

NOTE : This document has been translated from the original notice in Japanese. In the event of any discrepancy, the original in Japanese shall prevail.

MARCH, 2007 TERM

REFERENCE MATERIALS FOR

MEETING TO EXPLAIN

INTERIM SETTLEMENT OF ACCOUNTS

22nd November, 2006

 **Sanshin Electronics Co., Ltd.**

President: Mitsumasa Matsunaga

(Stock Exchange Code: 8150)

※ Note for Use of This Reference Material

The business forecast given in this presentation 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. The main important factors affecting the actual business performance are listed below.

- **Economic Situation and Consumer Trends in Japan, North America and Asia, etc.**
- **Production Trends and Product Development by Clients**
- **Supply Situation and Product Development by Suppliers**
- **Price Decline Due to Intensified Competition**
- **Major Changes of Foreign Exchange Rates**

I. Summary of Business Performance for First Half of March, 2007 Term

	03/06 Term 1st Half Result (A)	03/07 Term 1st Half Result (B)	(B) / (A)	Original Forecast	Achievement Rate
Net Sales	99.2	124.6	126%	115.5	108%
Gross Profit on Sales	7.1% 7.08	6.8% 8.46	119%	6.6% 7.58	112%
Administration Cost	5.3% 5.21	4.3% 5.41	104%	4.6% 5.35	101%
Operating Profit	1.9% 1.87	2.4% 3.05	163%	1.9% 2.23	137%
Ordinary Profit	2.0% 1.98	2.4% 3.01	152%	1.9% 2.25	134%
Interim Net Profit	1.1% 1.11	1.6% 2.01	181%	1.0% 1.15	175%

Actual exchange rate for First Half of March, 2007 Term: US\$ 1 = ¥117.9

		03/06 Term 1st Half Result (A)	03/07 Term 1st Half Result (B)	(B) / (A)	Original Forecast	Achieve- ment Rate
Device Business	Net Sales	93.2	117.6	126%	108.5	108%
	Operating Profit	2.5% 2.29	2.9% 3.43	150%	2.4% 2.60	132%
Solution Business	Net Sales	6.0	7.0	117%	7.0	100%
	Operating Profit	4.7% 0.28	5.0% 0.35	125%	4.3% 0.30	117%

- ① The total operating profit for the device business and the solution business differs from the consolidated operating profit because the latter includes the figure for “Corporate and Others”.
- ② Actual exchange rate for the First Half of March, 2007 Term: US\$ 1 = ¥117.9

II. Forecast of Business Performance for March, 2007 Term

Sanshin Electronics Proving the Value of Its Existence Based on Reliability and Solutions

★ Improved Client Satisfaction

⇒ Striving to Enhance the Corporate Value Through the Realisation of Growth-Oriented Management



1. Increased Efforts to Ensure Profitable Operation for Continual Profit Growth

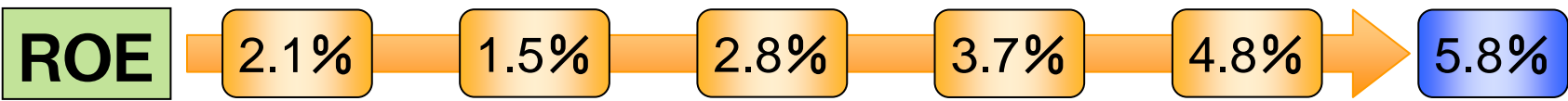
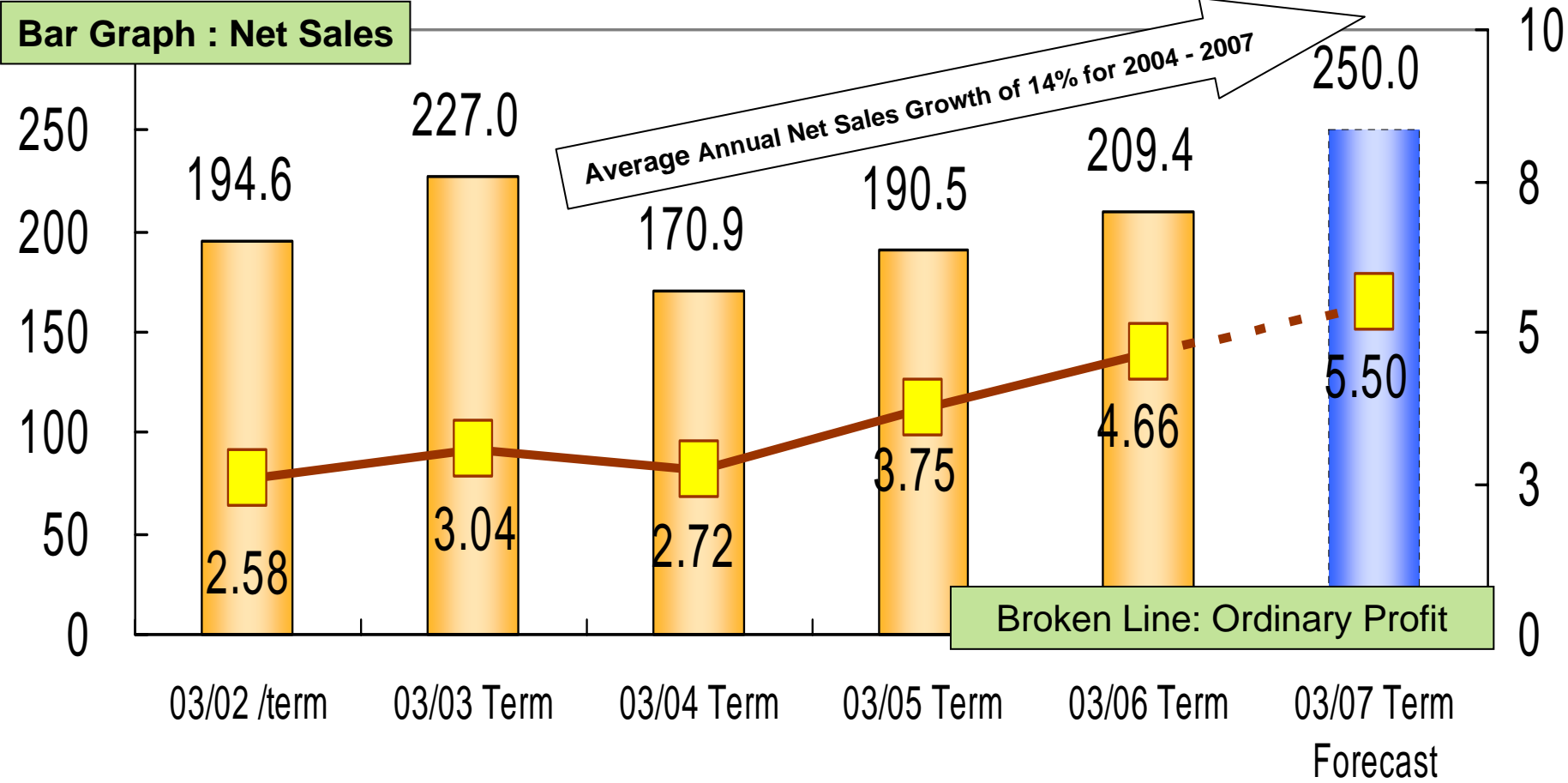
- ① Strengthening of corporate added value (reason for existence, roles, ability to propose right business ideas and skills)
- ② Multi-task business operation (efficient business activities)
- ③ Emphasis on profitable SBU and businesses (review of the sales mix)
- ④ Increased business strength (new inputs, training and use of partners)

2. Improved Return for Shareholders

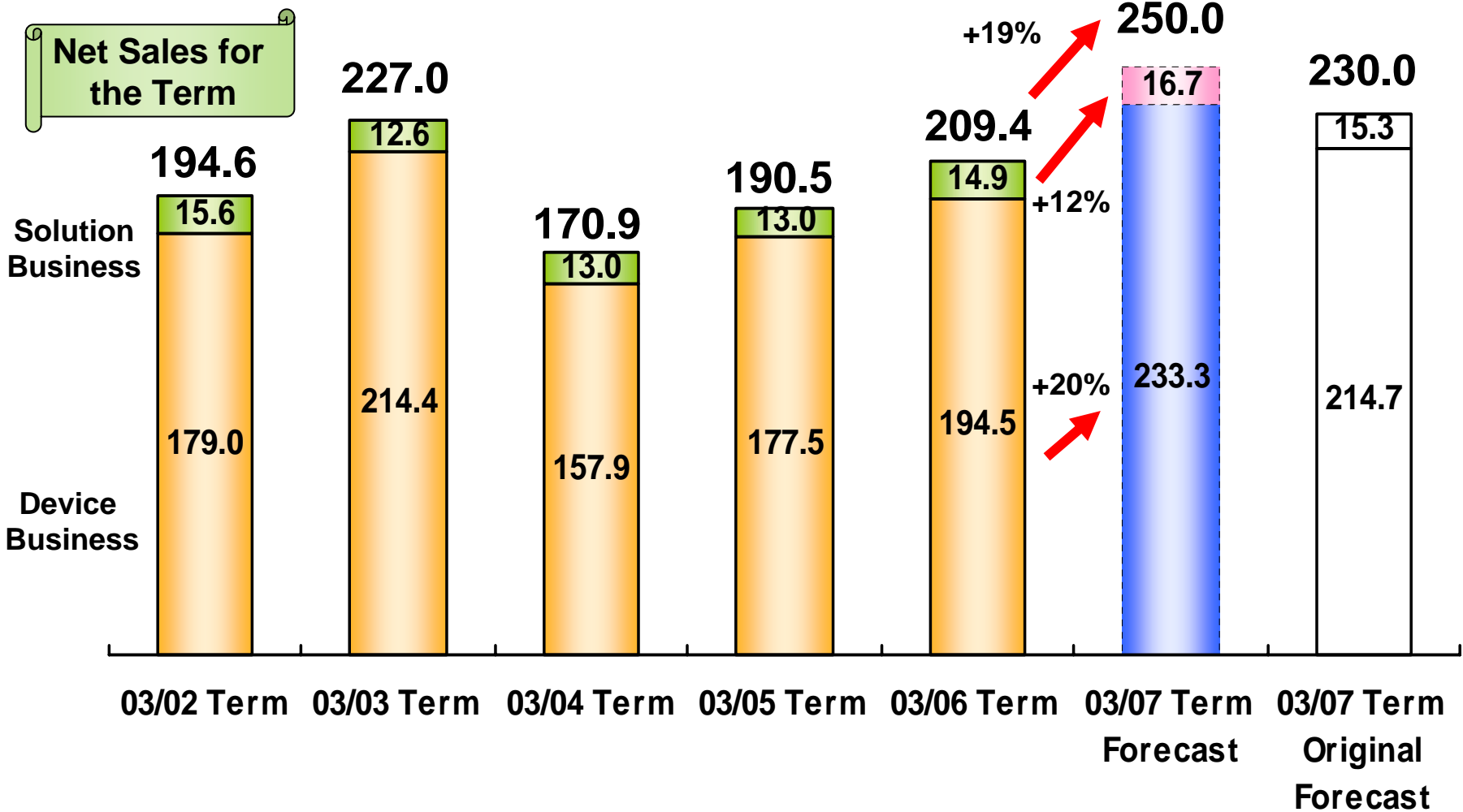
- ① Maintenance of a consolidated pay-out ratio of 30% or higher
 - Forecast for March, 2007 Term: 30.3%
- ② Continual growth of the dividend
 - Forecast of an increased annual dividend by ¥8 to ¥33 compared to the previous year
- ③ Acquisition of treasury stock
 - 700,000 treasury stocks acquired with total spending of ¥870 million

March, 2007 Term Forecast:
Continual Net Sales and Profit Increase for Three Consecutive Terms,
Consolidated ROE Increases to 5% Level !

Bar Graph : Net Sales



■ Growth forecast exceeding the original forecast for both segments for March, 2007 Term
 ■ Net sales growth rate: +20% for the device business and +12% for the solution business



	03/06 Term Result	03/07 Term		Year-on- Year	Original Forecast	Achievem ent Rate	
		1st Half Result	2nd Half Forecast				Whole Term Forecast
Net Sales	209.4	124.6	125.4	250.0	119%	230.0	109%
Gross Profit on Sales	7.2% 15.10	6.8% 8.46	6.3% 7.91	6.5% 16.37	108%	6.7% 15.49	106%
Administration Cost	5.1% 10.65	4.3% 5.41	4.3% 5.34	4.3% 10.75	101%	4.6% 10.69	101%
Operating Profit	2.1% 4.45	2.4% 3.05	2.0% 2.57	2.2% 5.62	126%	2.1% 4.80	117%
Ordinary Profit	2.2% 4.66	2.4% 3.01	2.0% 2.49	2.2% 5.50	118%	2.1% 4.85	113%
Net Profit for the Term	1.3% 2.72	1.6% 2.01	1.2% 1.49	1.4% 3.50	129%	1.2% 2.85	123%
Consolidated ROE	4.8%	—	—	5.8%	121%	4.8%	121%

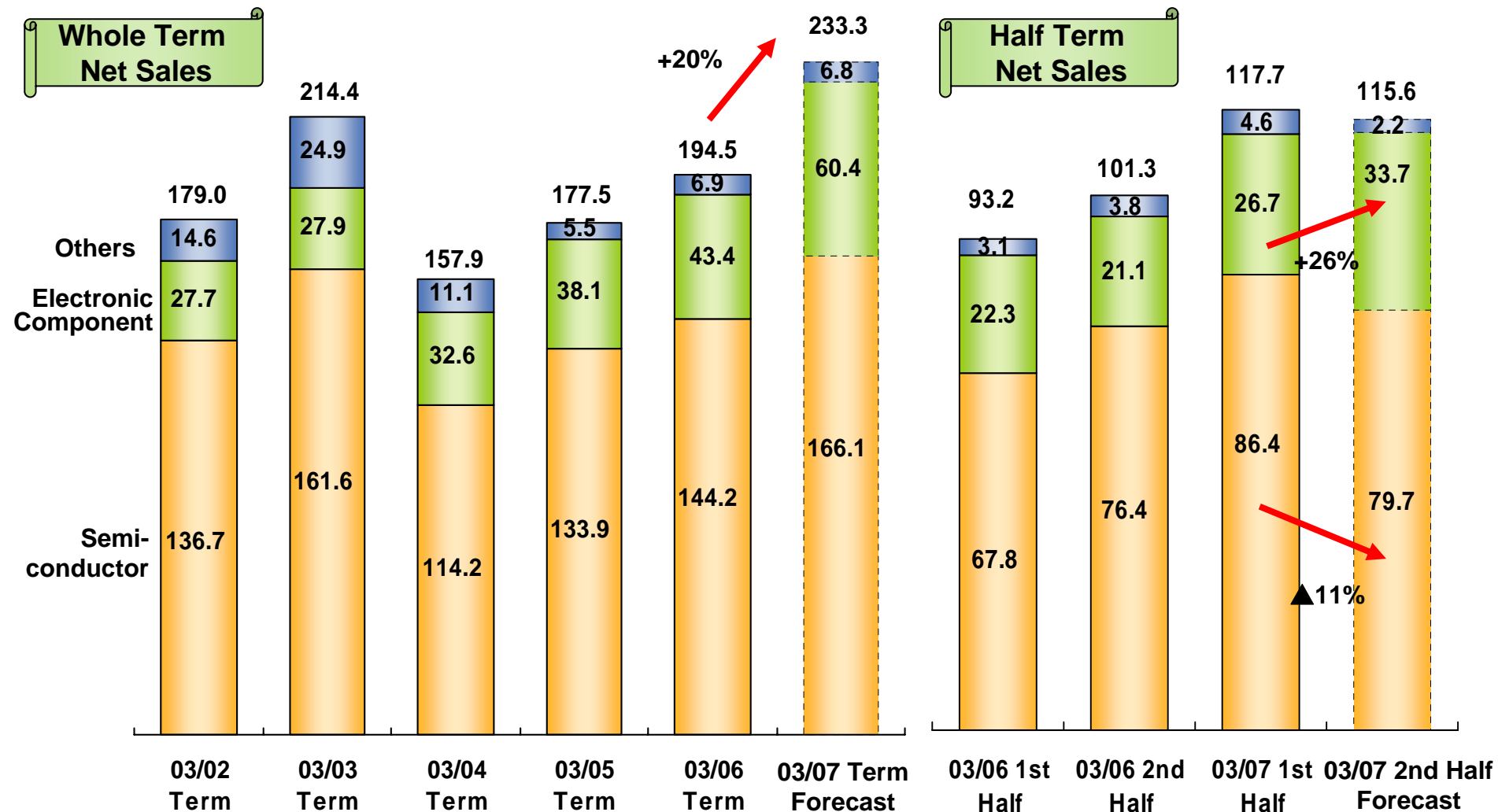
Assumed exchange rate for Whole March, 2007 Term: US\$1 = ¥110

		03/06 Term Result	03/07 Term			Year-on-Year	Original Forecast	Achievement Rate
			1st Half Result	2nd Half Forecast	Whole Term Forecast			
Device Business	Net Sales	194.5	117.6	115.7	233.3	120%	214.7	109%
	Operating Profit	2.52%	2.92%	2.22%	2.57%		2.47%	
		4.91	3.43	2.57	6.00	122%	5.30	113%
Solution Business	Net Sales	14.9	7.0	9.7	16.7	112%	15.3	109%
	Operating Profit	5.3%	5.0%	5.7%	5.4%		5.2%	
		0.79	0.35	0.55	0.90	114%	0.80	113%

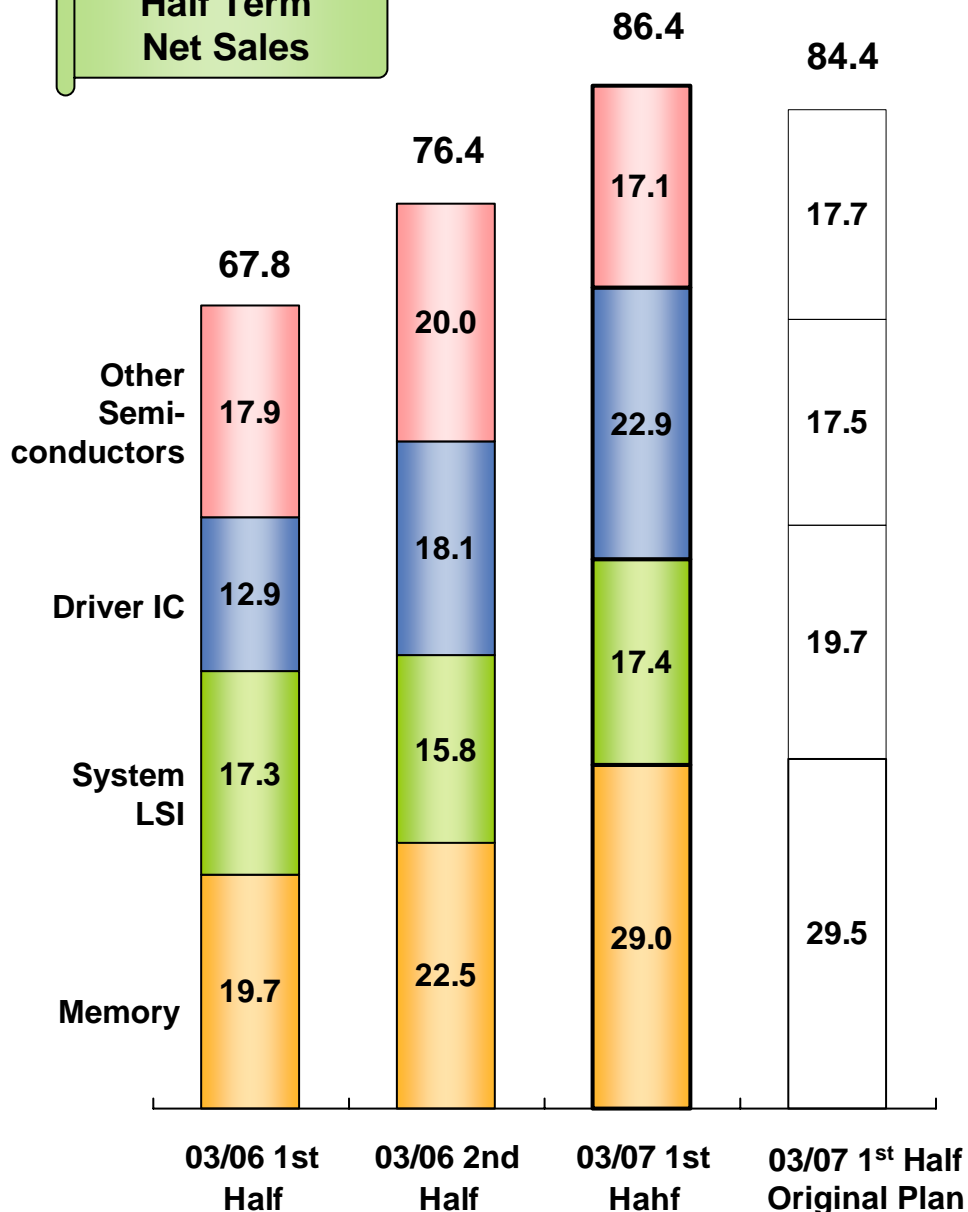
- ① The total operating profit for the device business and the solution business differs from the consolidated operating profit because the latter includes the figure for “Corporate and Others”.
- ② Assumed exchange rate for Whole March, 2007 Term: US\$1 = ¥110

III. Forecast for March, 2007 Term Business Performance by Segment

- The whole term net sales for the March, 2007 Term are expected to record two digit growth for both semiconductors and electronic components.
- The half term net sales for the March, 2007 Term are expected to record a decline for semiconductors in the second half.



Half Term Net Sales



Memories

- Increased sales of DRAMs for mobile phones (ELPIDA memory)
- Declined sales of pseudo SRAMs for mobile phones

System LSIs (NECEL LSIs only)

- Steady sales growth for gaming machines
- Declined sales for digital AV equipment

Driver ICs (NECL ICs only)

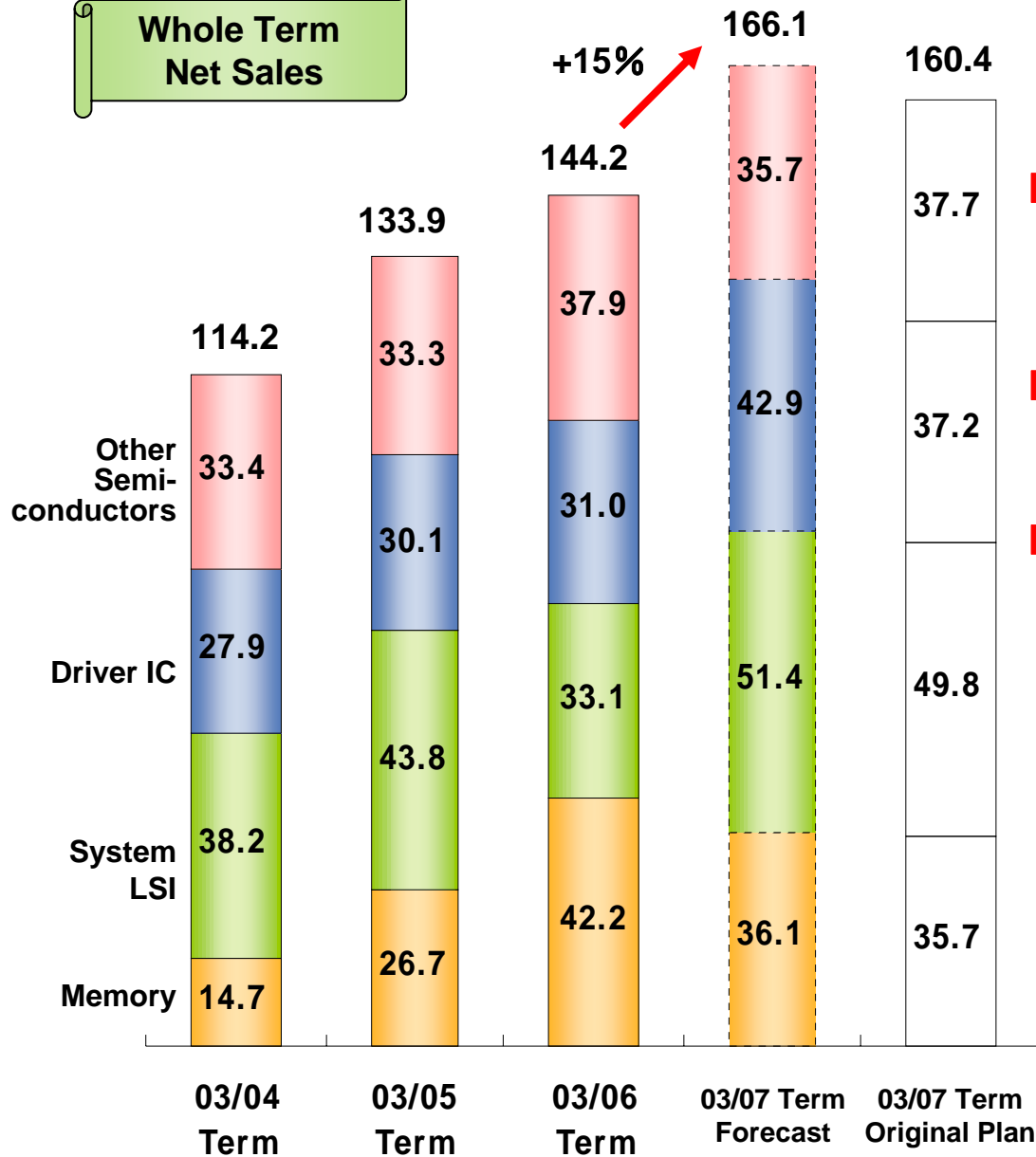
- Favourable sales growth for mobile phones and TVs

Other Semiconductors

- Favourable start for ST Micro products and UPEK fingerprint authentication ICs
- Declined sales of CMOS sensors for mobile phones

	Interim Term of March, 2007 Term	
	Compared to First Half of March, 2006 Term	Compared to Original Plan
Memories	+47%	-2%
System LSIs	+1%	-11%
Driver Ics	+78%	+31%
Other Semiconductors	-5%	-3%

Whole Term Net Sales



Memories

- Sales decline of both pseudo SRAMs and DRAMs for mobile phones (the marketing route for ELPIDA memories will change in the second half)

System LSIs (NECEL LSIs only)

- Full-scale shipment for gaming machines in the second half
- Declined sales for digital AV equipment

Driver ICs (NECEL ICs only)

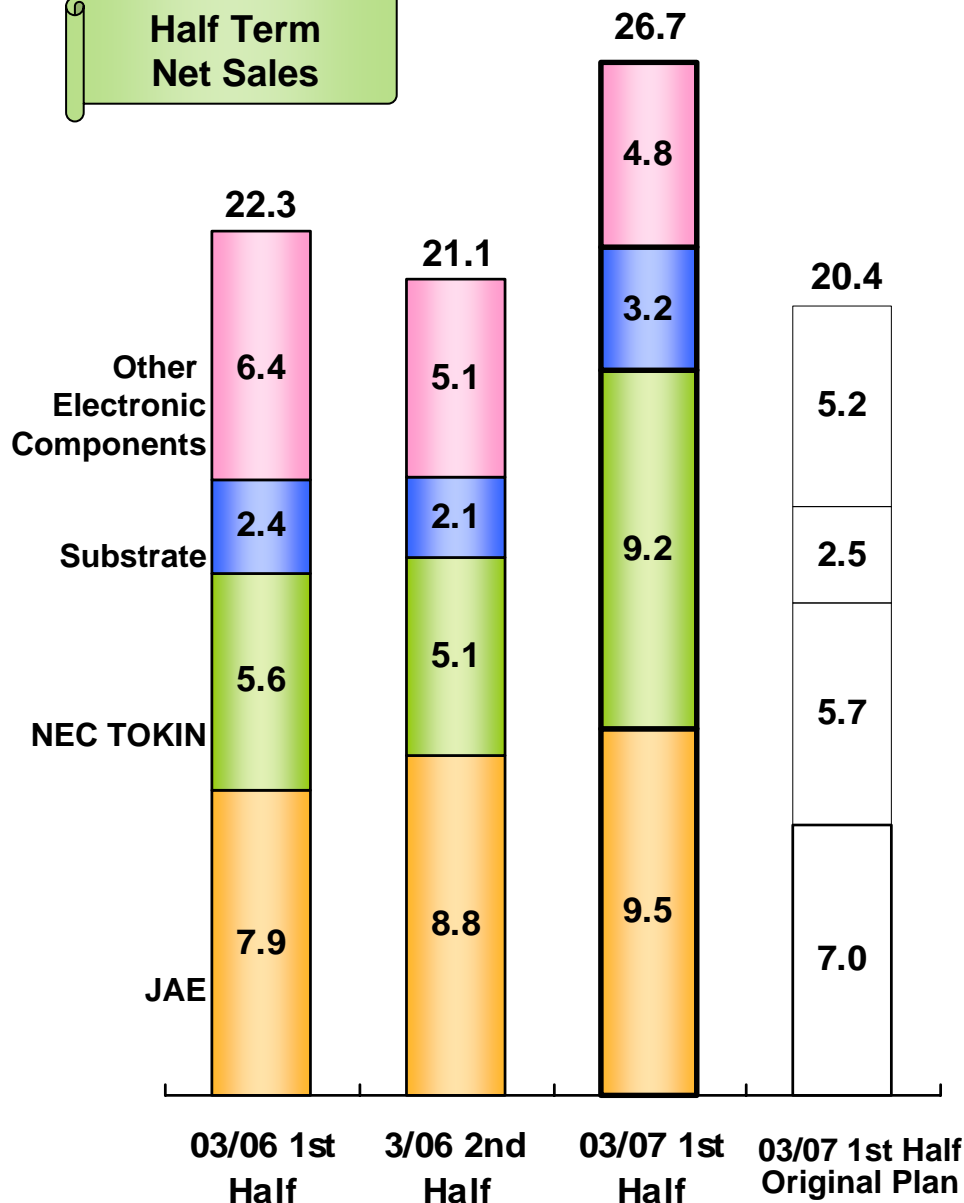
- Favourable sales for mobile phones and TVs despite a fall in the first half

Other Semiconductors

- Favourable start for ST Micro products and UPEK fingerprint authentication ICs
- Declined sales of CMOS sensors for mobile phones

	Whole March, 2007 Term	
	Compared to Previous Term	Compared to Original Plan
Memories	-14%	+1%
System LSIs	+55%	+3%
Driver ICs	+39%	+16%
Other Semiconductors	-6%	-5%

Half Term Net Sales



JAE

- Favourable Sales for digital AV equipment and PCs

NEC Tokin

- Increased sales due to the market introduction of new gaming machines

Substrates

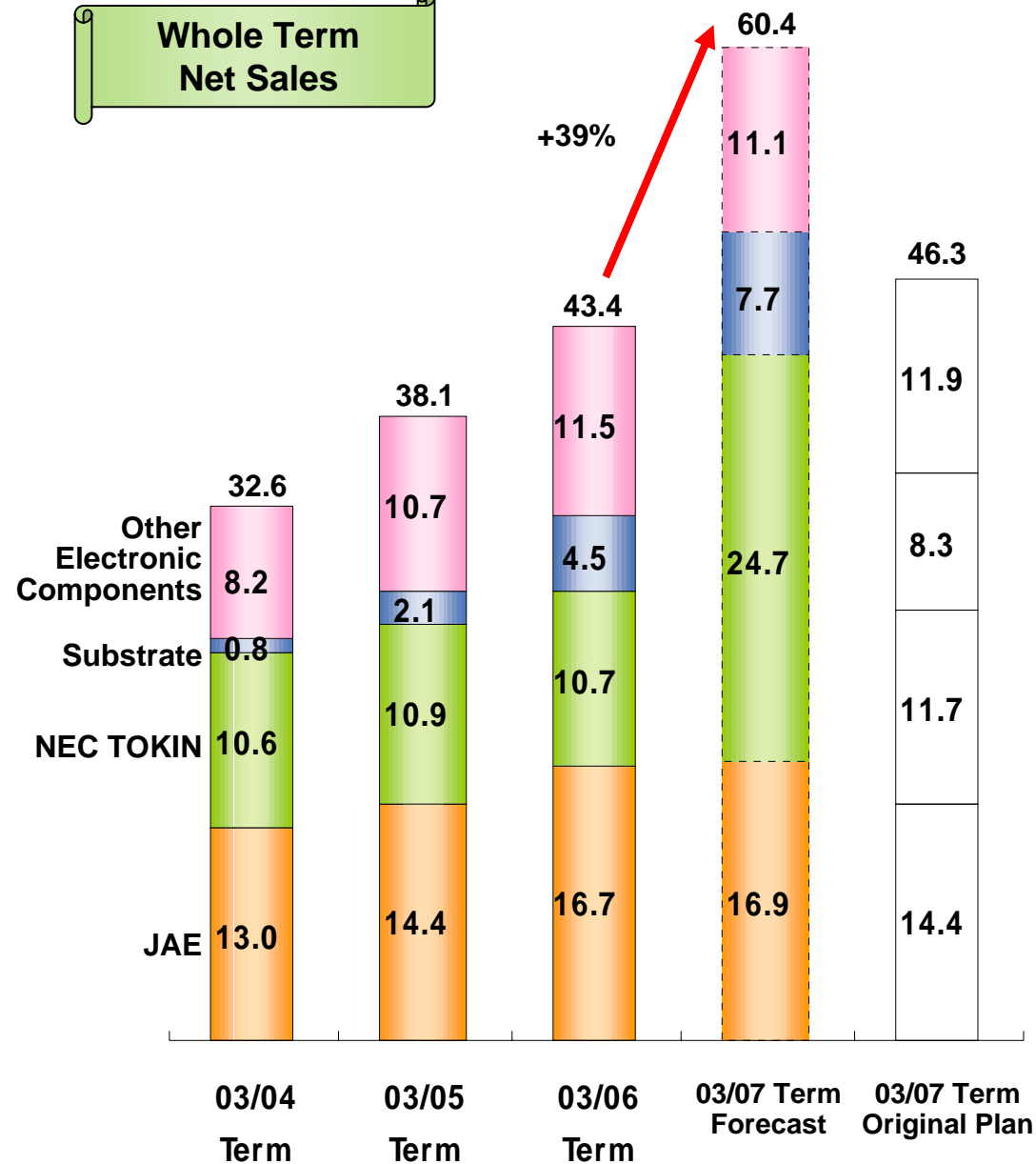
- Steady sales for TVs
- Increased sales due to the market introduction of new gaming machines

Other Electronic Components

- Declined sales of modules for PDAs
- Favourable sales of other electronic components

	Interim Term of March, 2007 Term	
	Compared to First Half of March, 2006 Term	Compared to Original Plan
JAE	+21%	+35%
NEC Tokin	+62%	+60%
Substrates	+31%	+25%
Others	-25%	-8%

Whole Term Net Sales



JAE

- Favourable sales for digital AV equipment and PCs
- Declined sales for mobile phones

NEC Tokin

- Full-scale shipment for gaming machines in the second half

Substrates

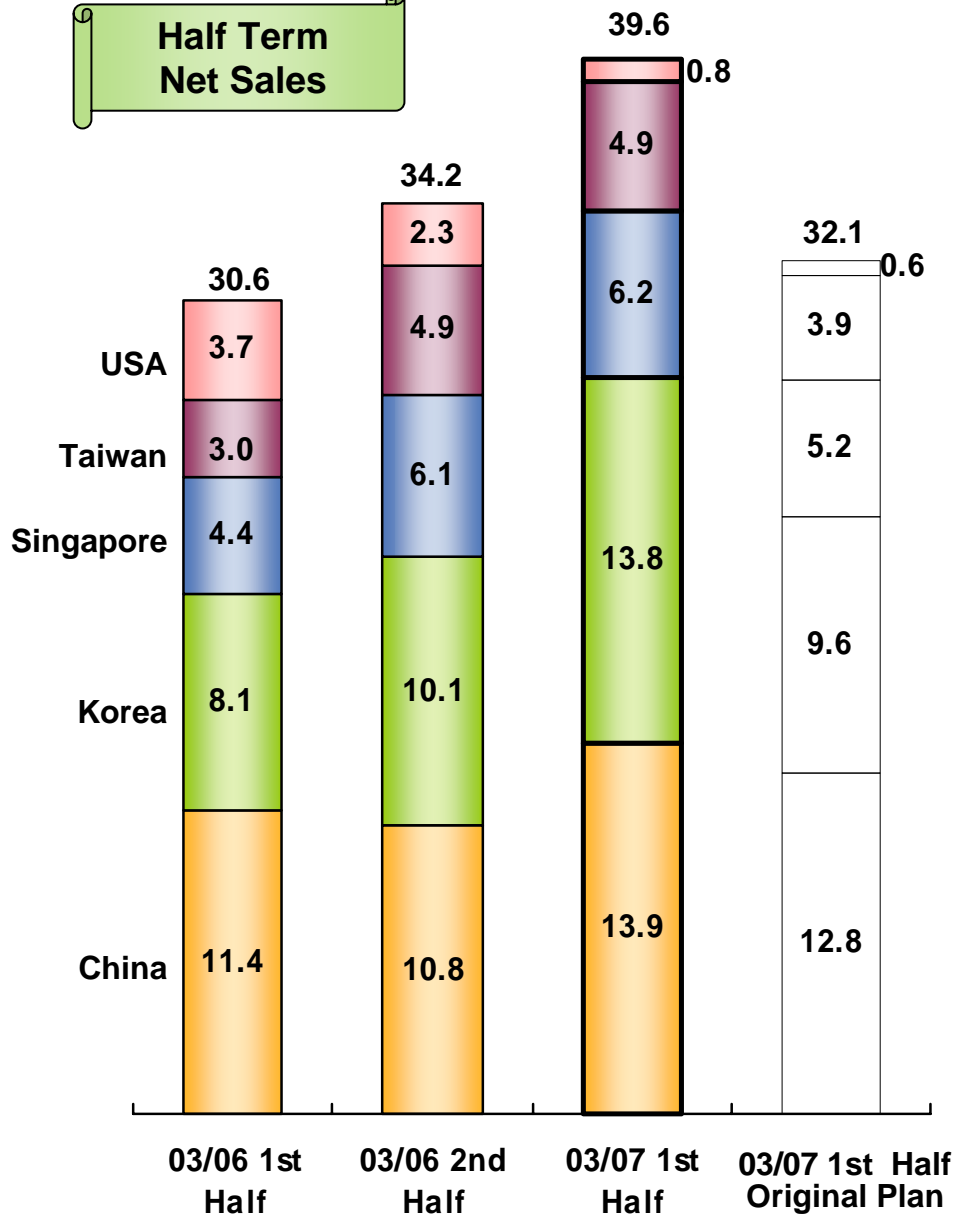
- Full-scale shipment for gaming machines in the second half
- Steady sales for TVs

Other Electronic Components

- Declined sales of modules for PDAs
- Favourable sales of other electronic components

	Whole March, 2007 Term	
	Compared to Previous Term	Compared to Original Plan
JAE	+15	+17%
NEC Tokin	+131%	+112%
Substrates	+72%	-8%
Others	-4%	-6%

Half Term Net Sales



China

- Generally favourable growth
- Increased sales following emerging sales of products for gaming machines

Korea

- Favourable sales trend of driver ICs for TVs

Singapore

- Steady product sales for digital AV equipment
- Favourable sales of UPEK fingerprint authentication ICs for PCs

Taiwan

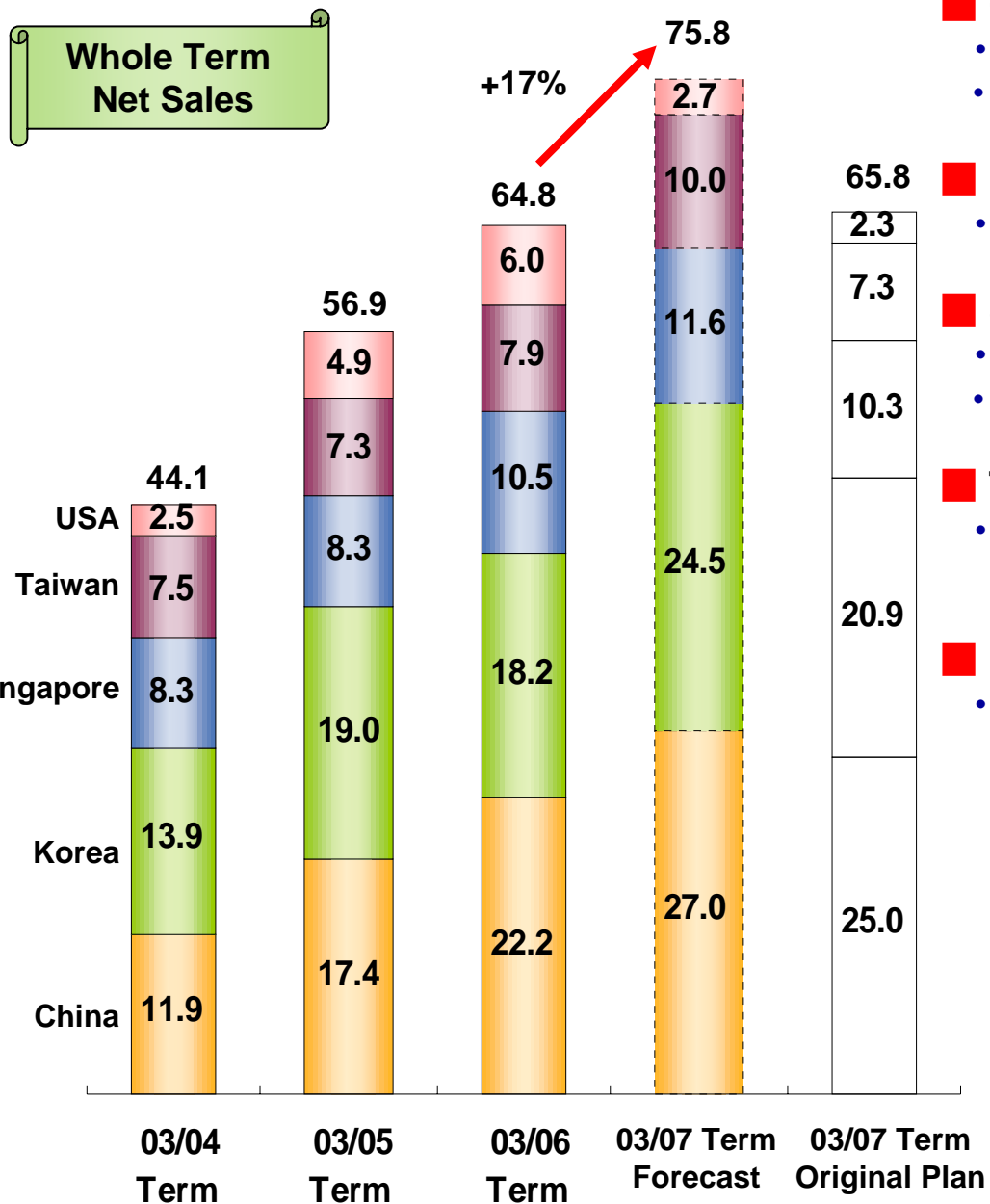
- Steady product sales for PCs
- Increased sales following emerging sales of products for gaming machines

USA

- Declined product sales for TVs/PDAs

	Interim Term of March, 2007 Term	
	Compared to First Half of March, 2006 Term	Compared to Original Plan
China	+22%	+9%
Korea	+70%	+44%
Singapore	+41%	+19%
Taiwan	+68%	+27%
USA	-78%	+45%

Whole Term Net Sales



China

- Generally favourable growth
- Full-scale shipment for gaming machines in the second half

Korea

- Steady sales of driver ICs for PCs while the sales of driver ICs for TVs are favourable

Singapore

- Declined product sales for digital AV equipment
- Favourable sales of UPEK fingerprint authentication ICs for PCs

Taiwan

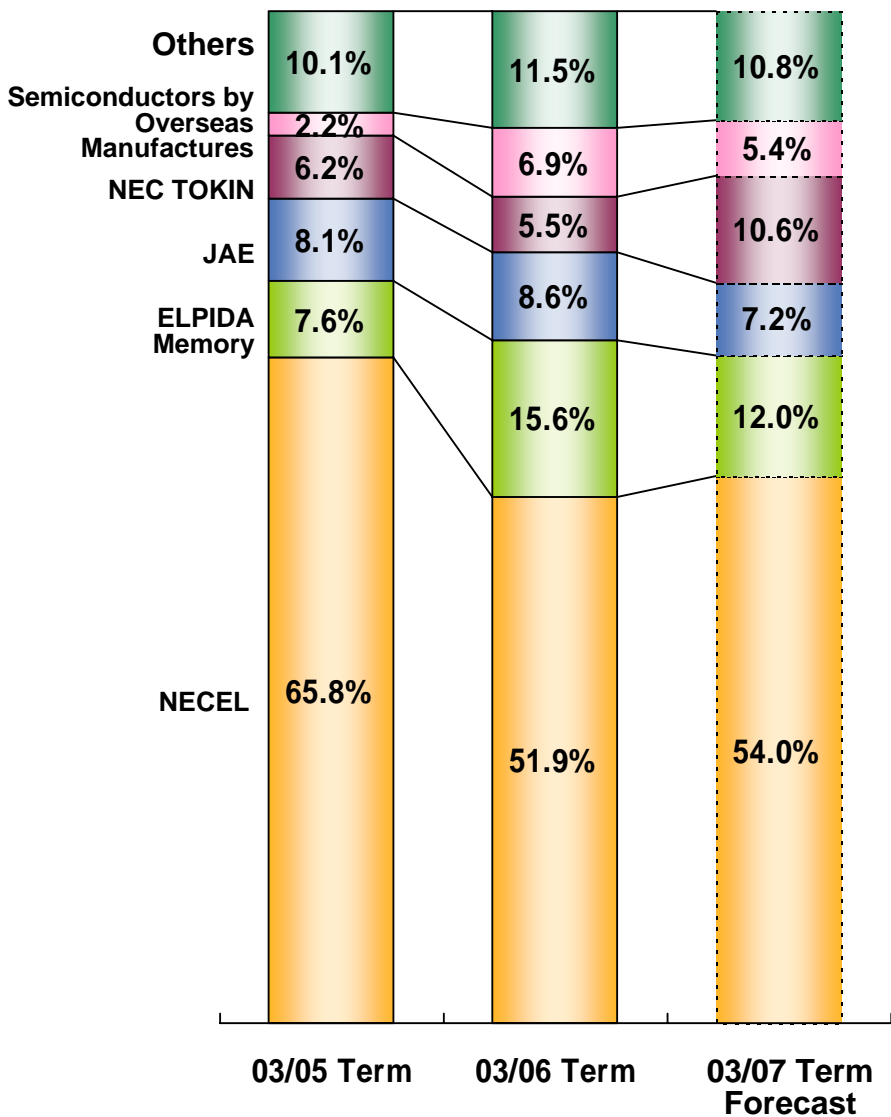
- Full-scale shipment for gaming machines in the second half despite the decline of product sales for PCs

USA

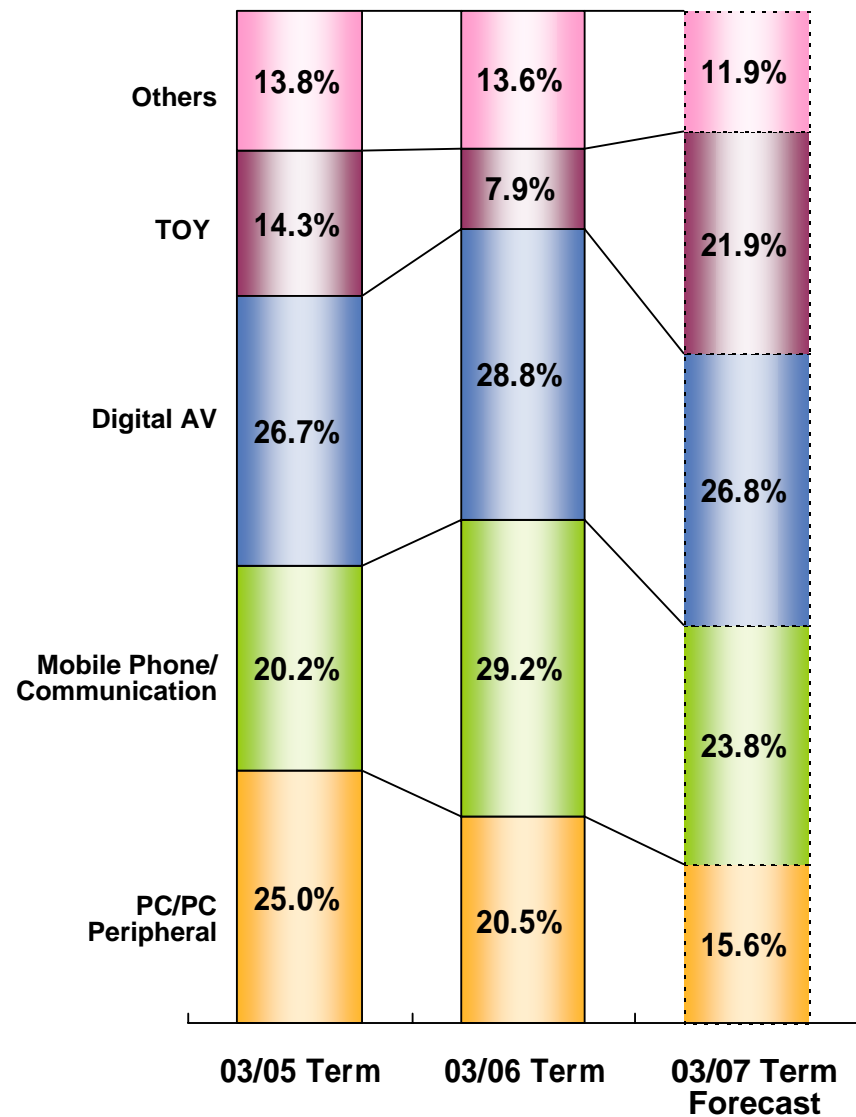
- Declined sales in the first half cannot be offset by the emerging product sales for onboard car equipment and PDAs

	Whole March, 2007 Term	
	Compared to Previous Term	Compared to Original Plan
China	+22%	+8%
Korea	+35%	+17%
Singapore	+10%	+12%
Taiwan	+27%	+37%
USA	-54%	+18%

Breakdown of Net Sales by Supplier



Breakdown of Net Sales by Business Field



System LSIs

Increased sales of system LSIs for image processing (EMMA)

**LC Driver
ICs**

Increased sales for China and VVs

**Other
Semi-
conductors****①Micro-computers**

- Intensified marketing for increased sales of 16 bit and 32 bit All Flash microcomputers
- Intensified marketing for increased sales to medium-size domestic clients and Chinese and Korean markets

②ST Microelectronic products

- Increased sales for mobile phones and TVs; increased business deals with newly acquired clients

③Other semiconductors

- Aggressive marketing of priority merchandise and promotion of kit sales

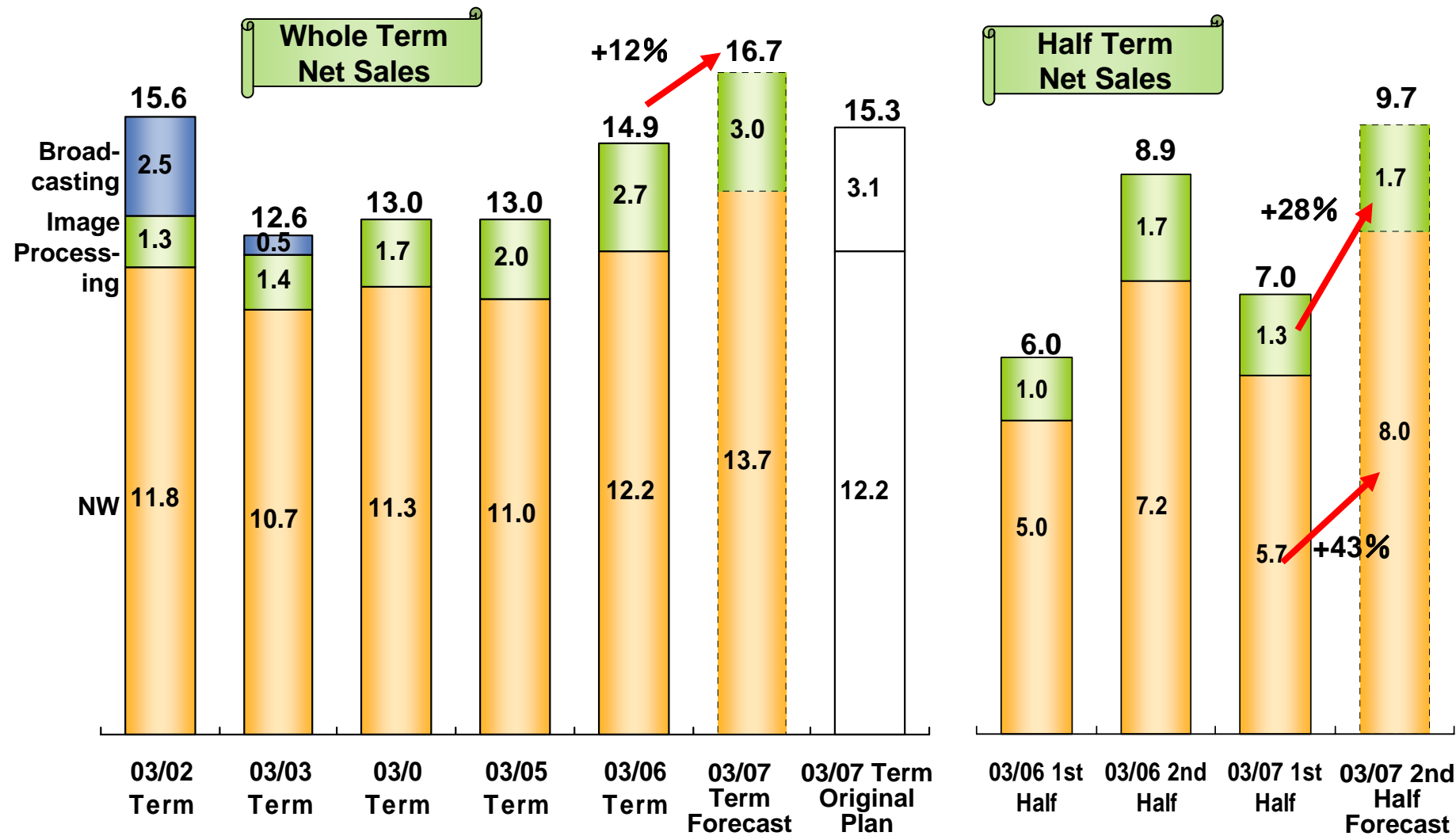
**Electronic
Components****①JAE/NEC Tokin**

- Aggressive marketing of priority merchandise and promotion of kit sales

②Substrates

- Development of new clients and strengthening of quality control

- The net sales for the March, 2007 Term are forecast to record a 12% increase as a result of the steady growth of the NW and image processing businesses
- The half term net sales for the March, 2007 Term are forecast to record two digit growth for both the NW and image processing businesses



NW Business

- Increased sales of broadband office/security-related products, stock business and application software
- Expansion of continual-type bulk sale business
- Establishment of a stable earnings structure for the business serving the public sector and disaster prevention radio NW business

Image Processing Business

- Concentration on video network-related merchandise
- Strengthening of the earning power of the SONIC consumer business

- The consolidated pay-out ratio of 30% or higher will be maintained with the forecast of an increased whole year divided by ¥8 on the previous year.
- 700,000 shares will be acquired as treasury stock.

	03/04 Term	03/05 Term	03/06 Term	03/07 Term Forecast
① Consolidated Net Profit for the Term	¥1,529 million	¥2,045 million	¥2,721 million	¥3,500 million
② Consolidated Ratio of Net Worth	61.1%	59.6%	55.5%	59.4%
③ Total Dividend (Dividend per Share)	¥461 million (¥14)	¥589 million (¥18)	¥817 million (¥25)	¥1,060 million (¥33)
④ Consolidated Pay-out Ratio	30.2%	28.8%	30.1%	30.3%
⑤ Value of Treasury Stock Acquired (Number of Shares Acquired)*1	¥692 million (1,171,000 shares)	—	—	¥870 million (700,000 shares)
⑥ TRR (③+⑤) ÷ ①	75.4%	28.8%	30.1%	55.1%
⑦ Cancellation of Treasury Stock	2,500 thousand shares	—	829 thousand shares	—
⑧ Total Number of Shares Issued	33,528 thousand shares	33,528 thousand shares	32,699 thousand shares	32,699 thousand shares

*1 The total number (amount) of treasury stock acquired does not include those shares below the unit minimum number of shares of which the purchase by the Company is demanded.

V. Financial Situation

Item	End March, 2006 Result A	End September, Result B	B-A Increase/ Decrease	End March, 2007 Forecast C	C-B Increase/ Decrease
Cash & Cash Equivalents	4.7	4.3	△ 0.4	3.4	△ 0.9
Accounts Receivable	74.2	94.5	20.3	69.3	△ 25.2
Inventories	15.7	26.1	10.4	17.1	△ 9.0
Other Assets	11.2	11.7	0.5	11.8	0.1
Total Assets	105.8	136.6	30.8	101.6	△ 35.0
Accounts Payable	29.3	37.0	7.7	26.6	△ 10.4
Interest-Bearing Liabilities	13.7	36.4	22.7	11.0	△ 25.4
Other Liabilities	4.1	3.8	△ 0.3	3.6	△ 0.2
Total Net Assets	58.7	59.4	0.7	60.4	1.0
Total of Liabilities & Net Assets	105.8	136.6	30.8	101.6	△ 35.0
Ratio of Net Worth to Total Capital	55.5%	43.4%	—	59.4%	—
Net Profit per Share for the Term	¥82.25	¥61.66*1	—	¥109.44	—
Net Assets per Share	¥1,795.71	¥1,839.23	—	¥1,887.56	—

*1 Net profit per share for the interim term (first half)

Item	03/06 Term	03/07 Term Forecast			B-A Increase/ Decrease
	Result A	1st Half	2nd Half	Whole Term B	
Receivable (△ Increase)	△ 10.8	△ 20.3	25.2	4.9	15.7
Decrease of Inventories (△ Increase)	0.7	△ 10.4	9.0	△ 1.4	△ 2.1
Increase of Accounts Payable	5.5	7.7	△ 10.4	△ 2.7	△ 8.2
Others	3.8	0.5	1.8	2.3	△ 1.5
Operating C/F	△ 0.8	△ 22.5	25.6	3.1	3.9
Investment C/F	0.0	0.5	△ 0.3	0.2	0.2
Financial C/F	1.3	21.6	△ 26.2	△ 4.6	△ 5.9
Conversion Adjustments for Cash & Cash Equivalents	0.1	0.0	0.0	0.0	△ 0.1
Increase/Decrease of Cash and Cash Equivalents	0.6	△ 0.4	△ 0.9	△ 1.3	△ 1.9
Term End Balance of Cash and Cash Equivalents	4.7	4.3	3.4	3.4	△ 1.3