

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

URL: <http://www.sanken-ele.co.jp>

FINANCIAL REPORT

1. Financial Performance over the first half, April 1, 2001 to September 30, 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)
Half-year ended Sep.30,2001	70,956million(-5.3 %)	3,804million(46.9 %)	2,259million(-2.5%)
Half-year ended Sep.30,2000	74,934million(- %)	2,590million(- %)	2,318million(- %)
Year ended March 31,2001	158,710million	8,807million	7,585million

	Net income (percentage change from previous term)	Net income per share	Diluted net income per share
Half-year ended Sep.30,2001	244million(-%)	1.95	-
Half-year ended Sep.30,2000	-1,666million(-%)	-13.18	-
Year ended March 31,2001	1,294million	10.24	9.84

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

Notes2:Equity in net income/loss non-consolidated subsidiaries and/or affiliates:

Sep./2001: -64 million yen (Sep./2000:4million yen Mar./2001:37million yen)

Notes3:Average number of shares outstanding

Sep./2001: 125,456,076
Mar./2001: 126,404,831
Sep./2000: 126,452,531

Notes4:Change in accounting method in the term : None

(2) Financial position (Yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
Half-year ended Sep.30,2001	161,048million	58,311million	36.2%	464.79
Half-year ended Sep.30,2000	171,210million	56,119million	32.8%	443.79
Year ended March 31,2001	175,558million	59,400million	33.8%	472.92

Notes:Number of shares outstanding at the end of the term

Sep./2001: 125,455,924
Mar./2001: 125,605,532
Sep./2000: 126,455,452

(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 the term
Half-year ended Sep.30,2001	10,169million	-10,609million	-1,705million	9,995million
Half-year ended Sep.30,2000	1,629million	-4,924million	-3,637million	18,042million
Year ended March 31,2001	4,770million	-11,673million	-6,141million	12,217million

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

	Net sales	Ordinary income	Net income
Year ended March 31,2002	141,000million	4,700million	1,200million

Reference:Expected net income per share 9.57yen by average number of shares outstanding

(1) Group Companies

The Sanken Group consists of Sanken Electric Co., Ltd., 25 subsidiaries and 4 affiliates, 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) Affiliates 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) Taiwan Sanken Electric Co., Ltd. (Sales company) Sanken Logistics Co., Ltd. (Logistics) Sanken Techno-Research Co., Ltd. (Technical information service) Sanken Kosan Co., Ltd. (Insurance agency) Affiliates Sanken-Airpax Co., Ltd. (Manufacturer) Sanshin Electric Co., Ltd. (Sales company)

(2) Management Policy

Basic Management Policy

Our basic management policies are: establishing ourselves as an enterprise that wins confidence in tiers; emphasizing consolidated business management; pursuing management efficiency and speed; and striking 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 return of profit to 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 financial strength. 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.

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 speeding up our efforts to enhance fiscal strength of unprofitable operations and improve group management and asset efficiency.

In April of last year, we formulated our 3-year mid-term management plan (ending in fiscal year 2002) 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; recurring profit of 11 billion yen; return on equity (ROE) of more than 8%; and return on assets (ROA) of more than 6%.

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 white goods (home appliances). We will also introduce new products for existing markets to respond 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 power supply. In addition, we are committed to developing motor control board and other products for new markets. We are also committed to reducing labor costs by shifting production base in the optimum locations, and reduce 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 supply capable of responding to such market needs as energy efficiency and environmental awareness.

(3) Operating Results

Overview of the 1st half year ended September 30, 2001

During the term under review, Japan's economy slowed further; corporate performance particularly in IT related industries worsened rapidly and personal consumption stagnated, reflecting concerns about the future of the economy as well as the severe difficult employment situation. Also in overseas, the influence of the weakening US economy spread throughout Asia and Europe, causing a worldwide economic downturn.

The electronics industry, in which our Group companies are operating, suffered further declines in demand continuing from the latter half of the previous fiscal year, in tandem with inventory adjustments of manufactures for audio-visual (AV) and information communication equipments. The office automation (OA) equipment market also decelerated sharply, further worsening the overall environment.

Against such severe background, we took action to shore up sales, aggressively entered new markets and launched new products, all of which produced some success. However, the large fall in demand in our major AV and OA markets, as well as other markets, depressed domestic sales and exports.

As a result, consolidated sales for the period under review decreased to 70,956 million yen from 74,934 million yen of the corresponding period in the previous fiscal year. In spite of drop in sales, we secured recurring profit of 2,259 million yen compared with 2,318 million yen for the same period in the previous fiscal year, thanks to much effort to reduce overhead and other expenses. However, a net income was posted to no more than 244 million yen compared with 1,666 million yen due to current market value system resulting in loss of 2,119 million yen as an extraordinary loss.

The situation by business segment is as follows:

1) Semiconductors

Sales dipped to 49,486 million yen, which was a decrease of 3,483 million yen, or 6.6%, from the corresponding period of the previous fiscal year. Sales of hybrid ICs for the AV/OA equipment markets stagnated both in Japan and overseas. However, sales of automotive electronic devices and products for white goods such as refrigerators and washing machines continued to grow steadily, supported by growth of our new products for digital audio equipment. In these fields, sales exceeded those of the corresponding period of the previous fiscal year. Sales of diodes and transistors, however, decreased due to weakening of the AV/OA equipment markets and stiffer price competition. Restraint on capital expenditure led to an abrupt decrease in demand for light-emitting diodes used in our main market of outdoor display systems, resulting in a large decline of sales in this field. Sales of cold cathode fluorescent discharge tubes, supported by the launching of our new products in this field, kept step with the growth in demand for liquid crystal monitors for television sets and personal computers. We were thus able to grasp market needs firmly and to maintain solid sales in this field.

Despite a lackluster growth in sales of products for OA equipment, Allegro MicroSystems, Inc., our US subsidiary, remained profitable by taking action to improve its business performance.

2) Switching Power Supply

Sales decreased substantially to 11,328 million yen, a decline of 1,029 million yen, or 8.3%, from the corresponding period of the previous fiscal year.

This large fall was due to the sharp fall in demand for our major products for digital copiers and printers during the period under review because of further production adjustments and stalled demand for products related to industrial equipment. Sales of AC adapters for notebook PCs and liquid crystal displays were solid generally, but failed to grow.

As to our overseas subsidiaries, profit slumped at PT. Sanken Indonesia due to weakness in the major market of OA equipment and consequent curtailment of production. On the other hand, the profitability of Sanken Power Systems (UK) Limited improved thanks to increased sales of motor control boards and reduced expenditure.

3) Power Supply Equipment

Sales increased to 10,141 million yen, which was a gain of 535 million yen, or 5.6 %, over the corresponding period of the previous fiscal year.

Sales of custom power supply equipment, which account for approximately 70% of sales in this business sector, grew largely, contributing greatly to higher sales in the sector, owing to a higher demand for power supply equipment for base stations of third-generation mobile phones. As regards multi-purpose power supply equipment, steady growth was accomplished in exports of multi-purpose variable voltage, variable frequency (VVVF) inverters to China, while sales of multi-purpose UPS, our core product, declined due to the depressed IT market and harsh price competition.

4) Capital Investment

The total amount of capital investment of our Group companies during the period under review was 8,772 million yen, which was primarily allocated for upgrading production equipment and for overall rationalization and labor saving at Ishikawa Sanken Co., Ltd. and other group companies.

Forecasts for the Coming Period

The Japanese economy is predicted to remain sluggish due to such factors as worsening corporate performance, restraint on capital expenditure and stagnant personal consumption, and so markets are unlikely to recover quickly. Overseas, concern is growing about a worldwide economic recession, particularly following the terrorist attacks in the United States.

To improve the corporate structure and secure stable profits regardless of market fluctuations, the Group companies are selecting and concentrating business resources, including restructuring production bases and disposing of idle assets. Our Group as a whole is determined to achieve the basic strategy set forth in the mid-term management plan that calls for shortening the production and development lead time, significantly reducing costs, etc.

For the through-the-year forecast of performance for the fiscal year ending March 31, 2002, we plan to achieve sales of 141,000 million yen, ordinary income of 4,700 million yen and net income of 1,200 million yen.

[Notice]

This forecast is based on information available as of the present time and assumptions we have considered being valid. In preparing this forecast, we have used an exchange rate of 122 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.

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
Total tangible fixed assets.....	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)
Total investments and other assets.....	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

(4) Segment Information

1. Business segment information

This Term (April 1, 2001 to September 30, 2001)

Millions of yen

	Semicon- ductors	Switching Power Supplies	Power Supply Equipment	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1)Third parties	49,486	11,328	10,141	70,956	-	70,956
(2)Intersegment	50	33	-	84	(84)	-
Total	49,536	11,362	10,141	71,040	(84)	70,956
Operating expenses	44,285	11,747	9,857	65,890	1,261	67,151
Operating income	5,251	(385)	283	5,149	(1,345)	3,804

Previous Term (April 1, 2000 to September 30, 2000)

Millions of yen

	Semicon- ductors	Switching Power Supplies	Power Supply Equipment	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1)Third parties	52,969	12,357	9,606	74,934	-	74,934
(2)Intersegment	225	189	-	415	(415)	-
Total	53,194	12,547	9,606	75,349	(415)	74,934
Operating expenses	48,434	13,342	9,765	71,542	801	72,344
Operating income	4,760	(794)	(158)	3,807	(1,217)	2,590

Last Fiscal Year (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

2. Operating revenues by geographic area

This Term (April 1, 2001 to September 30, 2001)

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	51,680	7,018	7,199	5,058	70,956	-	70,956
(2) Intersegment	6,254	5,298	4,823	148	16,525	(16,525)	-
Total	57,934	12,316	12,023	5,206	87,481	(16,525)	70,956
Operating expenses	54,361	11,946	11,191	5,109	82,610	(15,458)	67,151
Operating income	3,572	370	831	96	4,871	(1,066)	3,804

Previous Term (April 1, 2000 to September 30, 2000)

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	57,039	5,175	7,460	5,258	74,934	-	74,934
(2) Intersegment	6,884	7,528	4,649	275	19,337	(19,337)	-
Total	63,923	12,703	12,110	5,533	94,271	(19,337)	74,934
Operating expenses	60,339	12,394	11,699	5,444	89,877	(17,533)	72,344
Operating income	3,584	309	411	89	4,394	(1,804)	2,590

Last Fiscal Year (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

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

2: Major countries and regions belonging to the categories outside Japan:

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

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

(3) Europe: U.K.

3. Overseas Sales

This Term (April 1, 2001 to September 30, 2001)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	20,337	5,254	5,210	109	30,911
Consolidated sales					70,956
Ratio of overseas sales to consolidated sales (%)	28.7	7.4	7.3	0.2	43.6

Previous Term (April 1, 2000 to September 30, 2000)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	20,391	6,540	5,527	149	32,608
Consolidated sales					74,934
Ratio of overseas sales to consolidated sales (%)	27.2	8.7	7.4	0.2	43.5

Last Fiscal Year (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

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.