

# SANKEN ELECTRIC CO., LTD.

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## FINANCIAL REPORT

### 1. Financial Performance over the year, April 1, 2002 to March 31, 2003

(1) Results of Operations (Millions of Yen)

	Net sales (percentage change from previous term)	Operating income (percentage change from previous term)	Ordinary income (percentage change from previous term)
Year ended March 31,2003	146,070( 4.3%)	10,491( 53.5%)	7,188( 40.2%)
Year ended March 31,2002	140,088( -11.7%)	6,833(-22.4%)	5,128(-32.4%)

	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
Year ended March 31,2003	4,002(497.1%)	31.96yen	29.96yen	6.8%	4.7%	4.9%
Year ended March 31,2002	670( -48.2%)	5.34yen	-	1.1%	3.1%	3.7%

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

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

Mar./2003: -23million yen (Mar./ 2002: -148million yen)

Notes3:Average number of shares outstanding ( Mar./ 2003: 123,652,123 )  
( Mar./ 2002: 125,447,021 )

Notes4:Change in accounting method in the term : None

(2) Financial Position (Millions of Yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
Year ended March 31,2003	148,745	58,251	39.2%	477.46yen
Year ended March 31,2002	157,899	59,958	38.0%	478.07yen

Notes:Number of shares outstanding at the end of the term ( Mar./ 2003: 121,897,717 )  
( Mar./ 2002: 125,417,164 )

(3) Results of Cash Flows (Millions of 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
Year ended March 31,2003	24,621	-4,266	-15,578	16,410
Year ended March 31,2002	17,480	-13,867	-3,550	12,350

(4) Scope of consolidation and application of equity method

Number of consolidated subsidiaries : 18

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 : 1

2. Forecast of Financial Performance, April 1, 2003 to March 31, 2004 (Millions of Yen)

	Net sales	Ordinary income	Net income
1st half	75,000	4,200	2,400
Full year	153,500	9,000	5,000

Reference:Expected net income per share 41.01yen

## (1) Group Companies

The Sanken Group consists of Sanken Electric Co., Ltd., 25 subsidiaries and 2 affiliates, primarily producing, selling and marketing 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
Semiconductor	Semiconductors Power IC Control IC Hall-effect IC Bipolar Transister MOSFET IGBT Thyristor Rectifier Diode LED(Light Emitting Diode) CCFL(Cold Cathode Fluorecent 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) Allegro MicroSystems, Inc. (Manufacturer) Allegro MicroSystems W.G., Inc. (Manufacturer) Allegro MicroSystems Philippines, Inc. (Manufacturer) Allegro MicroSystems Europe Limited(Sales company) Allegro MicroSystems Argentina S.A. (IC design) Sanken Electric Singapore Pte. Ltd.(Sales company) Sanken Electric Hong Kong Co., Ltd.(Sales company)
	Power Supply Units Switching Power Supply Adapter for PC 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	Power Supply Equipment UPS(Uninterruptible Power Supply) DC Power Supply Inverter Airway Beacon System General Purpose Power Supply	Sanken Electric Co., Ltd. Subsidiaries Sanken Densetsu Co., Ltd. (Power supply sales and installation work)
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 Policies**

### **Basic Management Policy**

In April of this year, the Company adopted its statement of "Management Philosophy" in order to clarify the future direction of the Company, designating the present as "the Second Start-up Period" after more than 50 years of history and upon facing an era of fundamental change anticipated in the 21<sup>st</sup> century. Extrapolating our philosophy and selecting semiconductor operations as our core business, we will continue our efforts to innovate our technical capabilities and creativity, and to extend our global business base on the original technology. We will also strive to maintain firm management foundation in order to maximize the corporate value of the Company and to become socially and environmentally responsible corporate citizen.

### **Profit Distribution Policy**

Our fundamental profit distribution policy holds that allotment of profit to our shareholders is one of the most important missions of the management, and we are committed to ensure steady and stable payment of dividends through the improvements in our earnings potential and the enhancement of our financial conditions. We are also committed to utilize effectively our retained earnings for future capital investments, R&D investments, and other activities that will reinforce our corporate strength and expand our businesses horizons.

Additionally, during the last fiscal year, we acquired 4 million shares of treasury stock. And as a measure to return profits back to our shareholders, we will continue to buyback shares occasionally and to raise the value of the interests of the shareholders.

### **Concept of and Policy on Reducing the Size of the Trading Unit of the Shares**

With a view to promote trading liquidity of the shares and to encourage the participation of a broader range of investors into the market of the Company's shares, we recognize that it is recognized as one of the major issues to reduce the size of the trading unit. Under the present circumstances, however, the Company's shares are sufficiently liquid, and furthermore, lowering the trading unit incurs large costs. Therefore, we intend to deal with this issue carefully, taking into account future market conditions and other relevant factors.

### **Management Goals**

The Company sets the management goals of an ROE (return on equity of net income) of 14% or more, and an ROA (return on assets) of 12% or more, to be achieved by the end of March 2006.

### **Mid and Long-term Management Strategies**

The Company instituted a mid-term business plan for the next three years covering April 2003 to March 2006. It aims at achieving the consolidated net sales of 180 billion yen, the consolidated ordinary income of 17 billion yen and the consolidated net income of 10 billion yen in the fiscal year 2005, which is the final year for the plan, by pursuing aggressive business expansion under the slogan of "Achieve Further Strength Amid Constant Challenge." We will also improve our financial conditions through reduction of interest bearing debts by the cash flow generated during the said period.

The specific elements of the plan are as follows.

#### **1) Pursuing Agile and Lean Management**

The Company will pursue a management strategy of swift decision-making and of speedier response to environmental changes, in order to minimize business risks in the ever-changing external business conditions.

Additionally, we will streamline our balance sheet by reducing and optimizing inventories, in order to realize efficient management.

## 2) Management Focus on Cash Flow

We will shift the focus of management from sales figure to cash flow, and use it as a new management target and criterion of performance. The funds to be generated will be appropriated to the reductions of interest bearing debts and the purchase of treasury shares, which will benefit all our shareholders. Also, from the viewpoint of our focus on cash flow, capital investment shall be limited to the extent allowed for by depreciation, and careful selection of investment projects with an aim of maximizing investment efficiency.

## 3) Challenges toward New Markets, New Products and New Applications

"Entry into new markets," "development of new products," and "development of new applications," called "the three 'new's," constitute the supporting pillars of "the aggressive growth strategy" envisioned in the mid-term plan. With respect to "development of new products," we will increase the ratio of new products in our sales through developing highly differentiated new products, and will secure stable profits unaffected by precarious market conditions, while at the same time we will seek to improve profitability by developing high value-added new products. From the viewpoint of "entry into new markets" and "development of new applications," we will strengthen customer-oriented business, using the competitive advantage of having direct marketing engineers inside the Company and will promote new product development by quickly incorporating the needs of customers.

## 4) Reforms in Manufacturing and Technology, and Closer Ties with Sanken Group Companies

Since innovation itself is the source of creating corporate value, we will build another pillar for "the aggressive growth strategy" by focusing our attention on "the two reforms," i.e. the manufacturing reforms including shortening production lead time, and the technical reforms including shortening development lead time, both of which are equally emphasized as the development of new products. We intend to unleash the collective strength of the Sanken Group companies and exploit the synergy of sales, development, technology and manufacturing, all linked together, in order to bring to market products competitive with China and Southeast Asian companies in quality, cost, and delivery timeliness through higher productivity and superior manufacturing technology.

## **Future Issues**

Through the steady implementation of the new mid-term business plan set forth in the previous paragraph, the Company will make efforts to strengthen the foundations for stronger earnings power and to improve the financial conditions, in order to realize transformation toward a company capable of self-sustaining growth and unaffected by fluctuations of economy, which the Company adopted as its ultimate profile. As specific demonstrations of these efforts, we will vigorously promote sales expansion in semiconductors and cold cathode fluorescent lamps (CCFLs) in such important strategic markets as audio-visual, white goods, information and office automation, and automotive devices. We will also continue to carry out measures to strengthen each of technology, production and sales functions in China to expand into the consumer appliances market, and to improve the switching mode power supply, or SMPS, business centered on its AC adapter products.

Furthermore, in April of this year, we executed organizational reform by abolishing the previous structure based on product lines and supplanted that with a structure based on corporate functions. At the same time, we have instituted a matrix organization, where Product Category Directors are responsible for

market strategies and profitability of their assigned product categories across functional departments. Through this organizational reform, we are committed to realize our maximum potential and to achieve greater efficiencies in resource utilization.

### **Basic Idea on Corporate Governance and Its Implementation**

The Company decided to start a system of executive officers this June as a measure to achieve greater corporate governance and to reduce the number of directors to promote faster and more effective decision-making. In order to strengthen the internal audit functions and to formulate a system of stricter compliance inside the Company, in April of this year, we established Compliance Office as a separate department under the direct control of the President, and with this new department, we will continue to reinforce our internal control capabilities. With respect to disclosure of corporate information, we established Investor Relations Office for the purpose of strategically and proactively disclosing announcements to the public.

## **(3) Operating Results and Financial Conditions**

### **Operating Results**

#### 1) Overview of the Year ended March 31, 2003

##### General Review

During the current fiscal year, although the world economy in general showed trends of recovery from the slump in the previous year, lifted by stable economic conditions in the United States and by active production in Asian countries including China, the future of the US economy turned uncertain due to the intensifying crises in the Middle East, and to concerns about stalling economies spread throughout Europe and Asia. Although there was a sign of bottoming out led by demand from abroad, the Japanese economy remained under severe conditions due to sluggish individual consumption and stagnant private capital investment.

In the electronics industry, to which the Company belongs, market conditions have improved due to the progress in inventory adjustments and the stable exports as well as expansion of liquid crystal display devices and growth in digital home appliances, though in the latter half the demand in the US has weakened.

Under such circumstances, the Company has focused on development of and expansion into new markets, new products and new applications and, despite extremely severe conditions in the power supply equipment business throughout the year, the Company has made efforts to increase sales of semiconductors to our principal markets of audio-visual, office automation and automotive devices, as well as CCFLs, our strategic products, which grew on a steady course. Further, we were able to link the results of production reform activities to the improvement in the gross margin.

As a result, net sales for the year reached 146,070 million yen, a 4.3% increase over the previous fiscal year.

## Overview by Business Segment

### Semiconductors

Net sales of this segment increased 10,615 million yen or 8.8% over the previous fiscal year to 131,338 million yen.

Of this number, net sales of semiconductors increased 8,772 million yen or 9.0% over the previous fiscal year to 106,622 million yen. In the IC market, one of our strengths, we maintained steady growth of sales due to expanding sales of automotive devices, in addition to increased sales for audio-visual products including TV and digital audio equipments, and a large increase in sales of Allegro products for printers. With respect to discrete semiconductors such as diodes and transistors, sales showed a steady growth trend due to a recovery in market conditions in the audio-visual markets abroad and gains from new customers. In the opto-device business, sales of CCFLs showed strong growth and became one of our core products, as more televisions and PCs moved to liquid-crystal displays and we in turn strengthened our production capacity. With respect to light-emitting diodes (LEDs), there was a recovery in demand for outdoor displays, and we could see a sign of recovery in the overall market that had been in a slump since the latter half of the previous year.

One of our foreign subsidiaries, Allegro MicroSystems Inc. whose principal markets are in North America and Europe, showed a steady progress in products for automotive devices, together with order increases for office automation and industrial equipment products, since the inventory adjustments at customers came close to an end and the release of new products contributed further.

Net sales of power supply units increased 1,843 million yen or 8.1% over the previous fiscal year to 24,716 million yen.

AC adapters for notebook PCs recorded a large increase in sales thanks to a gain in new customers for products equipped with newly developed power supply ICs. Sales of switching mode power supplies were steady.

The main production site of power supply units, PT. Sanken Indonesia, increased production due to increasing direct sales as a result of customers in Japan continuing their move to offshore production sites and to steady sales of AC adapters. On the other hand, Sanken Power System (UK) Ltd. decreased sales due to a slump in their primary markets in white goods and telecommunications equipments, even though consumer appliance markets generally showed steady recovery since the late first half.

### Power Supply Equipment

Net sales of this segment decreased 4,633 million yen or 23.9% over the previous fiscal year to 14,731 million yen.

With respect to the custom power supply business, power supplies for telecommunication facilities, one of the segment's staple products, showed no sign of recovery from severe setbacks in the market started later in the previous year, and although aggressive marketing of power supplies for public investment and private companies succeeded to a certain degree, this was insufficient to compensate for the large drop in sales. With respect to general-purpose power supply business, sales of uninterruptible power supplies, or UPS's, continued to be sluggish due to stagnant domestic investment in information technologies and to fierce price competition, whereas inverter products showed discouraging results compared with the previous year as a result of discontinued non-profitable products.

## 2) Forecast for the Next Period

A sense of stagnation in the United States fueled the concerns for a stall in the global economic recovery. In Japan, prolonged stagnation of domestic demand is unlikely to pick up, in spite of steady exports to Asian countries, China in particular. Therefore, it is expected that the business environment will continue to warrant no optimism in the immediate future.

The Sanken Group will continue its efforts to be actively engaged in important strategic markets and improve profitability through reforms in technology and manufacturing.

With respect to results for the coming period, on a consolidated basis, we forecast net sales of 153,500 million yen, ordinary income of 9,000 million yen and net income of 5,000 million, and on a non-consolidated basis, net sales of 116,200 million yen, ordinary income of 7,000 million yen and net income of 4,000 million yen.

## Financial Conditions

Cash and cash equivalents as of the end of the fiscal year increased 4,060 million yen over the end of the previous fiscal year to 16,410 million yen.

Net cash flow from operating activities reached 24,621 million yen, a 7,141 million yen increase over the previous fiscal year. This was mainly due to an increase in profits and a reduction in inventories.

Net cash flow to investing activities amounted to 4,266 million yen, a 9,601 million yen decrease in investment expenditures compared with the previous fiscal year. This was mainly due to decreased expenditure realized by suppressing capital investment and revenue from the sale of our US subsidiary's manufacturing plant.

Net cash flow to financing activities was 15,578 million yen, a 12,028 million yen increase in expenditures over the previous fiscal year. This was mainly due to continued efforts to reduce our interest-bearing debts and to buy-back treasury stock.

### Note:

The forecast described above is based upon information available as of the present time and assumptions we considered valid. Please be advised that there is a host of uncertain factors that could greatly impact actual performance, including global market conditions, competitive environment, the introduction of new products and their acceptance or lack thereof, fluctuations in foreign exchange rates, and the impact of fair-market-value accounting.

# CONSOLIDATED BALANCE SHEETS

March 31, 2003 and 2002

Millions of yen

	2003	2002
<b>ASSETS</b>		
Current assets		
Cash and deposits .....	16,596	13,391
Notes and accounts receivable .....	35,099	34,407
Inventories .....	32,647	38,998
Deferred tax assets .....	2,013	1,567
Other current assets .....	4,476	3,414
Allowance for doubtful receivables .....	(81)	(116)
Total current assets .....	<u>90,752</u>	<u>91,661</u>
Fixed assets:		
Property, plant and equipment, net:		
Buildings .....	18,800	21,120
Machinery and equipment .....	21,832	26,201
Tools, furniture and fixtures .....	2,086	2,249
Land .....	3,904	4,370
Construction in progress .....	1,939	1,502
Property, plant and equipment, net .....	<u>48,563</u>	<u>55,444</u>
Intangible assets:		
Software .....	404	451
Other intangible assets .....	991	979
Total intangible assets .....	<u>1,396</u>	<u>1,430</u>
Investments and other assets:		
Investments in securities .....	4,227	5,843
Deferred tax assets .....	2,261	1,750
Other long-term receivables .....	1,742	1,770
Allowance for doubtful accounts .....	(199)	(2)
Total investments and other assets .....	<u>8,032</u>	<u>9,362</u>
Total fixed assets .....	<u>57,992</u>	<u>66,237</u>
Total assets .....	<u><u>148,745</u></u>	<u><u>157,899</u></u>

	2003	2002
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities		
Current liabilities:		
Notes and accounts payable .....	19,872	17,978
Short-term bank loans .....	10,804	13,295
Convertible Bonds Current Portion .....	-	9,998
Straight Bonds Current Portion .....	10,000	-
Accrued expenses .....	7,524	6,225
Income taxes payable .....	2,325	664
Deferred tax liabilities .....	-	58
Commercial Paper .....	7,000	-
Other current liabilities .....	1,595	1,470
Total current liabilities .....	<u>59,121</u>	<u>49,691</u>
Long-term liabilities:		
Bonds and debentures .....	10,000	20,000
Long-term debt .....	13,933	20,703
Deferred tax liabilities .....	36	17
Accrued employees' retirement benefits .....	6,671	6,782
Accrued retirement benefits for directors .....	403	363
Other long-term liabilities .....	150	160
Total long-term liabilities .....	<u>31,194</u>	<u>48,028</u>
Total liabilities .....	<u>90,316</u>	<u>97,720</u>
Minority interests .....	<u>177</u>	<u>220</u>
Shareholders' equity		
Capital stock.....	20,896	20,881
Capital surplus .....	21,167	21,103
Retained earnings.....	21,002	18,313
Unrealized loss on securities.....	(105 )	(125 )
Translation adjustments.....	(1,506 )	(188 )
Treasury stock.....	(3,201 )	(26 )
Total shareholders' equity.....	<u>58,251</u>	<u>59,958</u>
Total liabilities and shareholders' equity.....	<u>148,745</u>	<u>157,899</u>

# CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2003 and 2002

Millions of yen

	2003	2002
Net sales.....	<b>146,070</b>	140,088
Cost of sales .....	<b>114,404</b>	112,279
Gross profit.....	<b>31,666</b>	27,808
Selling, general and administrative expenses .....	<b>21,174</b>	20,975
Operating income .....	<b>10,491</b>	6,833
Non-operating income.....	<b>677</b>	1,334
Non-operating expenses.....	<b>3,980</b>	3,039
Ordinary income.....	<b>7,188</b>	5,128
Gain on the transfer to the Japanese government of the substitutional portion of Employee Pension Fund Liabilities .....	<b>911</b>	-
Gain on sales of marketable and investment securities .....	-	148
Government grant .....	-	67
Profit on reversing of provision for doubtful accounts .....	-	1
Total extraordinary income .....	<b>911</b>	216
Loss on disposals of fixed assets .....	<b>181</b>	196
Loss on revaluation of investment securities .....	<b>1,639</b>	2,870
Loss on revaluation of inventories .....	-	519
Loss on closing of factory.....	<b>383</b>	-
Other extraordinary loss.....	<b>322</b>	126
Total extraordinary loss.....	<b>2,527</b>	3,713
Income before income taxes , minority interests .....	<b>5,572</b>	1,631
Income taxes .....	<b>2,632</b>	829
Profit on reversing of tax provision.....	-	(392 )
Income tax - deferred .....	<b>(1,093 )</b>	475
Minority interest in consolidated subsidiaries .....	<b>31</b>	48
Net income.....	<b>4,002</b>	670

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended March 31, 2003 and 2002

Millions of yen

	2003	2002
Retained earnings at beginning of year .....	-	18,986
Decrease in retained earnings .....	-	1,342
Cash dividends.....	-	1,254
Treasury stock .....	-	88
Net income .....	-	670
Retained earnings at end of year .....	<u>-</u>	<u>18,313</u>
Capital surplus at beginning of year .....	<b>21,103</b>	-
Increase in capital surplus .....		-
Increase due to conversion of Convertible Bonds .....	<b>15</b>	-
Increase due to transaction of Treasury Stock .....	<b>48</b>	-
Capital surplus at end of year .....	<u><b>21,167</b></u>	<u>-</u>
Retained earnings at beginning of year .....	<b>18,313</b>	-
Increase in retained earnings .....		-
Net income .....	<b>4,002</b>	-
Decrease in retained earnings .....		-
Cash dividends .....	<b>1,226</b>	-
Bonuses to directors .....	<b>50</b>	-
Decrease of surplus due to change of fiscal period of a subsidiary .....	<b>37</b>	-
Retained earnings at end of year .....	<u><b>21,002</b></u>	<u>-</u>

# STATEMENTS OF CASH FLOWS

Years ended March 31, 2003 and 2002

Millions of yen

	2003	2002
<b>Operating activities</b>		
1. Income before income taxes and minority interests in earnings of affiliates .....	5,572	1,631
2. Depreciation and amortization .....	9,939	11,027
3. Reversal of allowance for doubtful receivables .....	173	15
4. Provision of accrued retirement benefits for employees .....	(102 )	684
5. Interest and dividend income .....	(103 )	(178 )
6. Interest expense .....	1,560	1,828
7. Gain on sales of investment securities .....	(3 )	(148 )
8. Loss on revaluation of investment securities .....	1,639	2,870
9. Decrease (increase) in notes and accounts receivable .....	(894 )	11,917
10. Decrease (increase) in inventories .....	4,723	7,320
11. Decrease (increase) in notes and accounts payable .....	2,433	(13,471 )
12. Other .....	2,134	(850 )
13. Interest and dividends received .....	104	117
14. Interest paid .....	(1,614 )	(1,826 )
15. Income taxes paid .....	(940 )	(3,456 )
	<u>24,621</u>	<u>17,480</u>
<b>Investing activities</b>		
1. Purchases of property , plant and equipment .....	(6,013 )	(12,018 )
2. Proceeds from sales of property , plant and equipment .....	1,952	90
3. Purchases of investment securities .....	(11 )	(2,633 )
4. Proceeds from sales of investment securities .....	21	637
5. Expenditure of loan .....	(204 )	(183 )
6. Proceeds from collection of loan .....	220	197
7. Other .....	(231 )	42
	<u>(4,266 )</u>	<u>(13,867 )</u>
<b>Financing activities</b>		
1. Decrease in short-term bank loans .....	(1,924 )	(4,687 )
2. Proceeds from issuance of Commercial Paper.....	7,000	-
3. Proceeds from issuance of long-term bank loans .....	2,836	6,667
4. Repayment of long-term debt .....	(8,092 )	(4,140 )
5. Redemption of Convertible Bonds.....	(9,967 )	-
6. Proceeds from sales of treasury stock .....	-	33
7. Redemption of treasury stock .....	(4,133 )	(147 )
8. Cash dividends paid .....	(1,243 )	(1,254 )
9. Dividends paid to minority interests .....	(53 )	(21 )
	<u>(15,578 )</u>	<u>(3,550 )</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(418 )</u>	<u>69</u>
Net increase (decrease) in cash and cash equivalents	<u>4,358</u>	<u>132</u>
Cash and cash equivalents at beginning of the year	<u>12,350</u>	<u>12,217</u>
Decrease of beginning cash and cash equivalents balance due to change of fiscal period of a subsidiary .....	<u>(298 )</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>16,410</u>	<u>12,350</u>

#### **(4) Segment Information**

##### **Segment information by business**

This Term (April 1, 2002 to March 31, 2003)

Millions of yen

	Semicon- ductors	Power Supply Units	Power Supply Equipment	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1) Third parties	106,622	24,716	14,731	146,070	-	146,070
(2) Intersegment	167	23	-	191	(191)	-
Total	106,790	24,739	14,731	146,261	(191)	146,070
Operating expenses	93,159	25,391	14,728	133,279	2,299	135,578
Operating income	13,630	(651)	3	12,982	(2,490)	10,491
Assets	89,750	26,872	9,996	126,620	22,125	148,745
Depreciation	8,714	736	250	9,701	237	9,938
Capital Expenditures	5,897	717	150	6,764	42	6,806

Previous Term (April 1, 2001 to March 31, 2002)

Millions of yen

	Semicon- ductors	Power Supply Units	Power Supply Equipment	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1) Sales to third parties	97,850	22,873	19,364	140,088	-	140,088
(2) Intersegment sales	101	14	-	115	(115)	-
Total	97,951	22,887	19,364	140,203	(115)	140,088
Operating expenses	87,905	24,258	18,768	130,931	2,323	133,254
Operating income	10,046	(1,370)	595	9,272	(2,438)	6,833
Assets	96,383	29,198	12,105	137,687	20,211	157,899
Depreciation	9,773	881	242	10,897	129	11,027
Capital Expenditures	10,181	661	228	11,071	8	11,079

## Segment information by geographic area

This Term (April 1, 2002 to March 31, 2003)

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	101,492	17,523	15,940	11,113	146,070	-32,100	146,070
(2) Intersegment	12,152	12,488	10,520	77	35,239	(35,239)	-
Total	113,645	30,012	26,461	11,190	181,309	(35,239)	146,070
Operating expenses	102,422	29,054	25,065	11,048	167,590	(32,011)	135,578
Operating income	11,223	958	1,395	141	13,718	(3,227)	10,491
Assets	95,943	16,507	21,871	5,048	139,371	9,374	148,745

Previous Term (April 1, 2001 to March 31, 2002)

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	98,203	15,473	15,192	11,218	140,088	-	140,088
(2) Intersegment	11,622	11,553	10,629	215	34,021	(34,021)	-
Total	109,826	27,027	25,821	11,434	174,109	(34,021)	140,088
Operating expenses	103,218	26,108	24,904	11,123	165,355	(32,100)	133,254
Operating income	6,608	918	916	310	8,754	(1,920)	6,833
Assets	102,312	17,842	23,354	4,800	148,309	9,589	157,899

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.

## Overseas Sales

This Term (April 1, 2002 to March 31, 2003)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	53,004	9,681	12,087	300	75,074
Consolidated sales					146,070
Ratio of overseas sales to consolidated sales (%)	36.3	6.6	8.3	0.2	51.4

Previous Term (April 1, 2002 to March 31, 2003)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	43,305	11,067	11,509	220	66,103
Consolidated sales					140,088
Ratio of overseas sales to consolidated sales (%)	30.9	7.9	8.2	0.2	47.2

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.