

(CONSOLIDATED)

1. Consolidated Financial Performance over the year, April 1, 1999 to March 31, 2000

(1) Results of Operations

(figures are rounded down to the nearest million yen)

	Net sales (percentage change from previous term)	Operating income (percentage change from previous term)	Ordinary income (percentage change from previous term)
2000	¥136,529million(2.1%)	¥4,701million(48.7%)	¥2,342million(99.7%)
1999	¥133,763million(△10.9%)	¥3,162million(△71.2%)	¥1,173million(△84.1%)

	Net income (percentage change from previous term)	Net income per share	Diluted net income per share	Net income to sharehol- ders' equity	Ordinary income to total assets	Ordinary income to net sales
2000	¥ 803million (-%)	¥ 6.34	6.30	1.3%	1.4%	1.7%
1999	¥△1,805million (-%)	¥△14.16	-	△ 2.8%	0.7%	0.9%

Notes1: Equity in net income/loss non-consolidated subsidiaries and/or affiliates:
¥45million (1999:¥3million)

Notes2: Unrealized gains/losses at March 31, 2000: ¥1,813million on marketable securities and
investment securities ¥--million from derivative transactions

Notes3: Change in accounting method: No-change

(2) Financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
2000	¥170,766million	¥61,402million	36.0%	¥485.57
1999	¥168,996million	¥61,988million	36.7%	¥488.26

(3) Results of Cash Flows

	Net cash flows provided by operating activities	Net cash flows provided by invest- ment activities	Net cash flows provided by financial activities	Balance of cash and cash equivalents at the end of year
2000	¥ 9,185million	¥△3,368million	¥△3,451million	¥25,014million
1999	-	-	-	-

(4) Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 19

Number of non-consolidated subsidiaries accounted for by the equity method: 0

Number of affiliates accounted for by the equity method: 1

(5) Change in scope of consolidation and application of equity method

Number of companies newly consolidated: 1

Number of companies excluded from the consolidation: 0

Number of companies newly accounted for by the equity method: 0

Number of companies excluded from the accounting by the equity method: 0

2. Forecast of Consolidated Financial Performance, April 1, 2000 to March 31, 2001

	Net sales	Ordinary income	Net income
Interim	¥ 73,100million	¥1,900million	¥△3,100million
Fullyear	¥150,000million	¥5,900million	¥△1,200million

Reference: Expected net income per share (consolidated) ¥△9.49

(1) Management Policy

① *Basic Management Policy*

The basic business policy of Sanken Electric Co., Ltd. (“the Company”) is; to establish a company that is trusted and desired by everyone; to place high value on consolidated financial accounts; to seek efficient and speedy management; and to achieve management with a optimized balance of size and efficiency. It is the Company’s aim to provide satisfaction to all stakeholders around the Company including shareholders and customers, through all our business activities.

② *Profit Dividend Policy*

With the Company’s basic profit dividend policy, Sanken Electric recognizes the profit return to our shareholders as one of the most important managerial strategies, and the Company is determined to offer stable and steady profit return by improving profitability and strengthening financial constitution. At the same time, effective use of internal reserve is intended to enhance company structure and expand business activities including investments in plant, equipment and R&D in the future.

③ *Mid-Term Management Strategies*

In the mid-term management strategies, Sanken has presented a mid-term management plan for the term starting at the beginning of April this year and ending March 2003. In this plan, the Company has set as the numerical targets for the term ending March, 2003, ¥180,000 million (US\$1,695.7million) for consolidated sales, ¥11,000 million (US\$103.6million) for ordinary income, and over 8% ROE (return on equity) and over 6% ROA (return on assets). The following describes the specific activities planned for each different business segment.

1) Promote expansion in the field of semiconductors as a core business

Sanken will aggressively expand the field of semiconductors as the Company’s core business. By differentiating technologies such as BCD process and assembly technologies, the Company will supply high-value-added products to the automotive industry, new markets and new applications for the Company such as refrigerator and air conditioner. The Company will also introduce new products into the existing markets in response to market needs such as energy-saving and environment friendly characteristics.

2) Making profits through synergy effects between Semiconductors and Power Supplies

Sanken will make efforts in linking semiconductor technologies to the expansion of Switching Power Supplies into new product fields, and also to creating new markets such as motor control boards. The Company will also work on the reduction of labor cost by carrying out

production at the most appropriate location, and also on the reduction of material cost by promoting local procurement.

3) Strengthening private-sector demand for power supply equipment and working for expansion of sales

Sanken will continue to provide large-sized power supply equipment that support public infrastructure in the areas of information, telecommunication and electric supply, as well as reliable power supply equipment such as large-sized UPSs. At the same time the Company will expand the business in the IT market with mid- and small-sized UPSs, and also in the Chinese and Taiwanese market with general-purpose inverters and UPSs. In addition, the Company will work on the development and commercialization of new products such as hybrid power supplies with energy saving and environmental conservation.

(2) Operating Results

① *General Overview for Current Term Ending March, 2000*

During the current term, although private capital investment and consumer spending remains low-pitched due to the prolonged economic downturn, the Japanese economy is starting to see light in some parts, such as in investment for information technology, and is starting to show moderate inclination towards recovery. On the other hand, the U.S. economy is still running in high gear, although there is some part for concern for the near future. The economy in both Europe and Asia are in a recovery stage.

The electronics industry to which Sanken belongs has been showing steady progress. This is due to factors which include; the expansion of information and telecommunication business which utilizes the Internet; PC market driven by expansion of networks such as LANs; and the strong demand for telecommunication devices including cellular phones and audiovisual devices that are increasingly digitized.

Under such conditions, Sanken Electric and Sanken group companies have made efforts in increasing the amount of orders received, in reduction of costs; in improving our financial strength, and also in reorganizing production bases and setting up locations for distribution. As a result, the consolidated sales amounted to ¥136,529 million (US\$1,286.2 million), and in profit and loss, Sanken was able to achieve an ordinary income of ¥2,342 million (US\$22.1 million) and a net income of ¥830 million (US\$7.8 million), although there were an extraordinary loss due to foreign exchange loss and reorganization of our production bases.

The following are the business overviews for each segment. Please note that with the company reorganization as of October 1, 1999, Sanken has changed the segmentation of operations and has separated the former Power Supply division into two segments: Switching Power Supply business and a Power Supply Equipment business. In making comparisons with the previous term, the sales figures are reorganized retrospectively to match the new segmentation.

1) Semiconductors

The sales showed an increase of ¥7,850 million (9.1%) from the previous term to ¥94,574 million (US\$890.9 million).

Sales of hybrid IC, the Company's main product in this segment, showed a large increase due to active sales of new products, mainly for audiovisual devices such as DVD players and automobiles that are increasingly becoming electronic. Sales of diodes leveled off due to struggling sales in the products targeted for TV/display market. Transistors and LEDs showed an increase in sales, mainly due to active sales of audio devices such as stereo components with MD. Cold cathode fluorescent lamps (CCFLs) used in backlight for LCD on computers, etc., showed a large increase in sales due to the active PC market and also as a result of consolidation of our production facilities.

Allegro MicroSystems, Inc., one of Sanken's foreign subsidiaries, was starting to show a trend towards recovery in the latter half of the term, due to sales of new products. However, the recovery was not enough to cover the drop during the first half, and Allegro was compelled to declare a loss over the full-term.

2) Switching Power Supplies

The sales for this segment showed a decrease of ¥228 million (1.0%) from the previous term, and totaled ¥23,396 million (US\$220.4 million).

Sales for switching power supplies, which have remained stagnant over a long period, have at last started to show recovery in orders received since the first half of this term, mainly for digital photocopiers. Switching power supplies for ATMs used by financial institutions also showed steady progress in sales, due to replacements made because of the Y2K issue.

AC adapters showed favorable progress, with increases in production. The use for AC adapters had been limited to notebook PCs, but usage is being expanded to LCD televisions and so on.

Among the foreign subsidiaries, PT Sanken Indonesia, which started its full operation in June 1998, has maintained fair production focusing on AC adapters. On the other hand, Sanken Power Systems (U.K.) Limited, showed stagnant sales, despite the expansion of sales of new products such as motor control boards.

3) Power Supply Equipment

Sales for this segment amounted to ¥18,558 million (US\$174.8 million), showing a large decrease of ¥4,856 million (20.7%) compared to the previous term.

Although power supply equipment for telecommunication facilities showed steady order receipts for low-price products, such as small base stations for mobile telecommunication networks, total sales showed large decreases due to fewer orders received for large facilities. This can be attributed to depressed capital investment in plant and equipment and also to depreciation in sales prices. Large-sized UPSs were able to secure similar sales level as in the previous term, with demand coming from information and telecommunication network construction. As for general-purpose UPSs for computers, Sanken was unable to achieve an increase in production and hence sales, despite the fact that strong orders for new technology oriented products were quite active during the latter half of this term. General-purpose inverters for factory automation equipment also remained stagnant due to intensified market competition.

The total amount of investment in plant and equipment across Sanken group companies added up to ¥7,420 million (US\$69.9 million), the majority of which went to expansion of production facilities such as Ishikawa Sanken Co., Ltd. and investments in streamlining and cost saving of operations.

② *General Overview for Full Year*

The domestic economy is forecasted to show an increase in private capital investment led by investments in information technology, as well as a recovery trend in consumer spending. Despite such hopes that economic recovery will be made on the initiative of private demand, concerns about worsening employment situation due to corporate cutbacks still remain, making it hard to be optimistic about the economic outlook in Japan. The global economic outlook is also becoming unclear, since the economic situation in the U.S., which is still maintaining strength, Europe and Asia is starting to raise concern over a downturn in economic expansion.

Under such conditions, Sanken will intend to transform the company constitution to one that is capable of responding flexibly in response to the changing economic environment and market conditions. The Company will also place high value on consolidated management with focus on its basic policy to operate rationally and efficiently across Sanken group companies, and thus achieving higher profits.

As for results on consolidated basis for the full year, Sanken Electric estimates consolidated sales of ¥150,000 million (US\$1,413.1 million), ¥5,900 million (US\$55.6 million) for ordinary income, and ¥1,200 million (US\$11.3 million) for net income. On non-consolidated basis, sales are estimated at ¥120,000 million (US\$1,130.5 million), ordinary income at ¥5,000 million (US\$47.1 million), and net income at ¥0. As for net income for the period, allowance is made for a lump sum amortization of reserve surcharge (difference at the time changes are made in the accounting standards) concurrent with the retirement benefits account that will be applied from the term ending March, 2001.

Projected benefit obligation, etc., are estimated as follows, based on calculation presuming a 3.5% discount rate. Reserve surcharge will be amortized in a lump sum as an extraordinary loss, but the Company also plans to account for an extraordinary income by means of placing investment securities in trust for retirement benefits.

	(millions of yen & US\$)	
	Consolidated	Non-consolidated
Projected benefit obligation	¥19,500 (US\$183.7)	¥14,100 (US\$132.8)
Balance on pension assets	¥11,000 (US\$103.6)	¥8,000 (US\$75.4)
Reserve for retirement benefits	¥500 (US\$4.7)	-
Reserve surcharge	¥8,000 (US\$75.4)	¥6,100 (US\$57.5)

Note : US dollar amounts represent translations from yen at an exchange rate of US\$=¥106.15 and given for convenience only.

1. CONSOLIDATED BALANCE SHEET (Year ended March 31)

Millions of yen

ASSETS	2000	1999
Current assets		
Cash on hand and in banks	25,830	24,663
Notes receivable-trade	41,115	42,025
Inventories	35,501	29,621
Short-term deferred tax assets	1,084	-
Other current assets	4,490	4,719
Allowance for doubtful accounts	(285)	(326)
Total current assets.....	107,737	100,704
Fixed assets		
Tangible fixed assets:		
Buildings and structures	22,326	20,915
Machinery and equipment	19,113	21,716
Automobiles and delivery equipment	66	85
Tools, furniture and fixtures	2,246	2,352
Land	4,283	4,341
Construction in progress	2,214	4,694
	50,250	54,105
Intangible fixed assets	1,645	1,018
Investments and other assets:		
Investments in securities	5,777	9,065
Other	2,307	2,610
Allowance for doubtful accounts	(0)	(1)
	8,085	11,674
Total fixed assets.....	59,981	66,798
Foreign currency translation adjustments.....	3,047	1,492
Total assets	170,766	168,996

LIABILITIES AND SHAREHOLDERS' EQUITY	2000	1999
Liabilities		
Current liabilities:		
Notes payable-trade	29,676	25,583
Short-term loans	21,736	22,066
Bonds	-	9,220
Accrued expenses.....	6,860	6,837
Income taxes payable.....	2,096	540
Stock purchase warrant	-	574
Other current liabilities	1,643	1,394
Total current liabilities	<u>62,013</u>	<u>66,216</u>
Fixed liabilities:		
Bonds	20,000	10,000
Convertible bonds	9,999	9,999
Long-term loans payable	15,434	19,169
Long-term deferred tax liabilities	406	-
Employees' retirement benefits.....	668	650
Officers' retirement benefits	472	481
Other fixed liabilities	201	243
Total fixed liabilities	<u>47,182</u>	<u>40,544</u>
Total liabilities	<u>109,195</u>	<u>106,760</u>
Minority interests	<u>168</u>	<u>247</u>
Shareholders' equity		
Capital stock	20,880	20,700
Capital surplus	21,103	20,886
Retained earnings	19,420	20,402
Less common stock	(1)	(1)
Total shareholders' equity	<u>61,402</u>	<u>61,988</u>
Total liabilities and shareholders' equity	<u><u>170,766</u></u>	<u><u>168,996</u></u>

2. CONSOLIDATED STATEMENT OF INCOME
AND RETAINED EARNINGS (Year ended March 31)

Millions of yen

	2000	1999
Net sales	136,529	133,763
Cost of sales	111,586	110,227
Gross profit	24,942	23,536
Selling, general and administrative expenses	20,240	20,373
Operating income	4,701	3,162
Non-operating income	2,702	1,238
Non-operating expenses	5,062	3,228
Ordinary income	<u>2,342</u>	<u>1,173</u>
Special gains	<u>996</u>	<u>1,751</u>
Special losses	<u>865</u>	<u>4,069</u>
Net income before income taxes.....	2,474	△ 1,144
Income taxes	1,946	753
Coporate income taxes and other items afeer income taxes	(318)	-
Income tax refunded	-	167
Minority interest in consolidated subsidiaries.....	42	74
Net income	<u>803</u>	<u>△ 1,805</u>
Retained earnings at begining of year	<u>20,846</u>	<u>24,664</u>
Deividends	<u>1,264</u>	<u>1,274</u>
Bonuses to directors of the board.....	<u>20</u>	<u>20</u>
Others	<u>946</u>	<u>1,161</u>
Retained earnings at end of year	<u>19,420</u>	<u>20,402</u>

3. CONSOLIDATED STATEMENTS OF
CASH FLOWS (Year ended March 31)

Millions of yen

2000

I Operating activities

1. Net income before income tax and other items	2,474
2. Depreciation expenses	9,858
3. Amortization of consolidation adjustment	226
4. Decrease in allowance for doubtful accounts	(41)
5. Decrease in receivable	634
6. Increase in inventories	(5,430)
7. Increase in purchase obligation	3,101
8. Other items	41
9. Interest and dividend earned	627
10. Interest paid	(1,933)
11. Corporate income tax	(373)

Net cash flows provided by operating activities 9,185

II Investment activities

1. Expenditure from acquisition of securities	(455)
2. Proceeds on sale of securities	2,718
3. Expenditure from acquisition of tangible fixed assets	(7,391)
4. Proceeds on sale of tangible fixed assets	331
5. Expenditure from acquisition of investments securities	(128)
6. Proceeds on sale of investments securities	591
7. Other items	965

Net cash flows provided by investment activities 3,368

III Financial activities

1. Proceeds from bond issue	10,000
2. Expenditure from bond repayment	(9,220)
3. Proceeds from exercise in stock warrants	360
4. Expenditure from acquisition of treasury stock	(862)
5. Cash dividend payment	(1,264)
6. Other items	(2,464)

Net cash flows provided by financial activities (3,451)

IV Exchange gain or loss on cash and cash equivalents (520)

V Increase in cash and cash equivalents 1,845

VI Cash and cash equivalents accompanied new consolidation 164

VII Cash and cash equivalents at the beginning of year 23,005

VIII Cash and cash equivalents at the end of year 25,014