

March, 2006 Term

15th November, 2006

**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 is Located: Tokyo  
 (URL: <http://www.sanshin.co.jp>) TEL : 03-3453-5111

Representative : Mitsumasa Matsunaga (President)  
 Enquiries to : Hitoshi Suzuki (Senior Vice-President)  
 Date of Meeting of Board of Directors on Closing Accounts : 15th November, 2006  
 Date to Start Payment of Interim Dividend : 8th December, 2006  
 Availability of Unit Minimum Shares System : Yes (unit minimum shares: 1,000 shares)

## 1. Business Performance for September, 2006 Interim Term (from 1st April, 2006 to 30th September, 2006)

## (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., 2006 Interim Term	89,877	23.8	2,007	72.9	2,769	61.1
Sept., 2005 Interim Term	72,611	5.5	1,161	-11.1	1,719	0.1
March, 2006 Term	153,154		3,028		3,801	

	Interim Net Profit (for Current Term)		Interim Net Profit per Share (for Current Term)	
	¥ million	%	Yen	
Sept., 2006 Interim Term	1,712	74.3	52.60	
Sept., 2005 Interim Term	982	-1.1	30.05	
March, 2006 Term	1,900		57.25	

## Notes:

- ① Average number of issued shares during the term : September, 2006 Interim Term: 32,554,977 shares, Sept., 2005 Interim Term: 32,703,244 shares, March, 2006 Term: 32,675,808 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) State of Finance

	Gross Assets	Net Assets	Ratio of Net Assets	Net Assets per Share
	¥ million	¥ million	%	Yen
Sept., 2006 Interim Term	116,841	54,367	46.5	1,684.58
Sept., 2005 Interim Term	84,655	52,859	62.4	1,616.53
March, 2006 Term	90,689	54,027	59.6	1,651.63

## Note

- ① Number of issued shares at the term end : Sept., 2006 Interim Term: 32,273,513 shares, Sept., 2005 Interim Term: 32,698,987 shares, March, 2006 Term: 32,693,503 shares
- ② Number of treasury stock at the term end : Sep., 2006 Interim Term: 425,860 shares, Sept., 2005 Interim Term: 829,386 shares, March, 2006 Term: 5,870 shares

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

	Sales Volume	Ordinary Profit	Net Profit for the Term
	¥ million	¥ million	¥ million
Whole Term	183,000	4,600	2,800

(Reference) Forecast for the net profit per share for the term (whole term): ¥86.76.

## 3. Dividend Situation

## • Cash Dividend

	Dividend per Share (Yen)		
	End of Interim Term	Term - End	Whole Year
March, 2006 Term	(Yen) 8.00	(Yen) 17.00	(Yen) 25.00
March, 2007 Term (Result)	15.00	-	33.00
March, 2007 Term (Estimate)	-	18.00	

\* 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. Refer to Pages 6 through 10 for matters regarding the above forecast for the business performance.

## (1) Interim Financial Statements

## Interim Balance Sheet

(Unit: ¥ million)

Item	Term	Current Interim Term (as of 30th Sept., 2006)		Previous Term (as of 31st March, 2006)		Increase/ Decrease Amount	Interim Term of Previous Year (as of 30th Sept., 2005)	
		Amount	%	Amount	%		Amount	%
(Assets)								
I. Current Assets		106,171	90.9	79,295	87.4	26,875	74,654	88.2
- Cash and Cash Equivalents		2,814		2,448		366	2,179	
- Notes Receivable		1,066		935		131	1,623	
- Accounts Receivable-Trade		80,104		63,621		16,482	58,568	
- Securities		-		-		-	40	
- Merchandise Inventories		19,598		10,884		8,714	10,721	
- Expenditure for Work in Progress		8		11		-2	13	
- Prepaid Expenses		186		149		37	182	
- Accrued Income		954		668		285	581	
- Deferred Tax Assets		597		646		-49	566	
- Others		847		42		804	274	
- Allowance for Doubtful Receivables		-8		-112		104	-99	
II. Fixed Assets		10,669	9.1	11,393	12.6	-723	10,001	11.8
Property and Equipment		5,090	4.3	5,152	5.7	-61	5,215	6.2
- Buildings		2,704		2,751		-47	2,811	
- Structures		38		40		-1	42	
- Vehicles		0		0		-	0	
- Tools and Equipment		107		119		-12	120	
- Land		2,240		2,240		-	2,240	
Intangible Fixed Assets		341	0.3	355	0.4	-13	255	0.3
Investment and Other Assets		5,237	4.5	5,885	6.5	-648	4,530	5.3
- Investment in Securities		4,877		5,551		-673	4,208	
- Guarantee Money Deposited		123		135		-12	131	
- Prepaid Pension Expenses		90		58		31	53	
- Other Assets		483		494		-10	202	
- Allowance for Doubtful Receivables		-337		-354		17	-64	
Total Assets		116,841	100.0	90,689	100.0	26,151	84,655	100.0

(Unit: ¥ million)

Item	Current Interim Term (as of 30th Sept., 2006)		Previous Term (as of 31st March, 2006)		Increase/ Decrease Amount	Interim Term of Previous Year (as of 30th Sept., 2005)	
	Amount	%	Amount	%		Amount	%
(Liabilities)							
I. Current Liabilities	61,834	52.9	36,005	39.7	25,828	31,235	36.9
- Notes Payable	343		294		49	264	
- Accounts Payable-Trade	26,485		20,991		5,494	18,965	
- Short-Term Loans Payable	24,400		9,300		15,100	7,100	
- Long-Term Loans Due for Repayment Within One Year	-		2,500		-2,500	2,500	
- Commercial Papers	8,000		-		8,000	-	
- Accrued Amount Payable	221		119		102	143	
- Accrued Expenses	206		192		14	176	
- Accrued Corporate Tax, etc.	1,296		1,227		68	725	
- Advances Received	120		80		40	110	
- Allowance for Bonuses	695		670		25	640	
- Allowance for Bonuses for Directors and Corporate Auditors	15		-		15	-	
- Other Current Liabilities	49		630		-581	609	
II. Fixed Liabilities	639	0.6	656	0.7	-16	560	0.7
- Deferred Tax Liabilities	403		429		-25	349	
- Retirement Allowance for Directors and Corporate Auditors	-		208		-208	194	
- Deposits Received	-		17		-17	16	
- Others	235		-		235	-	
Total Liabilities	62,473	53.5	36,661	40.4	25,812	31,796	37.6
(Shareholders' Equity)							
I. Capital Stock	-	-	14,811	16.4	-	14,811	17.5
II. Capital Surplus	-	-	15,329	16.9	-	15,329	18.1
- Capital Reserve	-	-	15,329	-	-	15,329	-
III. Retained Earnings	-	-	22,567	24.8	-	22,357	26.4
1. Legal Reserve	-	-	670	-	-	670	-
2. Voluntary Reserve	-	-	19,280	-	-	19,280	-
3. Unappropriated Retained Earnings at End of Interim Term (Current Term)	-	-	2,616	-	-	2,406	-
IV. Unrealised Gains on Available-for-Sale Securities	-	-	1,325	1.5	-	806	0.9
V. Treasury Stock	-	-	-6	-0.0	-	-446	-0.5
Shareholders' Equity Total	-	-	54,027	59.6	-	52,859	62.4
Total of Liabilities and Shareholders' Equity	-	-	90,689	100.0	-	84,655	100.0
(Net Assets)							
I. Shareholders' Equity	53,307	45.6	-	-	-	-	-
1. Capital Stock	14,811	12.7	-	-	-	-	-
2. Capital Surplus	15,329	13.1	-	-	-	-	-
- Capital Reserve	15,329	-	-	-	-	-	-
3. Retained Earnings	23,693	20.3	-	-	-	-	-
- Revenue Reserve	670	-	-	-	-	-	-
- Reserve for Dividend Pay-Out	600	-	-	-	-	-	-
- Special Reserve	18,680	-	-	-	-	-	-
- Carried Forward Profit Surplus	3,742	-	-	-	-	-	-
4. Treasury Stock	-582	-0.5	-	-	-	-	-
II. Valuation and Foreign Exchange, etc.	1,060	0.9	-	-	-	-	-
1. Unrealised Gains on Available for Sale Securities	1,059	0.9	-	-	-	-	-
2. Deferred Hedge Gains/Losses	0	0.0	-	-	-	-	-
Total Net Assets	54,367	46.5	-	-	-	-	-
Total Liabilities and Net Assets	116,841	100.0	-	-	-	-	-

## Interim Profit and Loss Statement

(Unit: ¥ million)

Item	Term	Current Interim Term From 1st Apr., 2006 to 30 <sup>th</sup> Sept., 2006		Previous Interim Term From 1st Apr., 2005 to 30 <sup>th</sup> Sept., 2005		Increase/ Decrease		Previous Term From 1st Apr., 2005 to 31st Mar., 2006	
		Amount	%	Amount	%	Amount	%	Amount	%
		I. Net Sales		89,877	100.0	72,611	100.0	17,265	23.8
II. Cost of Sales		83,848	93.3	67,568	93.1	16,280	24.1	142,276	92.9
- Gross Profit on Sales		6,028	6.7	5,043	6.9	984	19.5	10,878	7.1
III. Selling, General and Administrative Expenses		4,020	4.5	3,882	5.3	138	3.6	7,849	5.1
- Operating Income		2,007	2.2	1,161	1.6	846	72.9	3,028	2.0
IV. Non-Operating Income		813	0.9	605	0.8	208	34.4	870	0.6
- Interest/Dividend Received		562		324		237		335	
- Purchase Discounts		6		6		0		12	
- Business Guidance Fees		208		148		59		312	
- Other Non-Operating Income		36		125		-89		209	
V. Non-Operating Expenses		51	0.0	46	0.0	4	10.0	97	0.1
- Interest Paid		42		22		19		50	
- Other Non-Operating Expenses		9		23		-14		46	
Ordinary Income		2,769	3.1	1,719	2.4	1,049	61.1	3,801	2.5
VI. Extraordinary Income		371	0.4	103	0.1	268	258.5	91	0.1
- Gain on Sale of Fixed Assets		0		-		0		0	
- Gain on Sale of Investment Securities		265		83		182		84	
- Gain on Refund of Allowance for Doubtful Receivables		105		20		85		6	
VII. Extraordinary Expenses		30	0.0	90	0.1	-60	-66.6	414	0.3
- Loss on Sale of Fixed Assets		-		49		-49		49	
- Loss on Disposition of Fixed Assets		4		4		0		9	
- Loss on Valuation of Investment Securities		25		36		-11		66	
- Transfer to Allowance for Doubtful Receivables		-		-		-		290	
- Income for Interim Term (Current Term) Before Tax		3,111	3.5	1,732	2.4	1,378	79.5	3,477	2.3
- Taxes		1,237	1.4	683	0.9	553	81.0	1,808	1.2
- Adjustment for Taxes		161	0.2	66	0.1	94	142.1	-230	-0.1
- Net Income for Interim Term (Current Term)		1,712	1.9	982	1.4	729	74.3	1,900	1.2
- Deferred Income from Previous Term		-		1,424		-		1,424	
- Interim Dividend		-		-		-		261	
- Cancellation of Treasury Stock		-		-		-		447	
- Unappropriated Income for Interim Term (Current Term)		-		2,406		-		2,616	

Statement of Changes of Shareholders' Equity, etc. for the Interim Term

Accounting Period for Current Interim Term from 1st April, 2006 to 30th September, 2006

(Unit: ¥ million)

	Shareholders' Equity									
	Capital Stock	Capital Surplus		Revenue Reserve	Retained Earnings				Treasury Stock	Shareholders' Equity Total
		Capital Reserve	Capital Surplus Total		Other Retained Earnings			Retained Earnings Total		
					Reserve for Dividend	Special Reserve	Capital Surplus Carried Forward			
Balance as of 31 <sup>st</sup> March, 2006	14,811	15,329	15,329	670	600	18,680	2,616	22,567	-6	52,701
Change During Accounting Period for Interim Term										
- Dividend from Retained Earnings							-555	-555		-555
- Bonuses for Directors, etc. from Disposal of Profit							-30	-30		-30
- Net Interim Profit							1,712	1,712		1,712
- Acquisition of Treasury Stock									-521	-521
- Changes Under Items Other Than Shareholders' Equity During the Period (Net Amount)										
Total Changes During the Period	-	-	-	-	-	-	1,126	1,126	-521	605
Balance as of 30 <sup>th</sup> Sept., 2006	14,811	15,329	15,329	670	600	18,680	3,742	23,693	-528	53,307

	Valuation and Foreign Exchange Adjustments, etc.			Net Assets Total
	Unrealised Gains on Available for Sale Securities	Deferred Hedge Gains/Losses	Total of Valuation and Foreign Exchange Adjustments, etc.	
Balance as of 31 <sup>st</sup> March, 2006	1,325	-	1,325	54,027
Change During Accounting Period for Interim Term				
- Dividend from Retained Earnings				-555
- Bonuses for Directors, etc. from Disposal of Profit				-30
- Net Interim Profit				1,712
- Acquisition of Treasury Stock				-521
- Changes Under Items Other Than Shareholders' Equity During the Period (Net Amount)	-266	0	-265	-265
Total Changes During the Period	-266	0	-265	339
Balance as of 30 <sup>th</sup> Sept., 2006	1,059	0	1,060	54,367

## 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 valuation of 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.

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.

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

The proportioned amount at the end of the interim term is accounted for based on the estimated amount of annual payment in preparation for payment of retirement allowance for directors and corporate auditors.

#### (4) 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 interim 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 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.

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.

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.

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 for the Listing of Net Assets on the Balance Sheet)

From the present interim accounting period, the Accounting Standards for the Listing of Net Assets on the Balance Sheet (Corporate Accounting Standards No. 5 of 9<sup>th</sup> December, 2005) and the Application Guidelines for the Accounting Standards for the Listing of Net Assets on the Balance Sheet (Application Guidelines for Corporate Accounting Standards No. 8 of 9<sup>th</sup> December, 2005) are applied.

The amount equivalent to the conventional total shareholders' equity is ¥54,366 million.

The section on the net assets on the interim balance sheet for the present interim accounting period is prepared in accordance with the latest Rules for Interim Financial Statements after revision of the said rules.

#### (Accounting Standards for Bonuses for Directors and Corporate Auditors)

From the present interim accounting period, the Accounting Standards for Bonuses for Directors (Corporate Accounting Standards No. 4 of 29<sup>th</sup> November, 2005) are applied.

With this new practice, the amount of the operating profit, current profit and interim net profit before tax and after adjustments is decreased by ¥15 million each.

### Change of Listing Method

#### (Deposits Received)

The deposits received (of which the balance at the end of the current consolidated interim accounting period was ¥17 million) which were included in the Fixed Liabilities on the Balance Sheet up to the previous consolidated interim accounting year are now included in Others under Fixed Liabilities for the improved clarity of the Balance Sheet as these deposits received are not important.

## Additional Information

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

Historically, the amount required at the end of the interim term under the internal policies was accounted for as the retirement allowance for directors and corporate auditors for pay-out upon the retirement of directors and corporate auditors. This allowance, however, is not accounted for at the end of the current interim term because of the abolition of the retirement allowance system for directors and corporate auditors in June, 2006.

In regard to ¥215 million which is equivalent to the retirement allowance for directors and corporate auditors up to the abolition of the said system, the same amount has been transferred to Others under Fixed Liabilities following the resolution passed at the regular general meeting of shareholders held on 23<sup>rd</sup> June, 2006 to pay out a final lump sum for directors and corporate auditors currently in office upon their retirement.

## Notes

### (Related to the Interim Balance Sheet)

	<u>Present Consolidated</u> <u>Interim Term</u>	<u>Previous Consolidated</u> <u>Term</u>	<u>Consolidated Interim</u> <u>Term of Previous Year</u>
1. Accumulated Amount of Depreciation of Property and Equipment	¥4,484 million	¥4,462 million	¥4,455 million
2. Incidental Liabilities			
Payment Guarantees for Bank Loans by Non-Consolidated Subsidiary and Its Employees Sanshin Electronics (Shanghai) Co., Ltd. *1	¥23 million (US\$ 0.2 million)	¥76 million (US\$ 0.65 million)	¥84 million (US\$ 0.75 million)
<u>Employees *2</u>	<u>¥88 million</u>	<u>¥92 million</u>	<u>¥90 million</u>
Total	<u>¥112 million</u>	<u>¥168 million</u>	<u>¥175 million</u>

\*1 Based on 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.

### 3. Settlement of Notes Due on the Last Day of the Consolidated Interim Accounting Period

Notes due on the last day of the interim accounting period were settled on the exchange day of notes. As the last day of the present interim accounting period was a non-working day for banks, these notes are included in the following items.

Notes Receivable	¥125 million	-	-
Notes Payable	¥87 million	-	-

### 4. Handling of Consumption Tax, etc.

Temporarily paid consumption tax, etc. and temporarily received consumption tax, etc. are offset first and are accounted for in Others under Current Assets.

(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	¥75 million	¥81 million	¥167 million
Intangible Fixed Assets	¥44 million	¥53 million	¥109 million

(Matters Relating to the Statement of Changes of Shareholders' Equity, etc. for the Interim Term)

Present Interim Term (from 1<sup>st</sup> April, 2006 to 30<sup>th</sup> September, 2006)

Matters Relating to the Type and Number of Treasury Stock

	No. of Shares at End of Previous Business Year	No. of Increased Shares in Present Interim Term	No. of Decreased Shares in Present Interim Term	No. of Shares at End of Present Interim Term
Ordinary Shares*	5,870	419,990	-	425,860
Total	5,870	419,990	-	425,860

\* The number of ordinary shares held as treasury stock was increased by 419,990, of which 413,000 shares are from purchase in the market and 6,990 shares from the purchase of shares below the unit minimum shares.

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.