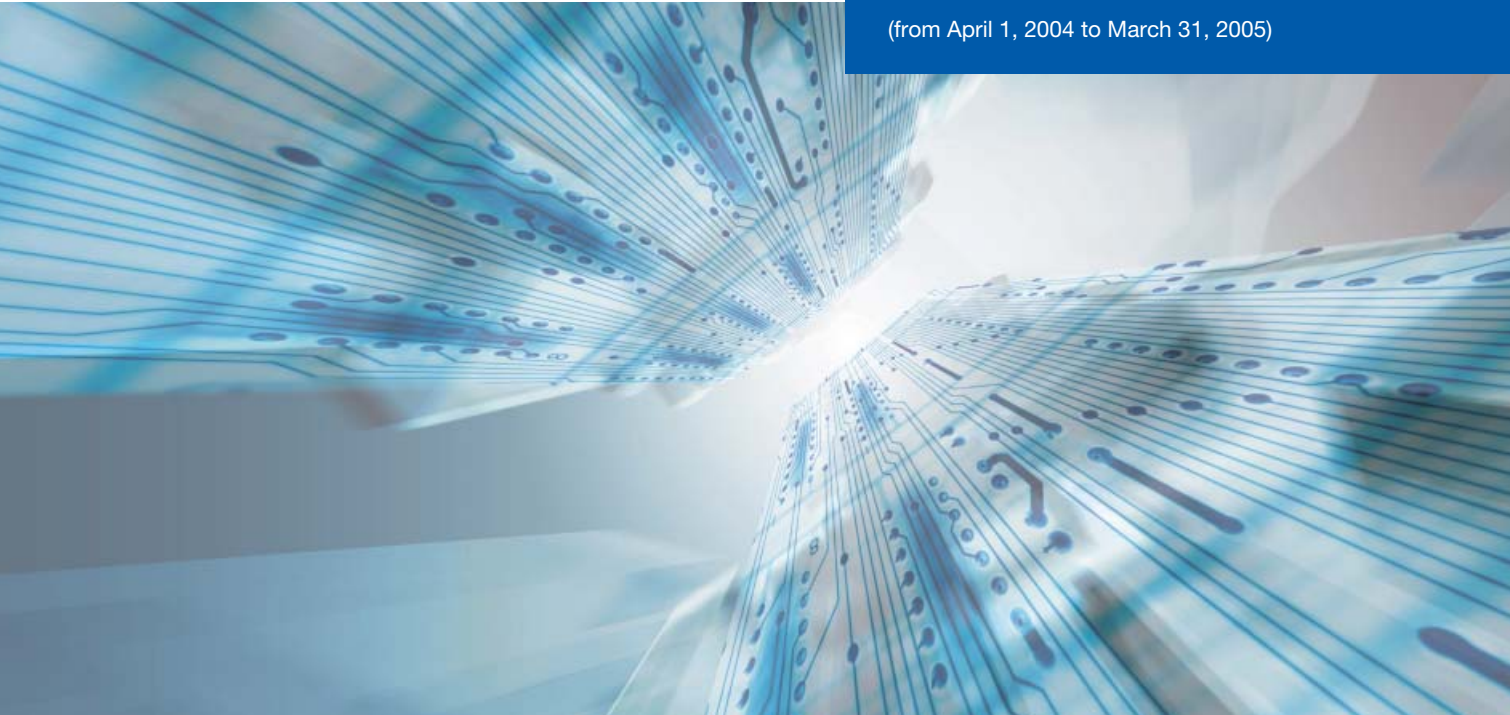


BUSINESS REPORT 2005

(from April 1, 2004 to March 31, 2005)



 **SHINKO**
SHINKO ELECTRIC INDUSTRIES CO., LTD.

To Our Shareholders

I would like to extend my best wishes to all of you, and also express my great appreciation for your exceptional support to us. It is my pleasure to report on the business results of SHINKO ELECTRIC INDUSTRIES CO., LTD. for the fiscal year 2004 (April 1, 2004 to March 31, 2005), which marks the 70th business year.

The semiconductor industry going forward is seen poised for a sustained medium and long-term expansion; its driving forces are progressing digitization of consumer electric appliances, advances in high-performance computers and mobile devices, and internet-related markets expanding in the wake of mass proliferation of broadband connectivity.

While technological innovation such as rapid advances both in high integration and high speed has accelerated the change of product generations more than before, market needs in permanent transition call for the creation of R&D and production systems capable of delivering flexible and low-cost solutions. Forecasts therefore suggest that the global competition for survival will further intensify.

In this industry, the Company is aspiring to boundless growth — with development and aggregation of novel technologies as the primary moving force — by acquiring strong manufacturing skills adaptable to changes in any business environment, and by developing, manufacturing, and selling superior products derived from leading-edge technology in semiconductor mounting.

■ Business Results in the Fiscal Year Ended March 31, 2005

**Inventory adjustments since the middle of the fiscal year
Focus on enhancing production systems, increasing productivity, and reducing cost**

In the term under review, the semiconductor industry saw market conditions in the first half thrive on demand for digital consumer electronics, while semiconductors benefited from solid markets for PCs and mobile phones. From the middle of the fiscal year, however, inventory adjustments deepened centered on digital applications, sending market conditions lower. At the same time, declines in product prices advanced by another notch amid intensifying competition.

In this environment, SHINKO ELECTRIC Group took steps to align its semiconductor package production systems with market needs, while working to maintain income levels by focusing on productivity enhancement and cost reduction.

Favorable first half, with second half contributions from new products Sales and earnings growth attained

Sales in the term under review increased strongly thanks to significant demand growth in digital applications in the first half of the fiscal year, while shipments of products for PCs and mobile phones also performed well.

Although the second half of the fiscal year was affected by inventory adjustments in the semiconductor market with a slowdown in demand growth, IC assembly for mobile phones with inbuilt cameras saw significantly higher demand, as did Board-On-Chip (BOC) Ball-Grid-Array (BGA) substrate for a novel type of DRAMs. Net sales rose 10.8% on the year to 150,584 million yen.

Earnings reflected the Company's efforts to increase productivity and lower cost through across-the-board innovation of production, which aimed at a radical renewal of production processes in the face of continued product price declines caused by fierce competition. As a result, recurring income totaled 17,486 million yen, an increase of 62.9% on the year, while net income

increased 16.2% from the previous fiscal year to 9,386 million yen.

Non-consolidated net sales for the period under review totaled 146,121 million yen, an expansion of 10.2%, with recurring income of 16,415 million yen and net income of 8,785 million yen reflecting respective growth rates of 69.9% and 27.3% compared with the previous year. The Company raised its year-end dividend to 13.00 yen, an increase of 1.00 yen on the year, for a total annual dividend of 25.00 yen including an interim dividend of 12.00 yen.

■ Outlook

Trend toward high quality at low prices Competition intensifies further among companies

Regarding the economic outlook, the Japanese economy is expected to exit from its adjustment phase and start on a gradual recovery trend supported by widening personal consumption on the back of improving incomes. However, sustained vigilance is required considering high raw material prices, first and foremost crude oil, and expected instability in foreign currency markets from U.S. economic trends amid concerns over the U.S. fiscal and current account deficits.

The outlook for the semiconductor industry is for harsh conditions to continue, and for competition among companies to further intensify. Although an expansion in the market for automotive devices is expected in addition to rebounding demand in the digital consumer electronics market as inventory adjustments normalize, concerns exist over slowing growth in IT related markets due to subsiding replacement demand for PCs and communications devices. At the same time, calls are mounting for ever higher quality at ever lower prices.

Creating a production environment of excellence in manufacturing skills Aiming to establish a corporate platform adaptable to change

Amid these conditions, SHINKO ELECTRIC Group will speed up innovation of production in order to further reinforce productivity and rationalization, and aim to create a production environment featuring manufacturing skills that are globally leading in excellence with regard to product quality — the foundation of corporate income —, turnaround time, and cost. In so doing, the whole Group will strive to gain further strength. Moreover, the Company will push ahead with the development and market introduction of new products that correspond to customer needs, and establish a corporate platform adaptable to rapid change in operating environment.

I would like to ask you, our shareholders, for your continued kind support in all our future endeavors.

June 2005



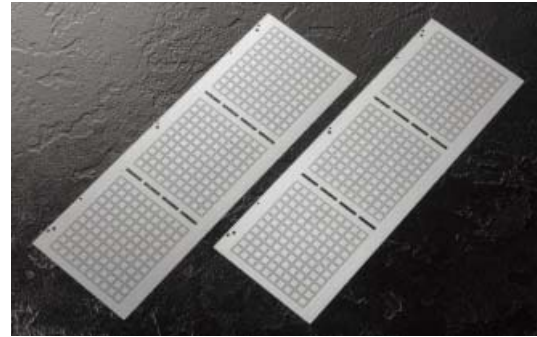
Mamoru Kuroiwa,
President

M. Kuroiwa

Summary of Operations by Segments

IC Leadframes

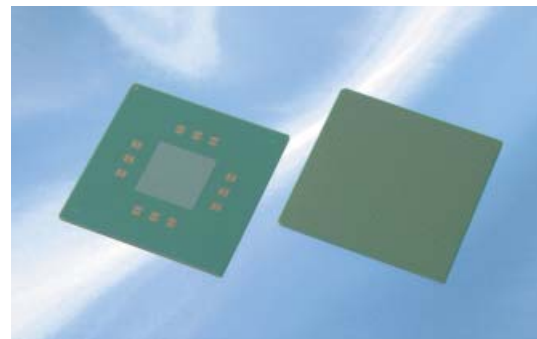
While sales increased for LOC-type leadframes for DRAMs mainly for PCs, severe conditions continued for stamped leadframes, primarily affecting high-pin count leadframes that up until now have been seeing growing demand centered on digital consumer electronics applications. This was due to a strong impact from inventory adjustments in the semiconductor market beginning in the second half of the fiscal year, combined with further intensified price competition. Consolidated net sales in this segment fell 6.6% from the previous year to 31,135 million yen.



Quad Flat Non-Lead (QFN) leadframes have been enjoying rising demand as a leadframe type suited for IC miniaturization.

IC Packages

Although mainstay Plastic Laminate Packages (PLP) for MPUs was affected by a shift in demand beginning in the summer, sales were solid centered on applications for notebook PCs. Furthermore, demand surged for BOC-type BGA substrates, a new product addressing advances in high DRAM speeds. Camera module assembly also performed well thanks to rising demand in overseas markets for mobile phones with inbuilt cameras. Consolidated net sales in this segment expanded 17.8% on the year to 98,140 million yen.



Flip chip-type packages have extended their applications to high-performance ICs used for PCs, mobile phones, and digital equipment.

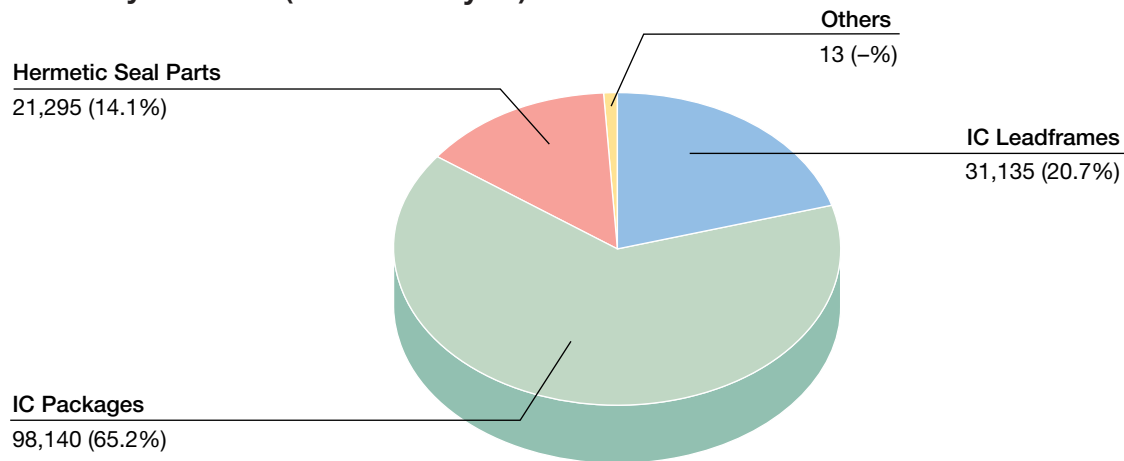
Hermetic Seal Parts

Beginning in the second half of the fiscal year, deepening inventory adjustments in the markets for digital applications slowed demand for the Company's products, spearheaded by mainstay glass-to-metal seal parts for optical devices. Still, although price declines in the wake of intensifying competition reverberated strongly, sales of glass-to-metal seal parts and LIDs posted gains thanks to expanding markets in the first half of the fiscal year for DVDs, projectors, and digital TVs. Consolidated net sales in this segment increased 10.8% on the year to 21,295 million yen.



SHINKO has the world's top market share in glass-to-metal seal parts for laser diodes, which have been developed and produced by the Company employing base technologies in use since the Company's inception, spearheaded by glass-to-metal connection technology.

Sales by division (Millions of yen)



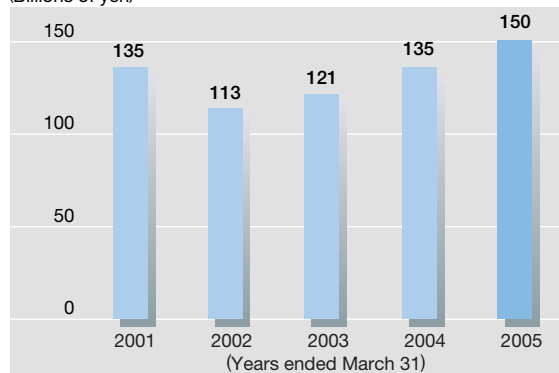
*Figures in () represent % to total sales

Financial Highlights

Consolidated

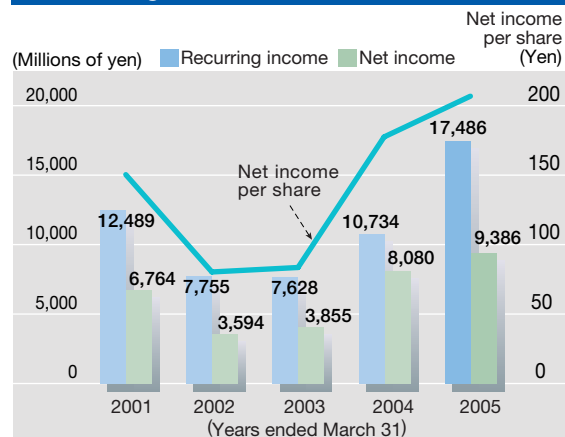
Net sales

(Billions of yen)



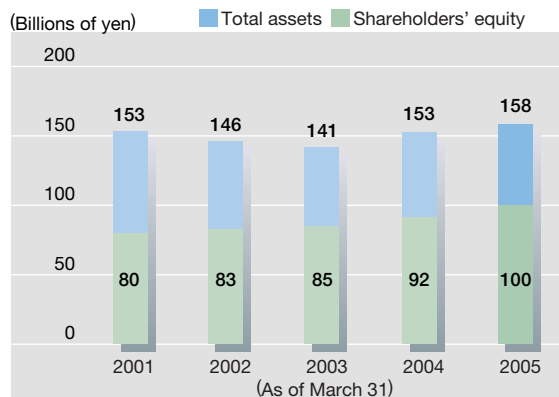
Recurring income / Net income

(Millions of yen)



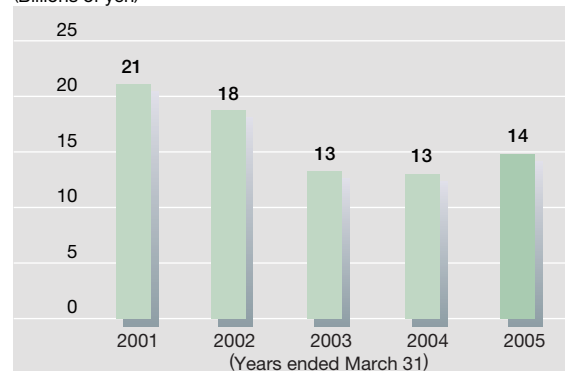
Total assets / Shareholders' equity

(Billions of yen)



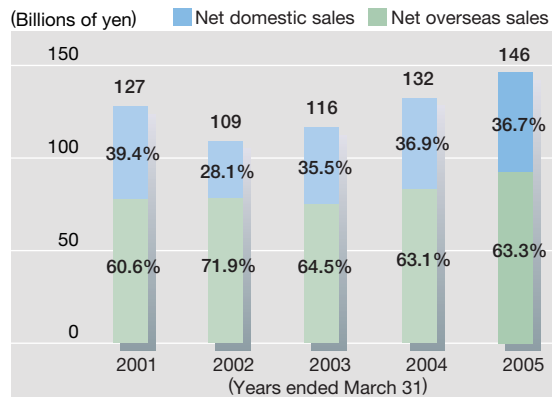
Capital expenditure

(Billions of yen)

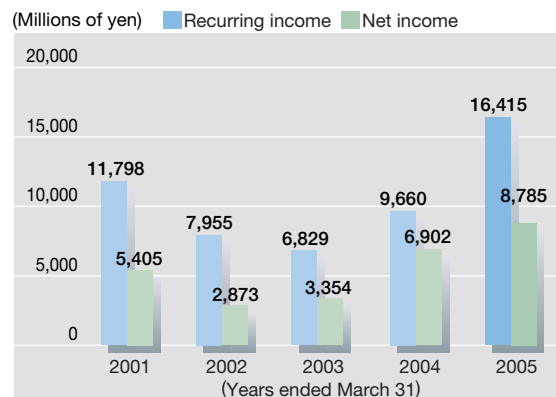


Non-consolidated

Net sales



Recurring income / Net income



Business performance and assets

Years ended March 31

2001

2002

2003

2004

2005

Consolidated

Net sales (Millions of yen)	135,840	113,962	121,429	135,882	150,584
Recurring income (Millions of yen)	12,489	7,755	7,628	10,734	17,486
Net income (Millions of yen)	6,764	3,594	3,855	8,080	9,386
Net income per share (Yen)	150.12	80.04	83.50	177.70	206.80
Total assets (Millions of yen)	153,699	146,676	141,601	153,056	158,499
Shareholders' equity (Millions of yen)	80,733	83,262	85,619	92,254	100,737
Shareholders' equity per share (Yen)	1,791.80	1,856.21	1,906.32	2,054.25	2,243.26
Capital expenditure (Millions of yen)	21,111	18,879	13,325	13,085	14,851
Research & development (Millions of yen)	4,192	4,327	3,973	3,202	3,175

Non-consolidated

Net sales (Millions of yen)	127,998	109,254	116,674	132,543	146,121
Recurring income (Millions of yen)	11,798	7,955	6,829	9,660	16,415
Net income (Millions of yen)	5,405	2,873	3,354	6,902	8,785

Financial Statements (Consolidated)

Balance Sheets

As of March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2005	2004	2005
Assets	158,499	153,056	1,488,681
Current assets	98,504	90,156	925,188
Cash and time deposits	30,264	20,140	284,258
Receivables, trade: Notes and Accounts	42,962	42,119	403,514
Inventories	6,766	8,795	63,548
Money deposited	14,000	14,500	131,492
Other current assets	4,546	4,644	42,700
Allowance for doubtful receivables	(34)	(43)	(326)
Fixed assets	59,995	62,900	563,493
Property, plant and equipment	53,476	57,170	502,267
Intangible assets	1,416	1,301	13,303
Investments and other assets	5,102	4,428	47,921
Total assets	158,499	153,056	1,488,681
Liabilities	58,616	61,643	550,540
Current liabilities	47,786	41,331	448,822
Payables, trade	19,777	18,644	185,754
Current portion of corporate bond	10,000		93,923
Other current liabilities	18,008	22,686	169,145
Long-term liabilities	10,829	20,312	101,718
Minority interests in consolidated subsidiaries	(853)	(841)	(8,017)
Shareholders' equity	100,737	92,254	946,158
Common stock	24,223	24,223	227,510
Capital surplus	24,150	24,150	226,829
Retained earnings	55,445	47,245	520,759
Unrealized gains on securities	205	192	1,933
Foreign currency translation adjustments	(2,628)	(2,891)	(24,689)
Treasury stock	(658)	(665)	(6,185)
Total liabilities and shareholders' equity	158,499	153,056	1,488,681

Note : The U.S. dollar amounts represent translation of Japanese yen at the rate of ¥106.47 = U.S. \$1.00 on March 31, 2005.

Statements of Income

Years ended March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2005	2004	2005
Net sales	150,584	135,882	1,414,336
Cost of goods sold	119,982	109,720	1,126,912
Selling, general and administrative expenses	12,683	12,232	119,126
Operating income	17,918	13,928	168,297
Non-operating income	1,555	823	14,610
Non-operating expenses	1,987	4,017	18,670
Recurring income	17,486	10,734	164,236
Extraordinary income	0	3,876	0
Extrordinary expenses	2,095	2,059	19,678
Income before income taxes and minority interests	15,391	12,550	144,558
Income taxes - current	6,582	4,610	61,828
Income taxes - deferred	(630)	(261)	(5,925)
Minority interests in income (loss) of consolidated subsidiaries	52	121	494
Net income	9,386	8,080	88,161

Statements of Cash Flows

Years ended March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2005	2004	2005
Cash flows from operating activities	30,382	19,523	285,357
Cash flows from investing activities	(15,129)	(15,692)	(142,104)
Cash flows from financing activities	(6,106)	(2,446)	(57,358)
Effect of exchange rate changes on cash and cash equivalents	174	(590)	1,635
Net increase (decrease) in cash and cash equivalents	9,319	793	87,530
Cash and cash equivalents at beginning of year	33,877	33,083	318,190
Cash and cash equivalents at end of year	43,197	33,877	405,721

Financial Statements (Non-consolidated)

Balance Sheets

As of March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2005	2004	2005
Assets	157,428	152,426	1,478,616
Current assets	93,326	85,514	876,547
Cash and time deposits	24,250	14,591	227,772
Receivables, trade: Notes and Accounts	44,650	43,861	419,374
Inventories	6,162	8,138	57,882
Money deposited	14,000	14,500	131,492
Other current assets	4,261	4,422	40,026
Fixed assets	64,102	66,912	602,068
Property, plant and equipment	51,223	54,962	481,104
Intangible assets	1,414	1,298	13,282
Investments and other assets	11,464	10,650	107,682
Total assets	157,428	152,426	1,478,616
Liabilities	56,821	59,438	533,683
Current liabilities	46,946	40,103	440,935
Payables, trade	19,533	18,437	183,462
Current portion of corporate bond	10,000		93,923
Other current liabilities	17,413	21,666	163,549
Long-term liabilities	9,874	19,334	92,747
Shareholders' equity	100,607	92,988	944,933
Common stock	24,223	24,223	227,510
Capital surplus and legal reserve	24,150	24,150	226,829
Retained earnings	52,686	45,087	494,845
Unrealized gains on securities	205	192	1,933
Treasury stock	(658)	(665)	(6,185)
Total liabilities and shareholders' equity	157,428	152,426	1,478,616

Statements of Income

Years ended March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2005	2004	2005
Net sales	146,121	132,543	1,372,423
Cost of goods sold	116,429	107,094	1,093,544
Selling, general and administrative expenses	13,102	12,639	123,065
Operating income	16,589	12,809	155,812
Non-operating income	1,717	818	16,135
Non-operating expenses	1,891	3,966	17,765
Recurring income	16,415	9,660	154,182
Extraordinary income	0	3,876	0
Extrordinary expenses	2,095	2,059	19,678
Income before income taxes and minority interests	14,320	11,477	134,503
Income taxes - current	6,320	4,417	59,365
Income taxes - deferred	(785)	157	(7,375)
Net income	8,785	6,902	82,513
Retained earnings brought forward from previous year	2,297	1,637	21,574
Loss from disposal of treasury stock	–	–	(2)
Interim dividends	538	538	5,055
Unappropriated retained earnings at the end of this year	10,543	8,002	99,031

Appropriation of Retained Earnings

Years ended March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2005	2004	2005
Unappropriated retained earnings	10,543	8,002	99,031
Reversal of reserve for special depreciation	11	–	108
Total	10,555	8,002	99,140
To be appropriated as follows:			
Dividends	583	538	5,477
	(¥13.0 per share)	(¥12.0 per share)	
Bonuses to directors and statutory auditors	110	110	1,033
(of which bonuses to statutory auditors)	(7)	(7)	(70)
Reserve for special depreciation	62	56	584
General reserve	8,000	5,000	75,138
Retained earnings carried forward to next period	1,800	2,297	16,907

Note : The Company paid interim dividends of ¥12.0 per share on December 10, 2003, and ¥12.0 per share on December 10, 2004.

Establishment of Kurita Sogo Center



Situated in an urban location in Nagano City, the Kurita Plant was reborn as Kurita Sogo Center surrounded by a belt of greenery.

The Kurita Plant was established in 1957, and for the half-century that followed acted as the Company's main production site, embodying the core of its operations. A multi-purpose hall and documentation center of SHINKO ELECTRIC have since been erected on the old Kurita Plant site, which now features in its middle a little stream and pond with planted lawn and a landscaped natural forest. In the future, this space will be open also for the local community to enjoy as an urban green oasis fostered by the Company.

Module business initiatives



The Company has been working on the development and production of various modules combining passive components such as semiconductor ICs and capacitors in a single very small package. Using its high-density packaging technology, the Company has realized the industry's smallest module sizes, which have become a focus of attention due to their suitability for mobile devices with increasingly high-performance features. Examples include GPS down converter modules used in position information systems (Photo left), RFID reader / writer modules (Photo center) for IC tags, whose application in production administration and logistics has stimulated expectations, and wireless playout and uplink modules (Photo right) supporting the ZigBee™ standard as a focal technology in the field of short-distance wireless telecommunications.

Corporate Data

(as of March 31, 2005)

■ Corporate Name	SHINKO ELECTRIC INDUSTRIES CO., LTD.
■ Established	September 12, 1946
■ Head Office	80, Oshimada-machi, Nagano-shi, Japan Tel: 81 (26) 283-1000
■ Major Business Lines	Manufacturing and sales of leadframes, plastic laminated packages (PLPs), glass-to-metal seals, arrester and precision contact parts IC assembly Development and sales of software
■ Number of Employees	4,098 (Consolidated: 5,004)
■ Plants	Kohoku Plant Wakaho Plant Takaoka Plant Arai Plant Kyogase Plant SHINKO R&D CENTER KURITA SOGO CENTER
■ Sales Office Network	Tokyo, Osaka, Tohoku, Nagano, Tokai, Oita, Fukuoka, Minami-Kyushu, Frankfurt, Shanghai, Manila
■ Subsidiaries	SHINKO PARTS CO., LTD. SHINKO TECHNOSERVE CO., LTD. SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. KOREA SHINKO MICROELECTRONICS CO., LTD. SHINKO ELECTRIC AMERICA, INC. KOREA SHINKO TRADING CO., LTD. TAIWAN SHINKO ELECTRONICS CO., LTD. SHINKO ELECTRONICS (SINGAPORE) PTE. LTD. SHINKO MICROELECTRONICS (THAILAND) CO., LTD. SHINKO ELECTRIC INDUSTRIES (WUXI) CO., LTD.

Shareholders' Data

(as of March 31, 2005)

■ Total number of authorized shares	124,344,000 shares
■ Total number of shares issued	45,057,314 shares
■ Paid-in capital	24,223,020,480 yen
■ Number of shareholders	7,061
■ Principal shareholders	

Name	Number of shares held (Thousands)	Ownership ratio (%)
Fujitsu Limited	22,529	50.00
Japan Trustee Services Bank, Ltd. (Trust Accounts)	3,029	6.72
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,378	5.28
Mizuho Bank, Ltd.	918	2.04
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	665	1.48
Dexia-BIL S/A Julius Baer Multistock Japan Leading Stock FD	631	1.40
The Hachijuni Bank, Ltd.	612	1.36
Government of Singapore Investment Corporation P. Limited	540	1.20
Trust & Custody Services Bank, Ltd. (Trust Account B)	496	1.10
Asahi Mutual Life Insurance Company	413	0.92

Board of Directors

(as of June 29, 2005)

President and Representative Director	Mamoru Kuroiwa	Directors	Shin-ichi Wakabayashi Akihiko Murata Yoshihiko Ogawa Kazuharu Iguchi Kunihiko Imai Seizo Mitsui
Executive Managing Directors	Fumio Kuraishi Hiroaki Ikuine	Standing Auditor	Masaji Yokoyama
Managing Directors	Akio Imoto Akira Fujimoto Tetsushi Wakabayashi	Auditors	Toshihiko Ono Junichi Murashima

Shareholder Information

Stock transfer agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Transfer handling office	Mitsubishi UFJ Trust and Banking Corporation, Stock Transfer Agency Department 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Mailing address	Mitsubishi UFJ Trust and Banking Corporation, Stock Transfer Agency Department 7-7, Nishiikebukuro 1-chome, Toshima-ku, Tokyo TEL (Toll free number): 0120-707-696 (Japanese only)
Other points of contact	All branches of Mitsubishi UFJ Trust and Banking Corporation and Nomura Securities Co.,Ltd. nationwide (For administrative paperwork documents relating to stocks (changes to registered address, designation or changes to dividend payment account, purchase request for fractional stocks, and inheritance procedure of stocks), please contact the stock transfer agent who is available 24 hours a day by toll free number 0120-86-4490 (Japanese only).)
Closing of accounts	March 31 each year
Date of record	Shareholders and beneficiary shareholders registered or recorded in the final register of shareholders/beneficiary shareholders on the last day of each business term shall exercise the voting rights at the general shareholders' meeting.
Register closing date for dividend payments	March 31 each year and September 30 if interim dividends shall be paid
Newspaper of notice	The Nihon Keizai Shimibun Balance sheets and statements of income are available for you to view on the company Website: (http://www.shinko.co.jp/ir/bspl/) in place of a public notice of account settlement on the Nihon Keizai Shimibun.



SHINKO

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