

BUSINESS REPORT 2009

(from April 1, 2008 to March 31, 2009)



To Our Shareholders

I would like to take this opportunity to extend my best wishes and to thank everyone for the exceptional support given to us. It is my pleasure to report on the business results of SHINKO ELECTRIC INDUSTRIES CO., LTD. (the Company) for fiscal year 2008 (April 1, 2008 to March 31, 2009), which marks our 74th business period.

The deterioration in the global economy since the second half of last year inevitably caused a sudden contraction of the market in the semiconductor industry. However, growth is expected to continue over the medium to long term, due to increasing advancement of PCs and portable equipment, expanding markets led by developing countries, and new uses for semiconductors.

On the other hand, however, competition for survival is expected to further intensify on a global basis. Product cycles will accelerate more than ever due to rapidly advancing technological innovation. It will be necessary to establish flexible development and production systems to manufacture at low cost in order to keep up with constantly changing market needs.

Faced with these industry conditions, the Shinko Group is committed to pursuing reforms based on our thoroughly “genba-shugi” (work site-oriented) philosophy at all stages of the manufacturing process, from development to design, manufacturing, and shipping. In addition to pursuing further rationalization and productivity improvements in all departments, the Group will continue working to meet customer needs as quickly as possible, making best use of the technological expertise we have accumulated since our founding. We will also continue to pursue the development and commercial production of clearly differentiated products to improve our competitiveness and secure profits.

■ Business Results for the Fiscal Year Ended March 31, 2009

**Adverse effects of financial crisis quickly spread to real economy
Extremely severe market conditions caused by drastic overall contraction in demand**

The economic climate this fiscal year saw the adverse effects of the global financial crisis, sparked by the subprime loan crisis, spread rapidly to the real economy. In Japan, the rapid decline in exports and widespread production adjustments caused company profits to fall, leading to a severe economic contraction marked by reduced capital investment and personal consumption.

In the semiconductor industry, the global economic downturn brought inventory adjustment pressures of an unprecedented scale and speed for semiconductors destined for use in PCs, mobile phones, digital home electronics applications, and other major semiconductor markets in the second half of the period. With demand collapsing in nearly every sector, market conditions became extremely severe.

**Drastic inventory adjustments caused by falling demand
Working to reduce inventories and improve productivity through production reforms**

The Shinko Group was significantly affected by the drastic inventory adjustments accompanying the fall in demand for semiconductors. As a result, consolidated net sales for fiscal year 2008 were 140,510 million yen (down 34.6% year on year). We promptly responded to the dramatic fall-off in orders by such means as implementing cost-cutting measures in all departments and cutting investment, as well as reducing inventories and improving productivity through our production

reforms. However, a dramatic fall-off in production and continually falling prices for our products, combined with the effects of a strong yen relative to the dollar, resulted in a consolidated recurring loss for the period of 6,961 million yen and a net loss of 6,042 million yen.

In terms of non-consolidated financial results, we recorded net sales of 136,336 million yen (down 34.9% year on year). We recorded a recurring loss of 6,850 million yen and a net loss of 5,782 million yen. The Company paid a year-end dividend of 4 yen and an interim dividend of 4 yen, for a total dividend of 8 yen per share for the period under review.

■ Outlook

Continued depressed end use demand for semiconductor products More downward pressure on prices

In Japan, it is expected that as the global recession continues, exports will continue to stagnate, while production adjustments and reduced investment primarily in manufacturing will continue in the long term. Consumption in Japan is expected to continue to fall due to declining incomes, and this is expected to deepen the economic crisis. In the U.S., while there are hopes that the recession has bottomed out thanks to financial and economic measures, it is expected that personal consumption will remain depressed over the long term, as personal income is affected by the poor employment climate. It appears that uncertain conditions will continue.

In the semiconductor industry, end use demand for electrical / electronic devices, automobiles, and other products that incorporate semiconductors is expected to remain depressed and capacity utilization is expected to remain low due to surplus supply capacity. It is expected to be some time yet before we see a real recovery. In

addition, intensifying competition among companies and the shift in demand to low-cost products are expected to put even greater downward pressure on product prices, and stagnation in market conditions is widely expected to continue in the long term.

Working to launch new products suited to customer needs Constructing superior manufacturing plants to produce high-quality products

The Shinko Group intends to respond to the current economic difficulties by continuing the thorough implementation of various emergency measures and working to optimize management resources and improve profitability. In addition, as a leader in semiconductor packages we intend to further develop and optimize the possibilities of the semiconductor packaging technology we have accumulated since our founding, to bring to market new products meeting the needs of our customers. We are also committed to overcoming the difficulties of the fiercely competitive semiconductor market to achieve “Progress without Limits,” by redoubling our efforts to achieve production reforms based on the “genba-shugi” principle. We will work as a team to create a manufacturing environment that ensures that quality is built into our products and to rebuild our profit structure.



I would like to request the continued support of our esteemed shareholders.

June 2009

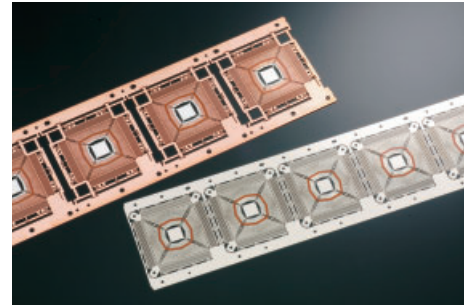
Mamoru Kuroiwa
President

A handwritten signature in black ink that reads "M. Kuroiwa". The signature is written in a cursive, flowing style.

Summary of Operations by Product Category

IC Lead Frames

Affected by the deterioration in the semiconductor market, orders declined for stamping lead frames and etching lead frames, and demand also fell for LOC (Lead on Chip)-type lead frames due to the contraction in the memory market. As a result, consolidated sales in this segment were 20,879 million yen (down 26.5% year on year).



Lead frames

IC Packages

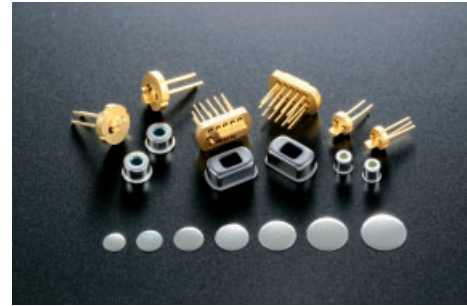
Flip-chip type packages were affected by the slowdown in the PC market and inventory adjustments, and the assembly business saw a collapse in orders for mobile phones and digital cameras due to the sudden fall-off in the demand for them. Demand and product prices both fell for BOC (Board on Chip)-type BGA (Ball Grid Array) substrates for DRAMs, causing sales to drop. Although sales of heat spreaders for MPUs remained favorable in the first half of the year, they also fell in the second half due to drastic adjustments. As a result, consolidated sales in this segment were 106,549 million yen (down 35.7% year on year).



Flip-chip type package (left) and heat spreader (right)

Hermetic Seal Parts

Orders for ceramic electrostatic chucks decreased greatly due to the continuing stagnation in the market for semiconductor manufacturing equipment. Sales also fell for glass-to-metal seals for optical devices and for the precision contact parts used in mobile phones, due to the contraction in demand and inventory adjustments. As a result, consolidated sales in this segment were 13,077 million yen (down 37.3% year on year).



Glass-to-metal seals for optical devices (top) and precision contact parts (bottom)

Sales by product category (Millions of yen)

Hermetic Seal Parts

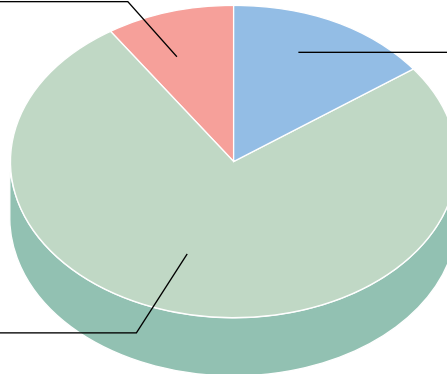
13,077 (9.3%)

IC Lead Frames

20,879 (14.9%)

IC Packages

106,549 (75.8%)

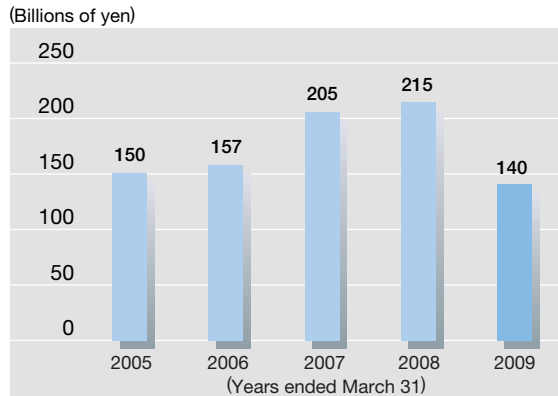


*Figures in () represent % to total sales.

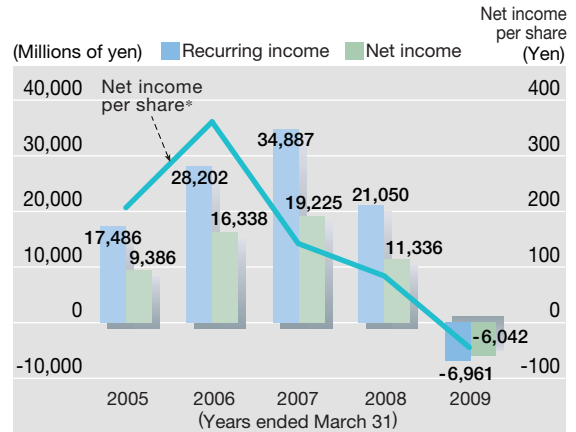
Financial Highlights

Consolidated

Net sales

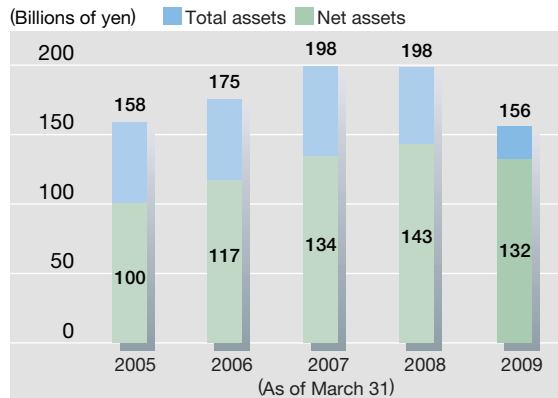


Recurring income / Net income

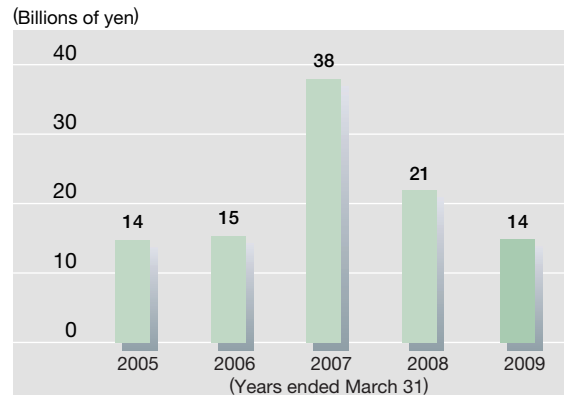


*Three-for-one stock split as of April 1, 2006.

Total assets / Net assets

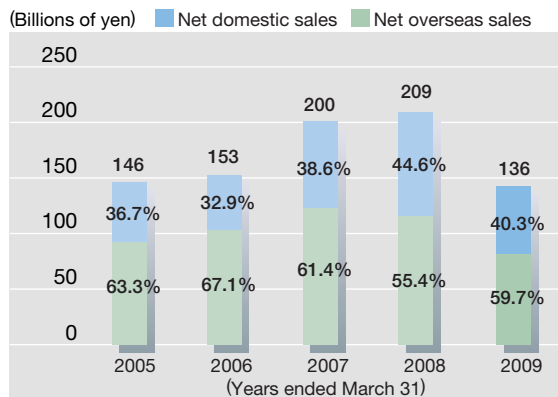


Capital expenditure

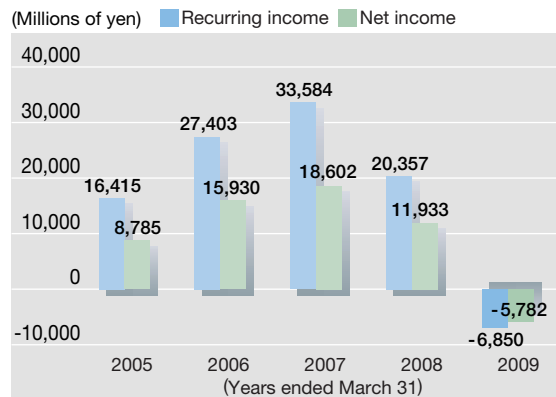


Non-consolidated

Net sales



Recurring income / Net income



Business performance and assets

Years ended March 31	2005	2006	2007	2008	2009
Consolidated					
Net sales (Millions of yen)	150,584	157,806	205,859	215,007	140,510
Recurring income (loss) (Millions of yen)	17,486	28,202	34,887	21,050	(6,961)
Net income (loss) (Millions of yen)	9,386	16,338	19,225	11,336	(6,042)
Net income (loss) per share (Yen)	206.80	361.13	142.32*	83.92	(44.73)
Total assets (Millions of yen)	158,499	175,541	198,862	198,475	156,266
Net assets (Millions of yen)	100,737	117,288	134,193	143,193	132,959
Net assets per share (Yen)	2,243.26	2,603.29	1,000.33*	1,059.98	984.22
Capital expenditure (Millions of yen)	14,851	15,398	38,038	21,930	14,923
Research & development (Millions of yen)	3,175	3,477	3,975	4,396	4,651

*Three-for-one stock split as of April 1, 2006.

Non-consolidated

Net sales (Millions of yen)	146,121	153,123	200,100	209,582	136,336
Recurring income (loss) (Millions of yen)	16,415	27,403	33,584	20,357	(6,850)
Net income (loss) (Millions of yen)	8,785	15,930	18,602	11,933	(5,782)

Financial Statements (Consolidated)

Balance Sheets

As of March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2009	2008	2009
Assets	156,266	198,475	1,590,819
Current assets	83,077	121,369	845,745
Cash and time deposits	17,000	20,754	173,065
Receivables, trade: notes and accounts	22,812	66,252	232,235
Marketable securities	3,173	1,122	32,309
Merchandise and finished goods	551	1,146	5,611
Work in process	2,396	5,627	24,401
Raw materials and supplies	1,066	1,640	10,855
Money deposited	31,430	20,940	319,963
Other current assets	5,492	3,902	55,913
Allowance for doubtful receivables	(845)	(16)	(8,611)
Fixed assets	73,188	77,106	745,074
Property, plant and equipment	63,782	71,530	649,321
Intangible assets	1,250	1,547	12,730
Investments and other assets	8,155	4,027	83,022
Total assets	156,266	198,475	1,590,819
Liabilities	23,306	55,282	237,268
Current liabilities	18,999	50,958	193,418
Payables, trade	8,066	33,281	82,123
Short-term borrowings, including current portion of long-term debt	600	1,000	6,108
Other current liabilities	10,332	16,676	105,187
Long-term liabilities	4,307	4,323	43,849
Net assets	132,959	143,193	1,353,551
Shareholders' equity	135,702	144,716	1,381,472
Common stock	24,223	24,223	246,594
Capital surplus	24,129	24,129	245,643
Retained earnings	87,441	96,455	890,168
Treasury stock	(91)	(91)	(934)
Valuation and translation adjustments	(2,742)	(1,523)	(27,921)
Unrealized gains on securities	124	150	1,271
Foreign currency translation adjustments	(2,867)	(1,673)	(29,192)
Total liabilities and net assets	156,266	198,475	1,590,819

Note: The U.S. dollar amounts represent translation of Japanese yen at the rate of ¥98.23 = U.S. \$1.00 on March 31, 2009.

Statements of Income

Years ended March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2009	2008	2009
Net sales	140,510	215,007	1,430,422
Cost of goods sold	133,364	175,135	1,357,674
Gross profit	7,146	39,871	72,748
Selling, general and administrative expenses	13,969	14,744	142,208
Operating income (loss)	(6,823)	25,126	(69,460)
Non-operating income	1,287	1,996	13,105
Non-operating expenses	1,425	6,073	14,511
Recurring income (loss)	(6,961)	21,050	(70,867)
Extraordinary income	—	932	—
Extraordinary expenses	2,727	1,664	27,767
Income (loss) before income taxes and minority interests	(9,688)	20,317	(98,634)
Income taxes - current	131	6,202	1,338
Refund of income taxes	(105)	—	(1,078)
Income taxes - deferred	(3,671)	1,846	(37,378)
Minority interests in income of consolidated subsidiaries	—	932	—
Net income (loss)	(6,042)	11,336	(61,515)

Statements of Cash Flows

Years ended March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2009	2008	2009
Cash flows from operating activities	33,526	37,644	341,301
Cash flows from investing activities	(20,348)	(24,259)	(207,155)
Cash flows from financing activities	(3,611)	(3,622)	(36,767)
Effect of exchange rate changes on cash and cash equivalents	(674)	(868)	(6,864)
Net increase (decrease) in cash and cash equivalents	8,891	8,894	90,513
Cash and cash equivalents at beginning of year	41,885	32,990	426,397
Cash and cash equivalents at end of year	50,776	41,885	516,911

■ Statements of Changes in Net Assets

Year ended March 31, 2009

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance of March 31, 2008	24,223	24,129	96,455	(91)	144,716
Changes in the term:					
Dividends from surplus			(2,972)		(2,972)
Net income			(6,042)		(6,042)
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(0)		0	0
Net changes of items other than shareholders' equity					
Total changes in the term	—	(0)	(9,014)	(0)	(9,014)
Balance of March 31, 2009	24,223	24,129	87,441	(91)	135,702

	Valuation and translation adjustments			Total net assets
	Unrealized gains on securities	Foreign currency translation adjustments	Total valuation and translation adjustments	
Balance of March 31, 2008	150	(1,673)	(1,523)	143,193
Changes in the term:				
Dividends from surplus				(2,972)
Net income				(6,042)
Purchase of treasury stock				(0)
Disposal of treasury stock				0
Net changes of items other than shareholders' equity	(25)	(1,193)	(1,219)	(1,219)
Total changes in the term	(25)	(1,193)	(1,219)	(10,234)
Balance of March 31, 2009	124	(2,867)	(2,742)	132,959

Financial Statements (Non-consolidated)

Balance Sheets

As of March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2009	2008	2009
Assets	155,703	196,303	1,585,092
Current assets	77,463	114,582	788,593
Fixed assets	78,240	81,720	796,499
Property, plant and equipment	61,946	69,307	630,624
Intangible assets	1,248	1,544	12,711
Investments and other assets	15,045	10,869	153,163
Total assets	155,703	196,303	1,585,092
Liabilities	22,809	54,629	232,205
Current liabilities	18,522	50,377	188,560
Long-term liabilities	4,287	4,251	43,645
Net assets	132,894	141,674	1,352,887
Shareholders' equity	132,769	141,524	1,351,615
Common stock	24,223	24,223	246,594
Capital surplus	24,129	24,129	245,643
Retained earnings	84,508	93,263	860,311
Treasury stock	(91)	(91)	(934)
Valuation and translation adjustments	124	150	1,271
Total liabilities and net assets	155,703	196,303	1,585,092

Statements of Income

Years ended March 31

	(Millions of Yen)		(Thousands of U.S. Dollars)
	2009	2008	2009
Net sales	136,336	209,582	1,387,932
Cost of goods sold	129,630	170,376	1,319,662
Gross profit	6,706	39,205	68,270
Selling, general and administrative expenses	13,883	15,157	141,336
Operating income (loss)	(7,177)	24,047	(73,066)
Non-operating income	1,888	2,330	19,226
Non-operating expenses	1,561	6,020	15,899
Recurring income (loss)	(6,850)	20,357	(69,740)
Extraordinary expenses	2,716	742	27,652
Income (loss) before income taxes	(9,566)	19,614	(97,392)
Income taxes - current	—	5,813	—
Refund of income taxes	(105)	—	(1,078)
Income taxes - deferred	(3,678)	1,868	(37,445)
Net income (loss)	(5,782)	11,933	(58,868)

Production reforms



Shinko is implementing production reforms throughout all divisions to shore up our manufacturing, the core of any manufacturing business.

We began our reform program, based on the Toyota Production System (TPS), in May 2003. Since then, we have implemented a number of reforms based on the “genba-shugi” (work site-oriented) principle. We have achieved improvements in terms of the shortening of product lines and flow, smaller lots, building in quality at each process, and linking of all associated processes.

We have reduced turnaround times to customers and reduced inventory assets to greatly improve our inventory turnover ratio.

Recognizing that the possibilities for improvement are infinite, we intend to continue to enthusiastically pursue these production reforms in all departments, so as to build strong manufacturing centers capable of responding flexibly to changes in the market.

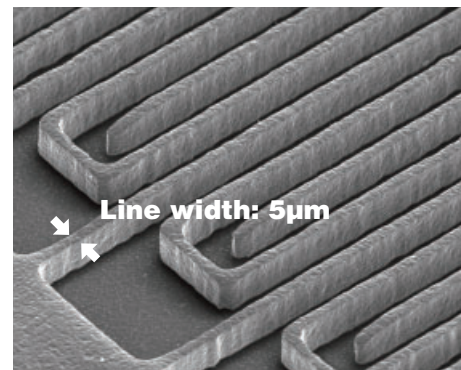
Evolution of IC packages

Mobile phones have become indispensable to daily life. In addition to calls, email, and camera functions, their functions have now diversified to include TV monitor and electronic money functions.

This progress in electronics has been made possible by the increasing performance of ICs, supported by the evolution in IC packages.

One example is microfabrication technology. Shinko has developed wiring technology for wires only 5 micrometers in width, less than one-tenth the width of a human hair. This technology makes possible improvements in electrical characteristics, reductions in IC size, and greater IC speeds.

In order to be the first to respond to market needs, we are working to develop a variety of semiconductor packaging technologies.



IC package using 5µm copper wires

Corporate Data

(as of March 31, 2009)

■ 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 lead frames, plastic laminated packages (PLPs), glass-to-metal seals, surge arresters and precision contact parts IC assembly
■ Number of Employees	4,052 (Consolidated: 4,848)
■ Plants & Facilities	Kohoku Plant Wakaho Plant Takaoka Plant Arai Plant Kyogase Plant SHINKO R&D Center Kurita Sogo Center
■ Sales Office Network	Tokyo, Osaka, Sendai, Nagano, Nagoya, Oita, Fukuoka, Frankfurt, Shanghai, Chengdu, Manila
■ Subsidiaries	SHINKO PARTS CO., LTD. SHINKO TECHNOSERVE CO., LTD. SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. KOREA SHINKO MICROELECTRONICS CO., LTD. SHINKO ELECTRIC INDUSTRIES (WUXI) CO., LTD. SHINKO ELECTRIC AMERICA, INC. KOREA SHINKO TRADING CO., LTD. TAIWAN SHINKO ELECTRONICS CO., LTD. SHINKO ELECTRONICS (SINGAPORE) PTE. LTD.
■ Affiliated Company	SHINKO MICROELECTRONICS (THAILAND) CO., LTD.

Cover: Kurita Sogo Center in Nagano City

Shareholders' Data

(as of March 31, 2009)

■ Total number of authorized shares	540,000,000 shares
■ Total number of shares issued	135,171,942 shares
■ Paid-in capital	24,223,020,480 yen
■ Number of shareholders	12,157
■ 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)	10,122	7.49
Japan Trustee Services Bank, Ltd. (Trust Accounts)	8,992	6.65
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	6,299	4.66
State Street Bank and Trust Company 505225	2,428	1.80
The Hachijuni Bank, Ltd.	1,836	1.36
National Mutual Insurance Federation of Agricultural Cooperatives	1,336	0.99
Asahi Mutual Life Insurance Company	1,239	0.92
BNY GCM Client Account JPRD ISG FE-AC	1,165	0.86
Trust & Custody Services Bank, Ltd. (Trust Account B)	970	0.72

Board of Directors and Auditors

(as of June 26, 2009)

President	Mamoru Kuroiwa
Directors and Executive Managing Corporate Officers	Akira Fujimoto Fumio Kuraishi
Directors and Managing Corporate Officers	Akihiko Murata Koichi Ishizaka
Standing Auditor	Masaji Yokoyama
Auditors	Junichi Murashima Masao Sekine

Corporate Officers

(as of June 26, 2009)

Managing Corporate Officers	Yoshihiko Ogawa Kunihiko Imai	Corporate Officers	Takahiro Kiyono Hiroshi Hasebe Takato Kikuchi Mitsuharu Shimizu Haruo Sorimachi Toshihisa Yoda Tadashi Kodaira Masashi Obinata Takashi Obinata Katsuo Minamisawa Hidenori Takayanagi
Senior Corporate Officers	Kazuharu Iguchi Seizo Mitsui Yoshihiro Asano Toshihiko Ogiwara		

Shareholder Information

■ Administrator of shareholders' register and account management institution for special accounts

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212

(Mailing address)

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
10-11, Higashisuna 7-chome, Koto-ku, Tokyo, 137-8081
TEL (Toll free number): 0120-232-711 (Japanese only)

■ Business year

From April 1 each year to March 31 of the following year

■ Record date

Record date for the annual
shareholders' meeting

March 31 each year

Record date for dividends

March 31 each year and September 30 if interim dividend shall be paid

■ Method of public notice

Electronic public notice

Electronic public notice shall be presented on our company website:
<http://www.shinko.co.jp/ir/kk/>

However, in case an accident or any other unavoidable circumstance that precludes electronic notification arises, notices shall be posted in the *Nihon Keizai Shimbun*.

Notes:

1. To change a shareholder address, place a claim for purchase, or other requests, please contact the account management institution (such as a securities company) with which you have an account.
2. For all matters relating to shares recorded in special accounts, the account management institution is Mitsubishi UFJ Trust and Banking Corporation. Please contact the address above. Any branch of Mitsubishi UFJ Trust and Banking Corporation throughout Japan will also be able to assist you.
3. If you have not yet received your dividend payment, you can receive payment at any branch of Mitsubishi UFJ Trust and Banking Corporation.



SHINKO

SHINKO ELECTRIC INDUSTRIES CO., LTD.
80, Oshimada-machi, Nagano-shi, Japan
Tel: 81 (26) 283-1000 Fax: 81 (26) 284-8861
URL <http://www.shinko.co.jp>