,156	191	3,348	(679)	2,669

2Q March 2010 Term (Apr. 1, 2009 – Sep. 30, 2009)

(Million yen)

	Device business	Solution business	Total	Elimination /Corporate	Consolidation
Net sales					
(1) Sales to external customers	93,476	4,990	98,466	-	98,466
(2) Internal sales or transfer between segments	-	-	-	-	-
Total	93,476	4,990	98,466	-	98,466
Operating profit	1,601	167	1,769	(647)	1,121

Notes: 1. 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.

2. Main products of each business segment

(1) Device business: Semiconductors and general electronic components

(2) Solution business: Electronic equipment

3. Change in accounting treatment

2Q March 2009 Term

(Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”)

Effective from the first quarter of the current fiscal year, the Company has adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issue Task Force (“PITF”) No. 18, May 17, 2006) and has made the necessary adjustments to the consolidated financial statements.

The effect of this change on earnings is insignificant.

2Q March 2010 Term

(Standard for translation of income and expenses at foreign consolidated subsidiaries into yen)

In the past, income and expenses at foreign subsidiaries were translated into yen by using the exchange rate at the end of each fiscal period. Due to the increasing importance of foreign subsidiaries in the consolidated financial statements, and for the purpose of presenting results of operations in each quarter more accurately, the average exchange rate in each fiscal period is used starting with the first quarter of the current fiscal year.

The effect of this change on earnings is insignificant.

Geographical Segments

2Q March 2009 Term (Apr. 1, 2008 – Sep. 30, 2008)

(Million yen)

	Japan	Asia	North America	Total	Elimination /Corporate	Consolidation
Net sales						
(1) Sales to external customers	91,245	36,185	1,666	129,098	-	129,098
(2) Internal sales or transfer between segments	4,392	926	4	5,323	(5,323)	-
Total	95,638	37,112	1,671	134,421	(5,323)	129,098
Operating profit	1,658	744	106	2,509	159	2,669

2Q March 2010 Term (Apr. 1, 2009 – Sep. 30, 2009)

(Million yen)

	Japan	Asia	North America	Total	Elimination /Corporate	Consolidation
Net sales						
(1) Sales to external customers	65,857	30,964	1,643	98,466	-	98,466
(2) Internal sales or transfer between segments	7,274	1,136	1	8,411	(8,411)	-
Total	73,131	32,101	1,645	106,878	(8,411)	98,466
Operating profit	485	477	17	981	140	1,121

Notes: 1. The classification of country or area is based on geographical proximity.

2. Main countries or area belonging to each region

(1) Asia: Hong Kong, Singapore and Taiwan

(2) North America: USA

3. Change in accounting treatment

2Q March 2009 Term

(Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”)

Effective from the first quarter of the current fiscal year, the Company has adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF No. 18, May 17, 2006) and has made the necessary adjustments to the consolidated financial statements.

The effect of this change on earnings is insignificant.

2Q March 2010 Term

(Standard for translation of income and expenses at foreign consolidated subsidiaries into yen)

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The effect of this change on earnings is insignificant.

Overseas Sales

2Q March 2009 Term (Apr. 1, 2008 – Sep. 30, 2008)

(Million yen)

	Asia	North America	Other regions	Total
I Overseas sales	77,852	867	106	78,827
II Consolidated sales				129,098
III Ratio of overseas sales to consolidated sales (%)	60.3	0.7	0.1	61.1

2Q March 2010 Term (Apr. 1, 2009 – Sep. 30, 2009)

(Million yen)

	Asia	North America	Other regions	Total
I Overseas sales	53,443	1,353	14	54,811
II Consolidated sales				98,466
III Ratio of overseas sales to consolidated sales (%)	54.3	1.4	0.0	55.7

Notes: 1. The classification of country or area is based on geographical proximity.

2. Main countries or area belonging to each region

(1) Asia: Hong Kong, Singapore, Taiwan, Korea and China

(2) North America: USA

3. Overseas sales mean net sales in countries or area other than Japan by the Company and its consolidated subsidiaries.

(6) Significant Changes in Shareholders' Equity

(Cancellation of treasury stocks)

The Board of Directors on May 19, 2009 approved a resolution to retire treasury stock in accordance with Article 178 of the Corporation Law. On May 26, 1,702 thousand shares of treasury stock were retired. Due to this action, there was a decrease of 1,703 million yen in treasury stock during the first quarter, and a 1,703 million yen decrease in retained earnings.