

March, 2006 Term

17th May, 2006

**Summary of Individual 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 : 17th May, 2006  
 Planned Date to Start Dividend Payment : 26th June, 2006  
 Planned Date for Regular General Meeting of Shareholders : 23rd June, 2006  
 Availability of Interim Dividend System : Yes  
 Availability of Unit Minimum Shares System : Yes (unit minimum shares: 1,000 shares)

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

## (1) 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	153,154	10.6	3,028	19.8	3,801	22.8
March, 2005 Term	138,516	6.2	2,527	29.5	3,096	30.0

	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	1,900	6.4	57.25	-	3.6	4.4	2.5
March, 2005 Term	1,787	37.9	53.80	-	3.5	3.9	2.2

Notes:

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

## (2) Dividend Situation

	Annual Dividend per Share			Total Dividend Payment (Annual)	Pay-Out Ratio	Dividend Ratio to Total Capital
	Interim	Term End				
March, 2006 Term	¥ 25.00	¥ 8.00	¥ 17.00	¥ million 817	% 43.6	% 1.5
March, 2005 Term	¥ 18.00	¥ 6.00	¥ 12.00	¥ million 588	% 33.5	% 1.1

## (3) State of Finance

	Gross Assets	Capital Stock	Ratio of Capital Stock	Capital Stock per Share
	¥ million	¥ million	%	¥
March, 2006 Term	90,689	54,027	59.6	1,651.63
March, 2005 Term	80,562	52,274	64.9	1,597.51

Notes:

- ① Number of issued shares at the term end : March, 2006 Term: 32,693,503 shares, March, 2005 Term: 32,705,959 shares
- ② Number of treasury stock at the term end : March, 2006 Term: 5,870shares, March, 2005 Term: 822,414 shares

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

	Sales	Ordinary Profit	Net Profit for the Term	Annual Dividend per Share		
				Interim Term End	Term End	
Interim Term	¥ million 87,000	¥ million 2,250	¥ million 1,250	¥ 11.00	¥ -	¥ -
Whole Term	¥ million 172,800	¥ million 4,250	¥ million 2,450	¥ -	¥ 16.00	¥ 27.00

(Reference) Forecast for the net profit per share for the term (whole term): ¥74.02

\* 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) Financial Statements

## Balance Sheet

(Unit: ¥ million)

Item	55th Term (as of 31st March, 2006)		54th Term (as of 31st March, 2005)		Increase/ Decrease
	Amount	%	Amount	%	Amount
(Assets)					
I. Current Assets	79,295	87.4	70,312	87.3	8,983
- Cash and Cash Equivalents	2,448		2,277		170
- Notes Receivable	935		2,410		-1,474
- Accounts Receivable-Trade	63,621		51,784		11,837
- Securities	-		40		-40
- Merchandise Inventories	10,884		11,822		-937
- Expenditure for Work in Progress	11		2		8
- Advances	26		-		26
- Prepaid Expenses	149		151		-1
- Accrued Income	668		602		66
- Deferred Tax Assets	646		613		32
- Others	16		719		-703
- Allowance for Doubtful Receivables	-112		-111		-1
II. Fixed Assets	11,393	12.6	10,250	12.7	1,143
Tangible Fixed Assets	5,152	5.7	5,369	6.6	-216
- Buildings	2,751		2,872		-120
- Structures	40		44		-3
- Vehicles	0		0		-
- Tools and Equipment	119		134		-14
- Land	2,240		2,317		-77
Intangible Fixed Assets	355	0.4	288	0.4	66
Investment and Other Assets	5,885	6.5	4,592	5.7	1,293
- Investment in Securities	3,800		3,079		721
- Shares of Affiliated Companies	1,751		1,174		577
- Invested Capital	0		1		-0
- Insolvent Credits, etc.	4		2		2
- Guarantee Money Deposited	135		135		-0
- Prepaid Pension Expenses	58		48		9
- Other Assets	489		223		265
- Allowance for Doubtful Receivables	-354		-73		-281
Total Assets	90,689	100.0	80,562	100.0	10,126

(Unit: ¥ million)

Item	Term	55th Term (as of 31st March, 2006)		54th Term (as of 31st March, 2005)		Increase/ Decrease
		Amount	%	Amount	%	Amount
<b>(Liabilities)</b>						
I. Current Liabilities		36,005	39.7	25,189	31.3	10,815
- Notes Payable		294		395		-101
- Accounts Payable-Trade		20,991		15,402		5,588
- Short-Term Loans Payable		9,300		7,100		2,200
- Long-Term Loans Due for Repayment Within One Year		2,500		-		2,500
- Accrued Amount Payable		119		95		23
- Accrued Expenses		192		181		10
- Accrued Corporate Tax, etc.		1,227		768		458
- Advances Received		80		17		62
- Deposits Received		32		19		13
- Deferred Income		-		0		-0
- Allowance for Bonuses		670		620		50
- Other Current Liabilities		597		588		9
II. Fixed Liabilities		656	0.7	3,098	3.8	-2,441
- Long-Term Loans Payable		-		2,500		-2,500
- Deferred Tax Liabilities		429		339		90
- Retirement Allowance for Directors and Corporate Auditors		208		243		-34
- Deposits Received		17		15		2
Total Liabilities		36,661	40.4	28,287	35.1	8,374
<b>(Shareholders' Equity)</b>						
I. Common Stock		14,811	16.4	14,811	18.4	-
II. Capital Surplus		15,329	16.9	15,329	19.0	-
- Capital Reserve		15,329		15,329		-
III. Retained Earnings		22,567	24.8	21,794	27.0	772
1. Legal Reserve		670		670		-
2. Voluntary Reserve		19,280		19,280		-
3. Unappropriated Retained Earnings at End of Current Term		2,616		1,843		772
IV. Unrealised Gains on Available-for-Sale Securities		1,325	1.5	778	1.0	547
V. Treasury Stock		-6	0.0	-439	-0.5	432
Shareholders' Equity Total		54,027	59.6	52,274	64.9	1,752
Total of Liabilities and Shareholders' Equity		90,689	100.0	80,562	100.0	10,126

## Profit and Loss Statement

(Unit: ¥ million)

Item	Term	55th Term From 1st Apr., 2005 to 31st March, 2006		54th Term From 1st Apr., 2004 to 31st March, 2005		Increase/ Decrease	
		Amount	%	Amount	%	Amount	%
I.	Net Sales	153,154	100.0	138,516	100.0	14,638	10.6
II.	Cost of Sales	142,276	92.9	128,341	92.7	13,935	10.9
	- Gross Profit on Sales	10,878	7.1	10,174	7.3	703	6.9
III.	Selling, General and Administrative Expenses	7,849	5.1	7,647	5.5	202	2.6
	- Operating Income	3,028	2.0	2,527	1.8	500	19.8
IV.	Non-Operating Income	870	0.6	646	0.5	224	34.8
	- Interest/Dividend Received	335		253		81	
	- Purchase Discounts	12		14		-1	
	- Business Guidance Fees	312		285		27	
	- Other Non-Operating Income	209		92		117	
V.	Non-Operating Expenses	97	0.1	76	0.1	20	26.8
	- Interest Paid	50		54		-3	
	- Other Non-Operating Expenses	46		22		23	
	Ordinary Income	3,801	2.5	3,096	2.2	704	22.8
VI.	Extraordinary Income	91	0.1	14	0.0	76	516.4
	- Gain on Sale of Fixed Assets	0		0		-0	
	- Gain on Sale of Investment Securities	84		14		70	
	- Refund of Allowance for Doubtful Assets	6		-		6	
VII.	Extraordinary Expenses	414	0.3	14	0.0	400	2,686
	- Loss on Sale of Fixed Assets	49		0		49	
	- Loss on Disposition of Fixed Assets	9		8		1	
	- Loss on Valuation of Investment Securities	66		-		66	
	- Transfer to Allowance for Doubtful Assets	290		-		290	
	- Loss on Valuation of Membership Rights	-		5		-5	
	- Loss Due to Non-Refunding of Invested Capital	-		1		-1	
	- Income for Current Term Before Tax	3,477	2.3	3,096	2.2	381	12.3
	- Taxes	1,808	1.2	1,262	0.9	545	43.2
	- Adjustment for Taxes	-230	-0.1	47	0.0	-277	-591.2
	- Net Income for Current Term	1,900	1.2	1,787	1.3	113	6.4
	- Deferred Income from Previous Term	1,424		253		1,171	
	- Interim Dividend	261		196		65	
	- Retirement of Treasury Stock	447		-		447	
	- Unappropriated Income for Current Term	2,616		1,843		772	

## Appropriation Plan for Retained Earnings

(Unit: ¥ million)

Item	Term	55 <sup>th</sup> Term		54 <sup>th</sup> Term	
		Amount		Amount	
I. Unappropriated Retained Earnings at End of Current Term			2,616		1,843
II. Appropriated Amount of Earnings		555		392	
Dividend		(¥17/share)		(¥12 share)	
Bonus for Officers		30	585	27	419
(in which Bonus for Corporate Auditors)		(-)		(-)	
III. Deferred Earnings to Next Term			2,030		1,424

Note: On 9th December, 2005, an interim dividend totalling ¥261 million (¥8/share) was paid out in accordance with Article 32 of the Articles of Association of the Company.

## Important Accounting Policies

### 1. Evaluation Criteria and Methods of Assets

(1) Shares of subsidiaries : Cost method using the moving average method

(2) 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. Evaluation Criteria and Method of Net Credits (and Debts) Originating from Trading of Derivatives

Market price method

### 3. Evaluation Criteria and Method of Inventories

(1) Merchandise : Lower cost method using the moving average method

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

### 4. Fixed Assets Depreciation Methods

(1) Tangible Fixed Assets : 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.

5. 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.

6. 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 portion to be borne in the current term in the estimated amount of bonuses for the next term 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 term. However, as the estimated 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 difference 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 term in accordance with the internal policies is accounted for in preparation for payment of retirement allowance for directors and corporate auditors.

7. 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.

8. 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.

9. Others

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

## 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.

## Change of Listing Method

As the deferred income (the balance of which at the term end stands at ¥0 million) which had been listed under Current Liabilities on the balance sheet is no longer important, it is incorporated in Other Current Liabilities to make the balance sheet clearer.

## Notes

### (Related to the Balance Sheet)

	<u>55th Term</u>	<u>54th Term</u>
1. Accumulated Amount of Depreciation of Tangible Fixed Assets (Property and Equipment)	¥4,462 million	¥4,414 million
2. Total Number of Shares to be Issued by the Company (Ordinary Shares)		
However, if the cancellation of the shares is effected by the provision of the Articles of Association, the number of shares to be issued by the Company shall be accordingly reduced.		
The cancellation of treasury stocks following a resolution passed at a meeting of the Board of Directors on 16th November, 2005 reduced the issued shares by 829,000 (total cost of share acquisition: ¥447 million), making the number of shares already issued on the register to be 32,699,373.		
Total Number of Shares Already Issues (Ordinary Shares)	76,171,000	77,000,000
3. Incidental Liabilities	32,699,373	33,528,373
Payment Guarantees for Bank Loans by Non-Consolidated Subsidiary and Its Employees	¥76 million (US\$ 0.65 million)	¥75 million (US\$ 0.7 million)
Sanshin Electronics (Shanghai) Co., Ltd. *1	<u>¥92 million</u>	<u>¥90 million</u>
Employees*2	¥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. Restriction on Dividend		
The net amount of assets is increased each term due to the market price-based evaluation of assets stipulated in Article 124 Item 3 of the Commercial Law Enforcement Regulations.	¥1,325 million	¥778 million
5. Number of Treasury Stocks (Ordinary Shares)	5,870	822,414

(Related to Interim Profit and Loss Statement)

	<u>55th Term</u>	<u>54th Term</u>
1. Trading Amount with Affiliated Companies		
- Interest and Dividend Received	¥312 million	¥235 million
- Management Guidance Fee	¥312 million	¥285 million
2. Main Sales, General and Administrative Expenses		
- Packaging and Transportation Expenses	¥214 million	¥192 million
- Travelling and Transport Expenses	¥426 million	¥376 million
- Transfer to Allowance for Doubtful Receivables	-	¥26 million
- Remuneration for Directors and Corporate Auditors	¥177 million	¥190 million
- Salaries and Allowances	¥3,315 million	¥3,375 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	¥345 million	¥203 million
- Legal Welfare Expenses	¥421 million	¥613 million
- Depreciation Expenses	¥198 million	¥183 million
- Lease Fee Paid	¥148 million	¥150 million
3. Breakdown of Gains on Sales of Fixed Assets		
- Tools, Equipment and Fixtures	¥0 million	¥0 million
4. Breakdown of Loss on Sale of Fixed Assets		
- Tools, Equipment and Fixtures	¥0 million	¥0 million
- Land	¥49 million	-
5. Breakdown of Loss on Sale of Fixed Assts		
- Buildings and Structures	¥4 million	-
- Tools, Equipment and Fixtures	¥5 million	¥8 million

① Leases

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

② Securities

No shares of subsidiaries and affiliated companies have market value in the current as well as previous business years.

### ③ Tax Effect Accounting

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

55th Term

(Deferred Tax Assets)	
Deferred Tax Assets Accounted for Under Current Assets	
- Accrued Bonuses	¥272 million
- Inventories	¥172 million
- Enterprise Tax Payable	¥99 million
- Other	¥102 million
Deferred Tax Assets Total	¥646 million
(Deferred Tax Assets Accounted for Under Fixed Assets)	
- Allowance for Doubtful Receivables	¥144 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
- Loss on In-House Development of Systems for Own Use	¥102 million
- Other	¥2 million
Deferred Tax Assets Sub-Total	¥597 million
Loss Valuation Allowance	-¥291 million
Deferred Tax Assets	¥305 million
(Deferred Tax Liabilities)	
- Unrealised Gain on Available for Sale Securities	-¥711 million
- Prepaid Pension Expenses	-¥23 million
Deferred Tax Liabilities Total	-¥735 million
Net Deferred Tax Liabilities Under Fixed Liabilities	-¥429 million
Net Deferred Tax Assets After Application of Tax Effect Accounting	¥217 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 (Adjustment)	40.7%
- Expenses Not Deductible for Income Tax Purposes, such as Entertainment Tax	2.1%
- Income Not Taxable for Income Tax Purposes, such as Dividends Received	-0.3%
- Inhabitant Taxes – Per Capita Levy	0.9%
- Other	1.9%
Actual Effective Tax Rate	45.3%

(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 corporate auditors as part of the business management reform and passed a resolution to terminate the retirement allowance scheme for directors and corporate auditors 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.