

March, 2006 Term

16th November, 2005

**Summary of Individual Interim Financial Statements**

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 : 16th November, 2005  
 Date to Start Payment of Interim Dividend : 9th December, 2005  
 Availability of Interim Dividend System : Yes  
 Availability of Unit Minimum Shares System : Yes (unit minimum shares: 1,000 shares)

## 1. Business Performance for September, 2004 Interim Term (from 1st April, 2004 to 30th September, 2004)

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

	Sales Volume		Operating Profit		Ordinary Profit	
	¥ million	%	¥ million	%	¥ million	%
Sept., 2005 Interim Term	72,611	5.5	1,161	-11.1	1,719	0.1
Sept., 2004 Interim Term	68,815	14.1	1,305	90.8	1,717	69.6
March, 2005 Term	138,516		2,527		3,096	

	Interim Net Profit (for Current Term)		Interim Net Profit per Share (for Current Term)	
	¥ million	%	Yen	
Sept., 2005 Interim Term	982	-1.1	30.05	
Sept., 2004 Interim Term	993	84.4	30.36	
March, 2005 Term	1,787		53.80	

## Notes:

- ① Average number of issued shares during the term : September, 2005 Interim Term: 32,703,244 shares, Sept., 2004 Interim Term: 32,714,471 shares, March, 2005 Term: 32,711,740 shares
- ② Change of accounting method: No
- ③ The percentages for the sales volume, operating profit, ordinary profit and interim net profit (for the current term) indicate an increase or decrease against the corresponding figures for the interim term of the previous year

## (2) Dividend Situation

	Interim Dividend per Share		Annual Dividend per Share	
	Yen		Yen	
Sept., 2005 Interim Term	8.00		-	
Sept., 2004 Interim Term	6.00		-	
March, 2004 Term	-		18.00	

## (3) State of Finance

	Gross Assets	Capital Stock	Ratio of Capital Stock	Capital Stock per Share
	¥ million	¥ million	%	Yen
Sept., 2005 Interim Term	84,655	52,859	62.4	1,616.53
Sept., 2004 Interim Term	79,840	51,415	64.4	1,571.78
March, 2005 Term	80,562	52,274	64.9	1,597.51

## Note

- ① Number of issued shares at the term end : Sept., 2005 Interim Term: 32,698,987 shares, Sept., 2004 Interim Term: 32,711,524 shares, March, 2005 Term: 32,705,959 shares
- ② Number of treasury stock at the term end : Sep., 2005 Interim Term: 829,386 shares, Sept., 2004 Interim Term: 816,849 shares, March, 2005 Term: 822,414 shares

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

	Sales Volume	Ordinary Profit	Net Profit for the Term	Annual Dividend per Share	
				Term End	
Whole Term	¥ million	¥ million	¥ million	Yen	Yen
		145,000	3,200	1,800	14.00

(Reference) Forecast for the net profit per share for the term (whole term): ¥55.05.

\* 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) Interim Financial Statements

## Interim Balance Sheet

(Unit: ¥ million)

Item	Current Interim Term (as of 30th Sept., 2005)		Previous Term (as of 31st March, 2005)		Increase/ Decrease Amount	Interim Term of Previous Year (as of 30th Sept., 2004)	
	Amount	%	Amount	%		Amount	%
(Assets)							
I. Current Assets	74,654	88.2	70,312	87.3	4,341	69,954	87.6
- Cash and Cash Equivalents	2,179		2,277		-97	2,096	
- Notes Receivable	1,623		2,410		-786	3,640	
- Accounts Receivable-Trade	58,568		51,784		6,784	50,472	
- Securities	40		40		-	-	
- Merchandise Inventories	10,721		11,822		-1,100	11,728	
- Expenditure for Work in Progress	13		2		11	50	
- Prepaid Expenses	182		151		31	174	
- Accrued Income	581		602		-20	792	
- Deferred Tax Assets	566		613		-47	576	
- Others	274		719		-445	541	
- Allowance for Doubtful Receivables	-99		-111		12	-119	
II. Fixed Assets	10,001	11.8	10,250	12.7	-248	9,886	12.4
Property and Equipment	5,215	6.2	5,369	6.6	-153	5,446	6.8
- Buildings	2,811		2,872		-61	2,935	
- Structures	42		44		-1	46	
- Vehicles	0		0		-	0	
- Tools and Equipment	120		134		-13	146	
- Land	2,240		2,317		-77	2,317	
Intangible Fixed Assets	255	0.3	288	0.4	-33	246	0.3
Investment and Other Assets	4,530	5.3	4,592	5.7	-61	4,193	5.3
- Investment in Securities	4,208		4,253		-44	3,781	
- Guarantee Money Deposited	131		135		-3	130	
- Prepaid Pension Expenses	53		48		4	53	
- Other Assets	202		227		-25	302	
- Allowance for Doubtful Receivables	-64		-73		8	-75	
Total Assets	84,655	100.0	80,562	100.0	4,092	79,840	100.0

(Unit: ¥ million)

Item	Term	Current Interim Term (as of 30th Sept., 2005)		Previous Term (as of 31st March, 2005)		Increase/ Decrease Amount	Interim Term of Previous Year (as of 30th Sept., 2004)	
		Amount	%	Amount	%		Amount	%
(Liabilities)								
I. Current Liabilities		31,235	36.9	25,189	31.3	6,045	25,515	32.0
- Notes Payable		264		395		-130	510	
- Accounts Payable-Trade		18,965		15,402		3,563	14,934	
- Short-Term Loans Payable		7,100		7,100		-	8,000	
- Long-Term Loans Due for Repayment Within One Year		2,500		-		2,500	-	
- Accrued Amount Payable		143		95		48	122	
- Accrued Expenses		176		181		-4	168	
- Accrued Corporate Tax, etc.		725		768		-43	663	
- Advances Received		110		17		92	27	
- Deferred Income		0		0		-0	0	
- Allowance for Bonuses		640		620		20	620	
- Other Current Liabilities		608		607		1	467	
II. Fixed Liabilities		560	0.7	3,098	3.8	-2,537	2,910	3.6
- Long-Term Loans Payable		-		2,500		-2,500	2,500	
- Deferred Tax Liabilities		349		339		9	167	
- Retirement Allowance for Directors and Corporate Auditors		194		243		-48	227	
- Deposits Received		16		15		1	15	
Total Liabilities		31,796	37.6	28,287	35.1	3,508	28,425	35.6
(Shareholders' Equity)								
I. Common Stock		14,811	17.5	14,811	18.4	-	14,811	18.6
II. Capital Surplus		15,329	18.1	15,329	19.0	-	15,329	19.2
- Capital Reserve		15,329		15,329		-	15,329	
III. Retained Earnings		22,357	26.4	21,794	27.0	563	21,197	26.5
1. Legal Reserve		670		670		-	670	
2. Voluntary Reserve		19,280		19,280		-	19,280	
3. Unappropriated Retained Earnings at End of Interim Term (Current Term)		2,406		1,843		563	1,246	
IV. Unrealised Gains on Available-for-Sale Securities		806	0.9	778	1.0	27	511	0.6
V. Treasury Stock		-446	-0.5	-439	-0.5	-6	-435	-0.5
Shareholders' Equity Total		52,859	62.4	52,274	64.9	584	51,415	64.4
Total of Liabilities and Shareholders' Equity		84,655	100.0	80,562	100.0	4,092	79,840	100.0

## Interim Profit and Loss Statement

(Unit: ¥ million)

Item	Term	Current Interim Term From 1st Apr., 2005 to 30 <sup>th</sup> Sept., 2005		Previous Interim Term From 1st Apr., 2004 to 30 <sup>th</sup> Sept., 2004		Increase/ Decrease		Previous Term From 1st Apr., 2004 to 31st Mar., 2005	
		Amount	%	Amount	%	Amount	%	Amount	%
		I. Net Sales		72,611	100.0	68,815	100.0	3,796	5.5
II. Cost of Sales		67,568	93.1	63,651	92.5	3,916	6.2	128,341	92.7
- Gross Profit on Sales		5,043	6.9	5,163	7.5	-120	-2.3	10,174	7.3
III. Selling, General and Administrative Expenses		3,882	5.3	3,857	5.6	24	0.6	7,647	5.5
- Operating Income		1,161	1.6	1,305	1.9	-144	-11.1	2,527	1.8
IV. Non-Operating Income		605	0.8	449	0.7	155	34.6	646	0.5
- Interest/Dividend Received		324		244		80		253	
- Purchase Discounts		6		7		-1		14	
- Business Guidance Fees		148		146		2		285	
- Other Non-Operating Income		125		51		74		92	
V. Non-Operating Expenses		46	0.0	37	0.1	9	24.9	76	0.1
- Interest Paid		22		27		-4		54	
- Other Non-Operating Expenses		23		9		13		22	
Ordinary Income		1,719	2.4	1,717	2.5	1	0.1	3,096	2.2
VI. Extraordinary Income		103	0.1	4	0.0	99	2,144.6	14	0.0
- Gain on Sale of Fixed Assets		-		-		-		0	
- Gain on Sale of Investment Securities		83		4		78		14	
- Gain on Refund of Allowance for Doubtful Receivables		20		-		20		-	
VII. Extraordinary Expenses		90	0.1	14	0.0	76	535.9	14	0.0
- Loss on Sale of Fixed Assets		49		-		49		0	
- Loss on Disposition of Fixed Assets		4		4		0		8	
- Loss on Valuation of Investment Securities		36		-		36		-	
- Loss on Valuation of Membership Rights		-		8		-8		5	
- Loss Due to Non-Refunding of Invested Capital		-		1		-1		1	
- Income for Interim Term (Current Term) Before Tax		1,732	2.4	1,708	2.5	24	1.5	3,096	2.2
- Taxes		683	0.9	623	1.0	60	9.7	1,262	0.9
- Adjustment for Taxes		66	0.1	91	0.1	-25	-27.3	47	0.0
- Net Income for Interim Term (Current Term)		982	1.4	993	1.4	-10	-1.1	1,787	1.3
- Deferred Income from Previous Term		1,424		253		1,171		253	
- Interim Dividend		-		-		-		196	
- Unappropriated Income for Interim Term (Current Term)		2,406		1,246		1,160		1,843	

## Important Basic Matters for Preparation of Interim Financial Statements

### 1. Evaluation Criteria and Methods of Assets

#### (1) Securities

- Shares of subsidiaries :

Cost method using the moving average method

Other securities

- Those with a market value :

Market price method based on the market price on the last day of the interim 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. Fixed Assets Depreciation Methods

#### (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 – 45 years for buildings, 15 – 50 years for structures, 4 years for vehicles and 4 – 20 years for tools and equipment.

#### (2) Intangible Fixed Assets :

Straight line method

The typical depreciation period is 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 recovery is doubtful and credits subject to the rehabilitation process following bankruptcy.

#### (2) Allowance for Bonuses

The estimated amount of bonuses in the second half is allowed in preparation for their pay-out to employees.

#### (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 interim term. However, as the estimation amount of the pension plan assets at the end of the current consolidated interim term 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 difference is accounted for as pre-paid pension expenses.

Unrecognised actuarial gains and losses of each consolidated accounting year 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 from the next consolidated accounting year.

The 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.

#### (4) Retirement Allowance for Directors and Corporate Auditors

The required payment amount at the end of the interim term in accordance with the internal policies is accounted for in preparation for payment of retirement allowance for directors and corporate auditors.

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 interim settlement date and the gains or losses from this conversion are recognised in the profit and loss statement.

5. Accounting Practice for 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 policies 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. Others

The consumption tax and local consumption tax are accounted for using the without-tax method.

## Change of Important Basic Matters for Preparation of Consolidated Interim Financial Statements

### (Accounting Standards Relating to the Loss on Fixed Assets)

For the present consolidated interim accounting period, the Accounting Standards Relating to the Loss on Fixed Assets (“Opinion Paper Regarding the Introduction of the Accounting Standards Relating to the Loss on Fixed Assets” by the Corporate Accounting Council on 9th August, 2002) and the Application Guidelines for the Accounting Standards Relating to the Loss on Fixed Assets (“Application Guidelines for the Accounting Standards Relating to the Loss on Fixed Assets”, Application Guidelines for Corporate Accounting Standards No. 6 of 31<sup>st</sup> October, 2003) are applied. The loss and profit have not been affected by this new practice.

The Sanshin Group groups assets mainly using the workplace as the minimum unit generating independent cash flow based on the classification of the group’s businesses.

## Notes

### (Related to the Interim Balance Sheet)

	<u>Present Consolidated Interim Term</u>	<u>Previous Consolidated Term</u>	<u>Consolidated Interim Term of Previous Year</u>
1. Accumulated Amount of Depreciation of Property and Equipment	¥4,455 million	¥4,414 million	¥4,385 million
2. Incidental Liabilities			
Payment Guarantees for Bank Loans by Non-Consolidated Subsidiary and Its Employees Sanshin Electronics (Shanghai) Co., Ltd. *1	¥84 million (US\$ 0.75 million)	¥75 million (US\$ 0.7 million)	¥22 million (US\$ 0.2 million)
<u>Employees *2</u>	<u>¥90 million</u>	<u>¥90 million</u>	<u>¥95 million</u>
Total	¥175 million	¥165 million	¥117 million

\*1 From the present consolidated interim accounting period, the payment guarantee has been replaced by the supply of a 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.

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

	<u>Present Interim Term</u>	<u>Interim Term of Previous Year</u>	<u>Previous Term</u>
Depreciation Accounted for Property and Equipment	¥81 million	¥90 million	¥185 million
Intangible Fixed Assets	¥53 million	¥42 million	¥90 million

① Leases

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

② Securities

No shares of subsidiaries or affiliated companies have a market value in the present interim accounting period, the previous business year or the interim accounting period of the previous year.