

SANKEN ELECTRIC CO., LTD.

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Fiscal Year ..... April 1-March 31

Financial Report for the six-month period ended September 30, 1999

(NON-CONSOLIDATED)

1. Performance over the first half April 1, 1999 to September 30, 1999

(1) Operating results

(figures are rounded down to the nearest million yen.)

	Net sales (percentage change from same period of preceding year)	Operating income (percentage change from same period of preceding year)	Ordinary income (percentage change from same period of preceding year)
Half-year ended Sep. 30, 1999	¥55,935million ( Δ1.7%)	¥1,886million ( 6.2%)	¥1,445million (Δ16.9%)
Half-year ended Sep. 30, 1998	¥56,912million ( Δ7.5%)	¥1,775million (Δ58.3%)	¥1,740million (Δ54.2%)
Year ended March 31, 1999	¥113,693million	¥3,808million	¥2,937million

	Net income (percentage change from same period of preceding year)	Net income per share
Half-year ended Sep. 30, 1999	¥1,165million ( 507.4%)	¥ 9.15
Half-year ended Sep. 30, 1998	¥ 191million ( Δ92.3%)	¥ 1.50
Year ended March 31, 1999	¥1,470million	¥ 11.53

Notes: Average number of shares outstanding ( 9/99 : 127,374,313 )  
( 9/98 : 127,961,380 )  
( 3/99 : 127,512,243 )

(2) Dividends

	Interim dividends per share	Annual dividends per share
Half-year ended Sep. 30, 1999	¥5.00	—————
Half-year ended Sep. 30, 1998	¥5.00	—————
Year ended March 31, 1999	—————	¥10.00

(3) Financial position

	Total assets	Shareholders' equity	Shareholders' equity to total assets	Shareholders' equity per share
Half-year ended Sep. 30, 1999	¥131,914million	¥63,084million	47.8%	¥ 498.86
Half-year ended Sep. 30, 1998	¥129,121million	¥62,225million	48.2%	¥ 486.29
Year ended March 31, 1999	¥134,751million	¥62,356million	46.3%	¥ 491.15

Notes: Number of shares outstanding at end of period ( 9/99 : 126,456,866 )  
( 9/98 : 127,961,380 )  
( 3/99 : 126,961,380 )

2. Forecast of results for term, April 1, 1999 to March 31, 2000

	Net sales	Ordinary income	Net income	Annual dividends per share
Year ended March 31, 2000	¥114,300million	¥3,500million	¥2,300million	Total ¥10.00 (Term-end ¥ 5.00)

Reference: Expected net income per share ¥ 18.12

## 1. Management Policy

Sanken Electric is thoroughly dedicated to develop original technology and manufacture excellent, highly reliable products in line with the Company's management policy cherishes principal business as a manufacturer. The Company provides the solutions, which are based on the main business of power supplies and which extend to peripheral areas including communications, control, diagnosis, sensing, protection, and indication, thereby deploying business activities aiming to be an enterprise that is trusted and desired by customers and society.

Under the Company's basic policy concerning profit distribution, profit return to the shareholders is considered as one of the most important measures, and the Company aims to realize stable and steady return of profit through improving profitability and strengthening financial structure. At the same time, effective use of internal reserve is intended to enhance company structure and expand business activities including investments in equipment and R&D in the future.

With respect to mid/long-term management strategy, the Company emphasizes management on a consolidated basis, by which a reasonable, efficient management of Sanken Electric group companies is promoted to enhance profitability. Furthermore, organizational changes were implemented as of October 1, where small-sized power supplies such as switching power supplies and AC adapters were merged with the Semiconductor Division for the purpose of business expansion. This will position semiconductor business at the core of the Company, in which management resources are invested with a high priority. Moreover, aggressive strategy will be deployed that comprises stronger merchandising by participating in new markets and business areas, and higher development capability through tie-ups with foreign semiconductor manufacturers. On the other hand, power supply equipment business centered on large-sized power supplies has independently come under the newly-established Power Supply Equipment Operations, which will seek differentiated technologies and element technologies to specialize in specific areas, thereby restructuring its business activities.

## 2. Business Results

### (1) Summary of the 1st-half year

During the 1st-half year under review, Japan's capital expenditures in the private sector were slow due to prolonged economic sluggishness. However, slight improvement was seen in housing construction and personal consumption, accompanied with the effects of various governmental measures led by urgent economic policy, whereby a sign of a slow recovery has emerged.

The electronics industry, which Sanken Electric is part of, basically trended in a steady tone, where the market of information and telecommunications equipment was brisk including personal computers (PCs)

and mobile phones, while capital expenditures cooled down.

Under these circumstances, Sanken Electric reformulated production bases and conducted a thorough reduction of expenses to ensure profit, making positive measures on a group-wide scale. These efforts resulted in net sales of ¥55,935 million (US\$523.0 million), ordinary income of ¥1,445 million (US\$13.5 million) and net income of ¥1,165 million (US\$10.9 million).

The following is a breakdown of results according to business divisions:

#### Semiconductor Division

Sales of the Semiconductor Division amounted to ¥37,723 million (US\$352.7 million), increasing by 2.2 % over the same period last year. In the AV, information and telecommunications markets, despite stagnation in some of TV-related products, products for new markets including set-top boxes and DVD players saw a growth, as well as audio products. In addition, products for computer-peripheral equipment such as printers directed to ASEAN markets grew largely. These situations resulted in overall solid increases in sales.

In the home appliance and industrial equipment markets, there was a steady expansion of products for home appliances such as refrigerators and washing machines. Nevertheless, products for microwave ovens, our mainstay products which are exported to the USA, dipped, thereby failing to boost sales.

In the automotive electronics market, despite decreases in the number of car units produced domestically, our sales increased largely due to brisk production of mini-sized and small-sized cars, the devices of which are increasingly becoming electronic, as well as due to our sales expansion endeavors. Large increases in sales were seen for the cold cathode fluorescent lamps used for backlight illumination of liquid-crystal displays, owing to brisk PC market and strengthened production facilities.

#### Power Supply Division

Sales of the Power Supply Division stood at ¥18,207 million (US\$170.2 million), decreasing by 9.0 % from the same period last year. Sales of large-sized power supply equipment, primarily directed to public offices and communications equipment sectors, decreased substantially due to stagnating capital expenditures in communications infrastructure and lowering sales prices.

In small-sized power supplies, a recovery was seen in the orders received for switching power supplies, whose main market is OA and information-processing equipment, primarily for digital photocopiers. A steady growth was also seen in sales of general-purpose inverters for FA equipment in Taiwan. However, lackluster sales of uninterruptible power supplies for PCs resulted in overall decline of sales.

Sanken's sales of AC adapters, in which the Company has been positive in the recent years, declined while the direct overseas sales of Sanken Indonesia, its subsidiary, increased.

**(2) Forecast for the full-fiscal year**

Japan's economy continues to face severe conditions due to weak recovery trends in the private sector, a strong yen, etc. In overseas, the U.S. economy continues to stay brisk and the Korean economy, the Company's mainstay market, is showing a quick recovery. Nevertheless, these circumstances are not necessarily transparent, forbidding optimism. Therefore, business environment surrounding the Company continues to become increasingly stringent, accompanied with intensified market competition, lowering of sales prices, and other factors. Against these backgrounds, Sanken Electric intends to reduce inventory assets, curtail material cost, cut down overall costs through higher productivity and, furthermore, to expand business through systematic restructuring. These efforts aim to enhance profitability on consolidated basis through reasonable, efficient management of our group companies.

The full-fiscal year results are aimed at net sales of ¥114,300 million (US\$1068.7 million), ordinary income of ¥3,500 million (US\$32.7 million), and net income of ¥2,300 million (US\$21.5 million).

Note: US dollar amounts represent translations from yen at an exchange rate of US\$=106.95 and given for convenience only.

# 1. NON-CONSOLIDATED BALANCE SHEET

Millions of yen

	September 30 1999	September 30 1998	March 31 1999
<b>ASSETS</b>			
<b>Current assets</b>			
Cash on hand and in banks .....	18,430	14,993	20,051
Notes receivable-trade .....	8,235	8,988	7,078
Accounts receivable-trade .....	32,339	35,508	33,709
Marketable securities .....	1,856	762	822
Finished products .....	6,170	6,741	6,999
Works in process .....	4,704	3,985	3,743
Raw materials and supplies .....	2,758	2,545	2,889
Short-term loans .....	4,880	3,364	3,884
Prepaid expenses .....	95	132	64
Deferred tax debit - short-term .....	1,001	-	-
Accounts receivable-other .....	10,781	9,290	9,897
Advances .....	259	98	401
Other current assets .....	67	367	49
Allowance for doubtful accounts .....	(1,025)	(574)	(517)
<b>Total current assets</b> .....	<b>90,537</b>	<b>86,204</b>	<b>89,075</b>
<b>Fixed assets</b>			
<b>Tangible assets:</b>			
Buildings .....	4,206	4,019	3,842
Structures .....	525	508	474
Machinery and equipment .....	2,012	2,140	1,992
Automobiles and delivery equipment .....	5	7	6
Tools, furniture and fixtures .....	1,127	1,216	1,092
Land .....	1,131	1,129	1,131
Construction in progress .....	43	19	221
	<b>9,052</b>	<b>9,041</b>	<b>8,760</b>
<b>Intangible assets:</b>			
Rights of utilization .....	28	27	29
Software .....	293	-	-
	<b>322</b>	<b>27</b>	<b>29</b>
<b>Investments and other assets:</b>			
Investment in securities .....	4,957	3,529	6,367
Investment in subsidiaries .....	17,342	16,602	16,976
Long-term loans .....	8,171	12,106	11,991
Deposit to landowner .....	813	809	812
Deffered tax debit - long-term .....	174	-	-
Other investments and advances .....	842	1,056	1,158
Allowance for doubtful accounts .....	(300)	(381)	(421)
	<b>32,002</b>	<b>33,723</b>	<b>36,886</b>
<b>Total fixed assets</b> .....	<b>41,377</b>	<b>42,791</b>	<b>45,676</b>
<b>Defered assets</b>			
Discount on bond premium .....	-	125	-
<b>Total assets</b> .....	<b>131,914</b>	<b>129,121</b>	<b>134,751</b>

	September 30 1999	September 30 1998	March 31 1999
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Notes payable-trade .....	14,932	18,181	14,486
Accounts payable-trade .....	9,025	9,181	9,821
Short-term loans payable.....	10,040	15,335	14,150
Bonds .....	-	9,220	9,220
Accounts payable-others .....	276	252	101
Income taxes payable .....	1,087	10	377
Business taxes payable.....	-	19	-
Accrued expenses.....	2,937	3,353	2,983
Advances received .....	13	19	76
Deposits received .....	52	85	68
Deferred revenue.....	4	123	22
Stock purchase warrant.....	-	574	574
Other current liabilities .....	12	41	1
<b>Total current liabilities .....</b>	<b>38,383</b>	<b>56,398</b>	<b>51,884</b>
<b>Fixed liabilities:</b>			
Bonds .....	20,000	-	10,000
Convertible bonds .....	9,999	9,999	9,999
Reserve for retirement allowance .....	279	281	302
Deposits on contract .....	168	211	209
Long term deferred revenue .....	-	4	0
<b>Total fixed liabilities .....</b>	<b>30,446</b>	<b>10,496</b>	<b>20,510</b>
<b>Total liabilities .....</b>	<b>68,829</b>	<b>66,895</b>	<b>72,395</b>
<b>Shareholders' equity</b>			
Capital stock .....	20,880	20,700	20,700
<b>Statutory reserves:</b>			
Legal capital reserve .....	21,103	20,886	20,886
Legal earned surplus .....	1,591	1,461	1,525
<b>Total statutory reserves .....</b>	<b>22,694</b>	<b>22,348</b>	<b>22,412</b>
<b>Retained earnings:</b>			
Voluntary earned surplus .....	17,388	17,469	17,469
Unappropriated retained earnings .....	2,120	1,707	1,774
<Net income> .....	<1,165>	<191>	<1,470>
<b>Total retained earnings .....</b>	<b>19,509</b>	<b>19,176</b>	<b>19,243</b>
<b>Total shareholders' equity .....</b>	<b>63,084</b>	<b>62,225</b>	<b>62,356</b>
<b>Total liabilities and shareholders' equity .....</b>	<b>131,914</b>	<b>129,121</b>	<b>134,751</b>

## 2. NON-CONSOLIDATED STATEMENT OF INCOME

Millions of yen

	September 30 1999	September 30 1998	March 31 1999
<b>Ordinary income and losses</b>			
Net sales .....	55,935	56,912	113,693
Cost of goods sold .....	47,452	48,217	96,543
Selling, general and administrative expenses .....	6,596	6,919	13,341
Operating income .....	1,886	1,775	3,808
<b>Other income and expenses</b>			
<b>Non-operating income:</b>			
Interest and dividends received .....	568	494	828
Miscellaneous income .....	484	1,127	658
	1,053	1,622	1,486
<b>Non-operating expenses:</b>			
Interest and discount paid .....	377	253	575
Miscellaneous expenses .....	1,116	1,404	1,781
	1,493	1,657	2,357
Ordinary income .....	1,445	1,740	2,937
Special gains .....	996	1,509	2,126
Special losses .....	631	3,181	3,288
Income before taxes .....	1,810	67	1,775
Corporate income taxes and inhabitant taxes .....	-	10	-
Corporate income taxes, inhabitant taxes, and enterprise taxes .....	1,139	-	473
Income tax - deferred .....	(493)	-	-
Income tax refunded .....	-	134	-
Income tax refunded on prior year .....	-	-	167
Net income .....	1,165	191	1,470
Retained earnings brought forward .....	1,071	1,515	1,515
Cumulative effect on prior years of applying the new method of accounting for income taxes .....	682	-	-
Reversal for tax effect on advanced depreciation .....	63	-	-
Interim dividends .....	-	-	639
Reserve for legal earned surplus .....	-	-	63
Retirement of treasury stock .....	862	-	507
Unappropriated retained earnings .....	2,120	1,707	1,774

### 3. SALES BY PRODUCT

Millions of yen

	Half-year ended September 30, 1999		Half-year ended September 30, 1998		Year ended March 31, 1999	
	Amount	Share of total sales (%)	Amount	Share of total sales (%)	Amount	Share of total sales (%)
Semiconductors	37,727	67.4	36,905	64.8	73,483	64.6
Power Supplies	18,207	32.6	20,006	35.2	40,209	35.4
Total	55,935	100.0	56,192	100.0	113,693	100.0
<Export>	<18,592>	<33.2>	<17,984>	<31.6>	<37,413>	<32.9>

### 4. ORDERS BY PRODUCT

Millions of yen

	Half-year ended September 30, 1999		Half-year ended September 30, 1998		Year ended March 31, 1999	
	Orders received	Backlog of orders	Orders received	Backlog of orders	Orders received	Backlog of orders
Semiconductors	39,594	8,338	35,357	5,768	72,638	6,471
Power Supplies	18,365	5,190	18,059	5,711	37,584	5,033
Total	57,959	13,529	53,417	11,479	110,223	11,505