

Sanken Electric Co., Ltd.

ANNUAL REPORT

Year Ended March, 2001



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Remarks on forecast contained in the Annual Report

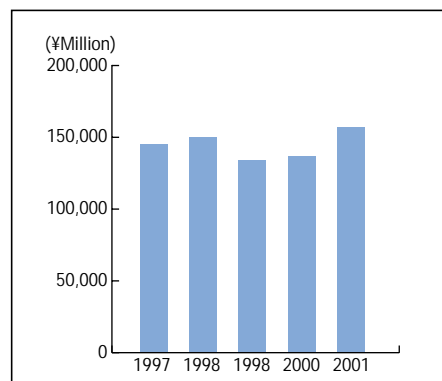
The subjects covered in this Annual Report concerning the future, such as the Company's plans and strategy, are based on information available at the time this Report was prepared, as well as on the judgment of the Company's management. Please understand that various factors may effect the Company's performance in the future and that the Company's plan or forecast may not necessarily be accomplished. Therefore, the reader is kindly advised to refrain from total reliance on the Company's plans, etc., as set forth in this Report. The exchange rate used in formulating our forecast is ¥108 to US\$1.

Financial Highlights

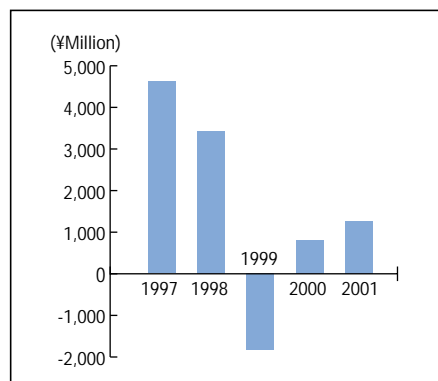
Sanken Electric Co., Ltd.
years ended March 31, 2001 and 2000

| | Millions of yen | | Thousands of U.S. dollars | |
|----------------------------------|-----------------|----------|---------------------------|-------------|
| | 2001 | 2000 | 2001 | 2000 |
| For the year: | | | | |
| Net sales | ¥158,710 | ¥136,529 | \$1,280,952 | \$1,286,189 |
| Operating income | 8,807 | 4,701 | 71,082 | 44,286 |
| Net income | 1,294 | (803) | 10,444 | (7,565) |
| Per share: | | | | |
| (in yen and U.S. dollars) | | | | |
| Net income | 10.24 | (6.34) | 0.08 | (0.06) |
| Cash dividends | 10.00 | 10.00 | 0.08 | 0.09 |
| At year-end: | | | | |
| Total assets | 175,558 | 170,766 | 1,416,993 | 1,608,724 |
| Total shareholders' equity | 59,400 | 61,402 | 479,419 | 578,446 |

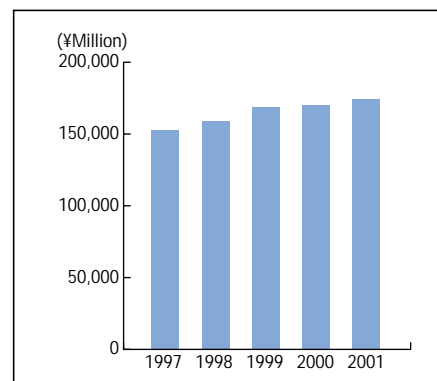
Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥123.90 to US \$1.
See Note 2 to Consolidated Financial Statements.



Net Sales



Net Income



Total Assets



Our broad lineup of technologically superior and competitive power supply products has earned Sanken Electric Co., Ltd. a reputation for its expertise in the design and manufacture of power electronics products. We are innovators, with a focus on power electronics technologies. As energy conservation and environmental issues rise to the forefront of the social consciousness, we are experiencing a rapid increase in demand for our power semiconductors. We are seeing a particularly rapid increase in the field of electronic home appliances, which demands energy efficiency, and in the automotive field, where electronics are increasingly being utilized to reduce environmental impact and improve safety. We have responded to these changes in the business environment by focusing on niche markets that the major semiconductor makers have overlooked, or where they are poorly represented, supplying sophisticated products that meet individual customer needs.

A handwritten signature in black ink that reads "Yuji Morita". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Yuji Morita
President

Basic Management Policy

Sanken envisions growth over the long-term by realizing the interests of the people who have an interest in our business, including shareholders and customers. With this in mind, we have emphasized consolidation of our business management, striving always to achieve greater management efficiency and speed. We are also endeavoring to strike a balance between scale and efficiency.

Profit Sharing Policy

Sanken places the highest priority on returning the company's profits to the Company's shareholders in the form of dividends and capital gains, for which the Company is working to ensure stable and solid profits through enhancement of profitability and strengthening of our financial structure. For that purpose, we focus our capital investment and R&D investments on those fields which will contribute to strengthening of the corporate structure or expanding business activities, thereby utilizing the Company's funds effectively. Furthermore, Sanken endeavors to reduce long-term debt and amortize the Company stock to the extent that it will not adversely affect our balance of capital composition.

Overview on a Consolidated Basis

| | Millions of yen | | |
|------------------------|-----------------------|-----------------------|----------------------|
| | Year ended March 2001 | Year ended March 2000 | Percentage growth(%) |
| Net sales | 158,710 | 136,529 | 16.2 |
| Operating income | 8,807 | 4,701 | 87.3 |
| Net income | 1,294 (*1) | 803 | 61.0 |
| ROE | 2.1% (*2 7.7%) | 1.3% | |
| ROA | 4.4% | 1.4% | |

(*1) Incl. approximately ¥5,252 million for lump-sum amortization of PBO.

(*2) Figures supposing no lump-sum amortization of PBO, etc. were calculated.

Main Features of Operations in the Year Under Review

Net Sales Were the Highest in Our History, and Operating Income Grew by 87.3% Against the Previous Year.

The major factors that contributed to the above results are as follows:

- * Demand for semiconductors rose steadily in the audio-visual (AV) equipment market in concert with progress of digitalization in this market.
- * Growth of semiconductor markets for home appliances (e.g. air-conditioners, refrigerators, washing machines) in response to the need for greater energy savings, as well as for automotive electronic products, together with growth attributed to advances in electronic device technologies.
- * Expansion of the demand for power-supply infrastructure in the information/ communications equipment markets.

Major Overseas Subsidiaries Enhanced Our Business Results.

The following overseas subsidiaries contributed greatly to increases in sales and profits:

- * Allegro MicroSystems, Inc. (in the United States) improved its perfor-

mance, primarily with automotive products;

- * Sanken Power Systems (UK) Ltd. contributed in the market for motor control boards.

PT. Sanken Indonesia Began Operation of a New Plant.

PT. Sanken Indonesia's new plant commenced operation in January 2001 in order to cope with increasing orders. PT. Sanken Indonesia was established to simultaneously reduce production costs for switching power supplies and AC adapters, and to reduce distribution/procurement costs through production at the optimum location. Since the commencement of operations at the new plant, PT. Sanken Indonesia's production capacity has risen to 300,000 switching power supply units and 350,000 AC adapter units, for a total monthly production volume of 650,000 transformer units.

Arrangement of Balance Sheets

For the purpose of achieving an improved balance sheet, the following accounting processes were implemented:

Lump-sum amortization of PBO:

¥5,252 million.

Capital Investment

Capital investment for the year under review was ¥894 million on an individual basis, mainly for the purchase of manufacturing and research facilities. On a consolidated basis, capital investment totalled ¥12,899 million. This was aimed at expanding our production base, increasing production capacity, and reducing production costs, including the purchase of assembly equipment by Ishikawa Sanken Co., Ltd., and the adoption of the 6-inch process in the IC chip fabrication process and expansion of the BCD process line by Yamagata Sanken Co., Ltd.

Three-year Plan and the Results in the Year Under Review

| | Millions of yen | | | |
|------------------|--------------------------------------|---|-------------------------------------|--------------------------------------|
| | Year ended March 2001 (projected) | Year ended March 2001 (accomplished) | Year ended March 2002 (Forecast) | Year ended March 2003 (projected) |
| Net sales | 150,000 | 158,710 | 159,000 | 180,000 |
| Net income | 3,000 | 1,294 (*1) | 4,000 | 6,000 |
| ROE | 5.0% | 2.1% (*2 7.7%) | – | 8% |
| ROA | 3.6% | 4.4% | – | 6% |

(*1) Incl. approximately ¥5,252 million for lump-sum amortization of PBO.

(*2) Figures supposing no lump-sum amortization of PBO, etc. were made.

Outline of the Plan

Sanken formulated a Three-year Plan which was implemented beginning in April of 2000, and which is being wholeheartedly acted upon with the goal of full accomplishment. The above table shows the projected figures and the results for the year under review.

The Company's business has traditionally been centered around two pillars, i.e., semiconductors and power supply equipment. However, the Three-year Plan focuses on semiconductors as a core business that is expected to achieve high growth in the 21st century, and the plan includes a policy of making priority

investments of management resources in "growth areas" centered on this semiconductor business. On the other hand, Sanken intends to establish its switching power supply business on a sound basis rapidly by such means as cost reductions through intensive production at locations which enable low-cost production. Also, in the power supply equipment business, the plan envisions strengthening of the supply of highly reliable power supply systems, primarily in the private-demand markets, thereby achieving expanded sales to improve business performance.

Concrete Measures

• Investment in human resources

During the year under review, Sanken's education & training expenses doubled over the previous year in order to promote the nurture of highly skilled personnel who are capable of realizing the Company's targets of "faster-moving," "global" and "expert" organization. Investment for this purpose will continue in the coming years.

• Semiconductors

Sanken has endeavored to improve its "differentiated technologies" such as BCD process technology and assembly

technology to provide high added value, “one of a kind” products for new applications, which are relying increasingly on electronics. These include automotive electronics and home appliances (air-conditioners, refrigerators, washing machines, etc.). These products are instrumental in opening new markets. Moreover, continuous efforts have been made to enhance technological capabilities, launch new products and pioneer new markets. These efforts in the previous year have led to the following results:

“Improvement of technological capabilities”

Improvement of BCD process technology (ongoing project)

“Launching of new products”

Launching of ICs exclusively for digital-audio amplifier output (implemented in May 2001)

“Pioneering of new markets”

Semiconductors for home appliance markets

“Alliance”

In May 2001, Sanken formed a strategic collaboration agreement with International Rectifier Corporation (IR), a major Power Semiconductor company in U.S.A. Sanken has maintained a friendly relationship with IR for more than 10 years, primarily in the area of technology, and this collaboration will be made stronger in broader areas including production and marketing/sales, through this agreement. Our competitiveness will become higher through complementary cooperation in product items and advantageous geographical areas (i.e. Sanken in Asia and IR in the United States).

• **Switching power supplies**

In Switching Power Supplies, Sanken aims to expand its product range into new areas of switching power supply through a fusion with semiconductor technology, as well as to create new markets for motor control boards, etc. At the same time, the Company intends to reduce production costs through the transfer of manufacturing operations to Indonesia, and lower material costs through promotion of local procurement.

• **Power supply equipment**

In the area of Power Supply Equipment, Sanken has undertaken cost reductions and profitability improvements through productivity enhancement and material cost reduction. We have also worked to provide power supply system solutions based on core products such as rectifiers, inverters and uninterruptible power supplies (UPSs).

Sanken has endeavored to achieve higher competitiveness and expanded sales of UPSs by enhancing product capability through combination with software. We are also aiming to expand the IT market by the introduction of medium/small-scale models. Furthermore, efforts will be made to develop new products in the areas of energy conservation and environment protection, and to strengthen our overseas market through expanded sales of general-purpose inverters and UPSs in the China and Taiwan markets.

Business Overview

The following table indicates Sanken's business results by segment.

Millions of yen

| | 2001 | 2000 | 1999 | 1998 | 1997 |
|--|----------------|---------|---------|---------|---------|
| Semiconductor division | 110,182 | 94,574 | 86,724 | 96,688 | 91,069 |
| Share (%) | 69.4 | 69.3 | 64.8 | 64.4 | 62.7 |
| Year on Year Change (%) | 16.5 | 9.1 | -10.3 | 6.2 | 2.4 |
| Switching Power Supply division | 27,565 | 23,396 | 23,625 | 27,605 | 28,357 |
| Share (%) | 17.4 | 17.1 | 17.7 | 18.4 | 19.5 |
| Year on Year Change (%) | 17.8 | -0.2 | -14.4 | 2.7 | 15.5 |
| Power Supply Equipment division | 20,962 | 18,558 | 23,414 | 25,842 | 25,774 |
| Share (%) | 13.2 | 13.6 | 17.5 | 17.2 | 17.8 |
| Year on Year Change (%) | 13.0 | -20.7 | -9.4 | 0.3 | 14.2 |
| Total | 158,710 | 136,529 | 133,763 | 150,135 | 145,200 |

| Business | | Personal computers (PCs) | Mobile phones | TVs, monitor displays | VCR | DVD | Audio equipment | Automobiles | Home appliances | Games | Information processing equipment | Communications equipment | Data recording equipment | Printers | Copiers | Manufacturing devices | Measuring instruments | |
|--------------------------|---|--------------------------|---------------|-----------------------|-----|-----|-----------------|-------------|-----------------|-------|----------------------------------|--------------------------|--------------------------|----------|---------|-----------------------|-----------------------|--|
| | | Semiconductors | ○ | ○ | ○ | ★ | ○ | ◎ | ★ | ★ | | | | ○ | ○ | | | |
| Switching Power Supplies | ○ | | ○ | | | | | | | | | ○ | ○ | | | ○ | | |
| Power Supply Equipment | | | | | | | | | | ○ | ○ | | | | ○ | | | |
| | | For consumer sector | | | | | | | | | For corporate sector | | | | | | | |
| | | Market | | | | | | | | | | | | | | | | |

○ Existing ★ New ◎ New-product launch in an existing market

Business / Market Mapping

Operations and Results by Segment

(1) Semiconductors

• Sanken's products

Sanken's leading products in the semiconductor business are in the field of "power semiconductors." Power semiconductors are recognized as the primary power supply for driving electronic circuits, and their function can be compared to that of the heart in the human body, supporting the operation of LSI devices which can be compared to the human brain.

The Company produces a wide range of these products, such as hybrid IC's, transistors, diodes and light-emitting diodes (LED's).

Our products already command a large share of the markets for AV equipment and information/communications equipment. Sanken's products are also being accepted in the automotive electronics market. This market is adopting more and more electronic devices to meet the demands for environmental protection and improved safety, in addition to the home appliance/office & factory automation equipment markets which are implementing energy saving measures. These trends are contributing to our expanded sales results. General market conditions are severe at present, primarily in the areas of personal computers and mobile phones. However, this Company's products have been affected less severely due to differing market conditions. Sanken has been affected only slightly by price reductions for semiconductors in these markets.

• Sanken's market shares

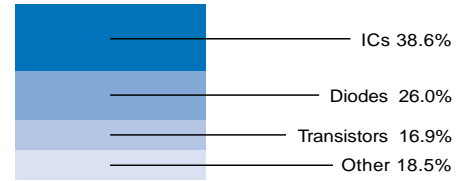
Our BCD process technology is highly evaluated in the electronics industry. It has become the source of Sanken's competitiveness and the basis for our company's large share of

the global market for power semiconductors. In the United States, Sanken collaborates with International Rectifier Corporation a U.S. company of the same scale, in the areas of technology, production and sales/marketing, thereby occupying an approximately 20 percent share of the power semiconductor market in the world by both companies. This is a strategy we have adopted to take the initiative in this area through mutual complement and creative development.

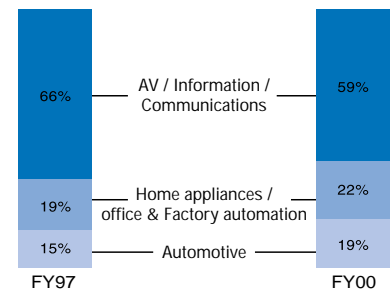
By individual market, Sanken is the leader in the following product areas: In "high voltage rectifier diodes" for electronic microwave ovens, Sanken holds an approximately 90 percent share of the global market. In power IC regulators for TVs, Sanken holds a greater than 60 percent share of the global market. "BCD process technology" is a technology that enables three different wafer processes at once to be performed on one chip, which had previously been implemented individually for making products. These three processes are the "Bipolar" process for controlling analog circuits, the "complementary metal oxide semiconductor (CMOS)" process, which offers high speed and is suitable for digital control circuits, and "double diffused MOS (DMOS)" which is suitable for large-current output.

In recent years, ICs are required not only to function as control circuits but also to be multi-functional and more compact, incorporating sensor processing circuits and the peripheral function circuits of micro-computers, etc. In order to meet these requirements simultaneously, it becomes necessary to form individual circuits on a single chip.

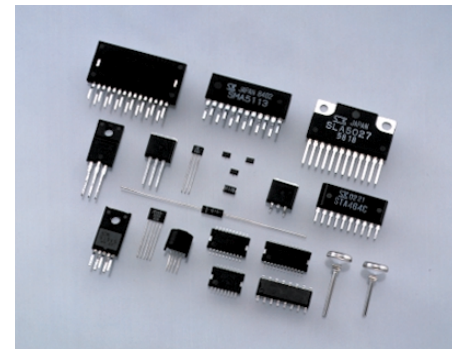
Sanken first established the BiCMOS



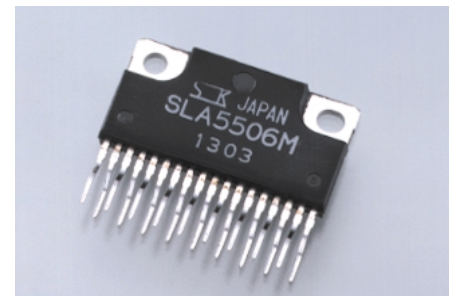
Composition of Sales (Semiconductors)



Changes in Proportional Ratios of Markets



Semiconductor for Automobiles



"SLA5506M" IC Specially for Digital Audio Amplifier

process technology that is capable of forming Bipolar and CMOS on one chip and, furthermore, realized high power control by one chip to cope with large currents, high voltages, etc., that can not be handled by BiCMOS. Thus the Company pioneered in establishing BCD process technologies which are capable of being applied in mass production.

• **Business overview in the year under review**

In hybrid IC's, i.e. our major products, new products for automotive electronics contributed to sales increases. The applications for the products largely expanded also in home appliances such as refrigerators and washing machines.

While sales of diodes were sluggish due to intensified price competition, sales of transistors grew steadily, supported by the demand for audio-market-bound products.

Sales of LED's increased especially in the area of outdoor display systems. Sales of cold cathode fluorescent lamps also increased due to the demand for notebook PCs and LCD monitors.

Sales at Allegro MicroSystems, Inc. grew primarily due to sales increase of products for automobiles.

(2) Switching Power Supplies

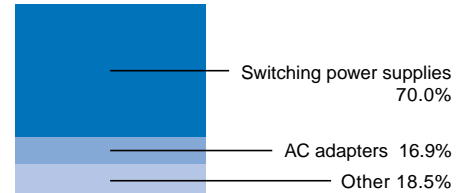
• **Sanken's products**

The main products handled by this segment are switching power supplies. Our products are used as stable DC power supplies for office and factory automation equipment, including printers, faxes, and copiers. In addition, we manufacture AC adapters for notebook PCs, and transformers are also included in this business segment. We are firmly established as Japan's leading manufacturer of customized compact, light-weight power supply products.

• **Business overview in the year under review**

Sales of switching power supplies continued to increase beyond the previous year's sales thanks to the solid market for products used in digital copiers and printers.

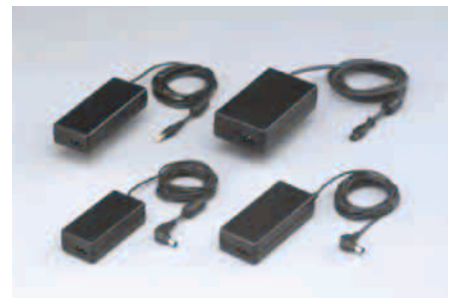
Use of AC adapters expanded owing to demand for such equipment to power notebook PCs and LCD displays. This strong demand resulted in sales increases of AC adapters. This has enabled PT. Sanken Indonesia to boost its production capacity immensely and improve its cost competitiveness.



Composition of Sales by Product (Switching Power Supplies)



General-Purpose Switching Power Supply PCU Series



General-Purpose AC adapter SEA Series



PT. Sanken Indonesia

(3) Power Supply Equipment

• Sanken's products

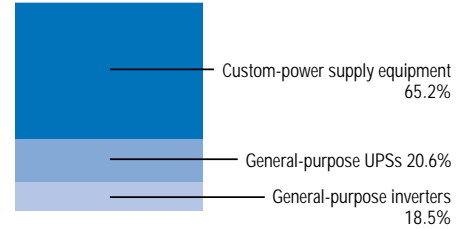
This segment provides power supplies for communications facilities & equipment, large-scale UPS equipment, general-purpose UPSs, and general-purpose inverters. Markets for these products are expanding due to the additional construction of base stations caused by proliferation of mobile phones, as well as the increased demand for backup power supplies. Although general-purpose UPSs faces accelerated technological competition from digital control systems, Sanken has launched products which are also superior in terms of software, obtaining a favorable reputation.

- Business overview in the year under review

In the area of power supply equipment for communications facilities & equipment, the demand for base stations for next-generation mobile phones increased.

Sales of large-scale UPS equipment grew steadily, supported by orders for DC power supplies for electrolytic plating.

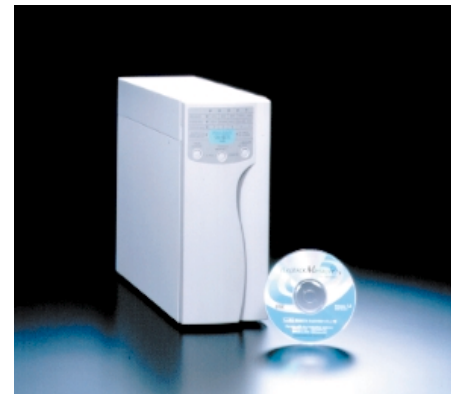
Sales of general-purpose UPSs also rose as we made improvements in the production facility for new products and launched a new software product for power supply management.



Composition of Sales by Product (Power Supply Equipment)



General-Purpose UPSs FULLBACK SMU Series



Power Supply Management Software FULLBACK Manager Pro

CONSOLIDATED FIVE-YEAR SUMMARY

Sanken Electric Co., Ltd.
Years ended March 31

Millions of yen

| | 2001 | 2000 | 1999 | 1998 | 1997 |
|--|-----------------|----------|----------|----------|----------|
| STATEMENTS OF INCOME | | | | | |
| Net sales | ¥158,710 | ¥136,529 | ¥133,763 | ¥150,136 | ¥145,200 |
| Cost of sales | 127,202 | 111,586 | 110,227 | 115,713 | 112,577 |
| Gross profit | 31,507 | 24,942 | 23,536 | 34,423 | 32,623 |
| Selling, general and administrative expenses | 22,700 | 20,240 | 20,373 | 22,467 | 20,948 |
| Operating income | 8,807 | 4,701 | 3,163 | 11,956 | 11,675 |
| Other income (expenses) | (5,883) | (2,227) | (4,307) | (3,771) | (2,327) |
| (Loss) Income before income taxes, minority interest | 2,924 | 2,474 | (1,144) | 8,185 | 9,348 |
| Income taxes | 4,468 | 1,946 | 586 | 4,666 | 4,714 |
| Net income | 1,294 | 803 | (1,805) | 3,421 | 4,630 |

BALANCE SHEETS

| | | | | | |
|---|-----------------|----------|----------|---------|---------|
| Total current assets | ¥109,067 | ¥107,737 | ¥100,704 | ¥98,924 | ¥96,398 |
| Total investments and long-term receivables | 10,629 | 8,085 | 11,675 | 7,939 | 5,953 |
| Property, plant and equipment, at cost | 54,520 | 50,250 | 54,105 | 48,466 | 47,203 |
| Other assets | 1,341 | 1,645 | 1,019 | 3,161 | 3,498 |
| Total assets | 175,558 | 170,766 | 168,996 | 158,762 | 153,306 |
| Total current liabilities | 61,112 | 62,013 | 66,217 | 62,198 | 62,674 |
| Total long-term liabilities | 54,856 | 47,182 | 40,544 | 30,115 | 30,476 |
| Minority interests | 189 | 168 | 247 | 200 | 108 |
| Total shareholders' equity | 59,400 | 61,402 | 61,988 | 66,249 | 60,048 |
| Total liabilities and shareholders' equity | 175,558 | 170,766 | 168,996 | 158,762 | 153,306 |

PER SHARE

| | Yen | | | | |
|--------------------------------------|----------------|---------|---------|---------|---------|
| Shareholders' equity per share | ¥472.92 | ¥485.57 | ¥488.26 | ¥517.74 | ¥488.83 |
| Net income per share | 10.24 | 6.34 | (14.16) | 27.03 | 37.75 |
| Cash dividends per share | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |

CONSOLIDATED BALANCE SHEETS

Sanken Electric Co., Ltd.
March 31, 2001 and 2000

| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|--|------------------|------------------|---------------------------------------|
| | 2001 | 2000 | 2001 |
| ASSETS | | | |
| Current assets: | | | |
| Cash and deposits (Note 3) | ¥ 12,833 | ¥ 25,830 | \$ 103,575 |
| Notes and accounts receivable: | | | |
| Trade and other | 46,676 | 43,967 | 376,723 |
| Less allowance for doubtful receivables | (96) | (285) | (775) |
| | <u>46,579</u> | <u>43,681</u> | <u>375,940</u> |
| Inventories (Note 5) | 44,934 | 35,501 | 362,663 |
| Deferred tax assets (Note 8) | 1,753 | 1,084 | 14,149 |
| Other current assets | 2,966 | 1,639 | 23,939 |
| Total current assets | <u>109,067</u> | <u>107,737</u> | <u>880,282</u> |
| Investments and long-term receivables: | | | |
| Investments in unconsolidated subsidiaries and affiliates | 1,222 | 1,097 | 9,863 |
| Investments in other securities (Note 4) | 5,737 | 4,680 | 46,303 |
| Deferred tax assets (Note 8) | 1,930 | 99 | 15,577 |
| Other long-term receivables | 1,739 | 2,208 | 14,036 |
| Less allowance for doubtful receivables | (0) | (0) | (0) |
| Total investments and long-term receivables | <u>10,629</u> | <u>8,085</u> | <u>85,787</u> |
| Property, plant and equipment, at cost (Note 6): | | | |
| Land | 4,360 | 4,283 | 35,190 |
| Buildings | 45,128 | 44,086 | 364,229 |
| Machinery and equipment | 114,745 | 101,998 | 926,110 |
| Construction in progress | 3,145 | 2,214 | 25,383 |
| | <u>167,380</u> | <u>152,582</u> | <u>1,350,928</u> |
| Less accumulated depreciation | (112,859) | (102,331) | (910,888) |
| Property, plant and equipment, net | <u>54,520</u> | <u>50,250</u> | <u>440,032</u> |
| Other assets | 1,341 | 1,645 | 10,823 |
| Translation adjustments | — | 3,047 | — |
| Total assets | <u>¥ 175,558</u> | <u>¥ 170,766</u> | <u>\$1,416,993</u> |

The accompanying notes are an integral part of the consolidated financial statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|---|------------------|------------------|---------------------------------------|
| | 2001 | 2000 | 2001 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Short-term bank loans (Note 6) | ¥ 10,855 | ¥ 13,577 | \$ 87,611 |
| Current portion of long-term debt (Note 6) | 5,608 | 8,159 | 45,262 |
| Notes and accounts payable: | | | |
| Trade and other | 30,141 | 29,403 | 243,269 |
| Construction | 527 | 272 | 4,253 |
| | 30,668 | 29,676 | 247,522 |
| Accrued expenses | 7,867 | 6,860 | 63,495 |
| Income taxes payable (Note 8) | 3,664 | 2,096 | 29,572 |
| Deferred tax liabilities (Note 8) | 4 | — | 32 |
| Other current liabilities | 2,442 | 1,643 | 19,709 |
| Total current liabilities | 61,112 | 62,013 | 493,236 |
| Long-term liabilities: | | | |
| Long-term debt (Note 6) | 48,044 | 45,433 | 387,764 |
| Accrued retirement benefits to directors | 527 | 472 | 4,253 |
| Accrued employees' retirement benefits (Note 7) | 6,083 | 668 | 49,096 |
| Deferred tax liabilities (Note 8) | 32 | 406 | 258 |
| Other long-term liabilities | 169 | 201 | 1,364 |
| Total long-term liabilities | 54,856 | 47,182 | 442,744 |
| Minority interests | 189 | 168 | 1,525 |
| Shareholders' equity: | | | |
| Common stock, ¥50 per value: | | | |
| Authorized: | | | |
| 2001—257,150,000 shares | | | |
| 2000—258,000,000 shares | | | |
| Issued: | | | |
| 2001—125,606,866 shares | 20,880 | — | 168,523 |
| 2000—126,456,866 shares | — | 20,880 | — |
| Capital surplus | 21,103 | 21,103 | 170,323 |
| Retained earnings (Note 9) | 18,986 | 19,420 | 153,236 |
| Translation adjustments | (1,568) | — | (12,655) |
| Less common stock in treasury, at cost: | | | |
| 2,334 shares in 2001 and 2,594 shares in 2000 | (0) | (1) | (0) |
| Total shareholders' equity (Note 15) | 59,400 | 61,402 | 479,419 |
| Contingent liabilities (Note 10) | | | |
| Total liabilities and shareholders' equity | ¥ 175,558 | ¥ 170,766 | \$1,416,933 |

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Sanken Electric Co., Ltd.
Years ended March 31, 2001 and 2000

| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|---|---|----------------|---------------------------------------|
| | 2001 | 2000 | 2001 |
| Net sales | ¥ 158,710 | ¥ 136,529 | \$1,280,952 |
| Cost of sales | 127,202 | 111,586 | 1,026,651 |
| | Gross profit | 24,942 | 254,294 |
| Selling, general and administrative expenses (Notes 6 and 11) | 22,700 | 20,240 | 183,212 |
| | Operating income | 4,701 | 71,082 |
| Other income (expenses): | | | |
| Interest expense | (1,992) | (1,767) | (16,077) |
| Interest and dividend income | 298 | 371 | 2,405 |
| Gain on sales of marketable and investment securities | 604 | 1,948 | 4,875 |
| Payment of early retirement allowances | — | (359) | — |
| Exchange gain (loss) | 1,152 | (1,849) | 9,298 |
| Net retirement benefit obligation at transition (Note 7) | (5,252) | — | (42,389) |
| Other, net | (694) | (572) | (5,601) |
| | (5,883) | (2,227) | (47,482) |
| Income before income taxes, minority interests | 2,924 | 2,474 | 23,600 |
| Income taxes (Note 8): | | | |
| Current | (4,468) | (1,946) | (36,061) |
| Deferred | 2,866 | 318 | 23,132 |
| Income before minority interests | 1,321 | 846 | 10,662 |
| Minority interests | (27) | (42) | (218) |
| | Net income (Note 15) | 803 | 10,444 |
| Retained earnings at beginning of year | 19,420 | 20,402 | 156,739 |
| Cumulative effect of adoption of deferred tax accounting | — | 444 | — |
| Cash dividends | (1,260) | (1,264) | (10,169) |
| Bonuses to directors | (20) | (20) | (161) |
| Treasury stock | (447) | (862) | (3,608) |
| Adjustments to retained earnings included in consolidation | — | (84) | — |
| | (1,728) | (1,786) | (13,947) |
| | Retained earnings at end of year | ¥ 19,420 | \$ 153,236 |
| | ¥ 18,986 | | |

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Sanken Electric Co., Ltd.
Years ended March 31, 2001 and 2000

| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|---|-----------------|-----------------|---------------------------------------|
| | 2001 | 2000 | 2001 |
| Operating activities | | | |
| Income before income taxes and minority interests in earnings of affiliates | ¥ 2,924 | ¥ 2,474 | \$ 23,600 |
| Depreciation and amortization | 10,692 | 10,085 | 86,295 |
| Reversal of allowance for doubtful receivables | (207) | (30) | (1,671) |
| Interest and dividend income | (298) | (371) | (2,405) |
| Interest expense | 1,992 | 1,767 | 16,077 |
| Increase in accrued retirement benefits to employees | 5,420 | — | 43,745 |
| Gain on sales of marketable securities | — | (1,489) | — |
| Gain on sales of investment securities | (604) | (458) | (4,875) |
| (Increase) decrease in notes and accounts receivable | (3,652) | 634 | (29,475) |
| Increase in inventories | (8,109) | (6,390) | (65,448) |
| (Decrease) increase in notes and accounts payable | (281) | 4,061 | (2,268) |
| Others | 1,477 | 583 | 11,921 |
| Subtotal | 9,353 | 10,865 | 75,488 |
| Interest and dividends received | 330 | 627 | 2,663 |
| Interest paid | (2,005) | (1,933) | (16,182) |
| Income taxes paid | (2,908) | (373) | (23,471) |
| Net cash provided by operating activities | 4,770 | 9,185 | 38,499 |
| Investing activities | | | |
| Purchases of marketable securities | — | (455) | — |
| Proceeds from sales of marketable securities | — | 2,718 | — |
| Purchases of property, plant and equipment | (12,636) | (7,391) | (101,985) |
| Proceeds from sales of property, plant and equipment | 131 | 331 | 1,057 |
| Purchases of investment securities | (16) | (128) | (129) |
| Proceeds from sales of investment securities | 835 | 591 | 6,739 |
| Decrease (increase) in long-term loans | 11 | (57) | 89 |
| Other | 1 | 1,022 | 8 |
| Net cash used by investing activities | (11,673) | (3,368) | (94,213) |
| Financing activities | | | |
| Decrease in short-term bank loans | (2,966) | (4,221) | (23,939) |
| Proceeds from issuance of long-term bank loans | 7,640 | 3,851 | 61,663 |
| Repayment of long-term debt | (9,080) | (2,075) | (73,285) |
| Proceeds from issuance of unsecured bonds | — | 10,000 | — |
| Redemption of bond with warrant | — | (9,220) | — |
| Redemption of treasury stock | (447) | (862) | (3,608) |
| Increase due to exercise of warrants | — | 360 | — |
| Cash dividends paid | (1,260) | (1,264) | (10,169) |
| Payment of dividends to minority interests | (26) | (61) | (210) |
| Other | — | 42 | — |
| Net cash used in financing activities | (6,141) | (3,451) | (49,564) |
| Effect of exchange rate changes on cash and cash equivalents | 248 | (520) | 2,002 |
| Net (decrease) increase in cash and cash equivalents | (12,796) | 1,845 | (103,277) |
| Cash and cash equivalents at beginning of the year | 25,014 | (23,005) | 201,889 |
| Increase in cash and cash equivalents due to change in scope of consolidation | — | 164 | — |
| Cash and cash equivalents at end of the year (Note 3) | ¥ 12,217 | ¥ 25,014 | \$ 98,604 |

The accompanying notes are an integral part of the consolidated financial statements.

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Sanken Electric Co. in accordance with the provisions set forth in the Securities and Exchange Law of Japan and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

(b) Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The consolidated financial statements include the accounts of Sanken Electric Co., Ltd. (the "Company") and all its significant subsidiaries. Significant intercompany transactions and account balances have been eliminated in consolidation. Generally, the difference, if significant in amount, between the cost and equity in the underlying net assets of a consolidated subsidiary at the date acquired is capitalized in the year of acquisition and amortized principally over a five-year period.

Investment in a significant affiliate (a company owned 20% to 50%) is accounted for by the equity method.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost or less; where there has been a persistent decline in the value of such investments, they have been written down.

(c) Securities

Until the year ended March 31, 2000, marketable securities were valued principally at the lower of cost or market, cost being determined by the moving average method, and investment securities other than marketable securities were stated at cost determined by the moving average method.

A new accounting standard for financial instruments, which became effective April 1, 2000, requires that securities be classified into three categories: trading, held-to-maturity or other securities. The effect of the adoption of this standard was to decrease investment securities by ¥1,293 million (\$10,436 thousand), to increase marketable securities by the same amount, and to increase income before income taxes and minority interests by ¥1,609 million (\$12,986 thousand) for the year ended March 31, 2001.

(d) Inventories

Inventories are stated at the lower of cost or market, cost being determined principally by the first-in, first-out method.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment is recorded at cost. Depreciation of property, plant and equipment is princi-

pally computed by the declining-balance method over the estimated useful lives of the respective assets. Significant renewals and betterments are capitalized at cost. Maintenance and repairs are charged to operations. The estimated useful lives are as follows:

| | |
|-------------------------|--------------|
| Building | 4 - 60 years |
| Machinery and equipment | 3 - 11 years |

(f) Foreign Currency Translation

All monetary assets and liabilities of the Company denominated in foreign currencies, regardless of whether these are short-term or long-term, are translated into yen at the exchange rates prevailing as of the fiscal year end, and resulting the gain and loss are credited or charged to income.

Balance sheet accounts and revenue and expense accounts of the foreign consolidated subsidiaries are translated into yen at the exchange rates prevailing at the fiscal year end, except for the components of shareholders' equity which are translated at their historical exchange rates.

A revised accounting standard for foreign currency translation became effective April 1, 2000. The effect of the adoption of this standard on the consolidated financial statements was to increase income before income taxes and minority interests by ¥96 million (\$775 thousand) for the year ended March 31, 2001.

Due to a change effective the year ended March 31, 2001 in the regulations relating to the presentation of translation adjustments, the Company has presented translation adjustments as a component of shareholders' equity and minority interests in consolidated subsidiaries (instead of as a component of assets or liabilities) in its consolidated financial statements for the year ended March 31, 2001.

(g) Derivatives

The Company has entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates. In accordance with a new accounting standard for financial instruments which became effective April 1, 2000, derivatives positions are carried at their fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the respective foreign exchange contract rates.

(h) Research and Development Expenses

Research and development expenses are charged to income when incurred and are included in cost of sales and selling, general and administrative expenses.

(i) Deferred Income Taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements for the years ended March 31, 2001 and 2000 with respect to

the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(j) Leases

The Company leases certain equipment under non-cancelable leases referred to as finance leases. Finance leases other than those which transfer the ownership of the leased property to the Company are accounted for as operating leases.

(k) Appropriation of Retained Earnings

Dividends and other appropriations of retained earnings are reflected in the accompanying consolidated financial statements in the year to which they apply, although they are approved by the shareholders at a meeting held subsequent to such fiscal year end.

(l) Employees' Retirement Benefits

At March 31, 2000, accrued retirement benefits were stated at the amount which would be required to be paid if all employees covered by the retirement benefit plans voluntarily terminated their employment at the balance sheet date, less the amounts expected to be covered by the pension plans.

Costs with respect to the pension plans are funded at an amount determined actuarially. Prior service cost was funded over a period of 20 years. The Company and certain consolidated subsidiaries charged such prior service cost to operations when actuarially determined or when payment became liable.

In accordance with a new accounting standard for

retirement benefits which became effective April 1, 2000, accrued retirement benefits for employees at March 31, 2001 have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of March 31, 2001, as adjusted for the unrecognized net retirement benefit obligation at transition, unrecognized actuarial gain or loss, and unrecognized prior service cost.

The retirement benefit obligation is attributed to each year by a formula method that considers the estimated years of service of the eligible employees. The net retirement benefit obligation at transition is being fully recognized in the current year.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (principally 12 years through 21 years).

The effect of the adoption of the new standard for retirement benefits was to increase retirement benefit expense by ¥5,380 million (\$43,422 thousand) and to decrease income before income taxes and minority interests by ¥5,364 million (\$43,293 thousand) for the year ended March 31, 2001.

(m) Cash Equivalents

For purpose of the statements of cash flows, all highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.

2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥123.90 = \$1.00, the approximate exchange rate prevailing

on March 31, 2001. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

3. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2001:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Cash and deposits | ¥ 12,833 | \$ 103,575 |
| Time deposits with a maturity of more than three months | (368) | (2,970) |
| Bank overdrafts (included in short-term bank loans) | (248) | (2,002) |
| Cash and cash equivalents | ¥ 12,217 | \$ 98,604 |

4. Marketable and Investment Securities

The carrying amounts and related aggregate market value of noncurrent investment securities at March 31, 2001 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|--------------|---------------------------|
| Noncurrent: | | | |
| Carrying amount | ¥ | 5,661 | \$ 45,690 |
| Aggregate market value | | 4,736 | 38,224 |
| Net unrealized losses and deferred tax assets | ¥ | (925) | \$ (7,466) |

5. Inventories

Inventories at March 31, 2001 and 2000 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------------|-----------------|----------|---------------------------|
| | 2001 | 2000 | 2001 |
| Finished products | ¥ 16,058 | ¥ 9,709 | \$ 129,605 |
| Work in process | 15,970 | 15,310 | 128,894 |
| Raw materials and supplies | 12,904 | 10,482 | 104,149 |
| | ¥ 44,933 | ¥ 35,501 | \$ 362,655 |

6. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans are principally secured and generally represent notes. The related weighted average interest rates for the years ended March 31, 2001 and 2000 were approximately 2.15% and 1.51%, re-

spectively.

Long-term debt at March 31, 2001 and 2000 is summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2001 | 2000 | 2001 |
| Secured: | | | |
| Loans payable in yen due serially through 2008 at rates ranging from 1.1% to 8.35% | ¥ 23,654 | ¥ 23,593 | \$190,912 |
| Unsecured: | | | |
| 2.1% bonds due 2003 | 10,000 | 10,000 | 80,710 |
| 2.22% bonds due 2004 | 10,000 | 10,000 | 80,710 |
| 1.0% convertible bonds due 2003 | 9,999 | 9,999 | 80,702 |
| | 53,653 | 53,592 | 433,035 |
| Less current portion | (5,608) | (8,159) | (45,262) |
| | ¥ 48,045 | ¥ 45,433 | \$ 387,772 |

The 1.0% convertible bonds, unless previously redeemed, are convertible at any time up to and including March 28, 2003 into shares of common stock of the Company at the current conversion price of ¥957 (\$7.724) per share.

As is customary in Japan, both short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees (or additional collateral or guarantees as appropriate) for present and future indebtedness will be given at the request of the bank, and that the bank has the right, as the obligations become due, or in the event of default thereon, to offset cash deposits against such obligations due to the bank. Under certain loan agreements relating to long-term debt, the creditors may require the Company to submit proposals for appropriations of retained earn-

ings (including the payment of dividends) for the creditors' review and approval prior to their presentation to the shareholders. None of the creditors has ever exercised these rights.

Certain covenant clauses pertaining to dividends in connection with the issue of the 1.0% convertible bonds due 2003 are summarized as follows:

During the period in which the bonds are outstanding, the Company will not pay an aggregate amount of dividends exceeding the amount of ordinary income less corporation and inhabitants' taxes, plus ¥2.5 billion. Interim dividends are to be treated as a portion of the prior period's dividends.

The aggregate annual maturities of long-term debt subsequent to March 31, 2001 are summarized as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|---------------------------|-----------------|---------------------------|
| 2002 | ¥ 5,608 | \$ 45,262 |
| 2003 | 13,845 | 111,743 |
| 2004 | 15,094 | 121,824 |
| 2005 | 13,642 | 110,105 |
| 2006 and thereafter | 5,462 | 44,084 |
| | ¥ 53,653 | \$ 433,035 |

At March 31, 2001, the assets pledged as collateral for short-term bank loans and long-term debt were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Property, plant and equipment, at net book value | ¥ 21,108 | \$ 170,363 |

7. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions

under which termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2001 for the Company's and the consolidated subsidiaries' defined benefit plans:

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Retirement benefit obligation | ¥ (20,269) | \$ (163,592) |
| Plan assets at fair value | 11,162 | 90,089 |
| Unfunded retirement benefit obligation | (9,106) | (73,495) |
| Unrecognized net retirement benefit obligation at transition | — | — |
| Unrecognized actuarial loss | 3,023 | 24,399 |
| Unrecognized prior service cost | — | — |
| Net retirement benefit obligation | (6,083) | (49,096) |
| Prepaid pension cost | — | — |
| Accrued retirement benefits | ¥ (6,083) | \$ (49,096) |

The components of retirement benefit expenses for the year ended March 31, 2001 are outlined as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Service cost | ¥ 1,212 | \$ 9,782 |
| Interest cost | 589 | 4,754 |
| Expected return on plan assets | (337) | (2,720) |
| Amortization of net retirement benefit obligation at transition | 5,252 | 42,389 |
| Amortization of actuarial loss | — | — |
| Amortization of prior service cost | — | — |
| Total | ¥ 6,717 | \$ 54,213 |

The assumptions used in accounting for the above plans were as follows:

| | Fiscal year 2000 (as of March 31, 2001) |
|--|--|
| Discount rates | 3.0% |
| Expected rate of return on plan assets | 2.0% — 3.5% |

8. Income Taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 41.7% in both 2000 and 2001.

The effective tax rates reflected in the statement of income for the years ended March 31, 2001 and 2000 differ from the statutory tax rate for the following reasons:

| | 2001 | 2000 |
|---|--------------|-------|
| Statutory tax rate | 41.7% | 41.7% |
| Effect of: | | |
| Expenses permanently not deductible for income tax purposes | 7.1 | 4.4 |
| Dividend income deductible for income tax purposes | (0.9) | (2.5) |
| Inhabitants' per capita taxes | 0.8 | 0.8 |
| Change in valuation allowance | 7.8 | 16.8 |
| Amortization of consolidation goodwill | 6.5 | 3.8 |
| Foreign tax rate differential | (8.5) | — |
| Other, net | 0.3 | 0.8 |
| Effective tax rates | 54.8% | 65.8% |

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2001 and 2000 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|------------------------------|
| | 2001 | 2000 | 2001 |
| Deferred tax assets: | | | |
| Net operating loss carryforward | ¥ 3,001 | ¥ 2,850 | \$ 24,221 |
| Accrued bonuses | 511 | 390 | 4,124 |
| Accrued retirement benefits | 2,351 | 160 | 18,975 |
| Business tax payable | 298 | 136 | 2,405 |
| Unrealized holding gain | 290 | — | 2,341 |
| Other | 1,871 | 1,094 | 15,101 |
| Total deferred tax assets | 8,324 | 4,632 | 67,183 |
| Valuation allowance | (2,079) | (2,692) | (16,780) |
| Total deferred tax assets, net | 6,245 | 1,939 | 50,404 |
| Deferred tax liabilities: | | | |
| Fixed assets | (1,585) | — | (12,793) |
| Reserve for special depreciation | (697) | (862) | (5,626) |
| Other | (315) | (300) | (2,542) |
| Deferred tax liabilities | (2,598) | (1,162) | (20,969) |
| Net deferred tax assets | ¥ 3,647 | ¥ 777 | \$ 29,435 |

9. Retained Earnings

The Commercial Code of Japan provides that at least 10% of all appropriations of retained earnings, including cash dividends paid and bonuses to directors and statutory auditors, be appropriated to the legal reserve until such reserve equals 25% of the amount of common stock. This reserve is not available for dividends

but may be used to reduce or eliminate a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors.

The legal reserves of the consolidated subsidiaries are included in retained earnings in the accompanying consolidated financial statements.

10. Contingent Liabilities

Contingent liabilities at March 31, 2001 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|--|------------------------------|
| As endorsers of trade notes discounted | ¥ 197 | | \$ 1,590 |
| As guarantors of indebtedness of employees | 22 | | 178 |
| | ¥ 219 | | \$ 1,768 |

11. Research and Development Expenses

Research and development expenses for the years ended March 31, 2001 and 2000 were ¥8,521 million

(\$68,773 thousand) and ¥7,293 million, respectively.

12. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased property at March 31, 2001 and 2000,

which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|---------|---------------------------|
| | 2001 | 2000 | 2001 |
| Acquisition costs | ¥ 1,544 | ¥ 1,492 | \$ 12,462 |
| Accumulated depreciation | 919 | 834 | 7,417 |
| Net book value | ¥ 625 | ¥ 657 | \$ 5,044 |

With respect to finance lease contracts other than those under which the title of the leased equipment will be transferred to the Company by the end of the contract period, annual lease expenses for the years ended

March 31, 2001 and 2000 and future minimum payments subsequent to March 31, 2001 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------|-----------------|-------|---------------------------|
| | 2001 | 2000 | 2001 |
| Lease expenses | ¥ 333 | ¥ 332 | \$ 2,688 |
| Future minimum payments: | | | |
| Within one year | ¥ 271 | ¥ 285 | \$ 2,187 |
| Over one year | 353 | 371 | 2,849 |
| | ¥ 625 | ¥ 657 | \$ 5,044 |

13. Derivatives

Summarized below are the contract amounts and estimated fair value of the Company's derivative financial

instruments at March 31, 2001:

| | Millions of yen | | Thousands of U.S. dollars | |
|-------------------------------|-----------------|----------------------|---------------------------|----------------------|
| | Contract amount | Estimated fair value | Contract amount | Estimated fair value |
| Forward exchange contracts: | | | | |
| To sell U.S. dollars | ¥ 5,254 | ¥ 5,866 | \$42,405 | \$47,345 |
| To sell pounds sterling | ¥ 948 | ¥ 1,046 | \$ 7,651 | \$ 8,442 |

14. Segment Information

(a) Business segment information

The business segment information of the Company

and its consolidated subsidiaries for the years ended March 31, 2001 and 2000 is summarized as follows:

| Millions of yen | | | | | | |
|--|---------------------------|--|--|------------------|---------------------------------|-------------------|
| | Semiconductor Business | Switching Power Supply Business | Power Supply Equipment Business | Total | Eliminations or Corporate | Consoli- dated |
| <u>Year ended March 31, 2001</u> | | | | | | |
| I. Sales: | | | | | | |
| (1) Sales to third parties | ¥ 110,182 | ¥ 27,565 | ¥ 20,962 | ¥ 158,710 | ¥ — | ¥ 158,710 |
| (2) Intersegment sales | 338 | 275 | — | 613 | (613) | — |
| Total sales | <u>110,521</u> | <u>27,840</u> | <u>20,962</u> | <u>159,324</u> | <u>(613)</u> | <u>158,710</u> |
| Operating expenses | <u>97,898</u> | <u>29,100</u> | <u>21,209</u> | <u>148,208</u> | <u>1,694</u> | <u>149,902</u> |
| Operating income (loss) | <u>12,623</u> | <u>(1,260)</u> | <u>(247)</u> | <u>11,115</u> | <u>(2,307)</u> | <u>8,807</u> |
| II. Assets, depreciation expenses, capital expenditure: | | | | | | |
| Assets | 102,492 | 34,592 | 17,017 | 154,102 | 21,456 | 175,558 |
| Depreciation expenses | 9,161 | 714 | 261 | 10,137 | 100 | 10,238 |
| Capital expenditure | 11,387 | 1,533 | 196 | 13,117 | 9 | 13,126 |
| <u>Year ended March 31, 2000</u> | | | | | | |
| I. Sales: | | | | | | |
| (1) Sales to third parties | ¥ 94,574 | ¥ 23,396 | ¥ 18,558 | ¥ 136,529 | ¥ — | ¥ 136,529 |
| (2) Intersegment sales | 548 | — | — | 548 | (548) | — |
| Total sales | <u>95,122</u> | <u>23,396</u> | <u>18,558</u> | <u>137,077</u> | <u>(548)</u> | <u>136,529</u> |
| Operating expenses | <u>87,259</u> | <u>24,470</u> | <u>18,537</u> | <u>130,268</u> | <u>1,559</u> | <u>131,827</u> |
| Operating income (loss) | <u>7,862</u> | <u>(1,074)</u> | <u>20</u> | <u>6,809</u> | <u>(2,107)</u> | <u>4,701</u> |
| II. Assets, depreciation expenses, capital expenditure: | | | | | | |
| Assets | 90,145 | 31,238 | 14,991 | 136,375 | 34,391 | 170,766 |
| Depreciation expenses | 8,846 | 686 | 226 | 9,759 | 98 | 9,859 |
| Capital expenditure | 6,460 | 598 | 175 | 7,234 | 491 | 7,725 |
| Thousands of U.S. dollars | | | | | | |
| | Semiconductor Business | Switching Power Supply Business | Power Supply Equipment Business | Total | Eliminations or Corporate | Consoli- dated |
| <u>Year ended March 31, 2001</u> | | | | | | |
| I. Sales: | | | | | | |
| (1) Sales to third parties | \$ 889,290 | \$ 222,478 | \$ 169,185 | \$ 1,280,952 | \$ — | \$ 1,280,952 |
| (2) Intersegment sales | 2,728 | 2,220 | — | 4,948 | (4,948) | — |
| Total sales | <u>892,018</u> | <u>224,697</u> | <u>169,185</u> | <u>1,285,908</u> | <u>(4,948)</u> | <u>1,280,952</u> |
| Operating expenses | <u>790,137</u> | <u>234,867</u> | <u>171,178</u> | <u>1,196,190</u> | <u>13,672</u> | <u>1,209,863</u> |
| Operating income (loss) | <u>101,881</u> | <u>(10,169)</u> | <u>(1,994)</u> | <u>89,709</u> | <u>(18,620)</u> | <u>71,082</u> |
| II. Assets, depreciation expenses, capital expenditure: | | | | | | |
| Assets | 827,215 | 279,193 | 137,345 | 1,243,761 | 173,172 | 1,416,933 |
| Depreciation expenses | 73,939 | 5,763 | 2,107 | 81,816 | 807 | 82,631 |
| Capital expenditure | 91,905 | 12,373 | 1,582 | 105,868 | 73 | 105,940 |

(b) Operating revenues by geographic area

Operating revenues by geographic area for the years

ended March 31, 2001 and 2000 are summarized as follows:

| | Millions of yen | | | | | Eliminations or Corporate | Consoli- dated |
|----------------------------------|-----------------|----------|------------------|----------|-----------|---------------------------------|-------------------|
| | Japan | Asia | North America | Europe | Total | | |
| <u>Year ended March 31, 2001</u> | | | | | | | |
| I. Sales: | | | | | | | |
| (1) Sales to third parties | ¥ 116,441 | ¥ 13,446 | ¥ 16,696 | ¥ 12,126 | ¥ 158,710 | ¥ — | ¥ 158,710 |
| (2) Intersegment sales | 13,530 | 16,535 | 10,778 | 628 | 41,473 | (41,473) | — |
| Total sales | 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 (loss) ... | 8,892 | 1,237 | 1,142 | 339 | 11,612 | (2,805) | 8,807 |
| II. Assets | 122,494 | 17,006 | 21,547 | 4,985 | 166,032 | 9,526 | 175,558 |

Year ended March 31, 2000

I. Sales:

| | | | | | | | |
|---------------------------------|---------|--------|--------|--------|---------|----------|---------|
| (1) Sales to third parties | 104,372 | 8,938 | 13,046 | 10,171 | 136,529 | — | 136,529 |
| (2) Intersegment sales | 11,831 | 11,732 | 7,797 | 432 | 31,794 | (31,794) | — |
| Total sales | 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 (loss) ... | 5,759 | 623 | (215) | 160 | 6,327 | (1,625) | 4,701 |
| II. Assets | 110,572 | 13,041 | 17,577 | 5,149 | 146,341 | 24,424 | 170,766 |

Thousands of U.S. dollars

| | Thousands of U.S. dollars | | | | | Eliminations or Corporate | Consoli- dated |
|----------------------------------|---------------------------|------------|------------------|-----------|--------------|---------------------------------|-------------------|
| | Japan | Asia | North America | Europe | Total | | |
| <u>Year ended March 31, 2001</u> | | | | | | | |
| I. Sales: | | | | | | | |
| (1) Sales to third parties ... | \$ 939,798 | \$ 108,523 | \$ 134,754 | \$ 97,869 | \$ 1,280,952 | \$ — | \$ 1,280,952 |
| (2) Intersegment sales | 109,201 | 133,454 | 86,990 | 5,069 | 334,730 | (334,730) | — |
| Total sales | 1,048,999 | 241,985 | 221,751 | 102,946 | 1,615,690 | (334,730) | 1,280,952 |
| Operating expenses | 977,232 | 231,994 | 212,526 | 100,202 | 1,521,961 | (312,090) | 1,209,863 |
| Operating income (loss) .. | 71,768 | 9,984 | 9,217 | 2,736 | 93,721 | (22,639) | 71,082 |
| II. Assets | 988,652 | 137,256 | 173,906 | 40,234 | 1,340,048 | 76,885 | 1,416,933 |

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries, and sales (other than exports to Japan) of the foreign consolidated subsidiaries, totaled ¥69,952 million (\$564,584

thousand) and ¥60,876 million, or 44.1% and 44.6% of the consolidated net sales for the years ended March 31, 2001 and 2000, respectively.

15. Amounts per Share

Amounts per share as of and for the years ended March 31, 2001 and 2000 were as follows:

| | Yen | | U.S. dollars |
|----------------------------------|---------|--------|--------------|
| | 2001 | 2000 | 2001 |
| Net income - primary | ¥ 10.24 | ¥ 6.34 | \$ 0.08 |
| Net income - fully diluted | 9.90 | 6.30 | 0.08 |
| Net assets | 472.92 | 485.57 | 3.82 |

Report of Independent Certified Public Accountants on Consolidated Financial Statements

The Board of Directors and Shareholders Sanken Electric Co., Ltd.

We have audited the consolidated balance sheets of Sanken Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2001 and 2000, the related consolidated statements of income and retained earnings for the two years ended March 31, 2001, and the related consolidated statement of cash flows for the year ended March 31, 2001, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Sanken Electric Co., Ltd. and consolidated subsidiaries at March 31, 2001 and 2000, the consolidated results of their operations for two years ended March 31, 2001, and the consolidated results of their cash flows for the year ended March 31, 2001 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1 to the consolidated financial statements, Sanken Electric Co., Ltd. and consolidated subsidiaries have adopted new accounting standards for employees' retirement benefits, financial instruments, and foreign currency translations effective the year ended March 31, 2001 in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Century Ota Showa & Co.

June 28, 2001

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Sanken Electric Co., Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

Corporate Data

As of March 31, 2001

| | |
|----------------------|---------------------------|
| Company Name: | Sanken Electric Co., Ltd. |
|----------------------|---------------------------|

| | |
|-----------------|-------------------|
| Founded: | September 5, 1946 |
|-----------------|-------------------|

| | |
|----------------------|---|
| Headquarters: | 3-6-3 Kitano, Niiza-shi, Saitama-ken 352-8666, Japan Telephone: 048-472-1111 Facsimile: 048-471-6249 |
|----------------------|---|

| | |
|-------------------|-------|
| Employees: | 1,437 |
|-------------------|-------|

| | |
|----------------------|--|
| Common Stock: | Par value: ¥50 Authorized: 257,150,000 shares Issued: 125,606,866 shares |
|----------------------|--|

| | |
|----------------------|--------|
| Shareholders: | 20,926 |
|----------------------|--------|

Sanken on the Internet:

Sanken's Investor Relations Home Page on the World Wide Web offer a wealth of corporate information, including the latest annual report and financial results.

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

Board of Directors and Statutory Auditors

As of March 28, 2001

| | |
|------------------|-------------|
| President | Yuji Morita |
|------------------|-------------|

| | |
|---------------------------------|-------------|
| Executive Vice President | Takao Anzai |
|---------------------------------|-------------|

| | |
|----------------------------------|----------------------------------|
| Senior Managing Directors | Jin Ishibashi Hirohito Sekine |
|----------------------------------|----------------------------------|

| | |
|---------------------------|---|
| Managing Directors | Akiyuki Nakoji Kiyoshi Imaizumi Teruo Esumi |
|---------------------------|---|

| | |
|------------------|---|
| Directors | Takayoshi Terashima Takahiro Fukushima Hidejiro Akiyama Isao Bansaku Isao Tokiwa Naoharu Tsujimoto |
|------------------|---|

| | |
|-------------------------|----------------|
| Standing Auditor | Yoshito Matsui |
|-------------------------|----------------|

| | |
|-----------------|-------------------------------|
| Auditors | Kiyokane Imai Sadao Asaoka |
|-----------------|-------------------------------|

Sanken Electric Co.,Ltd

Headquarters

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352-8666, Japan
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Niiza Plant

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Facsimile: 011-210-0877

Sendai Sales Office

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Kanazawa Sales Office

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Honmachi, Kanazawa-shi, Ishikawa-
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Kyushu Sales Office

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Ekimae, Hakata-ku Fukuoka-shi,
Fukuoka-ken 812-0011, Japan
Telephone: 092-411-5871
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Sanken Group Companies

Domestic:

Ishikawa Sanken Co., Ltd.

Ha-5 Aza-Nashitanikoyama, Shika-
machi, Hakui-gun, Ishikawa-ken
925-0151, Japan
Telephone: 0767-32-8111
Facsimile: 0767-32-5777

Yamagata Sanken Co., Ltd.

5600-2 Oaza Higashine-ko,
Higashine-shi, Yamagata-ken
999-3701, Japan
Telephone: 0237-43-5511
Facsimile: 0237-43-4547

Kashima Sanken Co., Ltd.

8073 Yatabe, Hasaki-machi,
Kashima-gun, Ibaraki-ken 314-0341,
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Facsimile: 0479-48-1212

Fukushima Sanken Co., Ltd.

15 Miyado, Nihonmatsu-shi,
Fukushima-ken 964-0811, Japan
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Sanken Transformer Co., Ltd.

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Sanken Kosan Co., Ltd.

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Facsimile: 508-856-7434

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