

SANKEN ELECTRIC CO., LTD.

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Fiscal Year April 1-March 31

Financial Report for the six-month period ended September 30, 1998
(NON-CONSOLIDATED)

1. Performance over the first half April 1, 1998 to September 30, 1998

(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, 1998	¥56,912million (Δ7.5%)	¥1,775million (Δ58.3%)	¥1,740million (Δ54.2%)
Half-year ended Sep. 30, 1997	¥61,508million (5.5%)	¥4,259million (12.1%)	¥3,800million (1.2%)
Year ended March 31, 1998	¥124,180million	¥7,917million	¥7,604million

	Net income (percentage change from same period of preceding year)	Net income per share
Half-year ended Sep. 30, 1998	¥ 191million (Δ92.3%)	¥ 1.50
Half-year ended Sep. 30, 1997	¥2,498million (9.6%)	¥ 19.95
Year ended March 31, 1998	¥4,363million	¥ 34.47

Notes: Average number of shares outstanding (9/98 : 127,961,380)
(9/97 : 125,239,128)
(3/98 : 126,596,525)

(2) Dividends

	Interim dividends per share	Annual dividends per share
Half-year ended Sep. 30, 1998	¥5.00	_____
Half-year ended Sep. 30, 1997	¥5.00	_____
Year ended March 31, 1998	_____	¥10.00

(3) Financial position

	Total assets	Shareholders' equity	Shareholders' equity to total assets	Shareholders' equity per share
Half-year ended Sep. 30, 1998	¥129,121million	¥62,225million	48.2%	¥ 486.29
Half-year ended Sep. 30, 1997	¥127,506million	¥61,468million	48.2%	¥ 480.46
Year ended March 31, 1998	¥129,597million	¥62,713million	48.4%	¥ 490.10

Notes: Number of shares outstanding at end of period (9/98 : 127,961,380)
(9/97 : 127,934,935)
(3/98 : 127,961,380)

2. Forecast of results for term, April 1, 1998 to March 31, 1999

	Net sales	Ordinary income	Net income	Annual dividends per share
Year ended March 31, 1999	¥119,000million	¥4,400million	¥1,600million	Total ¥10.00 (Term-end ¥ 5.00)

Reference: Expected net income per share ¥ 12.54

(1) Summary of Interim Business Results and Forecast for Fiscal 1999

Business Results for Six Months Ended September 30, 1998

In the first half of the current fiscal year, Japan's economy continued to remain in recession, in which the decline of personal consumption and the decreases in private capital expenditures were added by the stagnation in the stock market, credit uneasiness of financial institutions and the future concern due to employment adjustments.

The electronics industry, which Sanken is a part of, remained lackluster both in consumer electronics market and industrial equipment market, due to the cooling off of domestic consumption and Asian economic turmoil.

Against this background, Sanken energetically continued its group-wide efforts to secure orders and profit by a thorough implementation of cost cutting measures. Despite these endeavors, sales for the interim term were ¥56,912 million (US\$420.5 million), ordinary income stood at ¥1,740 million (US\$12.9 million) and net income was ¥191million (US\$1.4 million) due to a special loss of ¥3,149 million (US\$23.3 million) arising out of the implementation of an early retirement incentive system.

The following is a breakdown of results according to business division.

Semiconductor Division

Sales in this Division were ¥36,905 million (US\$272.7 million), decreasing by 5.4% from the same period last year. In the AV / information / communications equipment markets, sales of TV and display related products, the Company's mainstay, dipped mainly in Japan. Sales of computer-peripheral equipment, such as printers, were steady at the beginning of the period, but slowed down in the latter part of the period due to order decreases caused by production adjustments.

In the home appliances / industrial equipment markets, sales were steady focused on appliance-related products such as microwave ovens.

In the automotive electronics markets, decreases in the number of units produced in Japan and Korea have been conducive to the progress of electronics equipment, but sales declined largely.

Power Supply Division

Sales in this Division were ¥20,006 million (US\$147.8 million), decreasing by 11.1% from the same period last year.

Sales of power supply equipment related primarily to capital investment activities continued to grow steadily, focusing on custom power supplies related to mobile communications networks. However, order-receiving stagnated as regards the equipment related to information infrastructure and public offices. On the other hand, sales of general-purpose power supplies were stagnant due to slow exports to China, as well as an increasingly severe competition in uninterruptible power supplies for information-network computers.

Sales of power supplies mainly for the OA and information-processing equipment were generally low, with sales of switching power supplies remaining lackluster. Accompanying the commencement of the operation at Sanken Indonesia, a subsidiary, direct sales of AC adapters increased in the overseas, but sales of the Company leveled off due to intensified competition.

Forecast for Fiscal 1999 (April 1, 1998–March 31, 1999)

Domestic economy continues to indicate worsening trends, with no clue of recovery, and, in the overseas, there are concerns about Asian economic turmoil and the future outlook of the U.S. economy. These circumstances forbid expectations on economic recovery. Business environment surrounding the Company will be increasingly severe, accompanied with higher competitions, lower selling prices, etc. In order to cope with such situation, Sanken will continue rationalization of both sales and manufacturing sectors, and will undertake special measures to strengthen management concerning personnel and financial issues, in view of the 21st century. These measures include a simplification of organizational and personnel hierarchies, an enhancement of the productivity of clerical / supplementary work, establishment of a distribution affiliate, as well as improvement of basic financial structure. Furthermore, the early retirement incentive system implemented in the first half of the year would allow profit improvement by a large reduction of labor cost, and the Company will also implement owned-stock cancellation as a means to return profit, in order to respond to shareholders' expectations.

As goals of the full fiscal year, the Company projects sales of ¥119,000 million (US\$879.2 million), ordinary income of ¥4,400 million (US\$32.5 million) and net income of ¥1,600 million (US\$11.8 million).

Note : US dollar amounts represent translations from yen at an exchange rate of US\$=¥135.35 and given for convenience only.

1. NON-CONSOLIDATED BALANCE SHEET

Millions of yen

	September 30 1998	September 30 1997	March 31 1998
ASSETS			
Current assets			
Cash on hand and in banks	14,993	20,630	17,810
Notes receivable-trade	8,988	10,120	9,169
Accounts receivable-trade	35,508	32,344	36,523
Marketable securities	762	716	674
Finished products	6,741	5,228	5,063
Works in process	3,985	3,481	3,744
Raw materials and supplies	2,545	2,065	2,786
Short-term loans	3,364	4,129	4,364
Prepaid expenses	132	100	85
Accounts receivable-other	9,290	8,366	7,974
Advances	98	365	406
Other current assets	367	69	32
Allowance for doubtful accounts	(574)	(866)	(881)
Total current assets	86,204	86,753	87,756
Fixed assets			
Tangible assets:			
Buildings	4,019	4,257	4,131
Structures	508	524	537
Machinery and equipment	2,140	2,009	2,058
Automobiles and delivery equipment	7	11	9
Tools, furniture and fixtures	1,216	1,212	1,152
Land	1,129	1,130	1,129
Construction in progress	19	118	18
	9,041	9,264	9,036
Intangible assets:			
Rights of utilization	27	29	28
	27	29	28
Investments and other assets:			
Investment in securities	3,529	4,421	3,814
Investment in subsidiaries	16,602	16,058	16,602
Long-term loans	12,106	9,352	10,826
Deposit to landowner	809	803	806
Other investments and advances	1,056	969	1,015
Allowance for doubtful accounts	(381)	(523)	(540)
	33,723	31,083	32,526
Total fixed assets	42,791	40,377	41,591
Deferred assets			
Discount on bond premium	125	375	250
Total assets	129,121	127,506	129,597

LIABILITIES AND SHAREHOLDERS' EQUITY	September 30 1998	September 30 1997	March 31 1998
Liabilities			
Current liabilities:			
Notes payable-trade	18,181	15,998	15,846
Accounts payable-trade	9,181	7,163	9,518
Short-term loans payable.....	15,335	15,930	14,525
Bonds	9,220	-	-
Accounts payable-others	252	158	121
Income taxes payable	10	1,364	1,894
Business taxes payable.....	19	406	569
Accrued expenses.....	3,353	3,718	3,709
Advances received	19	143	97
Deposits received	85	80	66
Deferred revenue.....	123	241	221
Stock purchase warrant.....	574	575	574
Other current liabilities	41	92	30
Total current liabilities	56,398	45,872	47,176
Fixed liabilities:			
Bonds	-	9,220	9,220
Convertible bonds	9,999	9,999	9,999
Long-term loans payable	-	385	-
Reserve for retirement allowance	281	240	267
Deposits on contract	211	192	198
Long term deferred revenue	4	128	22
Total fixed liabilities	10,496	20,166	19,707
Total liabilities	66,895	66,038	66,883
Shareholders' equity			
Capital stock	20,700	20,690	20,700
Statutory reserves:			
Legal capital reserve	20,886	20,876	20,886
Legal earned surplus	1,461	1,330	1,393
Total statutory reserves	22,348	22,206	22,280
Retained earnings:			
Voluntary earned surplus	17,469	14,598	14,598
Unappropriated retained earnings	1,707	3,972	5,133
<Net income>	< 191>	<2,498>	<4,363>
Total retained earnings	19,176	18,571	19,732
Total shareholders' equity	62,225	61,468	62,713
Total liabilities and shareholders' equity	129,121	127,506	129,597

2. NON-CONSOLIDATED STATEMENT OF INCOME

Millions of yen

	September 30 1998	September 30 1997	March 31 1998
Ordinary income and losses			
Net sales	56,912	61,508	124,180
Cost of goods sold	48,217	50,155	101,909
Selling, general and administrative expenses	6,919	7,093	14,354
Operating income	<u>1,775</u>	<u>4,259</u>	<u>7,917</u>
Other income and expenses			
Non-operating income:			
Interest and dividends received	494	346	632
Miscellaneous income	1,127	180	1,298
	<u>1,622</u>	<u>526</u>	<u>1,931</u>
Non-operating expenses:			
Interest and discount paid	253	250	488
Miscellaneous expenses	1,404	735	1,755
	<u>1,657</u>	<u>985</u>	<u>2,244</u>
Ordinary income	<u>1,740</u>	<u>3,800</u>	<u>7,604</u>
Special gains	1,509	-	-
Special losses	3,181	21	79
Income before taxes	<u>67</u>	<u>3,778</u>	<u>7,524</u>
Provision for income taxes	10	1,280	3,161
Income tax refunded	134	-	-
Net income	<u>191</u>	<u>2,498</u>	<u>4,363</u>
Retained earnings brought forward	<u>1,515</u>	<u>1,473</u>	<u>1,473</u>
Interim dividends	-	-	639
Reserve for legal earned surplus	-	-	63
Unappropriated retained earnings	<u>1,707</u>	<u>3,972</u>	<u>5,133</u>

3. SALES BY PRODUCT

Millions of yen

	Half-year ended September 30, 1998		Half-year ended September 30, 1997		Year ended March 31, 1998	
	Amount	Share of total sales (%)	Amount	Share of total sales (%)	Amount	Share of total sales (%)
Semiconductors	36,905	64.8	39,006	63.4	78,667	63.3
Power Supplies	20,006	35.2	22,501	36.6	45,513	36.7
Total	56,192	100.0	61,508	100.0	124,180	100.0
(Export)	(17,984)	(31.6)	(18,496)	(30.1)	(37,776)	(30.4)

4. ORDERS BY PRODUCT

Millions of yen

	Half-year ended September 30, 1998		Half-year ended September 30, 1997		Year ended March 31, 1998	
	Orders received	Backlog of orders	Orders received	Backlog of orders	Orders received	Backlog of orders
Semiconductors	35,357	5,768	38,888	8,455	77,410	7,316
Power Supplies	18,059	5,711	22,578	8,643	44,604	7,658
Total	53,417	11,479	61,466	17,099	122,015	14,975