# INTERIM FINANCIAL STATEMENTS FOR FIRST HALF OF FISCAL YEAR 2006

## - from April 1, 2006 to September 30, 2006 -


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

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# Interim Financial Statements

The Financial Statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.

Notes: 1. U.S. dollar amounts in this report are converted from yen, for convenience only, at the rate of 117.90 yen = U.S.$1.00, the approximate rate of exchange in effect on September 29, 2006.
2. The Company's fiscal year runs from April 1 through March 31.
3. As resolved at the Board of Directors' Meeting held on March 8, 2006, a three-for-one stock split was made on April 1, 2006.

## 1. Financial Highlights

### (1) Consolidated Basis

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| Six months ended September 30 | **2006** | 2005 | **2006** |
| Net sales | **96,538** | 74,137 | **818,814** |
| Net income | **9,351** | 6,984 | **79,315** |
| Per share (Yen/U.S. Dollars) | **69.23** | 155.59 | **0.587** |
| Total assets | **188,466** | 164,976 | **1,598,529** |
| Net assets | **124,678** | 107,658 | **1,057,493** |
| Net sales by product category | | | |
| IC Leadframes | **12,594** | 13,524 | **106,825** |
| IC Packages | **72,521** | 50,305 | **615,112** |
| Hermetic Seal Parts | **11,415** | 10,301 | **96,825** |
| Others | **6** | 6 | **51** |
| Total | **96,538** | 74,137 | **818,814** |

### (2) Non-consolidated Basis

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| Six months ended September 30 | **2006** | 2005 | **2006** |
| Net sales | **93,924** | 71,900 | **796,642** |
| Net income | **9,228** | 6,936 | **78,271** |
| Cash dividends per share (Yen/U.S. Dollars) | **6.0** | 13.0 | **0.050** |
| Total assets | **185,475** | 163,728 | **1,573,155** |
| Net assets | **124,087** | 107,139 | **1,052,480** |
| | | | |
| Number of employees | **4,091** | 4,089 | |

## 2. Consolidated Financial Statements
### (1) Consolidated Balance Sheets

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| As of September 30 | **2006** | 2005 | **2006** |
| Assets | | | |
| Current assets: | | | |
| Cash and time deposits | **39,346** | 28,048 | **333,727** |
| Receivables, trade: | | | |
| Notes and Accounts | **57,451** | 43,187 | **487,286** |
| Allowance for doubtful receivables | **(23)** | (33) | **(200)** |
| Inventories | **9,321** | 6,360 | **79,060** |
| Other current assets | **5,285** | 27,925 | **44,831** |
| Total current assets | **111,380** | 105,488 | **944,705** |
| Fixed assets: | | | |
| Property, plant and equipment | **70,089** | 52,797 | **594,485** |
| Intangible assets | **1,876** | 1,752 | **15,911** |
| Investments and other assets | **5,119** | 4,938 | **43,426** |
| Total fixed assets | **77,085** | 59,488 | **653,823** |
| Total assets | **188,466** | 164,976 | **1,598,529** |

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| | **2006** | 2005 | **2006** |
| Liabilities | | | |
| Current liabilities: | | | |
| Payables, trade | **28,148** | 19,742 | **238,746** |
| Short-term borrowings, including current portion of long-term debt | **1,500** | 5,700 | **12,722** |
| Other current liabilities | **28,771** | 27,226 | **244,033** |
| Total current liabilities | **58,419** | 52,668 | **495,502** |
| Long-term liabilities: | | | |
| Long-term debt | **5,368** | 5,551 | **45,533** |
| Total liabilities | **63,788** | 58,220 | **541,035** |
| Minority interests in consolidated subsidiaries | | (901) | |
| Shareholders' equity | | | |
| Common stock | | 24,223 | |
| Capital surplus | | 24,150 | |
| Retained earnings | | 61,726 | |
| Unrealized gains on securities | | 225 | |
| Foreign currency translation adjustments | | (2,288) | |
| Treasury stock | | (378) | |
| Total shareholders' equity | | 107,658 | |
| Total liabilities, minority interests and shareholders' equity | | 164,976 | |
| Net assets | | | |
| Shareholders' equity: | | | |
| Common stock | **24,223** | | **205,453** |
| Capital surplus | **24,129** | | **204,661** |
| Retained earnings | **78,892** | | **669,145** |
| Treasury stock | **(90)** | | **(766)** |
| Total shareholders' equity | **127,154** | | **1,078,494** |
| Valuation and translation adjustments: | | | |
| Unrealized gains on securities | **425** | | **3,605** |
| Deferred profits(losses) on hedges | **(202)** | | **(1,718)** |
| Foreign currency translation adjustments | **(1,761)** | | **(14,942)** |
| Total valuation and translation adjustments | **(1,539)** | | **(13,055)** |
| Minority interests in consolidated subsidiaries | **(936)** | | **(7,945)** |
| Total net assets | **124,678** | | **1,057,493** |
| Total liabilities and net assets | **188,466** | | **1,598,529** |

## (2) Consolidated Statements of Income

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| Six months ended September 30 | **2006** | 2005 | **2006** |
| Net sales | **96,538** | 74,137 | **818,814** |
| Operating costs and expenses: | | | |
| Cost of goods sold | **72,588** | 55,478 | **615,681** |
| Selling, general and administrative expenses | **7,313** | 6,477 | **62,030** |
| | **79,902** | 61,956 | **677,711** |
| Operating income | **16,636** | 12,181 | **141,103** |
| Other income (expenses): | | | |
| Interest received | **231** | 118 | **1,963** |
| Interest charges | **(3)** | (161) | **(32)** |
| Other, net | **(1,289)** | (434) | **(10,935)** |
| | **(1,061)** | (477) | **(9,004)** |
| Income before income taxes and minority interests | **15,574** | 11,704 | **132,098** |
| Income taxes: | | | |
| Current | **5,903** | 4,302 | **50,067** |
| Deferred | **276** | 481 | **2,342** |
| | **6,179** | 4,784 | **52,410** |
| Minority interests in income (loss) of consolidated subsidiaries | **43** | (64) | **372** |
| Net income | **9,351** | 6,984 | **79,315** |

## (3) Consolidated Statements of Cash Flows

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| Six months ended September 30 | **2006** | 2005 | **2006** |
| Cash flows from operating activities | **10,342** | 14,548 | **87,722** |
| Cash flows from investing activities | **(17,429)** | (6,511) | **(147,833)** |
| Cash flows from financing activities | **(4,796)** | (822) | **(40,680)** |
| Effect of exchange rate changes on cash and cash equivalents | **61** | 262 | **520** |
| Net increase (decrease) in cash and cash equivalents | **(11,821)** | 7,477 | **(100,270)** |
| Cash and cash equivalents at beginning of year | **49,872** | 43,197 | **423,004** |
| Cash and cash equivalents at end of the half year | **38,050** | 50,674 | **322,734** |

## (4) Consolidated Statements of Changes in Net Assets

| | Yen(Millions) | | | | |
|---|---|---|---|---|---|
| | Six months ended September 30, 2006 | | | | |
| | Shareholders' equity | | | | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance of March 31, 2006 | **24,223** | **24,131** | **70,506** | **(151)** | **118,709** |
| Changes in the term: | | | | | |
| Dividends from surplus (Note) | | | (855) | | (855) |
| Bonuses to directors and corporate auditors (Note) | | | (110) | | (110) |
| Net income | | | 9,351 | | 9,351 |
| Purchase of treasury stock | | | | (1) | (1) |
| Disposal of treasury stock | | (2) | | 62 | 60 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes in the term | 0 | (2) | 8,386 | 61 | 8,445 |
| Balance of September 30, 2006 | **24,223** | **24,129** | **78,892** | **(90)** | **127,154** |

(Note) These are appropriation items as of the Annual Shareholders' Meeting held in June, 2006.

| | Yen(Millions) | | | | | |
|---|---|---|---|---|---|---|
| | Six months ended September 30, 2006 | | | | | |
| | Valuation and translation adjustments | | | | | |
| | Unrealized gains on securities | Deferred profits (losses) on hedges | Foreign currency translation adjustments | Total valuation and translation adjustments | Minority interests | Total net assets |
| Balance of March 31, 2006 | **409** | | **(1,830)** | **(1,420)** | **(935)** | **116,353** |
| Changes in the term: | | | | | | |
| Dividends from surplus (Note) | | | | | | (855) |
| Bonuses to directors and corporate auditors (Note) | | | | | | (110) |
| Net income | | | | | | 9,351 |
| Purchase of treasury stock | | | | | | (1) |
| Disposal of treasury stock | | | | | | 60 |
| Net changes of items other than shareholders' equity | 15 | (202) | 68 | (118) | (1) | (119) |
| Total changes in the term | 15 | (202) | 68 | (118) | (1) | 8,325 |
| Balance of September 30, 2006 | **425** | **(202)** | **(1,761)** | **(1,539)** | **(936)** | **124,678** |

# 3. Non-consolidated Financial Statements
## (1) Non-consolidated Balance Sheets

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| As of September 30 | **2006** | 2005 | **2006** |
| Assets | | | |
| Current assets: | | | |
| Cash and time deposits | **30,780** | 21,530 | **261,070** |
| Receivables, trade: | | | |
| Notes and Accounts | **60,328** | 45,193 | **511,693** |
| Inventories | **8,513** | 5,749 | **72,213** |
| Other current assets | **4,768** | 27,644 | **40,444** |
| Total current assets | **104,391** | 100,117 | **885,422** |
| Fixed assets: | | | |
| Property, plant and equipment | **67,423** | 50,518 | **571,870** |
| Intangible assets | **1,870** | 1,745 | **15,864** |
| Investments and other assets | **11,789** | 11,347 | **99,998** |
| Total fixed assets | **81,083** | 63,611 | **687,733** |
| Total assets | **185,475** | 163,728 | **1,573,155** |

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| | **2006** | 2005 | **2006** |
| Liabilities | | | |
| Current liabilities: | | | |
| Payables, trade | **27,699** | 19,378 | **234,940** |
| Short-term borrowings, including current portion of long-term debt | **1,500** | 5,700 | **12,722** |
| Other current liabilities | **27,888** | 26,979 | **236,543** |
| Total current liabilities | **57,087** | 52,057 | **484,206** |
| Long-term liabilities: | | | |
| Long-term debt | **4,299** | 4,531 | **36,468** |
| Total liabilities | **61,387** | 56,588 | **520,674** |
| Shareholders' equity | | | |
| Common stock | | 24,223 | |
| Capital surplus | | 24,150 | |
| Retained earnings | | 58,919 | |
| Unrealized gains on securities | | 225 | |
| Treasury stock | | (378) | |
| Total shareholders' equity | | 107,139 | |
| Total liabilities and shareholders' equity | | 163,728 | |
| Net assets | | | |
| Shareholders' equity: | | | |
| Common stock | **24,223** | | **205,453** |
| Capital surplus | **24,129** | | **204,661** |
| Retained earnings | **75,602** | | **641,244** |
| Treasury stock | **(90)** | | **(766)** |
| Total shareholders' equity | **123,864** | | **1,050,593** |
| Valuation and translation adjustments: | | | |
| Unrealized gains on securities | **425** | | **3,605** |
| Deferred profits(losses) on hedges | **(202)** | | **(1,718)** |
| Total valuation and translation adjustments | **222** | | **1,887** |
| Total net assets | **124,087** | | **1,052,480** |
| Total liabilities and net assets | **185,475** | | **1,573,155** |

## (2) Non-consolidated Statements of Income

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| Six months ended September 30 | **2006** | 2005 | **2006** |
| Net sales | **93,924** | 71,900 | **796,642** |
| Operating costs and expenses: | | | |
| Cost of goods sold | **70,368** | 53,606 | **596,851** |
| Selling, general and administrative expenses | **7,599** | 6,727 | **64,458** |
| | **77,968** | 60,334 | **661,310** |
| Operating income | **15,955** | 11,565 | **135,332** |
| Other income (expenses): | | | |
| Interest and dividends received | **445** | 408 | **3,779** |
| Interest charges | **(3)** | (159) | **(32)** |
| Other, net | **(1,277)** | (291) | **(10,832)** |
| | **(835)** | (42) | **(7,085)** |
| Income before income taxes | **15,120** | 11,523 | **128,246** |
| Income taxes: | | | |
| Current | **5,621** | 4,178 | **47,682** |
| Deferred | **270** | 407 | **2,292** |
| | **5,892** | 4,586 | **49,974** |
| Net income | **9,228** | 6,936 | **78,271** |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| Net income per share | **68.32** | 154.53 | **0.579** |
| Cash dividends per share | **6.0** | 13.0 | **0.050** |

# Corporate Outline

## 1. Outline

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

**Date of Establishment:** September 12, 1946

**Head Office:** 80, Oshimada-machi, Nagano-shi, 381-2287 Japan
Phone: (81-26)283-1000 Facsimile: (81-26)284-8861

**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:** 4,091 (as of September 30, 2006)

**Plants:**
Kohoku Plant
Wakaho Plant
Takaoka Plant
Arai Plant
Kyogase Plant
SHINKO R&D CENTER
KURITA SOGO CENTER

**Overseas Representative Offices:**
Frankfurt
Pittlerstrasse 47, 63225, Langen, Germany
Phone: (49-6103)690145 Facsimile: (49-6103)690165

Shanghai
Room 2310, Shanghai Ruijin Building, 205 Maoming South Road, Shanghai, 200020, China
Phone: (86-21)6445-0898 Facsimile: (86-21)6445-1228

Manila

9th Floor, Unit No.905, Tower One, Ayala Triangle, Ayala Avenue,
Makati-city, Metro Manila, Philippines

Phone: (63-2)848-5169 Facsimile: (63-2)848-5145

**Subsidiaries:**

**(Japan)**

SHINKO PARTS CO., LTD.

SHINKO TECHNOSERVE CO., LTD.

**(Overseas)**

SHINKO ELECTRONICS (MALAYSIA) SDN. BHD.

Lot Pt717A, Jalan Serendah 26/17, Seksyen 26, 40400 Shah Alam,
Selangor Darul Ehsan, Malaysia

Phone: (60-3)5191-4902 Facsimile: (60-3)5191-4912

KOREA SHINKO MICROELECTRONICS CO., LTD.

35 Sunpyung-ri, Seo-myun, Suncheon-city, Jollanam-do,
540-813 Republic of Korea

Phone: (82-61)753-8801 Facsimile: (82-61)753-8804

SHINKO ELECTRIC INDUSTRIES(WUXI) CO.,LTD.

28-9, Changjiang South Road, Wuxi National Hi-tech Industrial Development Zone,
Wuxi, Jiangsu, 214028, China

Phone: (86-510)8534-3008 Facsimile: (86-510)8534-3180

SHINKO ELECTRIC AMERICA, INC.

2880 Zanker Road, Suite 204, San Jose, CA 95134 U.S.A.

Phone: (1-408)232-0499 Facsimile: (1-408)955-0368

KOREA SHINKO TRADING CO., LTD.

Hyundai Venture Building 1223, 713 Suseo-dong, Kangnam-ku,
Seoul, 135-884 Republic of Korea

Phone: (82-2)538-2851 Facsimile: (82-2)451-6714

TAIWAN SHINKO ELECTRONICS CO., LTD.

5F-H, Hung Tai Center, 168 Tun Hua North Road, Taipei, Taiwan

Phone: (886-2)2719-5655 Facsimile: (886-2)2719-5650

SHINKO ELECTRONICS (SINGAPORE) PTE. LTD.
78 Shenton Way #32-00 Singapore 079120
Phone: (65)6-225-3411 Facsimile: (65)6-225-8984

SHINKO MICROELECTRONICS (THAILAND) CO., LTD.
252/98 19th Floor, Muang Thai Phatra Office Tower 2,
Rachadaphisek Road, Huaykwang, Bangkok 10320, Thailand
Phone: (66-2)693-3300 Facsimile: (66-2)693-3301

## 2. Shareholders' Data (as of September 30, 2006)

**Paid-in Capital:** ¥ 24,223,020,480

**Common Stock:** Authorized: 540,000,000 shares
Issued: 135,171,942 shares

**Number of Shareholders:** 10,040

**Principal Shareholders:**

| Name | Number of shares held (thousands) | Ownership ratio (%) |
|---|---|---|
| Fujitsu Limited | 67,587 | 50.00 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 10,513 | 7.78 |
| Japan Trustee Services Bank, Ltd. (Trust Accounts) | 7,274 | 5.38 |
| Citigroup Global Markets Inc. | 2,292 | 1.70 |
| The Hachijuni Bank, Ltd. | 1,836 | 1.36 |
| Mizuho Bank, Ltd. | 1,836 | 1.36 |
| The Sumitomo Trust and Banking Co., Ltd. (Trust Account B) | 1,825 | 1.35 |
| Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account) | 1,655 | 1.23 |
| Mitsubishi UFJ Trust and Banking Corporation (Trust Account) | 1,453 | 1.07 |
| Asahi Mutual Life Insurance Company | 1,239 | 0.92 |

**Stock Exchange Listing:** The First Section of The Tokyo Stock Exchange

## 3. Board of Directors (as of September 30, 2006)

| | |
|---|---|
| President | Mamoru Kuroiwa |
| Executive Managing Directors | Fumio Kuraishi |
| | Akira Fujimoto |
| | Tetsushi Wakabayashi |
| Managing Directors | Akio Imoto |
| | Fumio Yanagihara |
| Directors | Shin-ichi Wakabayashi |
| | Akihiko Murata |
| | Yoshihiko Ogawa |
| | Kazuharu Iguchi |
| | Kunihiko Imai |
| | Seizo Mitsui |
| | Yoshihiro Asano |
| | Toshihiko Ogiwara |
| Standing Auditor | Masaji Yokoyama |
| Auditors | Junichi Murashima |
| | Koichi Ishizaka |