

SANKEN ELECTRIC CO., LTD.

Headquarters:..... 3-6-3 Kitano, Niiza-shi, Saitama 350-8666, Japan

Tel.048-472-1111

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

FINANCIAL REPORT

1. Financial Performance over the year, April 1, 2000 to March 31, 2001

(1) Results of Operations (Yen)

	Net sales (percentage change from previous term)	Operating income (percentage change from previous term)	Ordinary income (percentage change from previous term)
2001	158,710million(16.2%)	8,807million(87.3%)	7,585million(223.8%)
2000	136,529million(2.1%)	4,701million(48.7%)	2,342million(99.7%)

	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
2001	1,294million(61.0%)	10.24	9.84	2.1%	4.4%	4.8%
2000	803million(-%)	6.34	6.30	1.3%	1.4%	1.7%

Notes1:Ordinary income : Income before income taxes and extraordinary items

Notes2:Equity in net income/loss non-consolidated subsidiaries and/or affiliates:
37million yen (2000:45million yen)

Notes3:Average number of shares outstanding (2001: 126,404,831)
(2000: 126,893,026)

Notes4:Change in accounting method: None

(2) Financial position (Yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
2001	175,558million	59,400million	33.8%	472.92
2000	170,766million	61,402million	36.0%	485.57

Notes:Number of shares outstanding at end of period (2001: 125,605,532)
(2000: 126,454,272)

(3) Results of Cash Flows (Yen)

	Net cash provided by operating activities	Net cash used by investing activities	Net cash used by financing activities	Balance of cash and cash equivalents at the end of year
2001	4,770million	-11,673million	-6,141million	12,217million
2000	9,185million	- 3,368million	-3,451million	25,014million

(4) Scope of consolidation and application of equity method

Number of consolidated subsidiaries : 18

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 : 0

Number of companies excluded from the consolidation : 1

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 Financial Performance, April 1, 2001 to March 31, 2002 (Yen)

	Net sales	Ordinary income	Net income
1st half	75,000million	3,300million	1,600million
Full year	159,000million	7,700million	4,000million

Reference:Expected net income per share 31.88yen by average number of shares outstanding

(1) Group Companies

The Sanken Group consists of Sanken Electric Co., Ltd., 24 subsidiaries and 4 affiliated companies, primarily producing and selling Semiconductor, Switching Power Supply, Power Supply Equipment and other related products and services. The business lines and roles of the group companies are summarized below.

Division		Maior Products	Company Name
Semi-conductor Division	Semi-conductors	Hybrid IC, Monolithic IC, Hall-effect IC, Transistor, MOSFET, Thyristor, Rectifier diode, Schottky barrier diode, LED lamp, Cold cathode fluorescent lamp	Sanken Electric Co., Ltd. Subsidiaries Ishikawa Sanken Co., Ltd. (Manufacturer) Yamagata Sanken Co., Ltd. (Manufacturer) Kashima Sanken Co., Ltd. (Manufacturer) Fukushima Sanken Co., Ltd. (Manufacturer) Kowa Electric Co., Ltd. (Manufacturer) Allegro MicroSystems, Inc. (Manufacturer) Allegro MicroSystems W.G., Inc. (Manufacturer) Allegro MicroSystems Philippines, Inc. (Manufacturer) Allegro MicroSystems Europe Limited (Sales company) Sanken Electric Singapore Pte. Ltd. (Sales company) Sanken Electric Hong Kong Co., Ltd. (Sales company)
	Switching Power Supplies	Switching power supply Transformer	Sanken Electric Co., Ltd. Subsidiaries Korea Sanken Co., Ltd. (Manufacturer) Sanken Power Systems (UK) Limited (Manufacturer) PT. Sanken Indonesia (Manufacturer) Sanken Transformer Co., Ltd. (Manufacturer) Sanken Transformer (Malaysia) Sdn. Bhd. (Manufacturer) Dalian Sanken Transformer Co., Ltd. (Manufacturer) PT. Sanken Transformer (Indonesia) (Manufacturer) Sanken Transformer (Singapore) Pte. Ltd. (Manufacturer)
Power Supply Equipment Division		UPS AC inverter drive DC power supply High performance airway beacon system Other power supplies	Sanken Electric Co., Ltd. Subsidiaries Sanken Densetsu Co., Ltd. (Power supply sales and installation work) Affiliated Sanken L.D. Co., Ltd. (Sales company) Sanken L.D. Electric (Jiang Yin) Co., Ltd. (Manufacturer)
Others			Subsidiaries Sanken Electric Korea Co., Ltd. (Sales and Technical service) Sanken Logistics Co., Ltd. (Logistics) Sanken Techno-Research Co., Ltd. (Technical information service) Sanken Kosan Co., Ltd. (Insurance agency) Affiliated Sanken-Airpax Co., Ltd. (Manufacturer) Sanshin Electric Co., Ltd. (Sales company)

(2) Management Policy

Basic Management Policy

Our basic management policies are: establish ourselves as an enterprise that wins confidence from all; emphasize consolidated business management; pursue management efficiency and speed; and strike a balance in management between scale and efficiency. We promote each of our business activities based on these policies, with the aim of satisfying our shareholders and all other stakeholders.

Profit Sharing Policy

Our fundamental profit sharing policy holds that retention of earnings for our shareholders is one of the most important missions of management, and we are committed to ensuring stable, sure return of dividends through the improvement of our earnings potential and enhancement of our fiscal standing. We are also committed to effectively leveraging our internal reserve for future capital investment, R&D investment, and other activities that will strengthen our corporate structure and expand our businesses.

As part of our policy of increasing our shareholders' profit, we have implemented a stock buy-back in which we acquired and retired treasury stocks, improving our capital efficiency and increasing shareholder earnings from the fiscal year before last.

Mid-term Management Strategies

We have identified semiconductor operation as our core business. We center our business deployment on our semiconductor operation, and focus the investment of our management resources in this field. Meanwhile, we are also committed to the speedy rehabilitation of our switching power supply and power supply equipment businesses and improving group management and asset efficiency.

In April of last year, we formulated our 3-year mid-term management plan (ending in fiscal 2003) as our mid- to long-term management strategy. This mid-term management plan sets the following numerical targets for March 2003: consolidated sales of 180 billion yen; ordinary income of 11 billion yen; return on equity (ROE) of at least 8%; and return on assets (ROA) of at least 6%.

This fiscal year is the first fiscal year of the plan. Our activities and goals in each business segment in the plan are as follows:

1) Aggressively expand semiconductor operation as core business

We are committed to aggressively expanding our core businesses. Through such differentiating technologies as our BCD process technologies and assembly technologies, we will continue to offer high value-added products for such new applications and markets as ever increasing electronic devices for automobiles and home appliances. We will also introduce new products for existing markets capable of responding to such market needs as energy efficiency and environmental awareness.

We will also expand and strengthen the relationship with International Rectifier Corporation, a manufacturer of power semiconductors in the United States, and through the collaboration in the fields of technology, production, and sales and marketing, we will speed up the development of new products, aggressively develop new markets and efficiently utilize management resources through complementary production. To realize this, we also agreed to include a cross-shareholding arrangement in the strategic collaboration.

2) Making profits through synergy effects between semiconductors and switching power supply

Through integration with semiconductor business, we will expand products in the new field of switching powersupply. In addition, we are committed to developing motor control board and other new markets. We are also committed to

reducing labor costs by shifting production base in the optimum locations, and reducing material costs by pursuing local procurement.

3) Strengthening customer demand for power supply equipment and working for expansion of sales

We will continue to supply highly reliable electric power systems that support such public infrastructure as information communication and electric power, including large-scale electric power supply equipment and large-scale uninterruptible power supply (UPS). In addition, we will supply small and mid-sized UPS to expand our share in the information technology (IT) market and expand sales of multi-purpose inverters to China and Taiwan. We will also develop and market new products such as hybrid electric power capable of responding to such market needs as energy efficiency and environmental awareness.

(3) Operating Results

General Overview for Current Year Ending March, 2001

While the Japanese economy continued its slow recovery this fiscal year, with improved corporate earnings and a partial recovery in private-sector investment, the business climate remains as harsh as before. The US economy, which had been booming, showed a marked slowdown in the latter half of the fiscal year. However, the Asian economy has, as a whole, remained firm.

The electronics industry, of which our group is a part, faced a downturn at the end of the fiscal year. Thanks to demand in the information communications market – driven chiefly by demand for PCs and mobile phones – and the audio-visual equipment market, as well as the surge of automobile computerization, performance was favorable overall.

Under these conditions, we have worked to secure orders, while moving aggressively to expand sales and secure profits, including the development of high value-added products and additional installment of production equipment.

As a result, consolidated sales reached 158,710 million yen (136,529 million yen in the previous fiscal year), their highest level ever. On the earnings side, operating profit was 7,585 million yen (2,342 million yen in the previous fiscal year). While net profit was affected by the change in accounting standard for severance indemnities of 5,252 million yen, we were able to show a total net profit of 1,294 million yen (803 million yen in the previous fiscal year).

The situation by business segment is as follows:

1) Semiconductors

Sales for this fiscal year were 110,182 million yen, a 15,608 million yen (16.5%) increase from the prior year. We continue to deploy our hybrid ICs, one of our main products, in new products for automobiles, one of our focuses in recent years. In addition, support for energy efficiency has found many new applications for our hybrid ICs in such home electronic appliances as refrigerators and washing machines. While sales of diodes were stagnant because of price competitiveness, sales of transistors were brisk, boosted in part by demand for products in the audio market. Sales of light-emitting diodes (LEDs) for outdoor display systems were strong, and sales showed a huge overall increase. Enhanced production capability expanded sales of cold cathode fluorescent discharge tubes.

Our subsidiary Allegro MicroSystems, Inc. in the U.S. was able to expand sales of its products for the automobile market and become profitable as well.

2) Switching Power Supply

Sales for this fiscal year were 27,565 million yen, a 4,164 million yen (17.8%) year-on-year increase. Sales of switching power supply expanded thanks to a continued firm market for digital copiers and printers. Sales of AC adapters also

expanded, fueled by growth in notebook PC demand as well as expanded applications for liquid crystal displays.

Our subsidiary PT. Sanken Indonesia was able to expand sales substantially, due to its expansion of increased production capacity. Sanken Power Systems (UK) Limited increased sales thanks to a boost from the growth in motor control board sales. It improved profitability as well through capital increase.

3) Power Supply Equipment

Sales for this fiscal year were 20,962 million yen, a 2,404 million yen (13.0%) year-on-year increase. Demand for power supply equipment for communications equipment for next-generation mobile phone base stations expanded, while sales of large-scale power supply equipment remained strong, boosted by orders for electrolyte DC power supply systems, among others. Sales of multi-purpose uninterruptible power supply for power outages increased, thanks to the completion of the expansion of production facilities for new products introduced last fiscal year, as well as the introduction of a new power supply management software product.

Forecasts for the Coming Period

The Japanese economy remains unpredictable, continuing to stumble on its road toward recovery from the prolonged recession, and with sluggish consumer spending as a reflection of harsh employment conditions. Meanwhile, uncertainties abound as to the direction of the world economy as well, with the U.S. economic recession and its repercussions in Europe and Asia; these uncertainties have cast their shadow over the semiconductor market as well.

Under these conditions, we have worked to achieve our management vision “winning confidence from all”; in addition, we are committed to make every company in the group operate in a more streamlined and efficient manner, with an emphasis on consolidated management.

In the future we will work aggressively to reduce primary costs, reduce inventories, differentiate products and get them to market early, and enhance our marketing.

For the coming period, we forecast sales of 159,077 million yen, operating income of 7,700 million yen, and net income of 4,000 million yen on a consolidated basis; on an individual basis, we forecast sales of 128,000 million yen, operating income of 6,400 million yen, and net income of 3,500 million yen.

This forecast is based on information available as of the present time and assumptions we have considered to be valid. In preparing this forecast, we have used an exchange rate of 108 yen to the US dollar. Please be advised that in addition to this, there are a host of uncertain factors which could greatly impact actual worldwide performance, including global market conditions, intensive of competition, the adoption of new products and their acceptance or lack thereof, and the impact of market-value accounting.

CONSOLIDATED BALANCE SHEETS

March 31, 2001 and 2000

Millions of yen

	2001	2000
ASSETS		
Current assets		
Cash and deposits	12,833	25,830
Accounts receivable-trade.....	45,734	41,115
Inventories.....	44,933	35,501
Deferred income tax	1,753	1,084
Other current assets	3,907	4,490
Allowance for doubtful accounts	(96)	(285)
Total current assets	<u>109,067</u>	<u>107,737</u>
Fixed assets:		
Property, plant and equipment, net:		
Buildings and structures	21,334	22,326
Machinery, and automobiles	23,315	19,180
Tools, furniture and fixtures	2,365	2,246
Land	4,360	4,283
Construction in progress	3,145	2,214
	<u>54,520</u>	<u>50,250</u>
Software	467	433
Adjustment account for consolidation	-	454
Other intangible assets	873	757
Total intangible assets	<u>1,341</u>	<u>1,645</u>
Investments and other assets:		
Investments in securities	6,959	5,777
Deferred income tax	1,930	99
Other investment and advances	1,739	2,208
Allowance for doubtful accounts	(0)	(0)
	<u>10,629</u>	<u>8,085</u>
Total fixed assets	<u>66,491</u>	<u>59,981</u>
Translation adjustments	-	3,047
Total assets.....	<u><u>175,558</u></u>	<u><u>170,766</u></u>

	2001	2000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current liabilities:		
Accounts payable-trade	30,668	29,676
Short-term loans	16,464	21,736
Accrued expenses.....	7,867	6,860
Income taxes.....	3,664	2,096
Deferred income tax	4	-
Other current liabilities	2,442	1,643
Total current liabilities	61,112	62,013
Long-term liabilities:		
Bonds and debentures	20,000	20,000
Convertible bonds.....	9,999	9,999
Long-term loans	18,045	15,434
Deferred income tax	32	406
Accrued employees' severance indemnities	6,083	668
Accrued directors' severance indemnities	527	472
Other fixed liabilities	169	201
Total long term liabilities	54,856	47,182
Total liabilities.....	115,968	109,195
Minority interests	189	168
Shareholders' equity		
Capital stock.....	20,880	20,880
Capital surplus	21,103	21,103
Retained earnings.....	18,986	19,420
Foreign currency translation adjustments.....	(1,568)	-
Common stock in treasury	(0)	(1)
Total shareholders' equity	59,400	61,402
Total liabilities and shareholders' equity	175,558	170,766

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2001 and 2000

Millions of yen

	2001	2000
Net sales.....	158,710	136,529
Cost of sales	127,202	111,586
Gross profit.....	31,507	24,942
Selling, general and administrative expenses	22,700	20,240
Operating income	8,807	4,701
Non-operating income	2,242	2,702
Non-operating expenses.....	3,463	5,062
Ordinary income.....	7,585	2,342
Government grant	133	-
Gain on sales of investments in securities	604	458
Profit on transfer of subscription right	-	538
Profit on reversing of provision for doubtful accounts	165	-
Other extraordinary income	15	-
Total extraordinary income	918	996
Loss on disposals of fixed assets	81	328
Loss on inventory revaluation	-	177
Provision for special severance	-	359
Difference due to the change in accounting standard for severance indemnities	5,252	-
Other extraordinary loss.....	246	-
Total extraordinary loss.....	5,580	865
Income before income taxes	2,924	2,474
Income taxes	4,468	1,946
Income tax - deferred	(2,866)	(318)
Minority interest in consolidated subsidiaries	27	42
Net income.....	1,294	803
Balance of retained earnings at beginning.....	19,420	20,402
Cumulative effect on prior years for income taxes	-	444
Total balance of retained earnings at beginning	19,420	20,846
Dividends	1,260	1,264
Bonuses to directors of the board	20	20
Adjustments to retained earnings included in consolidation	-	84
Retirement of treasury stock	447	862
Decrease in other retained earnings	1,728	2,230
Balance of retained earnings at end of year	18,986	19,420

STATEMENTS OF CASH FLOWS

Years ended March 31, 2001 and 2000

Millions of yen

	2001	2000
I Operating activities		
1. Income before income taxes	2,924	2,474
2. Depreciation expenses	10,238	9,858
3. Amortization of consolidation adjustment	454	226
4. Decrease in reserve for doubtful accounts	(207)	(30)
5. Increase in retirement allowance	5,420	-
6. Interest income and dividends received	(298)	(371)
7. Interest paid.....	1,992	1,767
8. Profits on sales of securities	-	(1,489)
9. Profits on sale of investment securities	(604)	(458)
10. Increase in receivable - trade	(3,652)	634
11. Increase in inventories - trade.....	(8,109)	(6,390)
12. Increase in payable - trade	(281)	4,061
13. Others	1,477	583
14. Interest and dividend earned	330	627
15. Interest paid.....	(2,005)	(1,933)
16. Corporate income tax	(2,908)	(373)
Net cash provided by operating activities	<u>4,770</u>	<u>9,185</u>
II Investing activities		
1. Expenditure from acquisition of securities.....	-	(455)
2. Proceeds on sale of securities	-	2,718
3. Expenditure from acquisition of tangible fixed assets	(12,636)	(7,391)
4. Proceeds on sale of tangible fixed assets	131	331
5. Expenditure from acquisition of investments securities	(16)	(128)
6. Proceeds on sale of securities	835	591
7. Expenditure of loan	(196)	(230)
8. Proceeds from collection of loan	207	172
9. Others	1	1,022
Net cash used by investing activities	<u>(11,673)</u>	<u>(3,368)</u>
III Financing activities		
1. Decrease in short-term loan	(2,966)	(4,221)
2. Proceeds from long-term loan	7,640	3,851
3. Expenditure from repayment of long-term loan	(9,081)	(2,075)
4. Proceeds from bond issue	-	10,000
5. Expenditure from bond repayment.....	-	(9,220)
6. Proceeds from exercise in stock warrants	-	360
7. Expenditure from acquisition of treasury stock	(447)	(862)
8. Cash dividend payment	(1,260)	(1,264)
9. Cash dividend payment for minority shareholders	(26)	(61)
10. Others.....	-	42
Net cash flows used by financing activities	<u>(6,141)</u>	<u>(3,451)</u>
IV Exchange gain or loss on cash and cash equivalents	<u>248</u>	<u>(520)</u>
V Net increase (decrease) in cash and cash equivalents	<u>(12,796)</u>	<u>1,845</u>
VI Increase cash and cash equivalents due to change in scope of consolidation	<u>-</u>	<u>164</u>
VII Cash and cash equivalents at the beginning of year	<u>25,014</u>	<u>23,005</u>
VIII Cash and cash equivalents at the end of year	<u>12,217</u>	<u>25,014</u>

(4) Segment Information

1. Business segment information

This period (April 1, 2000 to March 31, 2001)

Millions of yen

	Semicon- ductors	Switching Power Supplies	Power Supply Equipment	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1) Third parties	110,182	27,565	20,962	158,710	-	158,710
(2) Intersegment	338	275	-	613	(613)	-
Total	110,521	27,840	20,962	159,324	(613)	158,710
Operating expenses	97,898	29,100	21,209	148,208	1,694	149,902
Operating income	12,623	(1,260)	(247)	11,115	(2,307)	8,807
Assets	102,492	34,592	17,017	154,102	21,456	175,558
Depreciation	9,161	714	261	10,137	100	10,238
Capital Expenditures	11,387	1,533	196	13,117	9	13,126

Previous term (April 1, 1999 to March 31, 2000)

Millions of yen

	Semicon- ductors	Switching Power Supplies	Power Supply Equipment	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1) Sales to third parties	94,574	23,396	18,558	136,529	-	136,529
(2) Intersegment sales	548	-	-	548	(548)	-
Total	95,122	23,396	18,558	137,077	(548)	136,529
Operating expenses	87,259	24,470	18,537	130,268	1,559	131,827
Operating income	7,862	(1,074)	20	6,809	(2,107)	4,701
Assets	90,145	31,238	14,991	136,375	34,391	170,766
Depreciation	8,846	686	226	9,759	98	9,858
Capital Expenditures	6,460	598	175	7,234	491	7,725

2. Operating revenues by geographic area

This period (April 1, 2000 to March 31, 2001)

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	116,441	13,446	16,696	12,126	158,710	-	158,710
(2) Intersegment	13,530	16,535	10,778	628	41,473	(41,473)	-
Total	129,971	29,982	27,475	12,755	200,184	(41,473)	158,710
Operating expenses	121,079	28,744	26,332	12,415	188,571	(38,668)	149,902
Operating income	8,892	1,237	1,142	339	11,612	(2,805)	8,807
Assets	122,494	17,006	21,547	4,985	166,032	9,526	175,558

Previous term (April 1, 1999 to March 31, 2000)

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	104,372	8,938	13,046	10,171	136,529	-	136,529
(2) Intersegment	11,831	11,732	7,797	432	31,794	(31,794)	-
Total	116,203	20,671	20,844	10,604	168,324	(31,794)	136,529
Operating expenses	110,444	20,048	21,060	10,444	161,996	(30,168)	131,827
Operating income	5,759	623	(215)	160	6,327	(1,625)	4,701
Assets	110,572	13,041	17,577	5,149	146,341	24,424	170,766

Notes 1: Classification of the country or region is based on geographic proximity.

2:

(1) Asia: South Korea, China, Philippines, Singapore, Malaysia, Indonesia

(2) North America: U.S.A.

(3) Europe: U.K.

3. Overseas Sales

This period (April 1, 2000 to March 31, 2001)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	43,075	14,073	12,462	340	69,952
Consolidated sales					158,710
Ratio of overseas sales to consolidated sales (%)	27.1	8.9	7.9	0.2	44.1

Previous term (April 1, 1999 to March 31, 2000)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	37,397	12,443	10,895	140	60,876
Consolidated sales					136,529
Ratio of overseas sales to consolidated sales (%)	27.4	9.1	8.0	0.1	44.6

Notes 1: Classification of the country or region is based on geographic proximity.

2: Major countries and regions belonging to the categories:

(1) Asia: South Korea, Hong Kong, Taiwan

(2) North America: U.S.A., Mexico

(3) Europe: U.K., Germany

(4) Other Regions: Australia, Brazil

3: Overseas sales are sales in countries and regions outside Japan by Sanken and its subsidiaries.